GREEN GROWTH BRANDS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE 13 AND 26 WEEKS ENDED DECEMBER 28, 2019 AND THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Green Growth Brands Inc. (formerly Xanthic Biopharma Inc. ("**Xanthic**")) ("GGB" or the "Company") was incorporated under the *Business Corporations Act* (Ontario). On November 9, 2018, Green Growth Brands Ltd. ("**GGB Ltd.**") was acquired by Xanthic in a reverse takeover transaction.

GGB is in the business of creating and retailing cannabis-derived consumer goods. There are two business segments: cultivating, processing, branding, retailing and wholesaling THC-based cannabis products and formulating, branding, retailing and wholesaling CBD-based consumer goods.

The Company's objective is to bring the best practices from traditional retail and consumer packaged goods to create high-quality cannabis products and consumer retail experiences. The Company has achieved this by acquiring licenses to cultivate, process and retail THC-based cannabis products in Nevada, Florida and Massachusetts and operating a chain of 195 mall-based shops and an eCommerce platform retailing CBD-based consumer goods.

The Company changed its fiscal year end from a fiscal year ending June 30 to a 52/53-week fiscal year ending on the Saturday closest to June 30, effective beginning with fiscal year 2020. In a 52-week fiscal year, each of the Company's quarterly periods will comprise 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter, making such quarter consist of 14 weeks. The Company's first 53-week fiscal year will occur in fiscal year 2021. The Company believes the change in fiscal year provides numerous benefits, including aligning the Company's reporting periods to be more consistent and improving comparability between periods. The Company made the fiscal year change on a prospective basis and has not adjusted operating results for prior periods. The change impacts the prior year comparability of the Company's fiscal quarters in 2019, and will result in shifts in the quarterly periods, will have an impact on quarterly financial results, however such shifts will not have a material impact on the comparability of the financial statements.

The Company's registered office is 5300 Commerce Court West 199 Bay Street, Toronto, Ontario M5L 1B9.

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of February 25, 2019, and provides an update on matters discussed in, and should be read in conjunction with the Company's consolidated financial statements as at and for the year ended June 20, 2019 (the "2019 Consolidated Financial Statements") and the unaudited condensed interim consolidated financial statements for the 13 and 26 weeks ended, including the notes thereto, as at and for period ended December 28, 2019 (the "December 2019 Financial Statements"), which have been prepared using International Financial Reporting Standards ("IFRS"), available under the Company's profile at www.sedar.com. All amounts are in United States dollars unless otherwise specified. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "*Caution Concerning Forward Looking Statements*" section in this MD&A.

In this MD&A, reference is made to net revenue per retail selling square foot, gross profit before fair value adjustments, adjusted gross margin and adjusted EBITDA, which are not measures of financial performance under IFRS. For purposes of the MD&A, the Company calculates each as follows:

"Net revenue per retail selling square foot" is defined as annualized net revenue per IFRS divided by the amount of saleable square feet at the Company's retail cannabis locations and/or mall-based CBD kiosk shops. This measure does not include stock rooms, back offices and waiting areas in saleable square feet.

"Gross profit before fair value adjustments" is equal to gross profit less non-cash increases (decreases) in the fair value adjustments on sale of inventory and on growth of biological assets, if any. Management believes this measure provides useful information as it removes fair value metrics tied to increasing (decreasing) stock levels required by IFRS.

"Adjusted gross profit" is equal to gross profit before fair value adjustments divided by revenue. Management believes this measure provides useful information as it represents gross margin based on the Company's cost to produce

inventory sold and removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS.

"Adjusted EBITDA" is equal to net income (loss) before interest, taxes and depreciation and amortization, plus fair value adjustments on sale of inventory and on growth of biological assets, pre-opening expenses, share-based compensation and payments, loss (gain) on equity investments, loss (gain) on foreign exchange, loss (gain) on short-term investments, transaction costs, listing fees, termination and severance expenses and certain one-time non-operating expenses, as determined by management. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by (used for) operations.

These measures are not necessarily comparable to similarly titled measures used by other companies.

The Company currently does, and is expected to continue to, derive its revenues from the cannabis industry in certain states in the United States, which industry is illegal under Federal Law in the United States. GGB is directly involved (through its licensed wholly owned subsidiaries) in the medical or adult-use cannabis industry in the States of Florida, Massachusetts, and Nevada. See "Issuers with U.S. Cannabis-Related Assets". Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "U.S. CSA") in the United States and as such, is in violation of federal law in the United States. Despite the current state of the federal law and the U.S. CSA, certain states have legalized the recreational use of cannabis, including Florida, Massachusetts, and Nevada where the Company has a direct involvement in U.S. cannabis.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law must be applied. Notwithstanding the paramountcy of federal law in the United States, enforcement of such laws may be limited by other means or circumstances, which are further described in this document.

Unless and until the United States Congress amends the U.S. CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, which may adversely affect the current and future operations of the Company in the United States. As such, there are a number of significant risks associated with the Company's existing and future operations in the United States, and such 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 operate in the United States or any other jurisdiction. See "Risk Factors".

For the reasons set forth above, the Company's existing interests and operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. There are a number of significant risks associated with the business of the Company. See "Issuers with U.S. Cannabis-Related Assets" and "Risk Factors".

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. Management has based these forward-looking statements on its current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, management has made assumptions and applied certain factors regarding, among other things: future product pricing; costs of inputs; the Company's ability to successfully market its products to its anticipated clients; the Company's reliance on its key personnel; the certain regulatory requirements; the application of federal and state environmental laws; and the impact of increasing competition. These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks Factors" section of the CSE listing Statement as filed on SEDAR and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements do not guarantee future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

GOING CONCERN ASSUMPTION AND EARLY STAGE CORPORATION

The Company's ability to continue as a going concern is dependent upon its ability to raise the necessary capital to finance the Company's existing obligations and business plan to be a vertically integrated U.S. multi-state cannabis operator and a retailer of branded CBD personal care products, primarily sold in wholly owned kiosk shops in mall locations and eCommerce sites, and through wholesale partnerships, in the U.S. The December 2019 Financial Statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. The amounts the Company may realize on the disposition of its assets or the discharging of its liabilities in other than the normal course of its business may be significantly different than the carrying value of these assets and liabilities as reflected in the December 2019 Financial Statements.

OVERVIEW OF THE COMPANY

Description of Business

GGB operates two distinct lines of business: cannabis cultivation, production, wholesale and retail operations; and CBD-infused consumer product production, wholesale and retail operations. The background of management is in leading retail and consumer-packaged-goods organizations. Management is applying best practice retail and product development methodologies to the Cannabis and CBD Segments in order to elevate and differentiate GGB's offerings.

As of December 28, 2019, the Company had the following cannabis related licenses:

License	# Licenses	Type	State
Medical Cultivation[1,3]	4	Cultivation	Nevada, Florida & Massachusetts
Medical Dispensary[1,3]	40	Retail	Nevada, Florida & Massachusetts
Adult use Dispensary[1,2]	9	Retail	Nevada, US
Medical Production[1,3]	3	Production	Nevada, Florida & Massachusetts
Adult use Cultivation[1]	2	Cultivation	Nevada, US
Adult use Production[1]	1	Production	Nevada, US

1. In Massachusetts, the Company holds provisional certificate of registration for three medical dispensaries, a cultivation and production facility. In November 2019, the Company received provisional licenses pertaining to adult-use dispensary, adult-use cultivation, and adult-use processing.
2. Seven of the retail licenses in Nevada awarded to the Company in December 2018 were provisional at December 28, 2019.
3. The Company's Florida license provides for cultivation and production facilities and up to 35 dispensaries at present.

The Company's licenses noted above include active and provisional retail licenses. In the state of Massachusetts, the Company has a provisional certificate of registration that allows the Company to pursue a cultivation and production facility and up to three dispensaries in the state with preference for adult-use licensing.

Highlights for the 26-week period ended December 28, 2019

During the 26-week period ended December 28, 2019:

- On July 8, 2019, the Company entered into a securities acquisition and contribution agreement with MXY Holdings LLC ("Moxie") for a purchase price of $310 million. The Company announced an agreement to terminate the proposed business combination on December 18, 2019. The Termination Agreement provided for repayment of a $5 million loan (the "Loan") on or before by February 5, 2020 (assuming a five-day cure period following January 31, 2020) and for reimbursement to Moxie of a $4 million termination fee on or before July 1, 2020. The Company has been working to secure a deferral of this obligation and is also seeking short-term financing from certain of its key stakeholders.
- On July 31, 2019, the Company completed the acquisition of Spring Oaks Greenhouses, Inc ("Spring Oaks") for total fair value consideration of $49,400,783. Spring Oaks holds a vertically integrated medical marijuana treatment center license that provides for up to 35 Florida dispensaries, as well as cultivation production facilities.
- On August 14, 2019, the Company announced it had entered into backstop commitment letter with three significant shareholders, to include All Js Greenspace LLC, Chiron Ventures, Inc., and Park Lane Capital Limited (the "Backstop Commitment"). The Backstop Commitment provided for the issuance of up to $77 million of convertible debentures, with $25.05 million available to the Company in order to support operations and capital needs ("Working Capital Tranche") and the balance available in the event that the Company is unable to extend the maturity dates applicable to the Company's existing secured convertible debt (the "Extension Tranche"). On October 7, 2019, the Company released Park Lane Capital from its commitment in exchange for cancellation of the common shares issued as compensation under the applicable commitment letter. The release of Park Lane reduced the available backstop commitment to $67 million. As at December 28, 2019, the Company had drawn down $20,936,845 on this facility. The Company has drawn all amounts available under the Working Capital Tranche for purposes of funding the Company's operations. In addition, for purposes of funding the Company's operations, All Js advanced approximately $1.5 million from the Extension Tranche. Amounts drawn from Extension Tranche to fund operations reduce the funds available to refinance the debentures upon maturity.
- On August 22, 2019, the Company closed the previously announced bought deal short form prospectus offering ("Offering") of units of the Company for aggregate gross proceeds of CAD$50,225,000. Under the Offering the Company sold a total of 20,500,000 Units at a price of CAD$2.45 per Unit. Each Unit is

comprised of one common share of the Company and one half of one common share purchase warrant of the Company (each full warrant, a "Warrant")

- On August 27, 2019, the Company announced the closing of its acquisition of Henderson Organic Remedies, LLC (Henderson or HOR), which was previously disclosed on December 14, 2018. Henderson is the second The+Source dispensary operated by the Company in greater Las Vegas. The productivity of Henderson is similar to that of The+Source Las Vegas.
- On September 5, 2019, the Company completed a private placement for 1,127,543 units ("Compensation Units") at a price of CAD$2.45 per Unit in satisfaction of a portion of the cash commission payable to the syndicate of underwriters of the Company's recently completed CAD$50,225,000 Offering.

RECENT DEVELOPMENTS

Completed Milestones in the 26 weeks ended December 28, 2019

Spring Oaks Acquisition

On June 4, 2019, the Company announced an arm's length definitive agreement to acquire all of the issued and outstanding shares of capital stock of Spring Oaks. Spring Oaks holds a medical marijuana dispensary license and authorization to operate as a Medical Marijuana Treatment Center in the state of Florida. The medical marijuana dispensary license, received in April of this year, authorizes Spring Oaks to initiate production, processing, and dispensing of medical marijuana and marijuana products. The license grants the right, but not the obligation, to open up to 35 dispensaries, subject to an increase to 40 when the Florida Medical Marijuana program surpasses 300,000 patients.

On July 29, 2019, the Company announced amended terms related to the acquisition of Spring Oaks (the "Amendment") and, on July 31, 2019 closed on the acquisition. Pursuant to the Amendment, the fair value of the shares of capital stock of Spring Oaks of $48,706,247 was satisfied by the Company at closing through a combination of: (i) a previously paid deposit of $1,350,000; (ii) a cash payment at closing of $2,000,000, subject to certain adjustments identified in the Agreement; (iii) a cash payment of $3,000,000 paid on August 30, 2019; (iv) the issuance of 7,133,297 common shares of the Company (the "Consideration Shares") to the owners of Spring Oaks representing an aggregate amount of $11,919,866 at a price of $1.64 (CAD$2.15) per Consideration Shares; (v) the issuance of 8,094,210 common shares of the Company (the "Additional Consideration Shares") to the owners of Spring Oaks representing an aggregate amount of $13,236,381, at a price of $1.64 (CAD$2.15) per Additional Consideration Shares; (vi) the issuance of a two-year convertible secured promissory note in the aggregate principal amount of $11,400,000 (the "Two-Year Note"); and (vii) the issuance of a one-year convertible secured promissory note in the aggregate principal amount of $5,800,000 (the "One-Year Note"). The Two-Year Note bears interest at a rate of 15%, payable after the first year, and has a maturity date of 24 months following the date of closing. The Two-Year Note is convertible, on the maturity date, at the option of Spring Oaks, into common shares of the Company at a conversion rate equal to $2.39 (CAD$3.16) and is secured by the Spring Oaks assets. The One-Year Note bears interest at a rate of 15%, simple interest, per annum, and has a maturity date of 12 months following the date of closing. The One-Year Note is convertible, on the maturity date, at the option of Spring Oaks, into common shares of the Company at a conversion rate of $1.72 (CAD$2.28). The One Year Note is secured by the Spring Oaks assets.

Both the Consideration Shares and the Additional Consideration Shares are subject to a lock-up agreement for 20 months following the date of closing, to be released in increments of 1/20 over that time period. In connection with the closing, the Company paid a fee (the "Fee") of $500,000 to a consultant in full satisfaction and settlement of certain finder services performed on the Company's behalf. The Fee was paid through (i) a cash payment in the amount of $250,000 and (ii) the issuance of common shares of the Company in the aggregate amount of $250,000, priced at $1.72 (CAD$2.28), representing the closing market price of the Company's common share on the CSE on the trading day immediately prior to close. This Fee along with $194,536 in legal costs were capitalized to the acquisition for total consideration of $49,400,783.

Bought Deal Financing

On August 22, 2019, the Company closed the previously announced bought deal short form prospectus offering ("Bought Deal Offering") of units of the Company for aggregate gross proceeds of CAD$50,225,000. Under the Offering, the Company sold a total of 20,500,000 units at a price of CAD$2.45 per unit. Each Unit is comprised of one common share of the Company and one half of one common share purchase warrant of the Company (each full warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share at a price of CAD$3.50, subject to adjustment in certain events, for a period of three years from issuance.

The Warrants were approved for listing on the Canadian Securities Exchange under the symbol GGB.WT.

The net proceeds of the Bought Deal Offering are expected to be used by the Company to fund, in part, (i) the balance of the cash purchase price payable in connection with its acquisition of Nevada Organic Remedies LLC, (ii) the cash portion of the purchase price payable by the Company to complete its acquisition of Henderson Organic Remedies LLC, (iii) the deferred cash compensation and certain other fees payable in connection with the Company's acquisition of Spring Oaks Greenhouses, Inc. with (iv) the balance for the Company's ongoing capital expenditures and general corporate purposes.

On September 5, 2019, the Company completed a private placement for 1,127,543 units ("Compensation Units") at a price of CAD$2.45 per Unit in satisfaction of a portion of the cash commission payable to the syndicate of underwriters of the Company's recently completed CAD$50,225,000 Bought Deal Offering. Each Compensation Unit comprised of one common share and one half of one common share purchase warrant of the Company. The terms of the Warrant were the same as the underlying prospectus Bought Deal Offering.

On August 14, 2019 the Company announced that it has entered into backstop commitment letters with each of All Js Greenspace LLC, Park Lane Capital Limited, and Chiron Ventures Inc. (collectively, the "Investors"), pursuant to which the Investors have committed to subscribe for and purchase, in certain circumstances, up to CAD$102,796,241 in the aggregate (approximately $77 million) of convertible debentures (the "Convertible Debentures") of the Company to support the Company's operations and capital needs (the "Commitment Letters").

Pursuant to the terms of the Commitment Letters, the Company is entitled to require each of the Investors to fulfill their respective commitments for a period of 12 months (the "Term") following completion of the Company's previously announced CAD$50,225,000 prospectus offering of units (the "Offering") as follows: (i) as to up to $52,325,000 (in the aggregate), in the event that the Company's existing secured convertible debt cannot be extended or refinanced prior to the maturity date thereof (the "Extension Tranche") and (ii) as to up to $25,050,000 (in the aggregate), in the event the Company requires capital to fund operations during the Term (the "Working Capital Tranche"). The Convertible Debentures, if issued, will have a maturity date of 12 months from the date of issuance (the "Maturity Date") and will be convertible upon the election of the applicable Investor at any time up to and including the Maturity Date into, in respect of the commitments from non-U.S. resident Investors, common shares of the Company ("Common Shares") at a conversion price equal to CAD$2.45 per Common Shares and, in respect of the commitment from the U.S. resident Investor, proportionate voting shares of the Company ("Proportionate Voting Shares") at a conversion price per Proportionate Voting Share equal to CAD$1,225 (being equivalent to CAD$2.45 per common share) divided by the Canadian-US exchange rate on the business day prior to conversion. Interest on the Convertible Debentures will accrue daily and will be payable on the Maturity Date. On the Maturity Date or upon the election of the applicable Investor, the principal amount of the Convertible Debentures shall be payable by the Company in cash (together with all accrued interest payable thereon) or, at the option of the applicable Investor, into Common Shares or Proportionate Voting Shares, as the case may be, at the applicable conversion price, without adjustment for interest accrued on the Convertible Debentures or for dividends or distributions on the Common Shares or Proportionate Voting Shares, as the case may be, issuable upon conversion, all subject to the terms and conditions to be set forth in the definitive form of Convertible Debenture to be issued by the Company in form and in substance satisfactory to the Investor and the Company, each acting reasonably.

If issued, the obligations of the Company under the Convertible Debentures will be secured by a general security agreement over all of the Company's applicable present and after-acquired personal property and will be subordinate

to the Company's existing secured convertible debt. In connection with the Commitment Letters, and following the completion of the Offering, the Company paid the Investors a fee in the aggregate of $3,865,733, payable through the issuance of (i) Common Shares at a price equal to the closing market price of the Common Shares on the trading day immediately prior to such issuance, in the case of the non-U.S. resident Investors and (ii) Proportionate Voting Shares, at a price equal to the closing market price of the Common Shares on the trading day immediately prior to such issuance, multiplied by 500 and divided by the Canadian-U.S. exchange rate on such date, in the case of the U.S. resident Investor.

On October 8, 2019, the Company agreed to release Park Lane Capital Limited ("Park Lane") from its obligation in exchange for cancellation of the Common Shares issued as a fee under the Backstop Commitment. The release of Park Lane reduced the Backstop Commitment from $77 million to $67 million. As at December 28, 2019, the Company had drawn $20,936,845 on this facility.

Henderson Organic Remedies LLC Acquisition

On August 27, 2019, the Company closed on the acquisition of Henderson Organic Remedies LLC ("Henderson"), which operates a 2,693 square foot medical and retail marijuana dispensary facility located in Henderson, Nevada. Henderson becomes the second The +Source dispensary operated by the Company in greater Las Vegas.

The Company, following a February 19, 2019 assignment of the membership interest purchase agreement from HOR Holdings LLC to GGB Nevada LLC, and pursuant to a July 31, 2019 amendment, satisfied the purchase price of $29,216,166 via (a) the cancellation of that certain secured promissory note by between Andrew M. Jolley and Stephen J. Byrne, as makers, and GGB, as holder, in the amount of $15,485,000, (b) the payment of cash consideration of $8,979,500 on closing, of which $1,000,000 was provided as cash advance provided on signing of the second amendment, and (ii) issuance of 3,973,230 common shares on the exercise of warrants with a fair value of $4,751,666 or $1.20 (CAD$1.59) per GGB Share on closing.

Nevada Organic Remedies LLC Acquisition

On August 27, 2019, the Company satisfied the remaining repayment of the purchase note of $15,485,000 executed as part of its previously announced acquisition of Nevada Organic Remedies LLC ("NOR"). NOR operates the Company's initial The+Source location.

Director Resignation

On September 13, 2019, Gary Galitsky resigned from the Board of Directors in order to focus on other business endeavors. The Company has initiated a process to replace Mr. Galitsky.

Florida Cultivation facility

On October 21, 2019, the Company, via its wholly owned subsidiary, Spring Oaks Greenhouses, Inc. ("Spring Oaks"), entered into a 15-year lease (the "Lease") with LCR 14810 94th Ave. LLC through which Spring Oaks will gain access to a cultivation facility in Alachua County, Florida. Spring Oaks has received final approval for the operation of the cultivation facility subject to the Lease and anticipates that the Lease will allow Spring Oaks to support its initial dispensary launch in 2020.

GAOC promissory note extension

The Company executed an amended and restated promissory note, effective November 15, 2019, that provides for a maturity date of March 15, 2020 (the "GAOC Note"). The GAOC Note remains subject to the existing general security agreement. As further consideration for the extension of the maturity date, the GAOC Note is supported by a guarantee by Jay Schottenstein executed in favor of GAOC.

Just Healthy

On November 7, 2019, Just Healthy LLC received provisional approval from the Massachusetts Cannabis Control Commission for its adult-use dispensary, cultivation, and production licenses.

Subsequent to December 28, 2019 activities

Commitment Letter Drawdown

Subsequent to December 28, 2019, the Company has drawn down a further $2,781,000 on the Commitment Letters. The Company has drawn all amounts available to it under the Working Capital Tranche for purposes of funding the Company's operations. In addition, for purposes of funding the Company's operations, All Js advanced approximately $1.5 million from the Extension Tranche. Amounts drawn from Extension Tranche to fund operations reduce the funds available to refinance the debentures upon maturity.

Announced Sale of CBD Business

On February 24, 2020, the Company announced that The BRN Group Inc. ("BRN") has agreed to acquire (the "CBD Transaction") the Company's cannabidiol business (the "CBD Business"). The Company and an affiliate of BRN (the "Purchaser") have executed a "stalking horse" asset purchase agreement (the "Stalking Horse Agreement") in respect of the CBD Transaction pursuant to which the Purchaser will acquire all of the assets and assume the current liabilities and certain other obligations of the CBD Business. It is anticipated that the Company will hold a 20% carried interest in the CBD Business following completion of the CBD Transaction.

In connection with the sale of the CBD Business and upon consummation of same, BRN intends to enter into a strategic advisory and services agreement for the CBD Business with an affiliate of Authentic Brands Group LLC ("ABG"). ABG is a brand development, marketing and entertainment company headquartered in New York City.

Through the CBD Business, GGB sells CBD-infused personal care and beauty products, along with other categories, to consumers through mall-based kiosk shops, eCommerce and wholesale agreements under the Greg Norman, Seventh Sense and Green Lily brands as well as licensed white label brands.

CBD Transaction

Pursuant to the terms of the Stalking Horse Agreement, the Company will sell the assets comprising the CBD Business and the Purchaser will assume the current liabilities and certain other obligations of the CBD Business. The Stalking Horse Agreement includes a 30-day "go shop" period (the "Go Shop Period") which permits the Company, with the assistance of its financial advisor, to actively solicit, evaluate and enter into negotiations with third parties that express an interest in acquiring the CBD Business. The go-shop period expires on March 25, 2020.

The Stalking Horse Agreement also provides for other customary terms for an agreement of this type. A termination fee is payable to the BRN Group in the amount of $750,000 plus customary expense and deposit reimbursement in the event the Stalking Horse Agreement is terminated by the Company during the Go Shop Period to enter into a superior proposal. The obligations of the Purchaser under the Stalking Horse Agreement have been guaranteed by BRN.

In connection with the sale of the CBD Business and upon consummation of same, BRN intends to enter into a strategic advisory and services agreement for the CBD Business with an affiliate of ABG. The BRN Group is a privately held entity that focuses exclusively on the cannabis sector. See "Related Party Transactions and Financial Hardship".

Fairness Opinion

The Special Committee has received an opinion from AltaCorp Capital Inc. ("AltaCorp") to the effect that, as of the date of such opinion, the consideration provided for in the CBD Transaction is fair, from a financial point of view, to the Company, based upon and subject to the assumptions, limitations, qualifications and such other matters as AltaCorp considered relevant.

Strategic Review Process and CBD Sales Process

In connection with the CBD Transaction, the Company has formed a special committee ("Special Committee") of directors to explore a full range of strategic alternatives with respect the CBD Business. The Special Committee's mandate includes overseeing the negotiation of definitive documentation in connection with the CBD Transaction, any competing proposal or other potential transaction, soliciting, evaluating and negotiating any competing offers, pursuing potential sources of financing and considering a full range of strategic alternatives in relation to the business of the Company and potential cost saving measures and other operational efficiencies.

At the recommendation of the Special Committee, the Company has retained AltaCorp as its financial advisor to run a sales process (the "CBD Sales Process") during the Go Shop Period on behalf of the Company.

The Company expects that the net proceeds, if any, of any transaction in respect of the CBD Business would be used primarily for to satisfy obligations of the Company and its subsidiaries and for general working capital purposes and to ensure that the Company continues as a going concern. There can be no assurance that the CBD Transaction or any other transaction in respect of the CBD Business will be completed, or the broader strategic review and CBD Sales Process will result in the completion of any particular transaction or outcome or result in specific measures to conserve cash as the Company addresses its ability to meet its obligations in the near term. See "Cautionary Statements – Going Concern Risk".

Debt Restructuring and Corporate Reorganization

Backstop Debenture Amendments

The Company further announced today a plan of debt restructuring to help position the Company on a path to achieve financial stability, sustainable profitability and growth. As part of these initiatives, the holders of its outstanding $23,717,000 aggregate principal amount of 8.00% secured convertible debentures, which mature one year from issue, with the earliest debenture maturing on October 18, 2020 (the "Backstop Debentures"), have agreed to extend the maturity thereof to 2024 (the "New Maturity Date"). In addition, the interest rate payable on each Backstop Debenture will be reduced to 5.00%. Accrued interest under the Backstop Debentures may be paid, at the option of the Company, either: (i) in cash; or (ii) through the issuance by the Company of additional debentures on the New Maturity Date with a principal amount equal to such interest amount payable, all on the New Maturity Date. In addition, and in consideration of these concessions from the debenture holders, the Company has agreed to reduce the conversion price of each Backstop Debenture from CAD$1,225 per proportionate voting share in the capital of the Company (the "PV Shares") and CAD$2.45 per common share in the capital of the Company (the "Common Shares") to the greater of (i) the market price of the Common Shares on the Canadian Securities Exchange (the "CSE") on the day of this news release and (ii) the volume weighted average trading price of Common Shares on the CSE over the ten trading days following the date of this news release (the "Revised Common Share Conversion Price"). The conversion price per PV Share will be reduced to the Revised Common Share Conversion Price multiplied by 500 (five hundred). A holder of PV Shares may at any time have the option to convert 1 (one) PV Share held into 500 (five hundred) Common Shares. The Debenture Amendments are subject to the requisite approval of the CSE.

Corporate Reorganization

On February 21, 2020, the Company implemented a corporate reorganization as part of its cost reduction initiatives. The reorganization effort will save the Company approximately $4,000,000 in annual general and administrative costs related to home office operations.

Equity Commitment from Key Stakeholders

The Company also announced its intention to raise up to $30 million (the "Gross Proceeds") pursuant to a non-brokered private placement ("Private Placement") of common shares (or proportionate voting shares) of the Company in order to provide funding towards the execution of the Company's business plan for the MSO Segment of its business following completion of the CBD Transaction. The Company has received a commitment from All Js Greenspace to subscribe for $10 million, in the aggregate, of the proposed $30 million Private Placement. It is anticipated that the

Gross Proceeds of the Private Placement will be available to the Company upon the achievement of certain financial and operating milestones. The subscription price for Common Shares under the Private Placement will be the greater of (i) a 10% discount to the then market price of the Common Shares on the CSE on the trading day immediately prior to the date of issuance and (ii) a 10% discount to the volume weighted average trading price of Common Shares on the CSE for the ten trading days immediately prior to the date of issuance (in each case, the "Common Share Subscription Price"). The subscription price per PV Share will be equal to the Common Share Subscription Price multiplied by 500 (five hundred).

Other Company Debt Obligations

The Company is currently in discussions with MXY Holdings LLC ("Moxie") regarding an extension on the Company's repayment of a $5,000,000 note, originally due January 31, 2020, and its reimbursement of $4,000,000 in deal fees to Moxie on or before July 1, 2020 following the previously announced termination of the Company's proposed business combination.

The Company is also in discussions with Spring Oaks Greenhouses, Inc. regarding an extension on the Company's repayment of $17,200,000 aggregate principal amount of 15.00% convertible secured notes, which $5,800,000 principal amount is due on July 31, 2020 and $11,400,000 principal amount is due on July 31, 2021.

The Company has executed an amendment to its license agreement with ABG-Shark LLC, through which the guaranteed minimum royalty payment of $2,000,000, which was to be paid on or before January 1, 2020, is to be satisfied via: (i) a payment of $500,000 on or before February 15, 2020; (ii) a payment of $500,000 on or before March 1, 2020, and (iii) payment of $1,000,000 on or before March 31, 2020 (collectively, the "GMR Payment"). To the extent that any sale or disposition of the CBD assets closes prior to March 31, 2020, the GMR Payment shall be due on such date or will be assumed by the Purchaser. Discussions regarding further deferrals of such payments in light of the strategic review process are also ongoing.

The Company is also in the process of negotiating an extension on the maturity date of its outstanding CAD$39,000,000 promissory note with GA Opportunities Corp. ("GAOC"). The GAOC Promissory Note remains subject to a November 15, 2019 personal guarantee by Jay Schottenstein.

The Company is currently defending, and in January 2020 filed its Statement of Defence against, a claim brought by Friedmann Equities Inc. ("Friedmann"). Friedman's Statement of Claim asserts a breach of contract action related to proposed dispensary activities in the Province of Ontario. The matter is currently pending in the Ontario Superior Court of Justice, Case No. CV-19-00631741-0000.

OPERATIONAL AND REGULATION OVERVIEW

As at December 28, 2019, the Company was operating or active in three states, Nevada, Florida and Massachusetts.

Nevada

Medical marijuana use was legalized in Nevada by a ballot initiative in 2000. In November 2016, voters in Nevada passed an adult-use marijuana measure to allow for the sale of recreational marijuana in the state. The first dispensaries to sell adult-use marijuana began sales in July 2017. The Nevada Department of Taxation ("DOT") is the regulatory agency overseeing the medical and adult use cannabis programs. Cities and counties in Nevada are allowed to determine the number of local marijuana licenses they will issue.

The Company, through its wholly owned subsidiaries, Nevada Organic Remedies ("NOR") and Henderson Organic Remedies ("HOR"), is licensed to possess, cultivate, process, dispense and sell medical and recreational cannabis in the State of Nevada. NOR operates a facility that is approximately 12,000 square feet located in Clark County, Nevada, where cultivation, production, and distribution take place. Both NOR and HOR each operate a The+Source location, with the NOR location serving both medical and recreational customers. With the acquisition of WON, noted above, the Company has a further 12,000 square foot cannabis cultivation facility in Pahrump.

Massachusetts

Massachusetts' medical cannabis market was established by "An Act for the Humanitarian Medical Use of Marijuana" in November 2012 when voters passed Ballot Question 3 "Massachusetts Medical Marijuana Initiative."

In November 2016, Massachusetts voters legalized adult-use cannabis by passing ballot Question 4 – "The Regulation and Taxation of Marijuana Act." In July 2017, the state enacted legislation setting forth the adult-use cannabis framework. In March 2018, the Cannabis Control Commission (the "Commission"), the regulatory body set up to regulate the adult-use market, approved the rules that will govern the industry. While the Commission originally aimed to launch adult-use sales on July 1, 2018, administrative delays resulted in the first adult-use cannabis retail store opening in November 2018.

The Company, through its wholly owned subsidiary Just Healthy, holds provisional certificates of registration for a registered medical marijuana dispensary expected to be located in Northampton, Massachusetts. The license allows for a total of up to three medical dispensaries with preferred treatment for adult use cannabis. In November 2018, Just Healthy received provisional approval for an adult-use dispensary location in Northampton, as well as provisional approval for adult-use cultivation and processing.

Florida

The State of Florida has not legalized the adult-use of cannabis. In 2014, the Florida Legislature passed the Compassionate Use Act which was the first legal medical cannabis program in the state's history. The original Compassionate Use Act only allowed for low-THC cannabis to be dispensed to patients suffering from cancer and epilepsy. In 2016, the Legislature passed the Right To Try Act which allowed for full potency cannabis to be dispensed to patients suffering from a diagnosed terminal condition. Also in 2016, the Florida Medical Marijuana Legalization Initiative was introduced by citizen referendum and passed with a 71.3% majority on November 8. This language amended the state constitution and mandated an expansion of the state's medical cannabis program.

The Florida Medical Marijuana Legalization Initiative, Amendment 2 ("**Amendment 2**"), and the expanded qualifying medical conditions, became effective on January 3, 2017. The Florida Department of Health ("**FDOH**"), physicians, medical marijuana treatment centers ("MMTCs") (f/k/a dispensing organizations), and patients are also subject to Article X Section 29 of the Florida Constitution and §381.986 of the Florida Statutes. On June 9, 2017, the Florida House of Representatives and Florida Senate passed respective legislation to implement the expanded program by replacing large portions of the existing Compassionate Use Act, which officially became law on June 23, 2017. The law regulating Amendment 2 provides for another four licenses to be issued for every 100,000 patients added to the state's medical marijuana registry and currently allows MMTCs to open 35 dispensaries, plus an additional five dispensaries for every 100,000 patients.

The Company is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Florida. The Company, via its subsidiary, Spring Oaks Greenhouses, Inc., has received final approval for the operation of a cultivation facility and anticipates its initial dispensary launch in the state in 2020.

CORPORATE OUTLOOK AND STRATEGY

GGB is a customer-centric retailer whose focus is to earn customer loyalty by creating remarkable cannabis and CBD experiences across all touch points.

GGB has two core differentiators from its competitors: (i) the experience of its management team and (ii) its diversified business model.

Management is comprised of leaders who have been involved in building the strategies and leading the execution at companies that competed in saturated and mature markets.

This experience is being applied to both cannabis retail and CBD-infused products. These two complimentary lines of business allow GGB to participate in both high-growth industries.

Management's experience in retail allows them to critically assess the existing cannabis retail industry and vastly improve the customer experience. These enhancements include, product development, assortment architecture, store and packaging design, real estate selection, accurate inventory demand forecasting, and associate training and retention. All GGB cannabis stores will have the same fundamental retail best practices but may be branded under different names. Store brands and locations will be based upon the local market to best align with local culture and values.

Related to CBD products, GGB's focus is on creating a broad assortment of high-quality, affordably priced CBD-infused products. The products will be sold in mall-based CBD kiosk shops, eCommerce, and wholesale partnerships that include specialty retail, mass merchants, and dispensaries.

Background

On September 4, 2018, the Company, through GGB Nevada, completed the NOR Acquisition pursuant to which it acquired all of the issued and outstanding membership interests of NOR for aggregate consideration of $56,750,000 payable by a combination of cash and a promissory note. NOR is a vertically integrated cannabis operator with cultivation, processing, and retail facilities in Nevada.

On July 17, 2018, the Company advanced on signing of the NOR agreement a deposit of $2,000,000. On September 4, 2018, the Company through GGB Nevada, made the initial cash payment of $30,347,500 required pursuant to the NOR Agreement in connection with the closing of the NOR Acquisition. In addition, on closing of the NOR Acquisition, GGB Nevada delivered to the NOR Members a secured promissory note (the "Purchase Note") in the principal amount of $21,565,000. Following an amendment that extended the maturity date of the Purchase Note from March 4, 2019, to May 4, 2019, the Company repaid $6,080,000 on March 4, 2019, per an amendment to the Purchase Note. Following another amendment on June 24, 2019, the maturity date of the Purchase Note was further extended to August 28, 2019. On August 27, 2019, the Company completed the remaining repayment of the Purchase Note of $15,485,000.

Business Combination

On July 13, 2018, the Company entered into a business combination agreement (the "**Definitive Agreement**") with GGB Ltd., as amended on August 30, 2018, and as amended and restated on October 30, 2018, pursuant to which GGB Ltd. and a wholly-owned subsidiary of the Company would effect a three-cornered amalgamation (the "**Amalgamation**") to form a wholly owned subsidiary of the Company (the "**Business Combination**" or "RTO"). The Business Combination was completed on November 9, 2018.

Following the close of the Business Combination, all the issued and outstanding shares in the capital of GGB Ltd. Shares were acquired by the Company and as consideration, the Company issued to the GGB Ltd. shareholders, on a 3.43522878-for-one basis, 598,613,452 common shares in the capital of the Company in exchange for the then issued and outstanding GGB Ltd. shares. In addition, the Company reorganized its share structure and consolidated all of its issued and outstanding shares (the "**Consolidation**") on the basis of four (4) pre-consolidation shares for one (1) post-Consolidation share.

Following the completion of the Business Combination, previous GGB Ltd. shareholders held approximately 134,382,404 shares in the capital of the Company, representing approximately 81% of the Company's issued and outstanding capital on a non-diluted basis. A deemed value of CAD$1.44 per share was placed on the Company's shares issued in connection with the Business Combination, post-Consolidation.

Prior to the Business Combination, GGB Ltd. completed a private placement for gross proceeds of CAD$55,000,000. GA Opportunities Corp. ("GAOC") subscribed for 15,271,040 common shares in the capital of the Company at CAD$2.00 per share and 12,228,960 common share purchase warrants of the Company, which warrants could be exercised at an exercise price of CAD$2.00 for a further 12,228,960 common shares in the capital of the Company. GAOC exercised its warrants prior to closing on the Business Combination and was issued 12,228,960 additional common shares upon payment of the aggregate exercise price on December 4, 2018.

The Company resumed trading on the CSE on November 13, 2018, following the approval and closing of the Business Combination on November 9, 2018.

The Company has finalized the purchase price allocation of the GGB RTO. The following adjustment was made to the previously disclosed purchase price allocation in the Company's audited consolidated financial statements for the year ended June 30, 2019. The deferred tax liabilities related to the acquisition were estimated to be $3,961,987 and a corresponding increase to goodwill was recorded.

The following represents the final allocation of the purchase price after post-closing adjustments by the Company and the step purchase on the NOR acquisition and subsequent GGB RTO:

	NOR	Xanthic	Total
Cash	$ 877,027	$ 285,393	$ 1,162,420
Accounts receivable	276,449	-	276,449
Other receivables	58,777	67,781	126,558
Inventory	1,319,159	177,665	1,496,824
Property, plant and equipment	347,704	122,153	469,857
Equity Investment	-	838,688	838,688
Investment in NOR	-	56,750,000	56,750,000
Intangible assets	23,555,000	3,937,893	27,492,893
Goodwill	34,722,472	826,958	35,549,430
Accounts payable and accrued liabilities	(1,271,559)	(547,274)	(1,818,833)
Deferred tax liability	(3,135,029)	(826,958)	(3,961,987)
Other financial liabilities	-	(3,137,500)	(3,137,500)
Interest bearing Loans	-	(53,912,500)	(53,912,500)
	$ 56,750,000	**$ 4,582,299**	**$ 61,332,299**
Fair value of consideration paid:			
Cash	$ 32,347,500	$ -	$ 32,347,500
Promissory note	21,565,000	-	21,565,000
Common Shares	2,837,500	4,582,299	7,419,799
	$ 56,750,000	**$ 4,582,299**	**$ 61,332,299**

For more information on the Business Combination please refer to the Company's listing statement as filed under the Company's profile on SEDAR on November 12, 2018.

Business and Asset Acquisition Accounting

Spring Oaks acquisition

Since Spring Oaks did not meet the definition of a business under IFRS 3 – *Business Combinations*, the acquisition was accounted for as a purchase of Spring Oak's assets. The consideration paid included as cash, convertible debt, and equity-settled share-based payments accounted for under IFRS 2. The equity settled portion was measured at the fair value of the equity of the Company issued to the shareholders of Spring Oaks on the date of closing as noted above. IFRS requires the acquisition of the net assets of Spring Oaks to be measured at the fair value of the net assets, unless the fair value cannot be reliably estimated or the transaction lacks commercial substance. The acquisition of Spring Oaks was determined to have commercial substance and the fair value of the consideration paid was determined to be more reliably measurable than the net assets acquired.

The entire consideration provided on closing of the acquisition of Spring Oaks whose fair value was determined to be $49,400,783 was considered the acquisition of intangible assets consisting of licenses and permits in the state of Florida. Through the Spring Oaks acquisition, the Company acquired the right to operate up to 35 Florida dispensaries and a cultivation and production facility.

Henderson Organic Remedies, LLC ("Henderson" or "HOR")

On August 27, 2019, the Company announced the closing of its acquisition of Henderson, which was previously disclosed on December 14, 2018. Henderson is the second The+Source dispensary operated by the Company in greater Las Vegas. The productivity of Henderson is similar to that of The+Source Las Vegas.

The Company considered this acquisition to have met the definition of a business, as defined in IFRS 3 – *Business Combinations* due to Henderson's productive operating dispensary. The consideration paid was determined based on cash paid and shares issued on closing.

The following represents the preliminary fair value allocation to the identifiable net assets acquired. Remeasurement may be made up to the finalization of the purchase price allocation which cannot be later than August 28, 2020 (one year after the transaction per IFRS 3.45):

	Total
Cash and cash equivalents	276,237
Accounts receivables	13,049
Inventory	671,806
Property and equipment	76,036
Other assets	22,624
Intangible assets	13,215,000
Goodwill	19,165,625
Accounts payable and accrued liabilities	(1,449,061)
Deferred tax liability	(2,775,150)
	29,216,166

Fair value of consideration paid:	
Common shares	4,751,666
Cash	24,464,500
	29,216,166

OVERALL FINANCIAL PERFORMANCE

(Expressed in United States dollars)

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Revenue	$ 21,090,653	$ 3,000,445	$ 33,792,611	$ 3,000,445
Gross profit	6,431,093	143,631	7,822,416	143,631
Adjusted gross profit	7,294,008	(20,263)	9,084,966	(20,263)
Net loss before income taxes	(34,799,689)	(14,163,507)	(64,686,365)	(17,010,044)
Net loss per share	(0.15)	(0.09)	(0.32)	(0.15)
Adjusted EBITDA [1]	(13,921,738)	(8,833,073)	(29,145,433)	(10,716,149)
Cash	3,597,173	31,483,284	3,597,173	31,483,284
Working capital	$ (133,478,662)	$ 26,873,304	$ (133,478,662)	$ 26,873,304

[1] - Non-IFRS measure

- For the 13 and 26 weeks ended December 28, 2019, revenues were $21,090,653 and $33,792,611, respectively, compared to $3,000,445 for the three and six months ended December 31, 2018.
- The Company's gross profit, after fair value adjustments for the sale of inventory and fair value adjustments on biological assets, for the 13 and 26 weeks ended December 28, 2019, was $6,431,093 and $7,822,416, respectively, compared to $143,631 for the three and six months ended December 31, 2018.
- The Company's adjusted gross profit, before fair value adjustments for the sale of inventory and fair value adjustments on biological assets, as reconciled below, for the 13 and 26 weeks ended December 28, 2019, was $7,294,008 and $9,084,966, respectively, compared to a loss of $20,263 for the three and six months ended December 31, 2018.

- The Company's net loss before income taxes for the 13 and 26 weeks ended December 28, 2019, was $34,799,689 and $64,686,365, respectively, compared to a loss of $14,163,507 and $17,010,044 for the three and six months ended December 31, 2018, respectively.
- The Company's adjusted EBITDA, as reconciled below, for the 13 and 26 weeks ended December 28, 2019, was a loss of $13,921,738 and $29,145,433, respectively, compared to a loss of $8,833,073 and $10,716,149 for the three and six months ended December 31, 2018, respectively.
- The Company had cash and cash equivalents of $3,597,173 at December 28, 2019, compared to cash and cash equivalents of $31,483,284 at December 31, 2018.
- The Company had a working capital deficit of $133,478,662 at December 28, 2019 compared to working capital of $26,873,304 at December 31, 2018.

Review of Operations for the 13 and 26 weeks ended December 28, 2019 compared to the three and six months ended December 31, 2018

Results from operations for the 26 weeks ended December 28, 2019, included operations of Henderson from August 28, 2019 to December 28, 2019. The prior comparative period included operations of Nevada Organic Remedies from the date of the RTO, November 9, 2018 to December 31, 2018.

During the 13 and 26 weeks ended December 28, 2019, the Company incurred a net loss after income taxes attributable to owners of the parent of $35,859,443 and $66,059,567, or $0.15 and $0.32 per share, respectively, which included non-operating expenses of $11,322,409 and $17,586,574, respectively. This compares to a net loss of $14,526,683 and $17,373,220, or $0.09 and $0.15 per share, for the three and six months ended December 31, 2018, respectively, which included non-operating expenses of $3,644,412 and $3,800,514, respectively.

During the 13 and 26 weeks ended December 28, 2019, the Company recorded fair value adjustments on the sale of inventory of $335,681 and $1,242,600, respectively, and an unrealized fair value loss on biological assets of $527,234 and $19,950, respectively. This compares to a fair value adjustment on the sale of inventory of $593,670, and an unrealized fair value gain on biological assets of $757,564 in the three and six months ended December 31, 2018. (see "MSO Segment").

As illustrated below, the Company had a net loss from operations for the 13 and 26 weeks ended December 28, 2019 of $23,477,280 and $47,099,791, respectively, before net non-operating expenses of $11,322,409 and $17,586,574, respectively, compared to a net loss from operations of $10,059,380 and $12,510,340 before net non-operating expenses of $3,644,412 and $3,800,514 in the three and six months ended December 31, 2018, respectively.

(Expressed in United States dollars)

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Net operating loss	**$ (23,477,280)**	**$ (10,059,380)**	**$ (47,099,791)**	**$ (12,510,340)**
Loss on equity investments	-	671,578	-	671,578
Gain in fair value of derivative liabilities	(3,938,846)	-	(8,179,556)	-
Interest expense	5,693,009	1,887,378	9,454,486	1,887,595
Accretion on convertible debentures	2,153,706	-	3,563,289	-
Foreign exchange loss	518,057	585,529	29,670	741,414
Realized gain on short term investments	-	(500,073)	-	(500,073)
Transaction costs	6,896,483	1,000,000	12,718,685	1,000,000
	11,322,409	3,644,412	17,586,574	3,800,514
Net loss before listing fees and income taxes	**$ (34,799,689)**	**$ (13,703,792)**	**$ (64,686,365)**	**$ (16,310,854)**

The gain in fair value of derivative liability represents the remeasurement of the embedded liability associated with the convertible Debentures and the One-Year Note and Two-Year Note in connection with the Spring Oaks acquisition and the Backstop Debentures, which the holder has an option to convert their debt into common shares or PV Shares.

Interest expense, net, for the 13 and 26 weeks ended December 28, 2019, was $5,693,009 and $9,454,486, respectively, which included $150,183 expense for the 26-week period related to the NOR Promissory Note; $1,720,274 and $3,440,548, respectively, of expense related to the convertible Debenture; $540,888 of expense related to the backstop convertible debenture; $636,164 and $1,053,205, respectively, of expense related to the One-Year Note and Two-Year Note associated with the Spring Oaks acquisition; $336,274 and $528,073, respectively, of expense related to the GAOC promissory note; $74,795 and $142,192, respectively, of expense related to the Moxie promissory note; and $2,252,410 and $3,500,555, respectively, of expense related to lease liabilities associated with IFRS 16, with the balance related to other interest expense and bank charges. This was partially offset by interest income for the 26 weeks ended December 28, 2019, related to the HOR note receivable of $150,183. This compares to $1,887,378 of interest expense, net, for the three and six months ended December 31, 2018.

The accretion on the convertible debenture represents the amortization of the discount on the convertible Debenture, the Spring Oaks debentures and the Backstop Debentures over their term to their face value on maturity.

Foreign currency exchange loss for 13 and 26 weeks ended December 28, 2019 was a loss of $518,057 and $29,670, respectively, primarily associated with the GAOC promissory note, and certain cash and cash equivalents and accounts payable and accrued liabilities that are denominated in Canadian dollars. The Company does not currently hedge against these foreign exchange fluctuations. This compares to a foreign currency exchange loss of $585,529 and $741,414 for the three and six months ended December 31, 2018, respectively.

Components of transaction costs

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Components of transaction costs				
Acquisition legal and professional fees	7,396,483	1,000,000	9,352,952	1,000,000
Commitment fee paid in shares	(500,000)	-	3,365,733	-
	6,896,483	1,000,000	12,718,685	1,000,000

Transaction costs for the 13 and 26 weeks ended December 28, 2019, were $6,896,483 and $12,718,685, respectively, which included $7,396,483 and $9,352,952, respectively, of transaction related legal and professional fees, primarily associated with the Moxie transaction, including a termination fee of $3,962,804. During the 13 weeks ended December 28, 2019, as previously mentioned the Company agreed to release Park Lane from its obligation in exchange for cancellation of the Common Shares issued as a fee under the Backstop Commitment which was valued at $500,000. Also included in transaction costs for the 26 weeks ended December 28, 2019, was a $3,365,733 non-cash backstop commitment fee paid in the form of shares. During the three and six months ended December 31, 2018, transaction costs of $1,000,000 related to a breakup fee on a cancelled acquisition.

Adjusted EBITDA

One of the measures the Company uses to evaluate its objectives is adjusted EBITDA. Adjusted EBITDA is a non-IFRS financial measure that does not have a standard meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates Adjusted EBITDA as net income (loss) before interest, taxes and depreciation and amortization, plus fair value adjustments on sale of inventory and on growth of biological assets, share-based compensation and payments, loss (gain) on equity investments, loss (gain) on foreign exchange, loss (gain) on short-term investments, transaction costs, listing fees and certain one-time non-operating expenses, as determined by management. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by (used for) operations.

(Expressed in United States dollars)

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Net loss after listing fees before income taxes	**$ (34,799,689)**	**$ (14,163,507)**	**$ (64,686,365)**	**$ (17,010,044)**
Fair value adjustment on sale of inventory	335,681	593,670	1,242,600	593,670
Fair value adjustment on biological assets	527,234	(757,564)	19,950	(757,564)
Stock based compensation	1,649,401	187,640	3,282,323	187,640
Depreciation and amortization	5,661,206	202,561	9,287,735	202,561
Shares issued for services	101,804	1,000,000	101,804	1,567,884
Pre-opening expenses	1,235,974	-	2,201,717	-
Non-operating expenses	11,322,409	3,644,412	17,586,574	3,800,514
Termination and severance	199,292	-	620,688	-
Writedown of developed technology	-	-	573,662	-
Other non-operating expenses	(155,050)	-	623,879	-
Listing fees	-	459,715	-	699,190
	20,877,951	5,330,434	35,540,932	6,293,895
Adjusted EBITDA	**$ (13,921,738)**	**$ (8,833,073)**	**$ (29,145,433)**	**$ (10,716,149)**

For the 13 and 26 weeks ended December 28, 2019, the Company had negative adjusted EBITDA of $13,921,738 and $29,145,433, respectively, compared to $8,833,073 and $10,716,149 for the three and six months ended December 31, 2018, respectively. Included in depreciation and amortization for the 13 and 26 weeks ended December 28, 2019, is amortization of right-of-use assets of $3,903,857 and $6,574,533, respectively. Pre-opening costs represent setup costs prior to the opening of the Company's CBD mall-based kiosks and the Company's MSO Florida and Massachusetts operations.

Adoption of IFRS 16 *Leases* ("IFRS 16")

The Company's financial performance in the 13 and 26 weeks ended December 28, 2019 was materially impacted by the adoption of IFRS 16 Leases, which supersedes IAS 17. IFRS 16 introduced a single lessee accounting model which required substantially all the Company's operating leases to be recorded on balance sheet as a right-of-use asset and a lease liability, representing the right-to-use the underlying asset during the lease term and the obligation to make future lease payments, respectively. The Company implemented the standard on July 1, 2019 using the modified retrospective approach; therefore, the Company's results reflect lease accounting under IFRS 16. Prior year results have not been restated, as permitted under the transition provisions in the standard, and continue to be reported under IAS 17.

Certain lease-related expenses which were previously recorded in operating expenses are now recorded as depreciation on the right-of-use asset and interest expense on the lease liability, line items which are reported below the adjusted EBITDA key performance indicator. The depreciation expense associated with the right-of-use asset is recognized on a straight-line basis over the associated lease term, while the interest expense declines over the life of the lease, as the liability is repaid. From a measurement perspective, lease-related expenses are higher in the first half of the lease term, and lower in the second half when compared to the previous accounting method because of the recognition pattern for interest expense.

The impact of this adoption on the Company's statement of loss and comprehensive loss is as follows:

- Depreciation of the right-of-use assets included in the statement of loss and comprehensive loss under *Depreciation and amortization* was $3,903,857 and $6,574,533 for the 13 and 26 weeks ended December 28, 2019, respectively;
- Interest on the lease liability associated with the adoption of IFRS 16 is included in the statement of loss and comprehensive loss under *Interest expense* was $2,252,409 and $3,500,555 for the 13 and 26 weeks ended December 28, 2019, respectively.

Refer to Note 3 of unaudited condensed interim consolidated financial statements for further details regarding the adoption of IFRS 16 and impact to the consolidated statement of financial position and opening retained earnings.

MSO SEGMENT

At December 28, 2019, the MSO Segment ("Multi-State operator") primarily represents its operations in Nevada. The Company is still in the process of developing its Massachusetts and Florida operations. The 26 weeks ended December 28, 2019 include operations of Henderson from August 28, 2019 to December 28, 2019. The prior comparative period included operations of Nevada Organic Remedies from the date of the RTO, November 9, 2018 to December 31, 2018.

The Company produces medical and retail marijuana products that are sold through its retail locations and sold wholesale to various other dispensaries. The Company operates two dispensaries in Las Vegas, Nevada, under the brand "The +Source" and offers a comprehensive line of medicinal and retail marijuana, edibles, concentrates, CBD, and topicals.

The Company also operates a 12,000 square foot cultivation and production facility in Las Vegas, Nevada, along with another 12,000 square foot cultivation facility in Pahrump, Nevada. The Company's cultivation capabilities include the use of energy-efficient LED lights during cultivation, integrated pest management practices that reduce the need for pesticides and use of CO2 as a more environmentally conscious extraction method. The facilities also utilize rockwool as a growing medium, providing a more efficient use of space and reducing the waste of thousands of pounds of soil and soil amendments in the cultivation process.

The following reflects operating results of the MSO segment.

Revenue

Below is breakdown of revenue between the MSO segment's retail and wholesale businesses.

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Retail	$ 8,574,576	$ 2,594,583	$ 14,348,368	$ 2,594,583
Wholesale	1,538,051	341,099	3,319,361	341,099
	$ 10,112,627	**$ 2,935,682**	**$ 17,667,729**	**$ 2,935,682**

The MSO segment achieved annualized revenue of $15,127 and $15,079 per retail selling square foot for the 13 and 26 weeks ended December 28, 2019, respectively, compared to $15,177 for the three and six months ended December 31, 2018.

Gross profit

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Revenue	$ 10,112,627	$ 2,935,682	$ 17,667,729	$ 2,935,682
Cost of goods sold	(5,953,122)	(1,846,179)	(10,528,396)	(1,846,179)
Gross profit before fair value adjustments	4,159,505	1,089,503	7,139,333	1,089,503
Fair value change in biological assets included in inventory sold and other charges	335,681	593,670	1,242,600	593,670
Unrealized loss (gain) on changes in fair value of biological assets	527,234	(757,564)	19,950	(757,564)
Gross Profit	**$ 3,296,590**	**$ 1,253,397**	**$ 5,876,783**	**$ 1,253,397**

The MSO segment had gross profit after fair value adjustments for the sale of inventory and fair value adjustments on biological assets of $3,296,590 and $5,876,783 for the 13 and 26 weeks ended December 28, 2019, respectively, compared to $1,253,397 for the three and six months ended December 31, 2018. The Company experienced lower production yields, and as a result cost per gram produced increased from $1.24 for the year ended June 30, 2019 to $1.51 during the 26-week period ended December 28, 2019. Subsequent to December 28, 2019, the Company has taken steps to address lower yields by changing cultivation personnel, changes in product strains, and refining cultivation procedures. The Company regularly updates its selection of strains and anticipated yields will fluctuate over time based on the current portfolio being cultivated.

In accordance with IFRS, the Company is required to record its biological assets at fair value. As biological assets move through the production process, capitalized production costs and the fair value on the eventual sale of the cannabis from the plants are both recognized under IFRS based on the stage of completion of the biological assets. The fair value portion of the biological assets is recognized as unrealized gains from the change in fair value of biological assets in the statement of comprehensive income for the reporting period. At the time of harvest, the biological assets are transferred to inventory and include capitalized production costs to date and the related fair value portion, which is adjusted to the lower of cost or inventory net realizable value. On the eventual sale of inventory, the fair value portion is relieved through unrealized loss on change in fair value on sale of inventory reported in the results of operations.

As detailed in the table below, the MSO segment had gross profit before fair value adjustments of $4,159,505 and $7,139,333 for 13 and 26 weeks ended December 28, 2019, respectively. This compares to $1,089,503 for the three and six months ended December 31, 2018.

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Revenue	$ 10,112,627	$ 2,935,682	$ 17,667,729	$ 2,935,682
Cost of Sales				
Direct costs	(3,922,725)	(1,144,721)	(7,693,034)	(1,144,721)
Indirect costs	(2,030,397)	(701,458)	(2,835,362)	(701,458)
Gross profit before fair value adjustments	$ 4,159,505	$ 1,089,503	$ 7,139,333	$ 1,089,503
Gross margin	41%	37%	40%	37%

Indirect costs represent costs associated with cultivation and production of products sold at retail and to wholesale customers. Included in indirect costs for the 13 and 26 weeks ended December 28, 2019, were salaries of $59,977 and $298,327, wholesale taxes of $1,034,788 and $1,385,823, supplies and materials of $443,161 and $524,381 and product testing of $117,615 and $251,764, respectively. This compares to salaries of $232,458, wholesale taxes of $234,442, supplies and materials of $53,126 and product testing of $52,180 for the three and six months ended December 31, 2018.

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Indirect Costs				
Indirect salaries	59,977	232,458	$ 298,327	$ 232,458
Taxes	1,034,788	234,442	1,382,823	234,442
Supplies and materials	443,161	53,126	524,381	53,126
Product testing	117,615	52,180	251,764	52,180
Other	374,856	129,252	378,067	129,252
	$ 2,030,397	**$ 701,458**	**$ 2,835,362**	**$ 701,458**

The MSO segment had gross margin, before fair value adjustments, of 41% and 40% for the 13 and 26 weeks ended December 28, 2019, respectively, compared to 37% for the three and six months ended December 31, 2018.

Operating costs

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Sales and marketing	$ 2,783,110	$ 822,161	$ 4,493,817	$ 822,161
Depreciation and amortization	528,083	-	670,647	-
Total	**$ 3,311,193**	**$ 822,161**	**$ 5,164,464**	**$ 822,161**

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Salaries	$ 1,353,986	$ 360,823	$ 2,392,191	$ 360,823
Occupancy costs	203,295	72,128	529,832	72,128
License fees	168,311	144,795	290,716	144,795
Advertising	153,401	46,082	234,955	46,082
Pre-opening costs	774,919	-	859,714	-
Other sales and marketing	129,198	198,333	186,409	198,333
Total	**$ 2,783,110**	**$ 822,161**	**$ 4,493,817**	**$ 822,161**

The MSO segment had operating expenses of $3,311,183 and $5,164,464 for the 13 and 26 weeks ended December 28, 2019, respectively. During the 13 and 26 weeks ended December 28, 2019, sales and marketing expenses were $2,783,110 and $4,493,817, respectively, which included personnel costs of $1,353,986 and $2,392,191; occupancy costs of $203,295 and $529,832; licensing fees of $168,311 and $290,716; advertising of $153,401 and $234,955; pre-opening costs of $774,919 and $859,714 related to Florida and Massachusetts; and other sales and marketing costs of $129,198 and $186,409, respectively. Included in sales and marketing are pre-opening costs of $774,919 and $859,714 for the 13 and 26 weeks ended December 28, 2019, which have been excluded from Adjusted EBITDA noted above. This compares to operating expenses of $822,161 for the three and six months ended December 31, 2018, which included personnel costs of $360,823; occupancy costs of $72,128; licensing fees of $144,795; advertising of $46,082; and other sales and marketing costs of $198,333.

For the 13 and 26 weeks ended December 28, 2019, depreciation and amortization included $481,384 and $674,349 of amortization on the right-of-use assets on the adoption of IFRS 16, respectively.

Adjusted MSO operating income

Below table illustrates the operating performance of MSO segment excluding certain non-operating costs such as fair value changes on biological assets, pre-opening costs associated with the Company's Florida and Massachusetts roll out, and depreciation and amortization of right-of-use assets in Florida and Massachusetts.

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Operating income (loss) for MSO segment	$ (14,603)	$ 431,236	$ 712,319	$ 431,236
Adjustments:				
Fair value change in biological assets included in inventory sold and other charges	335,681	593,670	1,242,600	593,670
Unrealized loss (gain) on changes in fair value of biological assets	527,234	(757,564)	19,950	(757,564)
Pre-opening costs	774,919	-	859,714	-
Depreciation and amortization	304,483	-	351,148	-
Adjusted operating income MSO	**$ 1,927,714**	**$ 267,342**	**$ 3,185,731**	**$ 267,342**

MSO segment liquidity and capital resources

Cash flow generated from the MSO segment operations for the 13 and 26 weeks ended December 28, 2019, was $513,480 and $1,382,966, respectively, compared to $126,769 for the three and six-months ended December 31, 2018. As at December 28, 2019, the MSO segment had $1,797,163 in cash and cash equivalents and net negative working capital of $3,999,423, compared to $126,769 and positive working capital $2,290,000 at December 31, 2018.

The Company expects to incur capital expenditures and use working capital to open new dispensaries in Nevada, Massachusetts, and Florida.

In order for the Company to execute on its business strategy, the Company is dependent on its ability to raise additional finances to fund expansion plans.

At December 28, 2019 and June 30, 2019, the Company's inventory and biological assets consisted of the following:

Inventory

	December 28, 2019	June 30 2019
Raw materials	$ 403,046	$ 1,120,577
Work in process	615,439	647,697
Retail inventory	1,263,239	896,568
Total	**$ 2,281,724**	**$ 2,664,842**

Biological assets

	December 28, 2019	June 30, 2019
Opening balance	$ 1,352,097	$ -
Biological assets acquired	-	858,678
Biological assets acquired through business combination	-	916,384
Production costs capitalized	2,412,757	2,347,418
Changes in fair value less costs to sell due to biological transformation	(19,950)	1,012,549
Transferred to inventory	(3,059,160)	(3,782,932)
Closing balance	**$ 685,744**	**$ 1,352,097**

CBD SEGMENT

The CBD Segment sells CBD-infused personal care and beauty products, along with other categories, to consumers through mall-based kiosk shops, eCommerce and wholesale agreements under the Seventh Sense brand and white label brands. The product categories include therapeutic, face care, body care, shower and bathroom, and sleep.

Revenue

Below is a breakdown of revenue between the CBD segment's direct to consumer retail business and its wholesale business.

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Direct to Consumer	$ 8,692,581	$ -	$ 11,692,756	$ -
Wholesale	2,285,445	64,763	4,432,126	64,763
	$ 10,978,026	**$ 64,763**	**$ 16,124,882**	**$ 64,763**

The Company launched its first mall-based kiosk shop in February 2019. The Company began the 13 and 26-week periods ended December 28, 2019 with 139 and 58 mall-based kiosk shops, respectively and ended the period with 195 shops in 34 States.

Gross profit

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Revenue	$ 10,978,026	$ 64,763	$ 16,124,882	$ 64,763
Cost of Sales	(6,565,210)	(116,584)	(11,141,594)	(116,584)
Gross profit	**$ 4,412,816**	**$ (51,821)**	**$ 4,983,288**	**$ (51,821)**
Gross margin	40%	-80%	31%	-80%

For the 13 and 26 weeks ended December 28, 2019, cost of sales reflected development costs associated with new product, logistics costs associated with the roll out of new stores and pre-launch royalty fees of $521,739 and $1,043,478, respectively, associated with the Greg Norman branded product, which the Company launched in October 2019.

Operating Costs

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Sales and marketing	$ 11,937,442	$ 9,477	$ 20,297,451	$ 9,477
Depreciation and amortization	4,509,254	-	7,374,804	-
Total	**$ 16,446,696**	**$ 9,477**	**$ 27,672,255**	**$ 9,477**

During the 13 and 26 weeks ended December 28, 2019, the CBD Segment incurred operating expenses of $16,446,696 and $27,672,255, respectively. Sales and marketing for the 13 and 26 weeks ended December 28, 2019 include personnel costs of $5,003,101 and $8,322,472; advertising costs of $3,153,657 and $5,120,312, primarily associated with the opening of mall-based kiosk shops; occupancy costs of $395,340 and $965,594; professional fees of $537,281 and $767,133; supplies, postage and credit card fees of $880,955 and $1,364,080; travel of $176,249 and $479,906; and other expenses of $492,081 and $1,098,228, respectively. Also included in sales and marketing for the 13 and 26 weeks ended December 28, 2019, are pre-opening costs of $1,298,778 and $2,179,726, respectively, which have been excluded from Adjusted EBITDA noted above.

For the 13 and 26 weeks ended December 28, 2019, depreciation and amortization included $3,240,594 and $5,536,425, respectively, of amortization on the right-of-use assets on the adoption of IFRS 16.

Sales and marketing costs are made up of the following:

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Salaries	$ 5,003,101	$ -	$ 8,322,472	$ -
Advertising	3,153,657	-	5,120,312	-
Occupancy costs	395,340	-	965,594	-
Professional fees	537,281	-	767,133	-
Pre-opening costs	1,298,778	-	2,179,726	-
Supplies and postage, credit card fees	880,955	-	1,364,080	-
Travel	176,249	-	479,906	-
Other	492,081	9,477	1,098,228	9,477
Total	**$ 11,937,442**	**$ 9,477**	**$ 20,297,451**	**$ 9,477**

CBD Segment liquidity and capital resources

The CBD Segment had a working capital deficit of $20,222,084 as of December 28, 2019. The CBD Segment is currently in a startup phase, launching its product through its wholly-owned retail kiosk shops in mall locations and eCommerce sites and through wholesale arrangements.

The CBD Segment will continue to require capital resources in order to fully execute on its business strategy.

At December 28, 2019 and June 30, 2019, the Company's inventory consisted of the following:

Inventory

	December 28, 2019	June 30, 2019
Raw materials	$ 956,624	$ 2,002,020
Work in process	-	643,838
Finished goods	4,928,946	4,934,104
Total	**$ 5,885,570**	**$ 7,579,962**

HEAD OFFICE

Operating Costs

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
General and administration	$ 8,929,459	$ 8,629,756	$ 20,362,961	$ 11,080,716
Advertising and promotion	-	1,183,054	-	1,183,054
Stock based compensaton	1,649,401	187,640	3,282,323	187,640
Depreciation and amortization	849,937	202,561	1,477,859	202,561
	$ 11,428,797	**$ 10,203,011**	**$ 25,123,143**	**$ 12,653,971**

During the 13 and 26 weeks ended December 28, 2019, the Company incurred operating expenses of $11,428,797 and $25,123,143, respectively, compared to $10,203,011 and $12,653,671 for the three and six months ended December 31, 2018, respectively.

General and administrative costs

	13 weeks December 28, 2019	Three Months December 31, 2018	26 weeks December 28, 2019	Six months December 31, 2018
Salaries	$ 5,367,010	$ 2,855,892	$ 11,021,784	$ 3,736,335
Legal and professional fees	1,566,940	2,845,058	4,857,303	4,091,561
Termination and severance	199,293	-	620,689	-
Travel	489,218	1,125,724	894,692	1,491,176
Occupancy costs	321,917	365,883	757,780	533,176
Insurance	666,808	128,829	1,016,746	128,829
Writedown of technology	51,303	-	624,965	-
Other	266,970	1,308,370	569,002	1,099,639
Total	**$ 8,929,459**	**$ 8,629,756**	**$ 20,362,961**	**$ 11,080,716**

General and administrative costs were $8,929,459 and $20,362,961 for the 13 and 26 weeks ended December 28, 2019, respectively, compared to $8,629,756 and $11,080,716 for the three and six months ended December 31, 2018, respectively. This included head office salaries of $5,367,010 and $11,021,784; legal and professional fees of $1,566,940 and $4,857,303; travel related costs of $489,218 and $894,692; occupancy costs of $321,917 and $757,780; insurance costs of $666,808 and $1,016,746; and other expenses of $244,233 and $546,265 for the 13 and 26 weeks ended December 28, 2019, respectively. Also included in general and administrative costs for the 13 and 26 weeks ended December 28, 2019, were termination and severance payment of $199,293 and $620,689 and write-down of technology of $51,303 and $624,965, respectively, which have been excluded from Adjusted EBITDA noted above. This compares to salaries of $2,855,892 and $3,736,335; legal and professional fees of $2,845,058 and $4,091,561; travel costs of $1,125,724 and $1,491,176; occupancy costs of $365,883 and $533,176; insurance costs of $128,829 and $128,829; and other expenses of $1,308,370 and $1,099,639 for the three and six months ended December 31, 2018, respectively.

Stock-based compensation expenses related to stock options and restricted stock units granted were $1,649,401 and $3,282,323 for the 13 and 26 weeks ended December 28, 2019, respectively, and have been excluded from Adjusted EBITDA noted above.

Income tax expense

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end. For the 13 and 26 weeks ended December 28, 2019, federal and state income tax expense was $1,142,216 and $1,498,825, respectively, compared to 375,618 for the three and six months ended December 31, 2018. The net tax expense for the 13 and 26 weeks ended December 28, 2019, included current tax expense of $1,142,216 and $1,724,158 and deferred tax expense of $nil and recovery of $225,333, respectively. The deferred tax recovery was driven by the share issuance costs recognized in equity.

Corporate debt

The Company has the following outstanding corporate debt as at December 28, 2019 and June 30, 2019.

	December 28, 2019	June 30, 2019
Promissory note to NOR	$ -	$ 15,780,049
GAOC promissory note	29,918,778	29,982,491
Moxie loan	5,000,000	-
Spring Oaks Convertible Debenture (face value)	17,200,000	-
Backstop Convertible Debenture (face value)	20,936,845	-
Convertible Debenture (face value)	45,500,000	45,500,000
Total	**$ 118,555,623**	**$ 91,262,540**

The promissory note with NOR members in connection with the acquisition of NOR was settled on August 27, 2019.

The GAOC Note exists in connection with the May 15, 2019 agreement with GA Opportunities Corp. with respect to the repurchase and cancellation of 27,300,000 common shares held by GAOC. In connection with this agreement, the Company signed a secured GAOC Note in the amount of $29,918,778 (CAD$39,000,000) with original expiration scheduled on November 15, 2019 and bears interest at 3% per annum. The Company executed an amended and restated GAOC Note, effective November 15, 2019, that provides for a maturity date of March 15, 2020. The GAOC Note remains subject to the existing general security agreement. As further consideration for the extension of the maturity date, the GAOC Note is supported by a guarantee by Jay Schottenstein executed in favor of GAOC. The Company is also in the process of negotiating an additional extension on the maturity date of the GAOC Note.

On July 8, 2019 in connection with the securities acquisitions and contribution agreement with MXY Holdings LLC ("Moxie"), Moxie agreed to loan of $5,000,000 to the Company. The loan bears interest at 6% and had a maturity date of January 31, 2020. As previously disclosed the Company and Moxie agreed to terminate the agreement and in connection with this termination the Company has agreed to reimburse Moxie's deal cost of $4 million. The Company must repay these costs on or before July 1, 2020. The Company is in ongoing negotiations regarding an extension on the of the note, reimbursement of $4,000,000 in deal fees to Moxie on or before July 1, 2020.

Also included in convertible debentures above are the One-Year Note and Two-Year Note (collectively "Spring Oaks Notes") with Spring Oaks. The face value of the Spring Oaks Notes is $17,200,000. The Spring Oaks Notes are convertible at either CAD$3.16 (for the Two-Year Note) or CAD$2.28 (for the One-Year Note). Upon conversion of the Spring Oaks Notes, the holders thereof shall be entitled to receive all accrued but unpaid interest thereon to, but excluding, the maturity date, with such amount to be paid in cash. The obligations of the Company under the Spring Oaks Notes are secured by the Spring Oaks assets. The Company is in ongoing negotiations regarding an extension the convertible secured notes, which $5,800,000 principal amount is due on July 31, 2020 and $11,400,000 principal amount is due on July 31, 2021.

Further, the Company commenced drawing down on the Commitment Letters with All Js Greenspace LLC and Chiron Ventures Inc. As at December 28, 2019, the Company had drawn down $20,936,845 related to the Working Capital Tranche. Subsequent to December 28, 2019, the Company has drawn down a further $2,781,000 on the Commitment Letters. The Commitment Letter arrangement bears interest 8% and matures 12 months after the date of each draw down. The Commitment Letter convertible debentures are convertible at conversion price equal to CAD$2.45 per Common Shares and, in respect of the commitment from the U.S. resident Investor, proportionate voting shares of the Company ("Proportionate Voting Shares") at a conversion price per Proportionate Voting Share equal to CAD$1,225 (being equivalent to CAD$2.45 per common share) divided by the Canadian-US exchange rate on the business day prior to conversion. The Company has drawn all amounts available to it under the Working Capital Tranche for purposes of funding the Company's operations. In addition, for purposes of funding the Company's operations, All Js advanced approximately $1.5 million from the Extension Tranche. Amounts drawn from Extension Tranche to fund operations reduce the funds available to refinance the debentures upon maturity.

The Company completed on May 17, 2019, a non-brokered private placement debenture financing for gross proceeds of $45,500,000. Each Debenture bears interest at 15% at a price of $1,000 per Debenture and has a maturity date of

May 17, 2020. The Debentures are convertible into proportionate voting shares in the capital of the Company at a conversion price per proportionate voting shares equal to CAD$3,500 (being equivalent to CAD$7.00 per common share). Upon conversion of the debentures, the holders thereof shall be entitled to receive all accrued but unpaid interest thereon to, but excluding, the maturity date, with such amount to be paid in cash.

The Company has the option, exercisable in its sole discretion, of repaying all or any portion of the then-outstanding principal amount of the Debentures in cash at any time. In the event that the Company exercises this option, interest on such principal amount being repaid shall be calculated up to but excluding the Maturity Date from, and including, the date of issue, and such interest, to the extent unpaid, shall be immediately due and payable at the time of repayment.

The obligations of the Company under the Debentures are secured by a general security agreement over all of the Company's applicable present and after-acquired personal property.

SELECTED QUARTERLY FINANCIAL INFORMATION

For the three months ended,	December 28, 2019	September 28, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Current Assets	$ 18,423,024	$ 28,126,068	$ 31,358,073	$ 46,637,404	$ 54,468,123	$ 67,702,121
Current Liabilities	151,901,686	129,282,793	105,810,707	23,080,409	27,594,819	73,380,719
Revenue	21,090,653	12,701,958	7,174,674	5,554,684	3,000,445	-
Net loss from Operations	(23,477,280)	(23,622,511)	(20,624,708)	(16,987,529)	(8,724,688)	(3,785,652)
Net Loss per share	$ (0.15)	$ (0.15)	$ (0.19)	$ (0.09)	$ (0.08)	$ (0.04)

As previously indicated, in accordance with IFRS 3, GGB Ltd. was identified as the accounting acquirer and, as such, the Company operations reflect GGB Ltd. operations since July 1, 2018 to June 30, 2019, and the operations of Xanthic, including NOR, from the Business Combination on November 9, 2018 to June 30, 2019.

- At December 28, 2019, the Company's current assets primarily consisted of cash and cash equivalents, prepaids, inventories and other receivables.
- At December 28,2019, the Company's current liabilities consisted of accounts payable and accrued liabilities, due to related parties, notes payable, current portion of lease liabilities, and current portion of convertible debentures and embedded liabilities.

Other than cash of CAD$340,395 in cash and the GAOC Note of CAD$39,000,000, and accounts payable and accrued liabilities of CAD$834,446, substantially all of the Company's assets and liabilities as at December 28, 2019, are denominated in the United States dollars and substantially all of the Company's operations are located in the United States.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of $3,597,173, total current assets of $18,423,024 and current liabilities of $151,901,686 as at December 28, 2019. The Company, therefore, had a working capital deficit of $133,478,662.

The chart below highlights the Company's cash flows during the 26 weeks ended December 28, 2019, and period end June 30, 2019.

	December 28, 2019	June 30, 2019
Operating activities	$ (25,583,420)	$ (55,480,801)
Investing activites	(26,021,445)	(70,237,436)
Financing activities	44,932,801	131,804,657
Cash and cash equivalents, beginning of the year	10,256,008	4,688,311
Cash and cash equivalents, end of the year	$ 3,597,173	$ 10,256,008

The Company has a working capital deficit, and therefore does not have sufficient liquidity and capital resources at December 28, 2019, to fully execute on its business plan and satisfy its commitments over the next twelve months. The Company expects it will have negative operating cashflow while it executes on its business plan through the start-up phase.

The Company is actively pursuing additional financing to fund its ongoing expenditures and execute on its business plan over the next twelve months. However, there is no assurance that the Company will be successful in these endeavors.

As previously noted, the Company has announced it has entered into backstop commitment letters with certain shareholders as previously disclosed (the "Investors"), pursuant to which the Investors have committed to subscribe for and purchase, in certain circumstances, up to an aggregate approximately $77 million of convertible debentures of the Company to support the Company's operations and capital needs (the "Commitment Letters"). Following the release of Park Lane Capital from its commitment in October 2019, the aggregate amount of the backstop is approximately $67 million. As at December 28, 2019 the Company had drawn down $20,936,845 under this backstop commitment. Subsequent to December 28, 2019, the Company drew down a further $2,781,000 under this backstop commitment pursuant to letter agreements with All Js Greenspace LLC permitting the use of such funds for working capital and business purposes.

OUSTANDING SHARE DATA

At December 28, 2019, the Company had 206,113,317 common shares outstanding, 63,931 proportionate voting shares that have super voting rights of 500 votes per share, 26,442,378 warrants outstanding, 1,639,989 restricted stock units and 450,000 stock options outstanding. On February 25, 2020, the Company had 206,396,067 common shares, 63,931 proportionate voting shares, 26,562,378 warrants, 1,381,652 restricted stock units, and 450,000 stock options outstanding.

OFF BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Company has entered into arrangements with several third-party goods and services providers. In certain instances, the Company, directly and through its subsidiaries, has provided indemnities and/or guarantees to these third parties for the payment of goods or services provided, or otherwise. Generally, there are no pre-determined amounts or limits included in these arrangements, and the occurrence of an event that would trigger the Company's obligations pursuant to these arrangements is difficult to predict. Therefore, the Company's potential future liability cannot be reasonably estimated.

COMMITMENT AND CONTINGENCIES

Other than as described in Note 24 to the December 2019 Financial Statements and as noted in this MD&A, the Company has no additional commitment disclosure.

As previously disclosed, the Company's MSO segment was awarded seven additional retail dispensary licenses in the state of Nevada by the Nevada Department of Taxation. The Company has also acquired both a license to operate as a medical marijuana treatment center in Florida and provisional certificates of registration acquired in Massachusetts. The requirements to develop and secure locations, and to build the production capacity to service the increased number of dispensaries in the states of Nevada, Massachusetts, and Florida will require capital resources.

Contingencies

The Company is subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its consolidated operations, or losses of permits that could result in ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of December 28, 2019, cannabis regulations continue to evolve and area subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As at December 28, 2019, the Company's subsidiary, NOR, was intervening in several cases pending in the Eighth Judicial District, Clark County, Nevada. These claims, brought by Serenity Wellness Center LLC and others, challenge the method by which the Department of Taxation in Nevada awarded retail cannabis licenses on December 5, 2018 (the "Claims"). The Claims seek relief for, among other things, alleged violations of state- and federal-level due process rights, violations of equal protection rights, and further request that a writ of mandamus be issued compelling the Department of Taxation to conduct a new review of the plaintiffs' recreational dispensary applications on their merits and/or approve them. NOR has also been named as a defendant in other cases in the Eighth Judicial District, Clark County, Nevada, which assert similar challenges. As of the filing of this MD&A, the court has enjoined the State of Nevada from providing final approval for the awarded licenses to four awardees, to include NOR. NOR has sought an expedited appeal with the Supreme Court of Nevada related to the preliminary injunction, and trial has been set in the underlying matter for April 2020. Although the Company has taken the requisite steps to protect its interests in these matters, to include the intervention and active participation in the lawsuit, there can be no assurance of a positive outcome either at trial or before the Supreme Court of Nevada, or what relief, if any, the Court may provide in the event of a final, adverse outcome. *See Risk Factors, The Company is subject to various litigation claims that could result in significant expenditures and impact the Company's operations*.

RELATED PARTY TRANSACTIONS

Other than as described in Note 19 to the December 2019 Financial Statements, there are no additional related party transactions.

ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Company's December 2019 Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. Critical judgments and estimates represent estimates made by management that are, by their very nature, uncertain. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and other items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied, and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 2 and 3 to the December 2019 Financial Statements.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 28, 2019 covered by this management's discussion and analysis, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and the Chief Financial Officer of the Company have also evaluated whether there were changes to the Company's internal control over financial reporting during the three and twelve months ended June 30, 2019, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting. There were no changes identified during their evaluation.

ISSUERS WITH U.S. CANNABIS-RELATED ASSETS

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

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

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

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved and through its subsidiaries, in the cannabis industry. Pursuant to Staff Notice 51-352, issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents. As the Company, its subsidiaries and proposed acquisition targets are directly engaged in the cultivation, processing, sale and distribution of cannabis in the cannabis marketplace in the U.S., the Company is subject to Staff Notice 51-352. Although the Company's business 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.

Federal Regulatory Environment

Under U.S. federal law, marijuana is currently classified as a Schedule I drug. The CSA classifies drugs in five different schedules. As a Schedule I drug, the federal Drug Enforcement Agency ("**DEA**") considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the United States; and a lack of accepted safety for use of the drug under medical supervision.[1] The scheduling of marijuana as a Schedule I drug is inconsistent with what the Company believes to be the many valuable medical uses for marijuana accepted by physicians, researchers, patients, and others. As evidence of this, the federal Food and Drug Administration ("**FDA**") on June 25, 2018 approved Epidiolex (cannabidiol) ("**CBD**") oral solution for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. This is the first FDA-approved drug that contains a purified drug substance derived from marijuana. In this case, the substance is CBD, a chemical component of marijuana that does not contain the intoxication properties of THC, the primary psychoactive component of marijuana. The Company believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Moreover, while certain published studies show that marijuana may be less

[1] 21 U.S.C. 812(b)(1).

harmful than alcohol,[2] alcohol is not classified under the CSA. This disparity may reflect the comparative stigma associated with marijuana that factors into scheduling decisions by the DEA.

The federal position is also not necessarily consistent with democratic approval of marijuana at the state government level in the United States. As of December 28, 2019, approximately thirty-three (33) states and the District of Columbia have passed laws legalizing marijuana for medicinal use by eligible patients.[3] In the District of Columbia, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, and Guam and eleven (11) of these states – Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington – marijuana is legal for adult-use regardless of medical condition, although Washington D.C. has not legalized commercial sale of cannabis. The large increase in recent statewide referenda and legislation that liberalizes marijuana laws is consistent with public opinion. Public polling routinely shows large majorities of Americans in favor of the legalization of marijuana. For instance, a Gallup Organization survey in October of 2019 found that 66% of respondents in the United States support the legalization of marijuana.[4]

As more and more states legalized medical and/or adult-use marijuana, the federal government attempted to provide clarity on the incongruity between federal prohibition under the CSA and these state-legal regulatory frameworks. Until 2018, the federal government provided guidance to federal law enforcement agencies and banking institutions through a series of United States Department of Justice **(**"**DOJ**") memoranda. The most recent such memorandum was drafted by former Deputy Attorney General James Cole in 2013 (the "**Cole Memo**").[5]

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities:

1. Preventing the distribution of marijuana to minors;
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
4. Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. Preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
6. Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
8. Preventing marijuana possession or use on federal property.

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[2] See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journal*, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. https://doi.org/10.1016/j.ntt.2009.07.006; Could smoking pot cut risk of head, neck cancer? (August 25, 2009). Retrieved from https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE57O5DC20090825; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. Arch Gen Psychiatry Review, 57, 547-552. Retrieved from https://www.ncbi.nlm.nih.gov/pubmed/10839332; Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from http://www.ukcia.org/research/AgressiveBehavior.pdf; and Fals-Steward, W.,Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviors*, 28, 1555-1574. Retrieved from https://www.ncbi.nlm.nih.gov/pubmed/14656545.

[3] *Business Insider*, States Where Marijuana is Legal,, *available at https://www.businessinsider.com/legal-marijuana-states-2018-1* (visited February 16, 2020).

[4] Jeffrey M. Jones, U.S. Support for Legal Marijuana Steady in Past Year, GALLUP (October 23, 2019), *available at https://news.gallup.com/poll/267698/support-legal-marijuana-steady-past-year.aspx*.

[5] U.S. Dept. of Justice. (2013). Memorandum for all *United States Attorneys re: Guidance Regarding Marijuana Enforcement*. Washington, DC: US Government Printing Office, *available at* https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf (visited September 29, 2019). Prior to the Cole Memo, the DOJ issued other memoranda, including *Investigations and Prosecutions in States Authorizing the Medical Use of Marijuana* (Oct. 19, 2009) and *Guidance Regarding the Ogden Memo in Jurisdictions Seeking to Authorize Marijuana for Medical Use* (June 29, 2011).

On January 4, 2018, then United States Attorney General Jefferson Sessions rescinded the Cole Memo by issuing a new memorandum to all United States Attorneys (the "**Sessions Memo**").[6] Rather than establish national enforcement priorities particular to marijuana-related crimes in jurisdictions where certain marijuana activity was legal under state law, the Sessions Memo instructs that "[i]n deciding which marijuana activities to prosecute... with the [DOJ's] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions." Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles.

Then U.S. Attorney General Jeff Sessions resigned on November 7, 2018 and was replaced by Matthew Whitaker as interim Attorney General. On February 14, 2019, William Barr was sworn in as Attorney General. It is unclear what position the new Attorney General will take on the enforcement of federal laws with regard to the U.S. cannabis industry. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated, "I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum."

In the absence of a uniform federal policy, as had been established by the Cole Memo, numerous United States Attorneys with state-legal marijuana programs within their jurisdictions have announced enforcement priorities for their respective offices. For instance, Andrew Lelling, United States Attorney for the District of Massachusetts, stated that while his office would not immunize any businesses from federal prosecution, he anticipated focusing the office's marijuana enforcement efforts on: (1) overproduction; (2) targeted sales to minors; and (3) organized crime and interstate transportation of drug proceeds.[7] Other United States Attorneys provided less assurance, promising to enforce federal law, including the CSA in appropriate circumstances.

Due to the CSA categorization of marijuana as a Schedule I drug, federal law also makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the United States Currency and Foreign Transactions Reporting Act of 1970 as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (the "**Bank Secrecy Act**"). Therefore, under the Bank Secrecy Act, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. states that have legalized medical and/or adult-use marijuana, the Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**"), in 2014, issued guidance to prosecutors of money laundering and other financial crimes (the "**FinCEN Guidance**"). The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses so long as that business is legal in their state and none of the federal enforcement priorities referenced in the Cole Memo are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. Verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
3. Requesting from state licensing and enforcement authorities available information about the business and related parties;

[6] U.S. Dept. of Justice. (2018). *Memorandum for all United States Attorneys re: Marijuana Enforcement*. Washington, DC: US Government Printing Office, *available at* https://www.justice.gov/opa/press-release/file/1022196/download.

[7] U.S Attorney's Office District of Massachusetts (2018). *Statement of U.S. Attorney Andrew Lelling Regarding the Legalization of Recreational Marijuana in Massachusetts*, *available at* https://www.justice.gov/usao-ma/pr/statement-us-attorney-andrew-lelling-regarding-legalization-recreational-marijuana.

4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult-use customers);
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Because most banks and other financial institutions are unwilling to provide any banking or financial services to marijuana businesses, these businesses can be forced into becoming "cash-only" businesses. While the FinCEN Guidance decreased some risk for banks and financial institutions considering serving the industry, in practice it has not increased banks' willingness to provide services to marijuana businesses. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana business they accept as a customer. In fact, some banks that had been servicing marijuana businesses have been closing the marijuana businesses' accounts and are now refusing to open accounts for new marijuana businesses due to cost, risk, or both.

The few state-chartered banks and/or credit unions that have agreed to work with marijuana businesses are limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also keeping sufficient liquid capital on hand to serve their other customers. Those state-chartered banks and credit unions that do have customers in the marijuana industry charge marijuana businesses high fees to pass on the added cost of ensuring compliance with the FinCEN Guidance.

Unlike the Cole Memo, however, the FinCEN Guidance from 2014 has not been rescinded. The Secretary of the U.S. Department of the Treasury, Stephen Mnuchin, has publicly stated that the Department was not informed of any plans to rescind the Cole Memo. Secretary Mnuchin stated that he does not have a desire to rescind the FinCEN Guidance.[8]

Despite the recent rescission of the Cole Memo, the Company continues to do the following towards ensuring compliance with the guidance provided by the Cole Memo, the FinCEN Guidance, and other best industry practices:

- The Company and its subsidiaries operate in compliance with licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions.
- The Company's cannabis-related activities adhere to the scope of the licensing obtained – for example, in the states where only medical cannabis is permitted, products are sold only to patients who hold the necessary documentation to permit the possession of the cannabis.
- The Company performs due diligence on contractors or anyone provided access to secure areas of its facilities to prevent products from being distributed to minors.
- The Company works to ensure that the licensed operators have an adequate inventory tracking system and adequate procedures in place so that their compliance system can track inventory effectively. This is done so that there is no diversion of cannabis or cannabis products into states where cannabis is not permitted by state law, or across state lines in general.
- The Company conducts background checks as required by applicable state law.
- The Company conducts reviews of activities of the cannabis businesses, the premises on which they operate, and the policies and procedures that are related to possession of cannabis or cannabis products outside of its

[8] Angell, Tom. (February 6, 2018). Trump Treasury Secretary Wants Marijuana Money In Banks, *available at* https://www.forbes.com/sites/tomangell/2018/02/06/trump-treasury-secretary-wants-marijuana-money-in-banks/#2848046a3a53; *see also* Mnuchin: Treasury is reviewing cannabis policies. (2018 February 7), *available at* http://www.scotsmanguide.com/News/2018/02/Mnuchin--Treasury-is-reviewing-cannabis-policies/.

licensed premises (including the cases where such possession is permitted by regulation – e.g. transfer of products between licensed premises). These reviews are completed to ensure that licensed operators do not possess or use cannabis on federal property or engage in manufacturing or cultivation of cannabis on federal lands.

- The Company's product packaging complies with applicable regulations and contains necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In recent years, certain temporary federal legislative enactments that protect the medical marijuana and hemp industries have also been in effect. For instance, certain marijuana businesses receive a measure of protection from federal prosecution by operation of temporary appropriations measures that have been enacted into law as amendments (or "riders") to federal spending bills passed by Congress and signed by both Presidents Obama and Trump. For instance, in the Appropriations Act of 2015, Congress included a budget "rider" that prohibits the DOJ from expending any funds to enforce any law that interferes with a state's implementation of its own medical marijuana laws.[9] The rider is known as the "Rohrbacher-Farr" Amendment after its original lead sponsors (it is also sometimes referred to as the "Rohrbacher-Blumenauer" Amendment, but it is referred to herein as "Rohrbacher-Farr").

Originally, a Republican-controlled House and Democratic-controlled Senate passed the Rohrbacher-Farr Amendment. The bill was "a bipartisan appropriations measure that looks to prohibit the DEA from spending funds to arrest state-licensed medical marijuana patients and providers."[10] Subsequently, the amendment has been included in multiple budgets passed by a Republican-controlled Congress. While the Rohrbacher-Farr Amendment has been included in successive appropriations legislation or resolutions since 2015, its inclusion or non-inclusion is subject to political change.

The Rohrbacher-Farr Amendment (now known colloquially as the "Joyce/Leahy Amendment" after its most recent sponsors) was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019. In signing the Act, President Trump issued a signing statement noting that the Act "provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories," and further stating "I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." While the signing statement can fairly be read to mean that the executive branch intends to enforce the Controlled Substances Act and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no federal enforcement actions followed. Rohrbacher-Farr has been extended through fiscal end September 2020.

CBD is a product that often is derived from hemp, which contains only trace amounts of THC, the psychoactive substance found in marijuana. On December 20, 2018, President Trump signed the Agriculture Improvement Act of 2018 (popularly known as the 2018 Farm Bill) into law.[11] Until the 2018 Farm Bill became law, hemp and products derived from it, such as CBD, fell within the definition of "marijuana" under the CSA and the DEA classified hemp as a Schedule I controlled substance because hemp is part of the cannabis plant.[12]

The 2018 Farm Bill defines hemp as the plant Cannabis sativa L. and any part of the plant with a delta-9 THC concentration of not more than 0.3 percent by dry weight and removes hemp from the CSA. The 2018 Farm Bill also allows states to create regulatory programs allowing for the licensed cultivation of hemp and production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program and otherwise meets the definition of hemp removed from the CSA. Notwithstanding the 2018 Farm Bill, the FDA has maintained that infusion of CBD into food products and beverages remains unlawful when introduced into interstate commerce pursuant to the U.S. federal Food, Drug and Cosmetic Act.

[9] 2015 Appropriations Act, Public Law No. 113-235 § 538.17.
[10] Statement of Rep. Alcee Hastings, 160 Cong. Rec. 82, H4914, H4984 (daily ed. May 29, 2014).
[11] H.R.2 - 115th Congress (2017-2018): Agriculture Improvement Act of 2018, Congress.gov (2018), https://www.congress.gov/bill/115th-congress/house-bill/2/text.
[12] *See, e.g.,* 21 C.F.R. § 1308.35.

An additional challenge to marijuana-related businesses is that the provisions of the Internal Revenue Code, Section 280E, are being applied by the IRS to businesses operating in the medical and adult-use marijuana industry. Section 280E of the Internal Revenue Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

State Regulatory Environment

The following sections describe the legal and regulatory landscape in the states in which the Company (Florida, Massachusetts, and Nevada), may operate or distribute products as of December 28, 2019. While the Company works to ensure that its operations comply with applicable state laws, regulations, and licensing requirements, for the reasons described above and the risks further described under the heading "*Risk Factors*", there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read and consider all of the risk factors contained under the heading "*Risk Factors*" below, including those risks identified and discussed under the heading "*Risk Factors*" in the RTO Information Circular, the Company's August 2019 Prospectus, and prior Interim Company MD&A, all of which are incorporated by reference herein.

The Company, through multiple subsidiaries, holds licenses that are in good standing to cultivate, produce, dispense and distribute marijuana in Nevada, including two operating dispensaries and two operating cultivation facilities. The Company, through Just Healthy LLC ("Just Healthy"), owns a provisional certificate of registration ("**PCR**") in Massachusetts. The PCR provides the ability to open up to three medical dispensaries, a cultivation facility, with preferential treatment given for adult-use. On November 7, 2019, Just Healthy received its provisional adult-use dispensary, cultivation, and production licenses. Finally, in Florida, the Company's subsidiary, Spring Oaks Greenhouses, Inc. possesses a vertically integrated medical marijuana treatment center license, which will allow for cultivation and production facilities and, as of this MD&A, up to 35 medical dispensaries. Spring Oaks has an existing, approved cultivation facility and anticipates opening medical dispensaries in spring 2020. The Company is fully in compliance with respect to its respective cannabis-related activities and has not received any uncorrected notices of material violation with respect to any of their cannabis-related activities by any regulatory authority. The Company will promptly disclose any non-compliance, citations or notices of violation which may have a material impact on its licenses, business activities or operations.

While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. See "*Risk Factors*" for more details.

The Company maintains a rigorous compliance program to ensure that each complies with all laws, regulations, and local rules applicable in the cannabis industry. The General Counsel of the Company oversees, maintains, and implements the compliance programs and personnel in order to ensure that operations do not endanger the health, safety, or welfare of the community and that the Company is compliant with state laws and regulations. In addition, the Company retains regulatory and compliance counsel proficient in those jurisdictions in which each operates or is actively pursuing operations. The Company utilizes security employees and contractors to ensure that their respective operations comply at all times with formal security procedures and policies.

Compliance begins with the proper training of employees. The Company has and will continue to offer robust employee training plan for those individuals involved in the cultivation, production, dispensing, or distribution of cannabis. The Company is committed to providing employees and customers with training and up-to-date information that will help them better understand the legal and operational issues regarding the use of cannabis and cannabis-infused products pursuant to applicable law. Employees and volunteers are trained before working in a facility and are required to complete mandatory on-going training and performance evaluations.

The following sections describe the legal and regulatory landscape in the states in which the Company operates:

Florida (Medical)

Florida Regulatory Landscape

The State of Florida has not legalized the adult-use of cannabis. In 2014, the Florida Legislature passed the Compassionate Use Act which was the first legal medical cannabis program in the state's history. The original Compassionate Use Act only allowed for low-THC cannabis to be dispensed and purchased by patients suffering from cancer and epilepsy. In 2016, the Legislature passed the Right To Try Act which allowed for full potency cannabis to be dispensed to patients suffering from a diagnosed terminal condition. Also in 2016, the Florida Medical Marijuana Legalization Initiative was introduced by citizen referendum and passed with a 71.3% majority on November 8. This language amended the state constitution and mandated an expansion of the state's medical cannabis program.

The Florida Medical Marijuana Legalization Initiative, Amendment 2 ("**Amendment 2**"), and the expanded qualifying medical conditions, became effective on January 3, 2017. The Florida Department of Health ("**FDOH**"), physicians, medical marijuana treatment centers ("MMTCs") (f/k/a dispensing organizations), and patients are also subject to Article X Section 29 of the Florida Constitution and §381.986 of the Florida Statutes. On June 9, 2017, the Florida House of Representatives and Florida Senate passed respective legislation to implement the expanded program by replacing large portions of the existing Compassionate Use Act, which officially became law on June 23, 2017. The law regulating Amendment 2 provides for another four licenses to be issued for every 100,000 patients added to the state's medical marijuana registry and currently allows MMTCs to open 35 dispensaries, plus an additional five dispensaries for every 100,000 patients.

Florida Licenses

Subsection 381.986(8)(a) of the State of Florida Statutes provides a vertically-integrated regulatory framework that requires licensed producers, which are statutorily defined as MMTCs, to cultivate, process and dispense medical cannabis in a vertically integrated marketplace. Licenses issued by the FDOH may be renewed biennially so long as the license meets the requirements of the law and the license holder pays a renewal fee. License holders can only own one license.

The license permits the sale of derivative products produced from extracted cannabis plant oil as medical cannabis to qualified patients to treat certain medical conditions. In Florida, there is no state-imposed limitation on the permitted size of cultivation or processing facilities, nor is there a limit on the number of plants that may be grown.

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable)	Description
Spring Oaks Greenhouses, Inc.	Vertical MMTC	N/A	On or about April 19, 2021	Cultivation, production, and medical sale

Dispensaries may be located in any location throughout the State of Florida as long as the local government has not issued a prohibition against MMTC dispensaries in their respective municipality. Provided there is not a ban, the Company may locate a dispensary in a site zoned for a pharmacy so long as the location is greater than 500 feet from a public or private elementary, middle, or secondary school.

Florida Reporting Requirements

The FDOH requires that any licensee establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the FDOH to such data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of when marijuana seeds are planted, when marijuana plants are harvested and destroyed, and when cannabis is transported, sold, stolen, diverted, or lost. Additionally, the FDOH also maintains a patient and physician registry and the Company must comply with requirements and regulations relative to providing required data or proof of key events to said system.

Florida Licensing Requirements

Licenses issued by the FDOH are renewed biennially so long as the licensee meets requirements of the law and pays a renewal fee. Provided that the requisite renewal fees are paid, the renewal application is submitted in a timely

manner, and there are no material violations noted against the applicable license, the Company would expect to receive the applicable renewed license in the ordinary course of business. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on its business, financial condition, results of operations, or prospects.

MMTC license holders can only own one license. An MMTC applicant must demonstrate that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of raw materials, finished products, and by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably required to dispense cannabis to registered qualified patients statewide or regionally as determined by the FDOH, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the FDOH, (viii) its owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the FDOH, the applicant must post a performance bond of up to $5,000,000, which may be reduced by meeting certain criteria such as a minimum patient count.

Florida Dispensary Requirements

An MMTC may not dispense more than a 70-day supply of cannabis. The MMTC employee who dispenses the cannabis must enter into the registry his or her name or unique employee identifier. The MMTC must verify that: (i) the qualified patient and the caregiver, if applicable, each has an active registration in the registry and active and valid medical cannabis use registry identification card, (ii) the amount and type of cannabis dispensed matches the physician certification in the registry for the qualified patient, and (iii) the physician certification has not already been filled. An MMTC may not dispense to a qualified patient younger than 18 years of age, only to such patient's caregiver. An MMTC may not dispense or sell any other type of cannabis, alcohol, or illicit drug-related product, except a cannabis delivery device as specified in the physician certification. An MMTC must, upon dispensing, record in the registry: (i) the date, time, quantity and form of cannabis dispensed, (ii) the type of cannabis delivery device dispensed, and (iii) the name and registry identification number of the qualified patient or caregiver to whom the cannabis delivery device was dispensed. An MMTC must ensure that patient records are not visible to anyone other than the patient, caregiver, and MMTC employees.

Florida Security, Transportation, and Storage Requirements

Each MMTC must maintain a video surveillance system with specified features. MMTCs must retain video surveillance recordings for at least 45 days, or longer upon the request of law enforcement.

An MMTC's outdoor premises must have sufficient lighting from dusk until dawn. An MMTC's dispensing facilities must include a waiting area with sufficient space and seating to accommodate qualified patients and caregivers and at least one private consultation area and such facilities may not display products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. but may perform all other operations and deliver cannabis to qualified patients 24-hours a day.

Cannabis must be stored in a secured, locked room or a vault. An MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear an identification badge and visitors must wear a visitor pass at all times on the premises. An MMTC must report to law enforcement within 24 hours after the MMTC is notified of or becomes aware of the theft, diversion or loss of cannabis. A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale

tracking system and must include the: (i) departure date and time, (ii) name, address, and license number of the originating MMTC, (iii) name and address of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number; and (vii) name and signature of the MMTC employees delivering the product. Further, a copy of the transportation manifest must be provided to each individual MMTC that receives a delivery. MMTCs must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must have their employee identification on them at all times. Lastly, at least two people must be in a vehicle transporting cannabis or cannabis delivery devices, and at least one person must remain in the vehicle while the cannabis or cannabis delivery device is being delivered.

Florida Inspections

The FDOH conducts announced and unannounced inspections of MMTCs to determine compliance with the laws and rules. The FDOH shall inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The FDOH shall conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

U.S. Attorney Statements in Florida

On August 20, 2019, the United States Attorney for the Northern District of Florida, Lawrence Keefe, stated that his office "will not prosecute marijuana-related businesses that operate here in compliance with Florida state law," noting that "[t]he resources of this office should be allocated to higher priorities" and that "precious resources should not be used to prosecute federally here in the Northern District of Florida what the Florida state Legislature has determined to be legal in regard to marijuana." See "*Risk Factors – Approach to the enforcement of cannabis laws is subject to change*" for further details.

In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess the foregoing disclosure, and any related risks, on an ongoing basis and any supplements or amendments hereto will be reflected in, and provided to, investors in public filings of the Company, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation which may have an impact on any of the Company's or its subsidiaries' licenses, business activities or operations will be promptly disclosed by the Company.

Massachusetts (Medical)

The Commonwealth of Massachusetts has authorized the cultivation, possession and distribution of marijuana for medical purposes by certain licensed Massachusetts marijuana businesses. The Medical Use of Marijuana Program (the "**MUMP**") registers qualifying patients, personal caregivers, Registered Marijuana Dispensaries ("**RMDs**"), and RMD agents. The MUMP was established by Chapter 369 of the Acts of 2012, "An Act for the Humanitarian Medical Use of Marijuana", following the passage of the Massachusetts Medical Marijuana Initiative, Ballot Question 3, in the 2012 general election. Additional statutory requirements governing the MUMP were enacted by the Legislature in 2017 and codified at G.L. c. 94I, et. seq. (the "**Massachusetts Medical Act**"). RMD Certificates of Registration are vertically integrated licenses in that each RMD Certificate of Registration entitles a license holder to one cultivation facility, one processing facility and one dispensary locations. There is a limit of three (3) RMD licenses per person/entity.

The Commonwealth of Massachusetts Cannabis Control Commission ("**CCC**") regulations, 935 CMR 501.000 et seq. ("**Massachusetts Medical Regulations**"), provide a regulatory framework that requires RMDs to cultivate, process, transport and dispense medical cannabis in a vertically integrated marketplace. Patients with debilitating medical conditions qualify to participate in the program, including conditions such as cancer, glaucoma, positive status for human immunodeficiency virus (HIV), acquired immune deficiency virus (AIDS), hepatitis C, amyotrophic lateral sclerosis (ALS), Crohn's disease, Parkinson's disease, and multiple sclerosis (MS) when such diseases are debilitating, and other debilitating conditions as determined in writing by a qualifying patient's healthcare provider. The CCC assumed control of the MUMP from the Department of Public Health on December 23, 2018.

The Company (through its subsidiaries in the Commonwealth of Massachusetts) is in compliance with applicable licensing requirements and the regulatory framework enacted by the Commonwealth of Massachusetts.

Massachusetts Licensing Requirements (Medical)

The Massachusetts Medical Regulations delineate the licensing requirements for RMDs in Massachusetts. Licensed entities must demonstrate the following: (i) they are licensed and in good standing with the Secretary of the Commonwealth of Massachusetts; (ii) no executive, member or any entity owned or controlled by such executive or member directly or indirectly controls more than three RMD licenses; (iii) vaporizers must be made available for sale; (iv) an RMD may not cultivate and dispense medical cannabis from more than two locations statewide; (v) dispensary agents must be registered with the Massachusetts Department; (vi) an RMD must have a program to provide reduced cost or free marijuana to patients with documented verifiable financial hardships; (vii) one executive of an RMD must register with the Massachusetts Department of Criminal Justice Information Services on behalf of the entity as an organization user of the Criminal Offender Record Information (iCORI) system; (viii) the RMD applicant has at least $500,000 in its control as evidenced by bank statements, lines of credit or equivalent; and (ix) payment of the required application fee.

In an RMD application, an applicant must also demonstrate or include: (i) name, address date of birth and resumes of each executive of the applicant and of the members of the entity; (ii) proof of liability insurance coverage in compliance with statutes; (iii) detailed summary of the business plan for the RMD; (iv) an operational plan for the cultivation of marijuana including a detailed summary of policies and procedures; and (v) a detailed summary of the operating policies and procedures for the operations of the RMD including security, prevention of diversion, storage of marijuana, transportation of marijuana, inventory procedures, procedures for quality control and testing of product for potential contaminants, procedures for maintaining confidentiality as required by law, personnel policies, dispensing procedures, record keeping procedures, plans for patient education and any plans for patient or personal caregiver home delivery. An RMD applicant must also demonstrate that it has (i) a successful track record of running a business; (ii) a history of providing healthcare services or services providing marijuana for medical purposes in or outside of Massachusetts; (iii) proof of compliance with the laws of the Commonwealth of Massachusetts; (iv) complied with the laws and orders of the Commonwealth of Massachusetts; and (v) a satisfactory criminal and civil background.

Upon the determination by the Massachusetts Department that an RMD applicant has responded to the application requirements in a satisfactory fashion, the RMD applicant is required to pay the applicable registration fee and shall be issued a provisional certificate of registration. Thereafter, the Massachusetts Department shall review architectural plans for the building of the RMD's cultivation facility and/or dispensing facilities, and shall either approve, modify or deny the same. Once approved, the RMD provisional license holder shall construct its facilities in conformance with the requirements of the Massachusetts Regulations. Once the Massachusetts Department completes its inspections and issues approval for an RMD of its facilities, the Massachusetts Department shall issue a final certificate of registration to the RMD applicant. RMD final certificates of registration are valid for one year, and shall be renewed by filing the required renewal application no later than sixty days prior to the expiration of the certificate of registration.

Massachusetts Licenses

The table below describes the cannabis-related licenses held by the Company and its subsidiaries in the State of Massachusetts:

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable)	Description
Just Healthy LLC	Provisional Certificate of Registration	Northampton, MA	N/A	Dispensary, cultivation and processing site, and up to three medical dispensaries with

				preferred treatment for future adult use
Just Healthy LLC	Provisional Adult-Use Dispensary	Northampton, MA	N/A (subject to final approval)	Adult-Use Dispensary
Just Healthy LLC	Provisional Adult-Use Cultivation	Northampton, MA	N/A (subject to final approval)	Adult-Use Cultivation
Just Healthy LLC	Provisional Adult-Use Production	Northampton, MA	N/A (subject to final approval)	Adult-Use Production

The licenses in Massachusetts are renewed annually. Before expiry, licensees are required to submit a renewal application. While renewals are granted annually, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, Just Healthy would expect to receive the applicable renewed license in the ordinary course of business.

Massachusetts Dispensary Requirements (Medical)

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

Massachusetts Security Requirements (Medical)

An RMD shall implement sufficient security measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the RMD. These measures must include: (i) allowing only registered qualifying patients, caregivers, dispensary agents, authorized persons, or approved outside contractors access to the RMD facility; (ii) preventing individuals from remaining on the premises of a RMD if they are not engaging in activities that are permitted; (iii) disposing of marijuana or by-products in compliance with law; (iv) establishing limited access areas accessible only to authorized personnel; (v) storing finished marijuana in a secure locked safe or vault; (vi) keeping equipment, safes, vaults or secured areas securely locked; (vii) ensuring that the outside perimeter of the RMD is sufficiently lit to facilitate surveillance; and (viii) ensuring that landscaping or foliage outside of the RMD does not allow a person to conceal themselves. An RMD shall also utilize a security/alarm system that: (i) monitors entry and exit points and windows and doors, (ii) includes a panic/duress alarm, (iii) includes system failure notifications, (iv) includes 24 hour video surveillance of safes, vaults, sales areas, areas where marijuana is cultivated, processed or

dispensed, and (v) includes date and time stamping of all records and the ability to produce a clear, color still photo. The video surveillance system shall have the capacity to remain operational during a power outage. The RMD shall also maintain a backup alarm system with the capabilities of the primary system, and both systems shall be maintained in good working order and shall be inspected and tested on regular intervals.

Massachusetts Transportation (Medical)

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

Marijuana must be packaged in sealed, labeled, and tamper-proof packaging prior to and during transportation. In the case of an emergency stop, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. An RMD shall ensure that delivery times and routes are randomized. Each dispensary agent shall carry his or her Massachusetts Department-issued MUMP ID Card when transporting marijuana or MIPs and shall produce it to Massachusetts Department representatives or law enforcement officials upon request. Where videotaping is required when weighing, inventorying, and accounting of marijuana before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. An RMD must document and report any unusual discrepancy in weight or inventory to the Massachusetts Department and local law enforcement within 24 hours. An RMD shall report to the Massachusetts Department and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport, within 24 hours. An RMD shall retain transportation manifests for no less than one year and make them available to the Massachusetts Department upon request. Any cash received from a qualifying patient or personal caregiver must be transported to an RMD immediately upon completion of the scheduled deliveries. Vehicles used in transportation must be owned, leased or rented by the RMD, be properly registered, and contain a GPS system that is monitored by the RMD during transport of marijuana and said vehicle must be inspected and approved by the Massachusetts Department prior to use.

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

Massachusetts Department Inspections (Medical)

The Massachusetts Department or its agents may inspect an RMD and affiliated vehicles at any time without prior notice. An RMD shall immediately upon request make available to the Massachusetts Department information that may be relevant to a Massachusetts Department inspection, and the Massachusetts Department may direct an RMD to test marijuana for contaminants. Any violations found will be noted in a deficiency statement that will be provided to the RMD, and the RMD shall thereafter submit a Plan of Correction to the Massachusetts Department outlining with particularity each deficiency and the timetable and steps to remediate the same. The Massachusetts Department shall have the authority to suspend or revoke a certificate of registration in accordance with 105 CMR 725.405 of the Regulation of adult-use cannabis in Massachusetts.

Massachusetts (Adult-Use)

Adult-use (recreational) marijuana has been legal in Massachusetts since December 15, 2016, following a ballot initiative in November of that year. The Cannabis Control Commission, a regulatory body created in 2018, licenses adult use cultivation, processing and dispensary facilities (collectively, "**Marijuana Establishments**") pursuant to 935 CMR 500.000 et seq. The first adult-use marijuana facilities in Massachusetts began operating in November 2018.

The Company (through its subsidiaries in the Commonwealth of Massachusetts) is in compliance with applicable licensing requirements and the regulatory framework enacted by the Commonwealth of Massachusetts.

Massachusetts Licensing Requirements (Adult-Use)

Pursuant to section 500.101(2), RMDs that have received a provisional or final certificate of registration are authorized to apply for a vertically integrated Marijuana Establishment license on a priority basis over new applicants without an RMD certification. The same application requirements exist for a Marijuana Establishment license as an RMD application, and each owner, officer or member must undergo background checks and fingerprinting with the Cannabis Control Commission. Applicants must submit the location and identification of each site, and must establish a property interest in the same, and the applicant and the local municipality must have entered into a host agreement authorizing the location of the adult-use Marijuana Establishment within the municipality, and said agreement must be included in the application. Applicants must include disclosure of any regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and its owners, officers, principals or members. The application must include the RMD applicant's plans for separating medical and adult-use operations, proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing and/or updating or modifying the RMD's existing medical marijuana operating policies and procedures for adult-use including security, prevention of diversion, storage, transportation, inventory procedures, quality control, dispensing procedures, personnel policies, record keeping, maintenance of financial records and employee training protocols.

The adult-use license application process commenced on April 1, 2018 for existing RMD license holders, and on July 1, 2018 for all non-RMD license holders. Existing RMD license holders that timely applied for an adult-use license on or before April 1, 2018 are eligible to receive three adult-use licenses per medical RMD license. Namely, one integrated RMD medical license is eligible, if awarded by the Cannabis Control Commission, to receive three adult-use licenses as follows: one for cultivation, one for processing, and one for dispensary.

No person or entity may own more than 10% or "control" more than three licenses in each Marijuana Establishment class (i.e., marijuana retailer, marijuana cultivator, marijuana product manufacturer). Additionally, there is a 100,000 square foot cultivation canopy for adult-use licenses; however, there is no canopy restriction for RMD license holders relative to their cultivation facility.

Massachusetts Dispensary Requirements (Adult-Use)

Marijuana retailers are subject to certain operational requirements in addition to those imposed on marijuana establishments generally. Dispensaries must immediately inspect patrons' identification to ensure that everyone who enters is at least twenty-one years of age. Dispensaries may not dispense more than one ounce of marijuana or five grams of marijuana concentrate per transaction. Point-of-sale systems must be approved by the CCC, and retailers must record sales data. Records must be retained and available for auditing by the CCC and Department of Revenue. Dispensaries must also make patient education materials available to patrons. Such materials must include:

- A warning that marijuana has not been analyzed or approved by the FDA, that there is limited information on side effects, that there may be health risks associated with using marijuana, and that it should be kept away from children;
- A warning that when under the influence of marijuana, driving is prohibited by M.G.L. c. 90, § 24, and machinery should not be operated;
- Information to assist in the selection of marijuana, describing the potential differing effects of various strains of marijuana, as well as various forms and routes of administration;
- Materials offered to consumers to enable them to track the strains used and their associated effects;
- Information describing proper dosage and titration for different routes of administration, with an emphasis on using the smallest amount possible to achieve the desired effect;

- A discussion of tolerance, dependence, and withdrawal;
- Facts regarding substance abuse signs and symptoms, as well as referral information for substance abuse treatment programs;
- A statement that consumers may not sell marijuana to any other individual;
- Information regarding penalties for possession or distribution of marijuana in violation of Massachusetts law; and
- Any other information required by the CCC.

Massachusetts Security and Storage Requirements (Adult-Use)

Each marijuana establishment must implement sufficient safety measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the establishment. Security measures taken by the establishments to protect the premises, employees, consumers and general public shall include, but not be limited to, the following:

- Positively identifying individuals seeking access to the premises of the Marijuana Establishment or to whom or marijuana products are being transported pursuant to 935 CMR 500.105(14) to limit access solely to individuals 21 years of age or older;
- Adopting procedures to prevent loitering and ensure that only individuals engaging in activity expressly or by necessary implication permitted by these regulations and its enabling statute are allowed to remain on the premises;
- Disposing of marijuana in accordance with 935 CMR 500.105(12) in excess of the quantity required for normal, efficient operation as established within 935 CMR 500.105;
- Securing all entrances to the Marijuana Establishment to prevent unauthorized access;
- Establishing limited access areas pursuant to 935 CMR 500.110(4), which shall be accessible only to specifically authorized personnel limited to include only the minimum number of employees essential for efficient operation;
- Storing all finished marijuana products in a secure, locked safe or vault in such a manner as to prevent diversion, theft and loss;
- Keeping all safes, vaults, and any other equipment or areas used for the production, cultivation, harvesting, processing or storage of marijuana products securely locked and protected from entry, except for the actual time required to remove or replace marijuana;
- Keeping all locks and security equipment in good working order;
- Prohibiting keys, if any, from being left in the locks or stored or placed in a location accessible to persons other than specifically authorized personnel;
- Prohibiting accessibility of security measures, such as combination numbers, passwords or electronic or biometric security systems, to persons other than specifically authorized personnel;
- Ensuring that the outside perimeter of the marijuana establishment is sufficiently lit to facilitate surveillance, where applicable;
- Ensuring that all marijuana products are kept out of plain sight and are not visible from a public place without the use of binoculars, optical aids or aircraft;
- Developing emergency policies and procedures for securing all product following any instance of diversion, theft or loss of marijuana, and conduct an assessment to determine whether additional safeguards are necessary;
- Developing sufficient additional safeguards as required by the CCC for marijuana establishments that present special security concerns; and
- Sharing the marijuana establishment's security plan and procedures with law enforcement authorities and fire services and periodically updating law enforcement authorities and fire services if the plans or procedures are modified in a material way.

Marijuana must be stored in special limited access areas, and alarm systems must meet certain technical requirements, including the ability to record footage to be retained for at least 90 days.

Massachusetts Transportation Requirements (Adult-Use)

Marijuana products may only be transported between licensed marijuana establishments by registered marijuana establishment agents. A licensed marijuana transporter may contract with a licensed marijuana establishment to transport that licensee's marijuana products to other licensed establishments. The originating and receiving licensed establishments shall ensure that all transported marijuana products are linked to the seed-to-sale tracking program. For the purposes of tracking, seeds and clones will be properly tracked and labeled in a form and manner determined by the CCC. Any marijuana product that is undeliverable or is refused by the destination marijuana establishment shall be transported back to the originating establishment. All vehicles transporting marijuana products shall be staffed with a minimum of two marijuana establishment agents. At least one agent shall remain with the vehicle at all times if that the vehicle contains marijuana or marijuana products. Prior to the products leaving a marijuana establishment for the purpose of transporting marijuana products, the originating marijuana establishment must weigh, inventory, and account for, on video, all marijuana products to be transported. Within eight hours after arrival at the destination marijuana establishment, the destination establishment must re-weigh, re-inventory, and account for, on video, all marijuana products transported. When videotaping the weighing, inventorying, and accounting of marijuana products before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. Marijuana products must be packaged in sealed, labeled, and tamper or child-resistant packaging prior to and during transportation. In the case of an emergency stop during the transportation of marijuana products, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A marijuana establishment or a marijuana transporter transporting marijuana products is required to ensure that all transportation times and routes are randomized. An establishment or transporter transporting marijuana products shall ensure that all transport routes remain within Massachusetts. All vehicles and transportation equipment used in the transportation of cannabis products or edibles requiring temperature control for safety must be designed, maintained, and equipped as necessary to provide adequate temperature control to prevent the cannabis products or edibles from becoming unsafe during transportation, consistent with applicable requirements pursuant to 21 CFR 1.908(c).

Vehicles used for transport must be owned or leased by the marijuana establishment or transporter, and they must be properly registered, inspected, and insured in Massachusetts. Marijuana may not be visible from outside the vehicle, and it must be transported in a secure, locked storage compartment. Each vehicle must have a global positioning system, and any agent transporting marijuana must have access to a secure form of communication with the originating location.

CCC Inspections

The CCC or its agents may inspect a marijuana establishment and affiliated vehicles at any time without prior notice in order to determine compliance with all applicable laws and regulations. All areas of a marijuana establishment, all marijuana establishment agents and activities, and all records are subject to such inspection. Marijuana establishments must immediately upon request make available to the Commission all information that may be relevant to a CCC inspection, or an investigation of any incident or complaint. A marijuana establishment must make all reasonable efforts to facilitate the CCC's inspection, or investigation of any incident or complaint, including the taking of samples, photographs, video or other recordings by the CCC or its agents, and to facilitate the CCC's interviews of marijuana establishment agents. During an inspection, the CCC may direct a Marijuana Establishment to test marijuana for contaminants as specified by the CCC, including but not limited to mold, mildew, heavy metals, plant growth regulators, and the presence of pesticides not approved for use on marijuana by the Massachusetts Department of Agricultural Resources.

Moreover, the CCC is authorized to conduct a secret shopper program to ensure compliance with all applicable laws and regulations.

U.S. Attorney Statements in Massachusetts

In January 2018, Andrew E. Lelling, the US Attorney for the District of Massachusetts, issued the following statement: "I understand that there are people and groups looking for additional guidance from this office about its approach to enforcing federal laws criminalizing marijuana cultivation and trafficking. I cannot, however, provide assurances that

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

Nevada (Medical Program))

Nevada has a legislatively enacted medical marijuana program since 2013 and passed adult-use legalization by voter initiative in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana business industry.

The Nevada Division of Public and Behavioral Health licensed medical marijuana establishments up until July 1, 2017 when the State's medical marijuana program merged with adult-use marijuana enforcement under the State of Nevada Department of Taxation, Marijuana Enforcement Division (the "**Nevada Taxation Department**"). In 2014, Nevada accepted medical marijuana business applications and a few months later the division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process is merit-based, competitive, and is currently closed. Residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from other States to purchase marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

Each medical marijuana establishment must register with the Nevada Taxation Department and apply for a medical marijuana establishment registration certificate. As noted above, the application process is competitive, and, among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical marijuana establishment as well as restrictions relating to the age and criminal background of employees, owners, officers and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any previous felony convictions or had a previously granted medical marijuana registration revoked. Additionally, each volunteer, employee, officer, board member, and owner of an effective 5% or greater interest of a medical marijuana establishment must be individually registered with the Nevada Taxation Department as a medical marijuana agent and hold a valid medical marijuana establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical marijuana establishment will sell or deliver edible marijuana products or marijuana-infused products, the proposed establishment must establish operating procedures for handling such products, which must be preapproved by the Nevada Taxation Department.

In response to the rescission of the Cole Memorandum, Nevada Attorney General Adam Laxalt had issued a public statement, pledging to defend the law after it was approved by voters. Then-Governor Brian Sandoval also stated, "Since Nevada voters approved the legalization of recreational marijuana in 2016, I have called for a well-regulated, restricted and respected industry. My administration has worked to ensure these priorities are met while implementing the will of the voters and remaining within the guidelines of both the Cole and Wilkinson federal memos," and that he would like for Nevada to follow in the footsteps of Colorado, where the U.S. attorneys do not plan to change the approach to prosecuting crimes involving recreational marijuana.

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

- the total financial resources of the applicant, both liquid and illiquid;
- the previous experience of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment at operating other businesses or non- profit organizations;
- the educational achievements of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment;
- any demonstrated knowledge or expertise on the part of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment with respect to the compassionate use of marijuana to treat medical conditions;
- whether the proposed location of the proposed medical marijuana establishment would be convenient to serve the needs of persons who are authorized to engage in the medical use of marijuana;
- the likely impact of the proposed medical marijuana establishment on the community in which it is proposed to be located;
- the adequacy of the size of the proposed medical marijuana establishment to serve the needs of persons who are authorized to engage in the medical use of marijuana;
- whether the applicant has an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale;
- the amount of taxes paid to, or other beneficial financial contributions made to, the State of Nevada or its political subdivisions by the applicant or the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment; and
- any other criteria of merit that the Nevada Taxation Department determines to be relevant.

A medical marijuana establishment registration certificate expires 1 year after the date of issuance and may be renewed upon resubmission of the application information and renewal fee to the Nevada Taxation Department.

Nevada (Adult-Use Program)

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

In February 2017, the Nevada Taxation Department announced plans to issue "early start" recreational marijuana establishment licenses in the summer of 2017. These licenses, which began on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana, and expired at the end of the year. As of July 1, 2017, medical and adult-use marijuana have incurred a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis has incurred an additional 10% special retail marijuana sales tax in addition to any general State and local sales and use taxes.

On January 16, 2018, the Nevada Taxation Department issued final rules governing its adult-use marijuana program, pursuant to which up to sixty-six (66) permanent adult-use marijuana dispensary licenses will be issued. Existing adult-use marijuana licensees under the "early start" regulations must re-apply for licensure under the permanent rules in order to continue adult-use sales.

Under Nevada's adult-use marijuana law, the Nevada Taxation Department licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. For the first 18 months, applications to the Nevada Taxation Department for adult-use distribution establishment licenses can only be accepted from existing medical marijuana establishments and existing liquor distributors.

In September 2018, the Nevada Taxation Department accepted applications from existing Nevada medical marijuana establishment certificate owners to be awarded licenses for approximately 65 retail marijuana stores throughout the

State. The application period closed on September 20, 2018, and the additional retail store licenses were awarded by the Nevada Taxation Department on December 5, 2018.

Regulatory Framework

The State of Nevada utilizes METRC as its statewide seed-to-sale tracking system for all marijuana and marijuana products. All licensees within the State system are required, either directly or through third-party software systems that are capable of data integration, to report to the State all creation and transfers of such inventory to other licensees and sales to consumers. The Company intends to designate a third-party computerized seed-to-sale inventory software tracking system designed to integrate with METRC via an application programming interface.

Licensing Requirements

As discussed above, there are five certificate/license types issued in the State of Nevada:

"Marijuana cultivation facility" means an entity licensed to cultivate, process, and package marijuana, to have marijuana tested by a marijuana testing facility, and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other marijuana cultivation facilities, but not to consumers. NRS 453D.030(9).

"Marijuana product manufacturing facility" means an entity licensed to purchase marijuana, manufacture, process, and package marijuana and marijuana products, and sell marijuana and marijuana products to other marijuana product manufacturing facilities and to retail marijuana stores, but not to consumers. NRS 453D.030(12).

"Retail marijuana store" means an entity licensed to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities and retail marijuana stores, and to sell marijuana and marijuana products to consumers. NRS 453D.030(18).

"Marijuana distributor" means an entity licensed to transport marijuana from a marijuana establishment to another marijuana establishment. NRS 453D.030(10).

"Marijuana testing facility" means an entity licensed to test marijuana and marijuana products, including for potency and contaminants. NRS 453D.030(15).

The table below describes the cannabis-related licenses held by the Company and its subsidiaries in the State of Nevada as of December 28, 2019:

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable)	Description
Wellness Orchards of Nevada LLC	Medical Cultivation License No. 06113068616119421027	Pahrump	6/30/20	Cultivation
Wellness Orchards of Nevada LLC	Adult Use / Cultivation License No. 75650075113718192894	Pahrump	6/30/20	Cultivation
Nevada Organic Remedies LLC	Adult Use Dispensary License No. 024414260227553521200	Las Vegas	6/30/20	Retail

Nevada Organic Remedies LLC	Medical Dispensary License No. 51266222807288437193	Las Vegas	6/30/20	Medical
Nevada Organic Remedies LLC	Adult Use / Cultivation License No. 89537461737742132623	Las Vegas	6/30/20	Cultivation
Nevada Organic Remedies LLC	Distribution License No. 66956185074616370216	Las Vegas	6/30/20	Distribution
Nevada Organic Remedies LLC	Medical Cultivation License No. 88242054656300627601	Las Vegas	6/30/20	Cultivation
Nevada Organic Remedies LLC	Medical Production License No. 72792951478780009507	Las Vegas	6/30/20	Production
Nevada Organic Remedies LLC	Adult Use Production License No. 88853210986743836974	Las Vegas	6/30/20	Production
Nevada Organic Remedies LLC	Provisional Adult Use Dispensary RD215	Clark County, NV	6/5/20	Retail
Nevada Organic Remedies LLC	Provisional Adult Use Dispensary RD216	Las Vegas, NV	6/5/20	Retail
Nevada Organic Remedies LLC	Provisional Adult Use Dispensary RD217	North Las Vegas, NV	6/5/20	Retail

Nevada Organic Remedies LLC	Provisional Adult Use Dispensary RD218	Henderson, NV	6/5/20	Retail
Nevada Organic Remedies LLC	Provisional Adult Use Dispensary RD219	Reno, NV	6/5/20	Retail
Nevada Organic Remedies LLC	Provisional Adult Use Dispensary RD221	Nye County, NV	6/5/2	Retail
Nevada Organic Remedies LLC	Provisional Adult Use Dispensary RD222	Carson City, NV	65/20	Retail
Henderson Organic Remedies LLC	Medical Dispensary License No. 30554192662175908311	Henderson	6/30/20	Medical
Henderson Organic Remedies LLC	Adult-Use Dispensary License No. 59287610826909824091	Henderson	6/30/20	Retail

Administration of the regular retail program in Nevada is governed by Nevada Revised Statutes Section 453D and the Adopted Regulation of the Nevada Department of Taxation, LCB File R092-17 (the "Nevada Adult-Use Regulation"). The Nevada Adult-Use Regulation was adopted on February 27, 2018 and is a regulation relating to marijuana responsible for: (i) revising requirements relating to independent testing laboratories; (ii) providing for the licensing of marijuana establishments and registration of marijuana establishment agents; (iii) providing requirements concerning the operation of marijuana establishments; (iv) providing additional requirements concerning the operation of marijuana cultivation facilities, marijuana distributors, marijuana product manufacturing facilities, marijuana testing facilities and retail marijuana stores; (v) providing standards for the packaging and labeling marijuana and marijuana products; (vi) providing requirements relating to the production of edible marijuana products and other marijuana products; (vii) providing standards for the cultivation and production of marijuana; (viii) establishing requirements relating to advertising by marijuana establishments; (ix) establishing provisions relating to the collection of excise taxes from marijuana establishments; (x) establishing provisions relating to dual licensees; and (xi) providing other matters properly relating thereto.

In the State of Nevada, only cannabis that is grown or produced in the state by a licensed establishment may be sold in the state. The Nevada regulatory regime does not mandate or prohibit vertically integrated facilities and only permits the holder of a retail dispensary license and registration certificate to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities and marijuana from other retail stores, for the sale of such products to consumers.

A medical cultivation license permits its holder to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries, facilities for the production of edible

medical marijuana products and/or medical marijuana-infused products, or other medical marijuana cultivation facilities.

The medical product manufacturing license permits its holder to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other medical marijuana production facilities or medical marijuana dispensaries.

Medical marijuana establishment certificates and recreational marijuana facility licenses are issued independently to specific owners and at identified locations. Ownership of certificates and licenses is transferable in accordance with the Nevada Taxation Department's policies and procedures, including completion of a background investigation. Establishment certificates and facility licenses may only be relocated to a new location within the identified local jurisdiction.

All licenses expire one year after the date of issue. The Nevada Taxation Department shall issue a renewal license within 10 days after the receipt of a renewal application and applicable fee if the license is not then under suspension or has not been revoked.

Security Requirements

To prevent unauthorized access to marijuana at a Nevada-licensed marijuana establishment, the marijuana establishment must have security equipment to deter and prevent unauthorized entrance into limited access areas. Such security equipment includes, without limitation:

- Devices or a series of devices to detect unauthorized intrusion;
- Exterior lighting to facilitate surveillance;
- Electronic monitoring, including, without limitation, each of the following:
    - At least one call-up monitor that is 19 inches or more;
    - A video printer capable of immediately producing a clear still photo from any video camera image;
    - Video cameras or specified resolution and which is capable of identifying any activity occurring within the marijuana establishment in low light conditions 24 hours per day;
    - A method for storing video recordings from the video cameras for at least 30 calendar days in a secure on-site or off-site;
    - A failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system; and
    - Sufficient battery backup for video cameras and recording equipment to support at least 5 minutes of recording in the event of a power outage.
- Immediate automatic or electronic notification to alert local law enforcement agencies of an unauthorized breach of security at the marijuana establishment in the interior of each building of the marijuana establishment; and
- Policies and procedures:
    - That restrict access to the areas of the marijuana establishment that contain marijuana to persons authorized to be in those areas only;
    - That provide for the identification of persons authorized to be in the areas of the marijuana establishment that contain marijuana;
    - That provide for the identification of persons authorized to be in the areas of the marijuana establishment that contain marijuana;
    - That prevent loitering;
    - For conducting electronic monitoring;
    - For the use of the automatic or electronic notification to alert local law enforcement agencies of an unauthorized breach of security at the marijuana establishment;
    - For limiting the amount of money available in any retail areas of the marijuana establishment and/or training employees on this practice;
    - For notifying the public of the minimal amount of money available, which may include, without limitation, the posting of a sign;
    - For maintaining communication with law enforcement agencies; and
    - For providing and receiving notifications regarding burglary, attempted burglary, robbery, attempted robbery and other suspicious activity.

Transportation

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

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

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

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

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

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

There is no load limit on the amount or weight of marijuana and marijuana products that are being transported by a licensed marijuana distributor. Marijuana distributors are required to adhere to Nevada Taxation Department regulations and those required through their insurance coverage. When transporting by vehicle, marijuana and marijuana product must be in a lockbox or locked cargo area. A trunk of a vehicle is not considered secure storage unless there is no access from within the vehicle and it is not the same key access as the vehicle. Live plants can be transported in a fully enclosed, windowless locked trailer or secured area inside the body/compartment of a locked van or truck so that they are not visible to the outside. If the value of the marijuana and marijuana products being transported by vehicle is in excess of $10,000 (the insured value per the shipping manifest), the transporting vehicle must be equipped with a car alarm with sound or have no less than two (2) of the marijuana distributor's marijuana

establishment agent registration cardholders involved in the transportation. All marijuana and marijuana product must be tagged for purposes of inventory tracking with a unique identifying label as required by the Nevada Taxation Department and remain tagged during transport. This unique identifying label should be similar to the stamp for cigarette distribution. All marijuana and marijuana product when transported by vehicle must be transported in sealed packages and containers and remain unopened during transport. All marijuana and marijuana product transported by vehicle should be inventoried and accounted for in the inventory tracking system. Loading and unloading of marijuana and marijuana products from the transporting vehicle must be within view of existing video surveillance systems prior to leaving the origination location. Security requirements are required for the transportation of marijuana and marijuana products.

Department Inspections

Each establishment that has been granted a provisional operating certificate by the Nevada Taxation Department must undergo facility and audit inspections by the Nevada Taxation Department prior to the issuance of a final registration certificate. Additionally, the issuance of a registration certificate is considered provisional until the establishment is in compliance with all applicable local government requirements including, without limitation, the issuance of a local business licenses.

After an establishment registration certificate has been issued, the marijuana establishment is subject to reasonable inspection from the Nevada Taxation Department and a licensee must make himself or herself, or an agent, available and present for any inspection required by the Nevada Taxation Department.

Delivery and Online Distribution

There are specific situations in which the delivery of marijuana to customers is allowed under the Nevada Taxation Department regulations. Delivery services to customers may only be carried out by retail stores that are licensed properly by the Nevada Taxation Department. Deliveries can only be brought to the residential addresses of customers and only within the State of Nevada. Delivery was allowed as soon as retail marijuana sales began on July 1, 2017, although those regulations were only temporary. Drivers may not deliver more than the legal amount of marijuana, which is currently one ounce, in compliance with the existing seed-to-sale tracking system. See "Cannabis Market Overview – Legal and Regulatory Matters – Nevada State Level Overview – Regulatory Framework". Marijuana or marijuana products may not be shipped via the US Postal Service or via any private courier.

Recreational Marijuana

Nevada law permits a person 21 years of age or older to possess, use, consume, purchase, obtain, process, or transport marijuana paraphernalia, one ounce or less of marijuana other than concentrated marijuana, or one-eighth of an ounce or less of concentrated marijuana.

U.S. Attorney Statement in Nevada

In June 2019, Nicholas Trutanich, U.S. Attorney for the District of Nevada stated that "marijuana remains illegal under federal law, and my job is to enforce federal law."

Foreign Operations

See below under the heading "*Risk Factors*".

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against the Company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the Company or any of its subsidiaries, within the three most recently completed financial years or during or proposed for the current financial year.

Reorganizations

On December 15, 2017, Xanthic was formed pursuant to a reverse takeover involving Aurquest and a privately held Ontario corporation, Xanthic Biopharma Limited, with the objective of becoming a leader in developing innovative, non-combustible alternative delivery methods for cannabis-infused products.

On November 9, 2018, Xanthic and GGB completed the Business Combination.

RISK FACTORS

Risks Specifically Related to Operating under the United States Regulatory System

The cannabis business in the United States is subject to additional risk the Company will be engaged in the medical and adult-use marijuana industry in the United States in compliance with local and state law. While the cannabis industry in all markets is highly regulated and rapidly evolving, which present challenges to management to operate effectively and accurately predict financial results contained in any forward-looking statements, GGB is subject to additional risks attendant to its United States operations. Investors are cautioned that in the United States, cannabis is illegal under United States federal law. Notwithstanding the more permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substance Act and as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States. To management's knowledge, there are to date a total of 31 states, and the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam that have legalized cannabis in some form, including Nevada where GGB operates.

The United States Congress has passed appropriations bills each of the last four years that have expressly not appropriated funds for prosecution of cannabis offenses of persons who are in compliance with state medical cannabis laws. Courts in the United States have construed these appropriations bills to prevent the federal government from prosecuting persons when those persons comply with applicable state medical cannabis law. However, because this conduct continues to violate federal law, U.S. courts have observed that should the United States Congress at any time choose to appropriate funds to fully prosecute offences under the Controlled Substances Act of 1970 (the "CSA"), any individual or business - even those that have fully complied with state law - could be prosecuted for violations of federal law. If the United States Congress restores funding, the government will have the authority to prosecute individuals for violations of the law during the time it lacked funding, subject to the CSA's five-year statute of limitations.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, judgments or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, criminal convictions, imprisonment, disgorgement of profits, cessation of business activities, divestiture or civil asset forfeiture. This could have a material adverse effect on GGB, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, the listing of its securities on the CSE, its financial position, operating results, profitability or the market price of its publicly traded shares. In addition, it is difficult for management 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 Company will derive a significant portion of its revenue from the cannabis industry in certain states of the United States, which industry is 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 enforcement of relevant laws is a significant risk.

Approach to the enforcement of cannabis laws is subject to change

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the United States Department of Justice memorandum drafted by

former Deputy Attorney General James Michael Cole in 2013 (the "Cole Memorandum"), acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice did not provide specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Mr. Sessions issued the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

Following the issuance of the Sessions Memorandum, Annette Hayes, U.S. Attorney for the Western District of Washington, released a statement on January 4, 2018, affirming that her office will continue to investigate and prosecute "cases involving organized crime, violent and gun threats, and financial crimes related to marijuana" and that "enforcement efforts with our federal, State, local and tribal partners focus on those who pose the greatest safety risk to the people and communities we serve".

In Oregon, the United States Attorney for the District of Oregon Billy J. Williams released an official statement on May 18, 2018 ("Williams Memo"), which clarified his office's position with regards to the priorities in enforcement of federal laws involving marijuana in the District of Oregon. The priorities set out in the Williams Memo are as follows:

1. Priority 1: Overproduction and Interstate Trafficking. Prioritizing enforcement of federal marijuana violations that have national or interstate implications, particularly when the Oregon-based criminal activity adversely affects states that have not legalized marijuana, which will remain a top priority until overproduction that feeds exportation of marijuana across Oregon's borders stops.
2. Priority 2: Protecting Oregon's Children. Prioritizing enforcement of federal marijuana violations that threaten public health, with particular emphasis on the access to marijuana by minors.
3. Priority 3: Violence, Firearms, or other Public Safety Threats. Prioritizing enforcement of federal marijuana violations that involve or pose a substantial risk of violence or other threats to public safety in our communities, especially those involving firearms and illegal manufacture of butane hash oil that has potential to result in dangerous explosions and fires.
4. Priority 4: Organized Crime. Prioritizing enforcement of federal marijuana violations that serve to fuel other criminal activity, especially through racketeering and the involvement of organized crime. This includes not only violent crimes, but also non-violent criminal activity, such as federal income tax evasion or systematic money laundering to evade detection of illegal proceeds.
5. Priority 5: Protecting Federal Lands, Natural Resources, & Oregon's Environment. Prioritizing enforcement of federal marijuana violations that have serious adverse effects on federal land or natural resources, including water, air, and listed species. Examples falling within this priority include cultivating marijuana on

federally managed lands, using unlawful pesticides that pose a threat to human health, wildlife, and our environment, or using large amounts of water for grow operations without proper authorization.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Leahy Amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018 which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to the United States Congress restoring such funding. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation and prospects, even if such proceedings were concluded successfully in favour of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of corporate assets.

Rohrbacher-Farr must be renewed to protect the medical cannabis industry

The Rohrbacher-Farr Amendment, as discussed above, prohibits the Department of Justice from spending funds appropriated by United States Congress to enforce the tenets of the CSA against the medical cannabis industry in states which have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Rohrbacher-Farr Amendment has been renewed through the September 2020 fiscal year, but there is no guarantee that it will thereafter continue in effect.

Anti-money laundering laws and regulation

The Company will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Banks often refuse to provide banking services to businesses involved in the marijuana industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses in the marijuana industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

In February 2014, the Department of the Treasury Financial Crimes Enforcement Network issued a memo (the "FinCEN Memo") providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. While the FinCEN Memo has not

been rescinded, it remains unclear whether the current administration will follow its guidelines. Overall, the Department of Justice continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the Department of Justice's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the United States Attorney General. A change in the Department of Justice's enforcement priorities could result in the Department of Justice prosecuting banks and financial institutions for crimes that previously were not prosecuted.

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

Furthermore, while there are no current intentions to declare or pay dividends on the Common Shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice for an indefinite period of time.

The illegality of cannabis in the United States presents additional legal and operational challenges. Because the use of cannabis is illegal under federal law, many judges and courts have denied cannabis businesses bankruptcy protections, enforcement of contracts, and protection of intellectual property – all of which may have a materially adverse effect on the Company's results of operations and its investors return on investment. Without bankruptcy protections, it would be very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. In addition, there remains doubt and uncertainty that the Company will be able to legally enforce its contracts. The Company cannot be assured that it will have a remedy for breach of contract, which may have a material adverse effect on its business. Similarly, the benefit of federal laws and protections which are otherwise 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. The Company's strategy is highly focused on creating brand equity and identity in its markets, by building strong brand awareness. The Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third parties. While many states do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than would federally registered marks. This position may prevent the Company from effectively marketing and selling its cannabis-infused and CBD-infused consumable products using technology that management believes should otherwise be afforded patent protection. As a result of the United States regulatory position on cannabis businesses, the Company may not be able to effectively prevent competitors from using its technology to market similar products in the markets in which it operates.

Restriction of entry into the United States

In the past, U.S. Customs and Border Protection (the "U.S. CBP") was given the discretion to question Canadians entering the U.S. about their marijuana use and whether to use their response as a barrier to entry. Recently, the U.S. CBP has been focusing on the whole cannabis industry, including investors. Several highly publicized instances of U.S. CBP detaining and even banning Canadian investors from the United States have occurred in recent months. The restriction of travel to the United States of the Company's executives and investors would seriously impair the ability of the Company to conduct business and could materially impact the Company's results of operations.

Securing Additional Financing

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

financing will be favorable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company will require additional financing to fund its operations until positive cash flow is achieved.

Any significant failure or deterioration of GGB's quality control systems could have a material adverse effect on GGB's business and operating results.

The quality and safety of GGB's products are critical to the success of its business and operations. As such, it is imperative that GGB's quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although GGB strives to ensure that it and any of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on GGB's business and operating results.

New Tax Legislation

There have been several recent legislative, judicial and administrative changes to the U.S. federal income tax laws, including changes pursuant to the enactment of P.L. 115-97, which is informally titled the "Tax Cuts and Jobs Act," in December 2017. In many respects, the individual and collective impact of these changes in law on the U.S. federal income taxation of corporations and their shareholders is uncertain and may not become evident for some time. Moreover, additional changes to U.S. federal income tax laws are likely to continue in the future, and any such changes could adversely impact GGB or its shareholders.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about GGB or its business, the Common Share trading price and volume could decline

The trading market for Common Shares will depend in part on the research and reports that securities or industry analysts publish about GGB or its business. If no securities or industry analysts commence covering GGB, the trading price for Common Shares would be negatively impacted. If GGB obtains securities or industry analyst coverage and if one or more of the analysts who cover GGB downgrade Common Shares or publish inaccurate or unfavorable research about GGB's business, GGB's trading price may decline. If one or more of these analysts cease coverage of GGB or fail to publish reports on GGB regularly, demand for Common Shares could decrease, which could cause the Common Share trading price and volume to decline.

The Company is, and may be, subject to various litigation claims that could result in significant expenditures and impact the Company's operations

As a growing company, GGB increasingly faces the risk of litigation and other claims against it. By the nature of the Company's operations, it is exposed to the potential for a variety of litigation. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time. In particular, the Company's subsidiary, NOR, is currently intervening in several cases pending in the Eighth Judicial District, Clark County, Nevada. These claims, brought by Serenity Wellness Center LLC and others, challenge the method by which the Department of Taxation in Nevada awarded retail cannabis licenses on December 5, 2018 (the "Complaint"). The Complaint seeks relief for, among other things, alleged violations of state- and federal-level due process rights, violations of equal protection rights, and further requests that a writ of mandamus be issued compelling the Department of Taxation to conduct a new review of the plaintiffs' recreational dispensary applications on their merits and/or approve them. NOR has also been named as a defendant in other cases in the Eighth Judicial District, Clark County, Nevada, which assert similar challenges. As of the filing of this MD&A, the court has enjoined the State of Nevada

from providing final approval for the awarded licenses to four awardees, to include NOR. NOR has filed an appeal with the Supreme Court of Nevada challenging the trial court's preliminary injunction, which appeal has been ordered for expedited review by that court. Trial in the underlying lawsuit is scheduled for April 2020. Although the Company has taken the requisite steps to protect its interests in these matters, to include the intervention and active participation in the lawsuit, there can be no assurance of a positive outcome, either at trial or on appeal, or what relief, if any, the trial court may provide in the event of a final, adverse outcome. The litigation, even in the event of a positive final outcome, has caused and will continue to cause delay in the opening of proposed recreational dispensary locations. While such matters remain ongoing, and have not yet been resolved, the Company's inability to defend itself against a significant litigation claim, could have a material adverse effect on its financial results. Moreover, any litigation involving the Company, even if it is not held liable, could negatively affect its reputation among customers and the public, thereby making it more difficult for the Company to compete effectively, and could have a material adverse effect on the Company's financial results. Although the Company maintains liability insurance to mitigate potential claims, it cannot be certain that its coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

Moratoriums in the State of Nevada could have adverse effect upon the Company's operations

Moratoriums on additional recreational dispensaries remain in place in the State of Nevada for unincorporated Clark County, North Las Vegas, Henderson, and Carson City. Such moratoriums could negatively affect the Company's ability to open its proposed recreational dispensary locations on or before the state-implemented deadline of June 5, 2020. The Company is engaged at the local and state level to protect its interests, however, there can be no assurance that the Company will be successful in its lobbying efforts related to these moratoriums, or that the subject localities (or the State of Nevada) will provide relief from the pending June5, 2020 deadline for dispensaries to be operative. The moratoriums or lack of such relief to be provided by the subject localities (or the State of Nevada) could have a material adverse effect on the Company's operations.

Going Concern Risk

As previously disclosed, the continuing operations of the Company remain dependent upon its ability to continue to raise adequate financing, to commence profitable operations in the future, and repay its liabilities arising from normal business operations as they become due. As at and for the 13-week period ending December 28, 2019, the Company had a working capital deficit of $133,478,662; incurred a net loss attributable to owners of the parent $34,859,443 and used cash for operating activities of $12,589,708. Notwithstanding the CBD Transaction, CBD Sales Process and the strategic review of the CBD Business, there remains a significant risk that the Company will be unable to realize sufficient cost savings, find sufficient sources of financing for on-going working capital requirements and other material obligations that are due or maturing in the short term, or to negotiate extensions or alternate payment terms in respect of such debt. These material uncertainties cast significant doubt upon the Company's ability to meet its obligations as they come due and to continue as a going concern. As previously announced, $5 million was payable to MXY Holdings LLC ("Moxie") on or before February 5, 2020 (assuming a five-day cure period following January 31, 2020). The Company has been working to secure a deferral of this obligation and is also seeking short-term financing from certain of its key stakeholders in connection therewith. In addition to the Moxie payment, The Company and its subsidiaries have material obligations that are due or that are coming due in the near term. The Company has drawn all amounts available to it under the previously announced working capital backstop commitment provided by All Js Greenspace LLC ("All Js") and Chiron Ventures Inc. (collectively, the "Backstop Parties") for purposes of funding the Company's operations. In addition, for purposes of funding the Company's operations All Js advanced approximately $1.5 million from its portion of the previously announced $52.3 million debenture repayment backstop commitment. Notwithstanding the US$1.5 million advance from All Js, there is no guarantee that either of the Backstop Parties will permit additional funds to be drawn from the debenture repayment backstop commitment for purposes of funding the Company's operations. Amounts drawn from the debenture backstop commitment to fund operations reduce the funds available to refinance the debentures upon maturity. The Company has ceased negotiations with United Capital Partners LLC ("UCP") in respect of the previously announced potential debt financing transaction with UCP of up to $50 million. The Company is actively pursuing alternative sources of financing, but investors are cautioned that additional financing may not be available when needed or, if available, the

terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed will have a material adverse effect on the Company's ability to pursue its business strategy, and accordingly could negatively impact the Company's business, financial condition and results of operations. Failure to obtain sufficient financing and/or to successfully execute on one or more strategic alternative transactions could result in the Company ceasing to be a going concern, defaulting on its obligations, and forcing the Company or its subsidiaries into reorganization, bankruptcy or insolvency proceedings.

Use of Customer Information and Other Personal and Confidential Information

GGB collects, process, maintains and uses data, including sensitive information on individuals, available to GGB through online activities and other customer interactions with its business. GGB's current and future programs may depend on its ability to collect, maintain and use this information, and its ability to do so is subject to evolving international, U.S. and Canadian laws and enforcement trends. GGB strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with GGB's practices or fail to be observed by its employees or business partners. If so, GGB may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt GGB's reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

The Market Price of the Common Shares may be Highly Volatile

Market prices for cannabis companies have at times been volatile and subject to substantial fluctuations. The stock market, from time-to-time, experiences significant price and volume fluctuations unrelated to the operating performance of particular companies. Future announcements concerning GGB or its competitors, including those pertaining to financing arrangements, government regulations, developments concerning regulatory actions affecting GGB, litigation, additions or departures of key personnel, cash flow, and economic conditions and political factors in the United States may have a significant impact on the market price of the Common Shares. In addition, there can be no assurance that the Common Shares will continue to be listed on the CSE.

The market price of the Common Shares could fluctuate significantly for many other reasons, including for reasons unrelated to GGB's specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by its subscribers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other large companies within its industry experience declines in their stock price, the share price of the Common Shares may decline as well. In addition, when the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against GGB could cause it to incur substantial costs and could divert the time and attention of its management and other resources.

Sales of a Substantial Number of the Common Shares may Cause the Price of the Common Shares to Decline

Any sales of substantial numbers of the Common Shares in the public market or the exercise of significant amounts of the Common Share warrants or the perception that such sales or exercise might occur may cause the market price of the Common Shares to decline. The market price of the Common Shares could be adversely affected upon the expiration of lock up periods applicable to certain GGB shareholders.

GGB may lose Foreign Private Issuer Status in the Future, which could Result in Significant Additional Costs and Expenses

The Proportionate Voting Shares are being issued to meet the definition of "foreign private issuer," as such term is defined in Rule 405 of Regulation C under the U.S. Securities Act. GGB will be a "foreign private issuer," and will not be subject to the same requirements that are imposed upon U.S. domestic issuers by the Securities and Exchange Commission ("**SEC**"). GGB may in the future lose its foreign private issuer status if a majority of its Common Shares are held in the U.S. and it fails to meet the additional requirements necessary to avoid loss of foreign private issuer

status, such as if: (i) a majority of its directors or executive officers are U.S. citizens or residents; (ii) a majority of its assets are located in the U.S.; or (iii) its business is administered principally in the U.S.

If GGB loses its foreign private issuer status and decides, or is required, to register as a U.S. domestic issuer, the regulatory and compliance costs will be significantly more than the costs incurred as a Canadian foreign private issuer. In such event, GGB would not be eligible to use foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer.

Certain Remedies may be Limited

GGB's governing documents may provide that the liability of its members of the Board and its officers is limited to the fullest extent permitted under the laws of the Province of Ontario. Thus, GGB and its shareholders may be prevented from recovering damages for certain alleged errors or omissions made by the members of the Board and its officers. GGB's governing documents may also provide that GGB will, to the fullest extent permitted by law, indemnify members of its Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of GGB.

Past Performance Not Indicative of Future Results

The prior operational performance of GGB is not indicative of any potential future operating results of GGB. There can be no assurance that the historical operating results achieved by GGB or its affiliates will be achieved by GGB, and GGB's performance may be materially different.

Financial Projections May Prove Materially Inaccurate or Incorrect

Any of GGB's financial estimates, projections and other forward-looking information or statements included herein were prepared by GGB without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed herein. Investors should inquire of GGB and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results GGB might achieve.

In addition to those stated above, there are a number of inherent risks associated with the Company's activities. These risks are described in the Company's CSE listing statement filed on www.sedar.com under "*Business Risks*" as filed on November 12, 2018, and under "*Risk Factors*" in the Company's Annual Information Form filed on November 26, 2018 and updated in *"Risk Factors"* in the Company's Short form prospectus form filed on August 15, 2019. At December 28, 2019, the Company had not identified any material changes to the risk factors affecting its business, and its approach to managing those risks, from those discussed in the document referred to above. These business risks should be considered by interested parties when evaluating the Company's performance and outlook.

INFORMATION CONCERNING GREEN GROWTH BRANDS INC.

Additional information relating to the Company, including the Company's AIF, may be accessed through the SEDAR website at www.sedar.com under Green Growth Brands Inc. and the Company's website at www.greengrowthbrands.com.

Toronto, Ontario
February 25, 2020