



CITATION GROWTH CORP.

(Formerly Liht Cannabis Corp. and Marapharm Ventures Inc.)

MANAGEMENT DISCUSSION & ANALYSIS
For the three and nine months ended December 31, 2019

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Citation Growth Corp., formerly Liht Cannabis Corp. and Marapharm Ventures Inc. and its subsidiaries (collectively, the "Company" or "Citation") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended December 31, 2019. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2019 and 2018 and the notes related thereto (the "Interim Financial Statements") and the annual audited consolidated financial statements for the year ended March 31, 2019. A copy of the Interim and Annual Financial Statements is posted on the SEDAR website, www.sedar.com.

The Interim Financial Statements were prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All information in this MD&A is current as of March 2, 2020, unless otherwise indicated. All dollar figures are expressed in thousands of Canadian dollars, except for share data, or unless otherwise noted.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. The Interim Financial Statements and MD&A have been reviewed by the Company's Audit Committee and approved by the Board of Directors on March 2, 2020.

This MD&A may contain forward-looking statements and should be read in conjunction with the cautionary statement on forward-looking statements at the end of this MD&A. These forward looking statements are based on assumptions and judgments of management regarding events or results that may prove to be inaccurate resulting from risk factors beyond its control. Actual results may differ materially from the expected results.

Cannabis Industry Involvement Statement

Cannabis is legal in each jurisdiction where Citation is engaged in, however, cannabis remains illegal under US federal law and the approach to enforcement of US federal law against cannabis is subject to change. Shareholders and investors need to be aware that adverse enforcement actions could affect their investments and that Citation's ability to access private and public capital could be affected and or could not be available to support continuing operations. Citation's business is conducted in a manner consistent with each jurisdiction's laws and complies with their licensing requirements. The Company has internal compliance procedures in place as well as compliance focused attorneys engaged to monitor changes in laws and compliance with Canadian, US Federal and State Law.

In Washington, the Company owns 13.6 acres of land and buildings specifically approved for cannabis business use. The property is currently listed for sale but is also being negotiated for joint venture opportunities.

In Nevada, the Company holds state approved licenses for medical and recreational cultivation and production. The Company is also awaiting final approval for its distribution license from the Nevada Department of Taxation. The Company complies with its ongoing monthly reporting and inspections for its licensing in Nevada, with the City of North Las Vegas and the Nevada Department of Taxation.

In California, the Company holds an adult-use license and a medicinal cannabis retail license. The Licensing in California is done through the State of California and all regulatory compliance has been followed with these licenses. The Company also owns two properties, with two conditional use permits for medical and adult use cannabis cultivation associated to each property which are currently listed for sale.

In Canada, the Company, owns a 40-acre property located in Celista, British Columbia and has two cannabis growing facilities that are under construction. A total of ten engineered bio-secure facilities (each totalling 10,000 square feet) are to be constructed on the site. Two buildings are currently being constructed, of which one is nearing completion. The Company currently has a pending late-stage 100,000 sq. ft. license application submitted to Health Canada under the Cannabis Act for the property.

The Company has the same philosophical view as the guidelines set out in the Cole Memo (rescinded), and strictly complies with its guidelines, which include: preventing the distribution of cannabis to minors, preventing revenue from the sale of cannabis going to criminal enterprises, preventing the diversion of cannabis from states where it is legal to states where it is not, preventing state legal activity from being a “front” for the distribution of other illicit drugs, preventing violence in the cultivation and distribution of cannabis, preventing intoxicated driving and other public health consequences associated with cannabis use, preventing of cultivation of cannabis on public lands, as well as, preventing the use of cannabis on Federally owned property.

Corporate Overview

Citation Growth Corp. (“Citation” or the “Company”), was incorporated under the *Business Corporations Act* (British Columbia) on April 24, 2007 as “0789189 B.C. Ltd”. On March 5, 2012, the Company approved a plan of arrangement with its parent company, Whitewater Resources Ltd., and became a reporting issuer. On May 21, 2013, the Company changed its name to “Capital Auction Market Inc”. On August 1, 2014, the Company changed its name to “Marapharm Ventures Inc” and on October 24th, 2018, the Company changed its name to “Liht Cannabis Corp.”.

On June 12, 2019, the Company changed its name to “Citation Growth Corporation” and consolidated of its share capital on the basis of one (1) post-consolidated common share for every four (4) pre-consolidated common shares. All information in these MD&A is presented on a post-share consolidation basis.

The Company’s common shares are currently trading on the Canadian Stock Exchange (“CSE”) under the symbol “CGRO” and on the OTCQX Markets under the ticker symbol “CGOTF”.

Citation is in the business of cultivation and production of medical and recreational marijuana with operations in the United States, in the states of Nevada and California. The Company has six state approved licenses in Nevada which consist of medical and recreational marijuana cultivation licenses, medical and recreational production licenses, medical cannabis licenses associated with lands owned in Washington, and a distribution license with a dispensary in California. The Company also has a pending application with Health Canada to become a licensed producer under the Cannabis Act (Canada) (“Cannabis Act”).

Business Overview

Nevada, United States

The Company holds 6 state approved licenses, which include two medical cultivation, two recreational cultivation, one medical production and one recreational production licenses.

Citaiton's two 5,000 sq. ft. facilities located on its 7.1 acres of property at the Apex Business Park in North Las Vegas, Nevada. The facilities currently produce an average of 561 kilograms annually and annual full capacity is at 726 kilograms. The licenses are approved to expand to up to approximately 300,000 sq. ft. of both cultivation and production facilities. The Company's products include triple certified organic premium flower and pre-rolls. The average selling price of organic buds was \$8.77 per gram, with prices ranging from \$8.59 to \$9.57 per gram and the average selling of price pre-rolls is \$6.17, with prices ranging from \$6.17 to \$7.14 per pre-roll.

All premium cannabis is certified as organically grown from EnvirOrganic, Certified Kind and Clean Green. The certifications provide verification that the Company meets or exceeds NOP (National Organic Program) standards for cultivation and that it is using only OMRI, WSDA or CDFA certified inputs, is following social justice directives and has accurate and complete record keeping practices.

Citation will begin to diversify its product lines in the upcoming months to offer its customers a wide range of premium quality flower, extracts and concentrates. The Company's focus will be on its triple certified organic Diamante Labs products that are healthier for the end user. Diamante Labs was founded on the determination to formulate high quality extracts by using closed loop hydrocarbon processes.

On August 2, 2019, the Company completed the acquisition of ACC C Corp. ("ACC"). ACC's facility currently produces an average of 1,564 kilograms annually and annual full capacity is at 3,592 kilograms. The average selling price of ACC's buds is \$5.78 per gram, with prices ranging from \$4.30 to \$7.17 per gram and the average selling price pre-rolls is \$4.42, with prices ranging from \$3.90 to \$6.49 per pre-roll.

Desert Hot Springs, California, United States

The Company owns a total of 3.35 acres of properties located in Desert Hot Springs, California. There are two conditional use permits for medical and adult recreational cannabis cultivation facilities awarded to these properties.

The Company is operating a dispensary in Desert Hot Springs, California, Green Leaf Wellness Dispensary LLC ("Green Leaf"), which currently holds an Adult-use and Medicinal retail licenses.

On March 5, 2019, the Company signed a letter of intent (the "LOI") with respect to a proposed acquisition by Cannabis One Holdings Inc. ("Cannabis One") of 51% of the Company's interest in Green leaf. Under the LOI, Cannabis One will carry out a rebranding of the dispensary under Cannabis One's The Joint™ banner, and has a right of first refusal to purchase the remaining 49% of Green Leaf. As a result of the LOI, the assets and liabilities of Green Leaf were classified as a disposal group, and as at March 31, 2019, the assets and liabilities of Green Leaf were reclassified to assets held for sale.

In June 2019, due to the Company's reorganization, management changed its plans regarding Green leaf and terminated the LOI effective August 1, 2019. As a result, as of December 31, 2019, the Company ceased to classify Green leaf as held for sale, and its results of operations were reclassified and included in loss from continuing operations for all periods presented in the Interim Financial Statements.

Lynden, Whatcom County, Washington, United States

The Company, through Marapharm Washington, LLC (“MWA”), owns 13.85 acres of land and buildings specifically approved for cannabis business use. The property is currently listed for sale but is also being negotiated for joint venture opportunities.

Kelowna, BC, Canada

Celista Project

The Company, through Full Spectrum Medicinal Inc. (“Full Spectrum”), owns a 40-acre property and two cannabis growing facilities that are under construction located in Celista, British Columbia. A total of ten engineered bio-secure facilities (each totaling 10,000 square feet) are to be constructed on the site (the “Celista Project”), and Citation currently has a pending late-stage 100,000 square foot license application under the Cannabis Act for the Celista Project. Two 10,000 square foot facilities are under construction, one of which is nearing completion.

On January 30, 2019, the Company entered into an agreement with 1186626 BC Ltd. (“118”) to jointly develop the Celista Project (the “JV Agreement”). 118 will provide a capital contribution of \$10,000 (the “Contribution”) to be paid in four tranches for each two 10,000 sq. ft. facilities getting completed and operational, while the Company secures the license for the Celista Project.

Pursuant to the agreement, each of the Company and 118 will be entitled to receive 50% of the net cashflows from the Celista Project within three years after the date that all ten facilities are concurrently fully operational and in full production (the “Distribution”), and 100% to the Company thereafter. In the event 118 defaults in payment of any portion of the Contribution, its entitlement to the Distribution shall be reduced by 12.5% for each tranche or portion not advanced to the Celista Project until such time the default has been remedied.

In November 2019, the Company and 118 entered into an amended JV Agreement (the “Amended JV Agreement”). Under the Amended JV Agreement, the Contribution will be \$6,350 (the “Amended Contribution”) to finance the completion of the 10,000 square foot facility, and the Distribution will be 80% to 118 and 20% to the Company until the first year anniversary that 118’s Amended Contribution has been fully repaid, and 100% to the Company thereafter. All other terms of the JV Agreement remain the same.

In consideration of the Amended Agreement, the Company agreed to terminate its joint venture agreement with 118 with respect to the Chase Project. Additionally, the Company agreed to assign all of its right, title, interest in and to the Bud For You Inc. to 118. See “*Buds For You Inc.*” below.

Chase Project

On January 30, 2019, as amended on May 6, 2019, the Company, through Full Spectrum, entered into a joint venture agreement with 118 and 1196788 BC Ltd. (“119”) to develop and operate cannabis production facilities located in Chase, British Columbia (the “Chase Project”) through 119. 119 which is currently controlled by 118 purchased a 120 acre parcel of land located in Chase, British Columbia, zoned for the purpose of developing and operating bio-secure organic cannabis production facilities of up to 486,000 square feet. 118 will be financing the Chase Project while Citation is in the process of securing a license under the Cannabis Act for the Chase Project. See “*Buds For you Inc.*”

118 will pay all capital contributions of approximately \$81,600 on the Chase Project. Upon repayment of two-thirds of the total capital contributions to 118, 119 will issue 50% of its issued and outstanding shares to the Company such that 119 will be equally held by the Company and 118. In addition, a director of the Company will be appointed to the board of 119 resulting in both parties having a representation on the board of 119.

Under the agreement, the Company and 118 will be entitled to 20% and 80%, respectively, of the net cashflows from the Chase Project if at the time of the distribution, 118 has not been repaid in full for all of its capital contributions. If at the time of distribution, 118 has been fully repaid, the distribution shall be 50% to each of the Company and 118.

In consideration of the Amended Agreement, the Company agreed to terminate its joint venture agreement with 118 with respect to the Chase Project. See “*Celista Project*” above.

[Buds For You Inc. \(“Buds”\)](#)

The Company, through Full Spectrum, entered into a Share Exchange Agreement (the “Agreement”) dated April 19, 2019 to acquire Buds For You Inc. (“Buds”), a late stage cannabis cultivation, processing and sales license applicant under the Cannabis Act (the “Buds License”). The Company intends to transfer the Buds License to 119 on closing of the acquisition. See “*Chase Project*”

In November 2019, in consideration of the Amended JV Agreement, the Company agreed to assign all of its right, title, interest in and to the Buds to 118. See “*Celista Project*” above.

Significant Events and other Corporate Developments During the Three Months Ended December 31, 2019

Financing

On October 30, 2019, the Company completed a non-brokered private placement of 3,615,000 units at \$0.30 per unit for gross proceeds of \$1,085. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.60 per share for a period of two years expiring October 30, 2021. The warrants are subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above \$1 for a period of 10 consecutive trading days.

Outstanding Convertible Debentures

On October 23, 2019, the Company extended and amended the terms of its 10% unsecured convertible debentures in the principal amount of \$2,600 which matured on October 23, 2019 (“Amended Debentures”), as follows:

1. All accrued and unpaid interests were paid in common shares of the Company at market price. As a result, the Company issued 635,642 common shares to the holders in settlement of accrued interests of \$261;
2. The Amended Debentures mature on October 23, 2020;
3. The Amended Debentures are convertible into common shares of the Company \$0.70 per share subject to accelerated maturity if the VWAP of the Company’s common shares is equal to or above \$1.05 for ten consecutive trading days; and

4. Interest shall be paid in cash at maturity, however, if the Amended Debentures are converted into common shares prior to the maturity date, interests shall be paid in shares on the conversion date at a price equal to the conversion price.

In consideration for the amendment, the Company issued 3,723,033 warrants to the holders at an exercise price of \$1.25 per share for a period of eighteen months expiring April 23, 2021, subject to acceleration if the VWAP of the Company's common shares is equal or above \$1.88 for ten consecutive trading days. Additionally, the Company's CEO agreed to personally pay the debenture holders an additional \$261 or 10% of the principal amount outstanding in common shares upon receipt of his bonus shares on achievement of performance milestones. The Company's CEO resigned subsequent to December 31, 2019.

All other terms of the debentures remain the same.

Changes to the Board of Directors and Management

The Company appointed Mr. Alnoor Nathoo to the Board effective November 5, 2019.

Mr. Raman Gill resigned from the Board effective November 5, 2019.

Ms. Nilda Rivera resigned as Chief Financial Officer and Corporate Secretary effective November 30, 2019.

Significant Events and other Corporate Developments Subsequent to December 31, 2019

Changes to the Board of Directors and Management

The Company appointed Mr. Kevin Cornish as Chief Financial Officer effective January 6, 2020.

Mr. Howard Misle resigned as Chief Executive Office and a director effective January 13, 2020, and Mr. Rahim Mohamed was appointed Interim CEO.

Mr. Rahim Mohamed resigned as Interim CEO, President and a director effective February 11, 2020.

The Company appointed Mr. Erik Anderson as Chief Executive Officer, President and a director effective February 11, 2020.

Selected Quarterly Financial Information

Quarters ending		Revenue	Net loss from continuing operations	Net loss and comprehensive loss	Basic and diluted loss per share
		\$	\$	\$	\$
Q3 2020	31-Dec-19	1,275	(4,409)	(4,733)	(0.04)
Q2 2020	30-Sep-19	1,021	(4,177)	(3,994)	(0.05)
Q1 2020	30-Jun-19	650	(2,934)	(3,355)	(0.04)
Q4 2019	31-Mar-19	394	(15,619)	(14,923)	(0.27)
Q3 2019	31-Dec-18	330	(5,305)	(5,326)	(0.09)
Q2 2019	30-Sep-18	358	(2,199)	(2,191)	(0.06)
Q1 2019	30-Jun-18	359	(6,301)	(6,288)	(0.20)
Q4 2018 ⁽¹⁾	31-Mar-18	(366)	(17,956)	(17,554)	(0.72)

⁽¹⁾ Certain comparative figures for the year ended March 31, 2018 have been restated to correct for errors. Refer to note 6 to the Company's 2019 Annual Financial Statements for full details on the restatement.

As of Q4 2019, the assets and liabilities of Green Leaf were classified as held for sale. During Q1 2020, management changed its plans regarding Green Leaf and terminated the LOI effective August 1, 2019. As a result, as of Q1 2020, the Company ceased to classify Green leaf as held for sale and its results of operations were reclassified and included in loss from continuing operations for all periods presented.

The Company commenced operations at its Nevada facilities and commercial wholesale of medical and recreational cannabis in May 2019. On August 2, 2019, the Company closed the acquisition of ACC, a licensed cannabis cultivator. Revenues in Q2 2020 and Q3 2020 included sale of cannabis of \$997 and \$1,193, respectively.

Discussion of Operations

Revenues

The Company's revenues were derived from the sale of cannabis produced from the Company's Nevada facilities as well as sales from the California Green Leaf dispensary.

The Company commenced operations at its Las Vegas facilities and commercial wholesale of recreational cannabis in May 2019. During the three and nine months ended December 31, 2019, the Company generated gross revenues of \$1,247 and \$2,864 (Net revenues - \$1,021 and \$2,316), respectively, from the sale of bulk recreational and medicinal cannabis, at an average gross selling price of \$7.88 per gram (net selling price - \$6.70 per gram). The Company's wholesale bulk selling price of organic dried cannabis currently range from \$5.78 (US \$4.45) to \$9.57 (US \$7.37) per gram and pre-rolls are priced between \$3.90 (US \$3.00) to \$7.14 (US \$5.50) per piece.

The Company acquired ACC on August 2, 2019. From August 2, 2019 to December 31, 2019, the Company generated gross revenue of \$865 (Net revenues - \$602) from the sale of cannabis products, at an average gross selling price of \$5.78 per gram (net selling price - \$4.45 per gram).

During the three and nine months ended December 31, 2019, the Company generated gross revenues of \$423 and \$1,345 (Net revenues - \$269 and \$522), respectively, from its California dispensary as compared to gross revenues of \$323 and \$1,028 during the three and nine months ended December 31, 2018, respectively.

Cost of Sales

Cost of sales consists mainly of production costs, costs of goods purchased and fair value adjustments on sale of inventory and biological asset transformation.

Production costs during the three and nine months ended December 31, 2019 included direct and indirect costs of \$1,262 and \$2,632, respectively, related to all medical and recreational cannabis grown and produced by the Company comprised mainly of utilities, wages, depreciation of equipment and buildings and quality control and quality assurance costs.

The costs of goods purchased during the three and nine months ended December 31, 2018 amounted to \$113 and \$691, respectively, which consisted of cannabis and other products purchased for resale through the California dispensary.

Fair value adjustments relate to biological assets and inventory. Biological assets consist of cannabis plants at various stages of growth before harvest which are recorded at fair value less costs to sell. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. After harvest costs are capitalized to inventory and expensed to costs of sales when sold.

During the three and nine months ended December 31, 2019, the Company recognized an unrealized gain due to biological asset transformation of \$831 and \$1,534 respectively. During the three and nine months ended December 31, 2019, the Company produced 478,939 grams and 893,760 grams of dried cannabis, respectively. As of December 31, 2019, the biological assets were on average 63% complete and it was expected that the Company's biological assets would yield approximately 337,439 grams of cannabis when harvested. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair values of biological assets. The weighted average fair value less cost to complete and cost to sell of the cannabis plants was \$4.36 per gram.

General and Administrative Expenses

General and administrative expenses consisted of the following:

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Consulting fees	118	2,524	691	5,511
Shareholder and investor relations	245	(262)	674	1,072
Office and general	697	199	1,354	1,085
Professional fees	263	286	448	481
Management fees and wages	650	59	1,342	174
	1,973	2,806	4,509	8,323

The decrease in consulting fees was primarily due to consulting agreements entered into by the Company during the three and nine months ended December 31, 2018, with certain investors who participated on the May 18, 2018 and June 11, 2018 private placements. The fees paid related to capital markets, M&As and other advisory services. The Company paid fees of \$2,037 and \$4,635 during the three and nine ended December 31, 2018, respectively, related to these agreements. See note 18(d), *Commitments and Contingencies*, to the Company's Interim Financial Statements regarding the British Columbia Securities Commission's temporary order against the Company in November 2018 which have been subsequently lifted in January 2019.

Shareholder and investor relations decreased by \$398 for the nine months ended December 31, 2019. The decrease was primarily attributed to 800,000 common shares issued by the Company at a fair value of \$561 during the nine months ended December 31, 2018 to investor relation companies. In addition, the Company incurred approximately \$600 towards shareholder relations and other promotional activities to create investor awareness in connection with its financing activities.

Office and general expenses increased by \$498 and \$269 during the three and nine months ended December 31, 2019, respectively due to increases in insurance expense of \$79 and \$112 and business acquisition costs of \$337 and \$406 during the three and nine months ended December 31, 2019, respectively.

Management fees and wages increased by \$591 and \$1,168 during the three and nine months ended December 31, 2019, respectively, as a result of the appointment of a new CEO and the increase in management team

from two during the nine months ended December 31, 2018 to a total of four during the year ended March 31, 2019.

Depreciation and Amortization

Depreciation and amortization were \$203 and \$480 during the three and nine months ended December 31, 2019, respectively. The Company recorded depreciation of \$119 and \$230 for the three and nine months ended December 31, 2019, respectively, for the North Las Vegas facilities and the dispensary in California.

The Company recorded amortization of \$84 and \$250 during the three and nine months ended December 31, 2019, respectively, for intangible assets related to sublease rights and options acquired in connection with the Tonasket, Washington asset acquisition and the Las Vegas marijuana licenses.

Share-based Compensation

Share-based compensation decreased by \$759 and increased by \$1,776 during the three and nine months ended December 31, 2019, respectively.

During the three and nine months ended December 31, 2019, the Company recognized share-based compensation of \$772 and \$4,231, respectively, for 5,705,000 RSUs awarded, \$23 and \$222, respectively, for 566,250 options granted and \$547 and \$1,103, respectively, for performance and retention bonus shares granted. The RSUs and options vest over a period of one year and the performance and retention bonus shares vest on November 30, 2019.

During the three and nine months ended December 31, 2018, the Company recognized share-based compensation of \$239 and \$1,918, for 7,733,494 options and 100,000 RSUs that were issued and vested during the three and nine months ended December 31, 2018.

Finance and Other Costs

Finance and other costs included interests on loans and borrowings, convertible debenture accretion expenses, lease liability accretion expenses and bank charges. For the three and nine months ended December 31, 2019, financing costs were \$596 and \$2,039, respectively, an increase of \$417 and \$1,657, respectively, from the three and nine months ended December 31, 2018. The increase in financing costs was mainly due to accretion expenses from new debentures and interests on additional loans and borrowings.

Outlook

The company is focusing on operational and financial efficiencies in relation to its core assets and potential divestitures of its noncore assets. These strategies will help enhance the Company's suite of portfolio products with the addition of 4 new established brands within the state of Nevada including BluntBox, Garden of Weeden, Superior and Diamante to complement Citation's established Fiore cannabis flower brand.

The Company is also focusing its efforts in securing equity and debt financings of up to \$10 million. The net proceeds from the proposed financings are intended to be directed toward the expansion of cannabis growing and production facilities in Nevada, which management estimates will require approximately US\$4 million in initial capital expenditures. Any net proceeds from the proposed equity financing that remain uncommitted will be directed toward the exploration of additional growth opportunities, working capital and general corporate purposes.

Liquidity and Capital Resources

The Company manages liquidity risk by ensuring, as far as reasonably possible, that it has sufficient capital to meet working capital and operating requirements as well as its financial obligations and commitments. The Company has historically financed its operations and met its capital requirements primarily through debt and equity financings. The Company's facilities in Las Vegas Nevada are now fully operational and wholesale sales of recreational cannabis started in May 2019. However, the Company is still currently dependent on its ability to raise funds through debt and equity financings and disposition of its assets consisting of lands and buildings in Washington and California.

As of December 31, 2019, the Company had working capital deficiency of \$10,137 (March 31, 2019 - working capital deficiency of \$387) and cash of \$362. The decrease in working capital of \$9,750 was primarily due to increases in loans and borrowings of \$8,339, accounts payable and accrued liabilities of \$3,646, convertible debentures payable of \$271 and decrease in assets held for sale of \$1,620 offset by a net increase in assets which mainly consisted of accounts receivable of \$1,710, prepaid expenses and deposits of \$137, due from related companies of \$67, biological assets of \$490 and inventory of \$1,310.

Net cash on hand increased from \$107 as at March 31, 2019 to \$362 as at December 31, 2019. The increase in cash resulted mainly from net cash generated from financing activities of \$2,492 offset by net cash used for operations of \$2,378, and capital expenditures of \$70.

Operating activities

For the nine months ended December 31, 2019, cash used in operating activities resulted primarily from cash flows used for operations of \$4,272 and cash inflows of \$1,894 related to changes in non-cash working capital. Cash used in operating activities for the nine months ended December 31, 2018 resulted primarily from cash flows used for operations of \$8,232, and cash outflows of \$5,502 related to changes in non-cash working capital.

Investing activities

Cash used in investing activities for the nine months ended December 31, 2019, consisted of expenditures related to the construction of facilities of \$297, purchase of production equipment of \$412, acquisition of intangible assets of \$215 related to the Nevada marijuana cultivation license and Health Canada license application offset by net proceeds from sale of lands and buildings located in Magna Bay, British Columbia of \$597 and cash gained on the acquisition of ACC of \$257.

Cash used in investing activities for the nine months ended December 31, 2018, consisted of expenditures related to the construction of facilities of \$3,113, purchase of production equipment of \$1,570 and cash gained on the acquisition of Full Spectrum of \$1,900.

Financing activities

Cash provided by financing activities for the nine months ended December 31, 2019, primarily consisted of loans and borrowings of \$1,216, convertible debentures of \$488 and equity financing of \$1,085.

Financing activities during the nine months ended December 31, 2018 primarily consisted of aggregate equity financings of \$12,142, sale of shares of associate of \$1,030, convertible debentures of \$3,160 and loans and borrowings of \$1,000.

Capital Expenditures

The Company's capital expenditures include buildings under construction, buildings and leasehold improvements, production equipment and other equipment and furniture. Such expenditures are funded through joint ventures, loans and borrowings and debt and equity financings. Capital expenditures for the nine months ended December 31, 2019 were \$1,159 as compared to \$6,494 as at December 31, 2018. The decrease in capital expenditures of \$5,335 was a result of the completion of construction of facilities in Las Vegas, Nevada consisting of two 5,000 square foot facilities in December 2018. These facilities became operational at the beginning of 2019.

Contractual Obligations

A summary of the Company's contractual obligations which outlines the year the payments are due is as follows:

	Total	< 1 year	1 – 3 years	3 – 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	5,500	5,500	-	-
Income tax payable	106	106	-	-
Loans and borrowings	11,268	11,268	-	-
Convertible debentures	3,774	3,424	350	-
Lease liabilities	1,481	481	1,000	-
Liabilities associated with assets held for sale	2,978	2,978	-	-
	25,107	23,757	1,350	-

The Company has limited capital and plans to satisfy its requirements for the next 12 months through equity and debt financings and sale of its none-core assets. While management believes that the Company will be successful in its planned operations, there can be no assurance that it will generate sufficient revenues in the near future to earn a profit and sustain the operations of the Company.

Management is committed to raising additional capital to fund its operations and meet its financial obligations and commitments. The Company previously announced that it will carry out equity and debt financings of up to US\$10 million. Although the Company has raised funds during and subsequent to the quarter end, there can be no assurance that it will be able to secure additional adequate financing or if it will be successful in completing any financing at all. The Company has properties in Washington and California listed for sale. If the Company is not able to obtain additional financing or dispose of its properties, it may not be able to pursue its plan of operations or meet its obligations, and may be forced to scale down or cease business operations.

Capital Disclosure

The Company considers its capital structure to include net residual equity of all assets, less liabilities. Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2019, the Company's shareholders' equity was \$47,105 (March 31, 2019 - \$36,590) and it had current liabilities of \$24,056 (March 31, 2019 - \$12,156). Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

To achieve this objective, management adjusts its capital resources to respond to changes in economic conditions and risk characteristics of the underlying assets. The capital resources used for operations were mainly from proceeds of the issuance of common shares.

Off-Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements as at December 31, 2019 and as at the date of this MD&A, that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

Related Party Transactions

As at December 31, 2019, included in accounts payable and accrued liabilities were \$111 (June 30, 2019 - \$38) due to an officer, a director and former officer of the Company for expense reimbursements and an aggregate of \$246 (June 30, 2019 - \$24) for management fees.

As of December 31, 2019, \$1,686 was due from a company controlled by a director and CEO of the Company and a total of \$1,619 was due to companies controlled by a director and CEO of the Company.

During the nine months ended December 31, 2019, compensation to key management personnel included consulting fees to former directors and officers of \$90 (2018 - \$Nil), management fees of \$491 (2018 - \$162) and share-based compensation of \$3,008 (2018 - \$387) for 250,000 (2018 - 1,700,000) stock options granted, 2,750,000 (2018 - Nil) RSUs and 2,500,000 retention bonus shares (2018 - Nil) awarded to key management personnel.

During the nine months ended December 31, 2019, ACC paid rent of \$217 (2018 - \$Nil) to a company controlled by a director and CEO of the Company pursuant to a lease agreement with respect to a production facility in Pahrump, Nevada.

Commitments and Contingencies

Please refer to Note 18 to the Company's Interim Financial Statements for a detailed disclosure on commitments and contingencies including outstanding claims and litigations.

Critical Accounting Estimates

The preparation of the Company's Interim Financial Statements in conformity with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Refer to note 3 to the Company's Interim Financial Statements for a detailed discussion of the areas in which critical accounting estimates were made and where actual results may differ from the estimates under different assumptions and conditions that may materially affect financial results of the Company's statement of financial position reported in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Changes in Accounting Policies

IFRS 16 Leases

Effective April 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16"). IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for leases. The Company elected to apply IFRS 16 using a modified retrospective approach by recognizing the cumulative effect of adopting IFRS 16 in an adjustment to the opening statement of financial position at April 1, 2019. The comparative information was not restated and remains as previously reported under IAS 17 Leases.

Accounting Policy

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if it has the right to direct the use of the asset.

The Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced for impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

Lease payments included in the measurement of the lease liability is comprised of fixed payments, variable lease payments, lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for any early termination of a lease unless the Company is reasonably certain not to terminate early.

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

Refer to note 4 to the Company's Interim Financial Statements for a disclosure of the impact on the adoption of IFRS 16.

Financial Instruments

	Fair value	Basis of measurement	Fair value hierarchy
	\$		
Financial assets			
Cash	362	Amortized cost	Level 1
Accounts receivable	1,968	Amortized cost	Level 2

Due from related companies	67	Amortized cost	Level 2
Financial liabilities			
Accounts payable and accrued liabilities	5,500	Amortized cost	N/A
Income tax payable	106	Amortized cost	N/A
Loans and borrowings	11,268	Amortized cost	Level 2
Convertible debentures ⁽¹⁾	3,774	Amortized cost	Level 2
Derivative liabilities ⁽¹⁾	299	FVTPL	Level 3

The Company is exposed in varying degrees to a few risks from financial instruments. A discussion of the types of financial risks the Company is exposed to, and how such risks are managed by the Company, is provided in note 21 to the Interim Financial Statements.

Summary of Outstanding Share Data

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

Description of securities	Number of securities Post-consolidation
Issued and outstanding common shares	120,111,085
Warrants	31,982,168
Stock options	5,457,300
RSUs	1,515,625
Convertible debentures	4,637,536

Controls and Procedures

In connection with National Instrument 52-109 (“NI 52-109”), the CEO and CFO of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Interim Financial Statements and accompanying MD&A as at December 31, 2019 (together the “Interim Filings”).

In contrast to the certificate under NI 52-109, the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

Disclosure Controls and Procedures

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

Venture companies are not required to provide representations in the Annual and Interim Filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a)

controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Information

Additional disclosure of the Company's, material change reports, new release, and other information can be obtained on SEDAR at www.sedar.com, or by requesting further information from the Company's head office in Kelowna, BC Canada.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. These statements relate to future events or future performance. Statements which are not purely historical are forward-looking statements and include any statements regarding beliefs, plans, outlook, expectations or intentions regarding the future including words or phrases such as "anticipate", "objective", "may", "will", "might", "should", "could", "can", "intend", "expect", "believe", "estimate", "predict", "potential", "plan", "is designed to", "project", "continue", or similar expressions suggest future outcomes or the negative thereof or similar variations. Forward-looking statements may also include, among other things, statements about the Company's: proposed US\$10MM equity financing, non-dilutive US\$7MM debt financing being carried out and anticipated use of proceeds from such financings; ability to reinvest profits generated from its operations; future business strategy; expectations of obtaining licenses and permits; expectations regarding expenses, sales and operations; future customer concentration; anticipated cash needs and estimates regarding capital requirements and the need for additional financing; total processing capacity; the ability to anticipate the future needs of customers; plans for future products and enhancements of existing products; future growth strategy and growth rate; future intellectual property; regulatory approvals and other matters; and anticipated trends and challenges in the markets in which the Company may operate.

Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including the demand for our products; anticipated costs and ability to achieve goals; the Company's ability to complete any contemplated transactions; historical prices of cannabis; and that there will be no regulation or law that will prevent the Company from operating its businesses; the state of the economy in general and capital markets in particular; present and future business strategies; the environment in which the Company will operate in the future; the estimated size of the cannabis market; and other factors, many of which are beyond the control of the Company. While such estimates and assumptions are considered reasonable by the management of the Company, they are inherently subject to significant business, economic, competitive and regulatory uncertainties and risks. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, the reader should not place undue reliance on these forward-looking statements.

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: business, economic and capital market conditions; the ability to manage the Company's operating expenses, which may adversely affect the Company's financial condition; the Company's ability to remain competitive; regulatory uncertainties; market conditions and the demand and pricing for our products; exchange rate fluctuations; security threats; the Company's relationships with its customers, distributors and business partners; the Company's ability to attract, retain and motivate qualified personnel; industry competition; the impact of technology changes on the Company's products and industry; the Company's ability to successfully maintain and enforce its intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of litigation that could materially and adversely affect our business; the Company's ability to manage its working capital; and the Company's dependence on key personnel. The Company is not a positive cash flow company, has a history of losses and it may not actually achieve its plans, projections, or expectations.

Important factors that could cause actual results to differ materially from the Company's expectations include, consumer sentiment towards the Company's products and cannabis generally; risks related to the Company's ability to maintain its licenses issued by governments in good standing; uncertainty with respect to the Company's to grow, store and sell cannabis; risks related to the costs required to meet the obligations related to regulatory compliance; risks related to the extensive control and regulations inherent in the industry in which the Company operates; risks related to governmental regulations, including those relating to taxes and other levies; risks related to an early stage business and a business involving an agricultural product and a regulated consumer product; risks related to building brand awareness in a new industry and market; risks relating to restrictions on sales and marketing activities imposed by governments; risks inherent in the agricultural business; risks relating to energy costs; risks relating to product liability claims, regulatory action and litigation; risks relating to recall or return of products; and risks relating to insurance coverage; global economic climate; equipment and building failures; increase in operating costs; decrease in the price of cannabis; security threats; government regulations; loss of key employees and consultants; additional funding requirements; volatility in the securities of the Company; changes in laws; technology failures; failure to obtain permits and licenses; anticipated and unanticipated costs; competition; risks associated with the substantial obligations of being a public company; and failure of counterparties to perform their contractual obligations. This list is not exhaustive of the factors that may affect the forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements.

Except as required by law, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. Neither the Company nor any of its representatives make any representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of the information in this MD&A. Neither the Company nor any of its representatives shall have any liability whatsoever, under contract, tort, trust or otherwise, to the reader or any person resulting from the use of the information in this MD&A by the reader or its representatives or for omissions from the information in this MD&A.