The Green Organic Dutchman Holdings Limited

Management's Discussion and Analysis

For years ended
December 31, 2018
and December 31, 2017

The Green Organic Dutchman Holdings Ltd.

We are making plans to be the largest certified-organic cannabis brand in the world.

The Green Organic Dutchman Holdings Ltd. ("TGOD") is a publicly traded, premium global organic cannabis company, with operations focused on medical cannabis markets in Canada, Europe, the Caribbean and Latin America, as well as the Canadian adult-use market. TGOD grows high-quality, organic cannabis with sustainable, all-natural principles. Our products are laboratory-tested to ensure patients have access to a standardized, safe and consistent product.

Consumers deserve the best experience, and that is only achieved through organic products. Medical patients and recreational consumers around the world want product that is grown in soil, without synthetic pesticides, fertilizers or herbicides. They want cannabis as it was originally grown, as nature intends. They want TGOD cannabis.

TGOD Consumer Experience

Since going public in May 2018, we have furthered our consumer understanding and continued building scale production. Our focus on the consumer is our top priority. We have met with over 3,000 current and prospective cannabis consumers to understand the ultimate product experiences. Our website **www.tgod.ca** launched in December, and it has received praise across the cannabis industry. Come visit today.

Our medical sign-up process is the best in the business, facilitated by consumer access to doctors via **HelloMD**. Our multimedia centre offers a number of short films focused on the organic difference, sustainability, and in-depth interviews with our employees sharing their passion for the business.

The **TGOD Growers' Circle** launch, with the first shipments of premium, certified organic cannabis will be arriving to medical patients across Canada soon.

Scale Capacity (*)

TGOD has a planned global capacity of 219,000 kgs and is building 1,643,600 sq. ft. of cultivation and processing facilities across Canada, Jamaica and Denmark.

In Canada, TGOD is building state-of-the-art facilities in Valleyfield, Quebec and Hamilton, Ontario. When both facilities come on-board, TGOD will be the largest certified-organic grower in the world. These are hybrid facilities that utilize the latest in cannabis growing technology, and both facilities will be LEED-certified.

In early February 2019, TGOD announced engineering design improvements to domestic production that will optimize facility throughput, providing a forecasted domestic production capacity of 202,500 kgs. The designs are being implemented in phases to leverage efficiencies from each prior phase. Valleyfield will be built in stages, culminating in full production by 2021. The facility in Valleyfield, Quebec will be 1,310,000 sq. ft. and will produce 185,000 kgs of certified-organic cannabis annually.

The facility in Hamilton, Ontario will be 166,000 sq. ft., and will produce 17,500 kgs of certified-organic cannabis annually. The Hamilton facility will be completed in Q2 2019 and has received its organic certification from the ECOCERT and Pro-Cert certification bodies.

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



TGOD's Global Business

Jamaica (*)

In June 2018, TGOD purchased a 49.18% interest in Epican, an integrated Jamaican cannabis company with cultivation, extraction, manufacturing and retail distribution licenses. Jamaica is recognized as a premier location for cannabis enthusiasts, and Epican has deep roots in the country.

The founders have been at the forefront of the nation's medical cannabis industry. Epican was awarded the country's historic first cultivation licence and continues to forge the path to serving the medical needs of the country's almost 3 million inhabitants and over 4 million tourists each year. (**)

Significant progress has been made towards establishing a leadership position in Jamaica's medical cannabis market. The flagship Kingston retail location opened in July and has seen continued sales growth. Strategic locations in Montego Bay and Negril have been secured for retail stores; Montego Bay is expected to receive its retail license from the Cannabis Licensing Authority in Jamaica in the coming weeks.

In addition, Epican has leased land in Trelawny Parish, with clearance underway to increase production towards a 14,000 kg operation. This location is expected to receive Good Manufacturing Practices certification ("GMP") and will serve as a growing facility for global export.

Europe (*)

In October 2018, TGOD acquired HemPoland, a leading European manufacturer and marketer of premium CBD oils. The acquisition provides TGOD with HemPoland's state-of-the-art hemp oil extraction technologies and know-how, access to the company's distribution network, and the premium Cannabigold CBD hemp oil brand.

The company is vertically integrated, with scale cultivation leveraging third parties and multiple commercial scale extraction units. HemPoland management is comprised of experts in cultivation, oil extraction, and marketing of high-quality organic CBD oil.

With HemPoland, TGOD has access to the burgeoning global hemp market, as well as access to state-of-the-art oil extraction capabilities.

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(**) Population estimate from the United nations site as follows: https://population.un.org/wpp/DataQuery/ and the tourism information from the Jamaican Government as https://jis.gov.jm/record-4-3-million-tourist-arrivals-2017/

Mexico (*)

In November, TGOD announced a strategic joint venture with LLACA Grupo Empresarial to create a 50/50 owned company to enter the medical cannabis market in Mexico. LLACA has access to premier distributors with pharmaceutical and over-the-counter products in pharmacies throughout Mexico.

LLACA will facilitate the importation, registration and strategic distribution of TGOD-branded organic cannabis and hemp-derived medical products into Mexico. LLACA has many years of distribution experience in Mexico, operating a warehouse network that provides 100% coverage within the country. This network meets the technical requirements of the Mexican Ministries of Health and Finance to sell narcotics and nutraceuticals.

Beyond distribution, the joint venture will give TGOD access to LLACA's strategic services, including distribution, regulatory representations, and authorized clinical trials. These services are used by several international and national pharmaceutical companies.

With a large population and burgeoning medical environment, the Mexican market holds significant promise for TGOD.

Denmark (*)

In January 2019, the Company entered into a definitive agreement with Knud Jepsen ("KJ definitive agreement") to establish two joint ventures; the first for the purpose of producing commercial cannabis and cannabis oils (the "Production JV") and the second for developing and patenting cannabis genetics (the "Genetics JV"). The parties would form both joint ventures in Denmark with a goal to expand the Production JV into future lower-cost European jurisdictions. TGOD announced that the Danish Medicines Agency, the government body responsible for issuing cannabis-related licences, granted an initial cannabis authorization to TGOD's joint venture production partner Knud Jepsen. This licence will allow Knud Jepsen to immediately begin to import starting materials and to conduct R&D related to the creation of elite cannabis genetics.

The initial licence, issued under the Danish Medicines Agency's Development Scheme, enables the importation of starting materials, the receipt, possession, cultivation and processing of cannabis, and distribution and export of analytical samples to foreign labs. After the cultivation and harvest of three confirmed and consistent crops, an additional licence is expected to be issued permitting the sale of authorized medical cannabis products.

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The TGOD Team

We are extremely proud of our TGOD team, which comprises over 170 leaders across Cultivation, Operations, Marketing, Legal, Finance, Human Resources and Sales. We are committed to growing and selling the highest-quality product, with deep caring and knowledge about every step in the process. Our team is steeped in organic cultivation and standards.

The TGOD team is expected to grow to over 500 in the near future. Every one of those employees is committed to "Making Life Better" for consumers around the world.

MAKING *Life* BETTER

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of The Green Organic Dutchman Holdings Ltd. (the "Company" or "TGODH") for the years ended December 31, 2018 and 2017. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2018 and December 31, 2017 (the "consolidated financial statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A provides information on the operating activities, performance and financial position of the Company and is intended to assist in understanding of the Company's business and key factors underlying its financial results. All dollar amounts referred to in this MD&A are expressed in thousands of Canadian dollars except where indicated otherwise.

Additional information relating to the Company can be found on the Company's website at www.tgod.ca or at the Company's SEDAR profile at www.sedar.com.

FORWARD LOOKING INFORMATION

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. Some examples of forward-looking statements include but are not limited to the expected costs, completion dates of the facilities, production capacity, receipt of licences, etc.

Assumptions

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to:

(i) general business and economic conditions;
(ii) the Company's ability to successfully execute its plans and intentions;
(iii) the completion of the construction of its facilities in Hamilton and Québec.
(iv) obtaining the necessary regulatory approvals;
(v) that regulatory requirements may or may not adversely affect the business;
(vi) the availability of financing on reasonable terms;
(vii) the Company's ability to attract and retain skilled staff;
(viii) market competition and product demand;
(ix) the products and technology offered by the Company's or its competitors; and
(x) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

The Company's forward-looking statements are based on the reasonable beliefs, expectations and opinions of management as of March 19, 2019, the date of this MD&A.

BUSINESS OVERVIEW

The Green Organic Dutchman Holdings Ltd. is a company built on innovation with the goal of becoming the global leader in delivering premium organic cannabis solutions to enhance people's lives. The Company is committed to building the largest premium organic cannabis and organic hemp brand in the world, with organic certification, LEED certified construction and GMP compliant facilities. The Company is incorporated under the federal laws of Canada pursuant to the *Canada Business Corporations Act* and is a reporting issuer in each of the provinces of Canada. The Company's common shares (the "Common Shares") are traded on the Toronto Stock Exchange ("TSX") under the symbol "TGOD" and on the OTCQX under the symbol "TGODF".

The Company, through its wholly-owned operating subsidiary The Green Organic Dutchman Ltd. ("TGOD"), holds a licence (the "Licence") issued by Health Canada pursuant to the *Cannabis Act* (Canada) ("Cannabis Act") which allows the Company to produce and conduct research at its 100 acre property near Hamilton, Ontario (the "Hamilton Facility") dried and fresh marijuana, marijuana plants and seeds, and to sell such marijuana products within Canada to provincially authorized retailers ("Authorized Retailer") or distributor ("Authorized Distributor") and federally licensed entities ("Licensee") in accordance with the Cannabis Act and Cannabis Regulations. The Licence is currently valid until August 16, 2019. The Licence was amended on April 20, 2018 to include the production and extraction of cannabis oil and on October 12, 2018 to include the sale of dried marijuana to clients (i.e. patients registered with the Company). On November 10, 2018, TGOD received its updated cultivation licence from Health Canada under the Cannabis Act. The Company is currently constructing facilities in addition to the existing 7,000 sq. ft. facility that will bring the total facilities' square footage on the site to 166,000 sq. ft. in totality and capable of producing 17,500 kilograms of premium organic cannabis per year. The Company completed its first harvest of inventory in 2018 during the fourth quarter from the smaller, 7,000 square foot facility in anticipation of the product launch directly to medical patients in 2019. The accounting method for TGOD is full consolidation.

Through the Company's 49.99% interest in 9371-8633 Québec Inc. ("Québec SubCo"), the Company acquired an interest in certain lands located in Sallaberry-de-Valleyfield, Québec ("the "Valleyfield Land") that it intends to develop into its flagship production facility (the "Québec Facility") that will be operated through its wholly-owned subsidiary, Medican Organic Inc. ("Medican"), which was granted a five-year lease (with four options to renew of five years each on the Valleyfield Land). The Québec Facility is expected to be 1,310,000 square feet capable of producing 185,000 kg in total when completed. An initial 2,700 sq. ft. breeding facility (the "Breeding Facility") was completed in 2018 and the Québec Facility cultivation licence was granted in June 2018 which allows the production of marijuana plants and seeds, and to sell such marijuana products within Canada to Authorized Retailers, Authorized Distributors, and federal Licensees in accordance with the Cannabis Act and Cannabis Regulations. On November 8, 2018, Medican received its updated cultivation licence from Health Canada under the Cannabis Act. The accounting method for Medican is full consolidation and equity method for Québec SubCo.

On July 5, 2018, the Company acquired a 49.18% interest in Epican Medicinals Ltd. ("Epican"). Epican is a licenced producer in Jamaica which holds a cultivator's licence, processing licence and a retail (herb house) licence issued by the Cannabis Licensing Authority ("CLA") of Jamaica. The accounting method for Epican is under the equity method.

TGOD Europe B.V. ("TGOD Europe") was incorporated under the laws of the Netherlands on July 31, 2018 to function as the Company's European holding company. The accounting method for TGOD Europe is full consolidation.

The Green Organic Colombia S.A.S. ("TGOD Colombia") was incorporated under the laws of Colombia on August 13, 2018 for the purposes of exploring opportunities related to potential transactions in South America. As of the date of this MD&A, TGOD Colombia has no assets or operations. The accounting method for TGOD Columbia is full consolidation.

The Green Organic Hellas SA ("TGOD Greece") was incorporated under the laws of Greece on September 18, 2018 for the purpose of exploring opportunities related to potential transactions in Greece. As of the date of this MD&A, TGOD Greece holds assets related to potential production opportunities in Greece but does not have any active operations. The accounting method for TGOD Greece is full consolidation.

HemPoland sp. z o.o. ("HemPoland") is a hemp cultivation and extraction business based in Poland which was acquired by the Company on October 1, 2018. HemPoland is a manufacturer and marketer of premium CBD oils. This acquisition provided TGOD with immediate revenue, access to HemPoland's significant distribution network, state-of-the-art hemp oil extraction technology and its premium CannabiGold brand. The accounting method for HemPoland is full consolidation.

The Company acquired a company domiciled in Germany with no material net assets for €25,000 on October 30, 2018 and renamed it The Green Organic Dutchman Germany GmbH ("TGOD Germany GmbH") which the Company intends to use to seek business opportunities in Germany. As of the date of this MD&A, TGOD Germany has no material assets or operations. The accounting method for TGOD Germany is full consolidation.

The Green Organic Dutchman S. de R.L. de C.V. ("TGOD Mexico") is a company owned 50% by TGODH and 50% by LLACA Grupo Impresarial ("LLACA") the purpose of which is enter the medicinal cannabis market in Mexico. LLACA will facilitate the importation, registration and strategic distribution of Company-branded organic cannabis and hemp-derived medical products into the Mexican market for TGOD Mexico. As of the date of this MD&A, TGOD Mexico owns no material assets or operations.

Since inception, the Company has incurred recurring operating losses, having invested significantly in its cultivation facilities, research and development activities and selling, marketing, general and administrative expenses. The Company has financed its operations through equity raises including the issuance of Common Shares and warrants through various private placements, its initial public offering and through a special warrant financing. See "Developments in 2018". The Company expects to continue to incur losses and may require additional capital to fulfill its future obligations. Please refer to the section on "Liquidity and Capital Resources" below. The Company believes that its unique scaled certified organic market position, the ongoing advancement of the construction of its facilities and its strategic partnerships and investments will allow it to operate profitably in the future.

DEVELOPMENTS IN 2018

Exclusive Licence with CBx Enterprises LLC

On May 22, 2018, the Company announced that it entered into an exclusive agreement with CBx Enterprises LLC ("CBx Enterprises") for the product and technology licensing of the Evolab and CBx Sciences brands and proprietary technologies and formulations within Canada and other international jurisdictions outside of the United States. Evolab is a cannabinoid vaporization brand. Evolab's extraction methods allow for the derivation of cannabinoid oils and strain-specific terpenes without the use of any solvents or cutting-agents. These technologies and formulations lead to the creation of oils for vaporization without the introduction of chemicals commonly found in the e-vape industry. CBx Sciences focuses on identifying synergistic and complementary botanical ingredients to activate and engage the endocannabinoid system. This focus on research is expected to allow for the development of product formulations that are tailored to each individual jurisdiction's regulatory requirements for both non-psychoactive and psychoactive cannabinoids, as well as the development of premium consumer products.

Exclusive Licence for Stillwater Foods' RIPPLE SC

On May 29, 2018, the Company announced that in entered into an exclusive agreement with Stillwater Brands, Inc. to licence RIPPLE SC (Soluble Cannabinoids) ingredient technology, and other proprietary beverage and food technologies and formulations related to cannabinoid-infused consumer packaged foods including micro-dose and full-dose tea sticks within Canada and certain international jurisdictions outside of the United States.

Change of Auditor

Effective June 11, 2018, the Company appointed KMPG LLP as its auditor.

Corporate Spinoff (the "Spin-Off Transaction")

Distribution

On July 19, 2018, the Company announced its intention to complete a spinoff transaction whereby the Company will spinoff, by way of special dividend under a plan of arrangement (the "Arrangement"), TGOD Acquisition Corporation ("SpinCo"), a company that will focus on international acquisitions that are not core to the Company's business. Shareholders approved the spinoff at the Company's December 6, 2018 annual general meeting and special meeting and the Company received the final order in respect of the spinoff from the Ontario Superior Court of Justice on January 16, 2019. Each shareholder of the Company as of the record date of January 31, 2019 who is a non-US resident and elects to receive unit purchase warrants will receive 0.15 of one-unit purchase warrant of SpinCo. Each unit purchase warrant will entitle the holder to purchase one unit of SpinCo upon (i) the holder tendering the exercise price of $0.50 per SpinCo unit (not in thousands) to Spin Co within 30 days following the effective date of the plan of arrangement implementing the spinoff and (ii) SpinCo obtaining a receipt for a final prospectus qualifying the distribution of the SpinCo Units within 60 days of such date, failing which the exercise proceeds will be returned to exercising warrant holders. Each unit of SpinCo will consist of one SpinCo common share and one half of one SpinCo common share purchase warrant. Each SpinCo common share purchase warrant shall be exercisable to purchase a SpinCo common share for an exercise price of $1.25 (not in thousands) at any time until the date that is 24 months from the date the SpinCo common shares commence trading on a recognized securities exchange.

Approval of the Arrangement

The resolution to approve the Arrangement was presented to TGOD shareholders at TGOD's annual general and special meeting held on December 6, 2018 (the "Meeting") pursuant to an interim order issued by the Ontario Superior Court of Justice (the "Court") on November 5, 2018. A management information circular of TGOD providing full details of the

Arrangement (the "Circular") was mailed to TGOD shareholders of record as of the meeting record date of November 6, 2018. At the Meeting, TGOD shareholders overwhelmingly approved the Arrangement. On January 14, 2019, TGOD and SpinCo entered into an amending agreement (the "Amending Agreement"), amending, among other things, the Arrangement Agreement and the Arrangement as more particularly detailed in the Amending Agreement. On January 16, 2019, the Court issued a final order approving the Arrangement, as amended by the Amending Agreement. A copy of the Circular and related meeting materials, the Arrangement Agreement and the Amending Agreement is available under TGOD's profile on SEDAR at www.sedar.com.

Jamaican Dispensary Opened

On July 14, 2018, Epican opened the first legal medical cannabis retail store in Kingston, Jamaica. The retail store is a 4,000 sq. ft. flagship store, and it the first of several "Herb Houses" that Epican intends to open across Jamaica.

Hamilton Facility Zoning

On July 13, 2018, the Hamilton city council voted to disallow a zoning amendment required for the Hamilton Facility's planned greenhouse expansion. This decision was contrary to the recommendation of city staff. The Company believes that this decision could cause a delay in the completion of the expansion at the Hamilton Facility and start of full-scale production. The Company has filed an appeal to this decision with the Local Planning Appeal Tribunal ("LPAT"). If the Company is unsuccessful in its appeal, it will consider transferring the lost capacity to the Québec Facility.

As of the date of this MD&A, the Company does not believe that an unsuccessful appeal will cause the Company to incur a material impairment on the assets related to the Hamilton Facility. However, an unsuccessful appeal is likely to cause delay in achieving the Company's projected domestic production capacity which may adversely affect the Company's business. See "Update on Hamilton Facility and Québec Facility Milestones" with respect to the Company's growing capacity.

HemPoland Acquisition

On August 21, 2018, the Company announced that it had entered into a definitive agreement to acquire 100% of the issued and outstanding shares of privately-held HemPoland sp. z o.o. ("HemPoland"), a European manufacturer and marketer of premium organic CBD oils. The acquisition consideration consisted of $9,931 in cash and 1,968,323 escrowed Common Shares. In addition, the former HemPoland shareholders may receive performance-based incentives of up to 3,047,723 deferred share units which are exercisable in additional Common Shares or cash contingent on the achievement of certain earnings goals by the end of fiscal 2021. The acquisition of HemPoland closed October 1, 2018.

Velvet Distribution Agreement

On November 15, 2018, the Company announced a collaboration agreement with Velvet Management Inc. ("Velvet") for sales and distribution to provincial liquor and cannabis boards across Canada. Velvet is a new company created by the largest imported wine distributor in Canada, Philippe Dandurand Wines, to focus on the sales and marketing of cannabis brands. Through the collaboration with Velvet, TGOD has secured a strong entry point with every provincial liquor and cannabis board across Canada. TGOD is the first cannabis brand partner and will be exclusive in the certified organic segment. TGOD as the brand owner will maintain responsibility for brand marketing.

Changes in Key Executives

On April 11, 2018, Anna Stewart was appointed as Corporate Secretary of the Company.

Mr. Prem Virmani was appointed Chair of the Company's Beverage Science and Research Division on June 22, 2018. The Company launched a strategic Beverage Science and Research Division, to be based at the Québec Facility.

Mr. Geoff Riggs was appointed Chief Information Officer on July 23, 2018.

On July 1, 2018, Mr. Robert Anderson, the Company's former Chief Executive Officer, a director and the Co-Chair of the board of directors of the Company (the "Board"), resigned. Mr. Brian Athaide, the Chief Financial Officer, was appointed Chief Executive Officer upon Mr. Anderson's resignation. Ms. Julia Golubovskaya, the Vice President, Finance, was appointed the interim Chief Financial Officer. Ms. Golubovskaya resigned as interim CFO upon the appointment of Sean Bovingdon as CFO on October 22, 2018 to reassume the role of VP, Finance.

On October 31, 2018, the Company accepted the resignation of Jim Shone as an executive officer of the Company and Marc Cernovitch as an executive officer of the Company, however, Mr. Cernovitch remained a non-executive officer. Also, on October 31, 2018 the following individuals were appointed as non-executive officers of the Company:

Marie-Josee Lafrance	–	Vice President, Human Resources
Mike Gibbons	–	Vice President, Sales
Andrew Pollock	–	Vice President, Marketing
John Wren	–	Vice President, Operations

On October 22, 2018, the Board accepted the resignation of Brett Allan as an officer of the Company.

Effective October 22, 2018, the Company appointed Sean Bovingdon as Chief Financial Officer.

In connection with the Spin-Off Transaction, Mr. David Doherty resigned from the Board effective September 24, 2018 and was appointed to the board of directors of SpinCo. In his place, Mr. Brian Athaide, the Company's Chief Executive Officer, was then appointed to the Board effective September 24, 2018. In addition, effective September 26, 2018, Mr. Cameron Battley resigned from the Board.

Further updates to changes in key executives are discussed in subsequent events.

Financings and Other Updates

On January 4, 2018, the Company entered into a subscription agreement (the "Subscription Agreement") with Aurora Cannabis Inc. ("Aurora"), pursuant to which Aurora acquired subscription receipts entitling Aurora to acquire 33,333,334 units at $1.65 per unit, for gross proceeds of $55,000. The subscription receipts automatically converted into units upon the listing of the Common Shares on the TSX. Pursuant to the Subscription Agreement, 33,333,334 Common Shares and 16,666,666 warrants were issued on May 4, 2018. Each warrant entitles the holder to purchase one Common Share at the exercise of price $3.00 until May 2, 2020. Pursuant to the Subscription Agreement, the Company also entered into:

(i) an investor rights agreement with Aurora (the "Investor Rights Agreement") whereby Aurora had the option to incrementally increase its ownership in the Company to 51% upon TGODH achieving certain operational milestones. During the year-ended December 31, 2018, Aurora chose not to exercise its rights under the Investor Rights Agreement thereby forfeiting any further rights pursuant to the agreement to any other milestones.
(ii) a cannabis supply agreement with Aurora's wholly-owned subsidiary Aurora Cannabis Enterprises Inc. providing Aurora with the right to purchase up to 20% of the Company's annual production of organic cannabis;
(iii) a consulting and maintenance services agreement with Aurora's wholly-owned subsidiary Aurora Larssen Projects Inc. ("ALPI") to provide services to the Company on the completion and commissioning of the Company's facilities in Ancaster, Ontario and Valleyfield, Québec. ALPI completed $950 worth design and consulting services in the year ended December 31, 2018. ALPI terminated its relationship on November 1, 2018. .

Between November 3, 2017 and January 16, 2018, the Company undertook a brokered and non-brokered private placement financing whereby the Company issued 34,660,695 units at $1.65 per unit for total gross proceeds of $57,190. Each unit consists of one Common Share and one-half of one Common Share purchase warrant of the Company. In connection with this financing, the Company issued 631,484 broker warrants, 776,060 finders' units and 70,000 commission units during the year-ended December 31, 2017. The finder's units and the commission units have the same terms as the units issued under the offering.

On January 12, 2018, the Company completed the purchase of 2,001,134 Class A shares of Québec SubCo for $2,001, which represents 49.99% of Québec SubCo, the company which owns the Valleyfield Land. Concurrently with the purchase of the Québec SubCo shares, the Company:

(i) entered into a shareholders' agreement with the other shareholders of Québec SubCo whereby the Company obtained the option to purchase the remaining shares of Québec SubCo, being 1,000,569 Class A shares and 1,000,569 Class B shares, such purchase being subject to obtaining an approval from the Commission de protection du territoire agricole du Québec ("CPTAQ"). The Company also granted an option to the other shareholders of Québec SubCo to sell their shares of Québec SubCo to the Company upon receipt of CPTAQ approval. Under each option the purchase price is equal to $1.00 per share plus any dividend cumulated or declared but remaining unpaid. The Class B shares bear dividends at a cumulative and preferential rate of 9% of the fair market value of the consideration received by Québec SubCo at the time of the issuance of such Class B shares while the dividends on Class A shares are left at the discretion of the directors of Québec SubCo.

(ii) granted a loan in the amount of $1,001 (the "Loan") to the vendor of the Class A shares ("Vendor"). The Loan bears no interest and is secured by the Vendor's shares in Québec SubCo. Upon the exercise of either the Company or the Vendor's option under the shareholders' agreement, the Loan will be set-off against the purchase price of the 1,000,569 Class A shares still held by the Vendor in Québec SubCo.

(iii) granted the Vendor 30,000 stock options to purchase Common Shares exercisable at $1.65 per Common Share for a period of three years; and

(iv) entered into a long-term lease agreement through Medican, with two shareholders of Québec SubCo, for annual rent of $25 with an option to buy 100% of the Valleyfield Land upon receipt of the approval of CPTAQ.

On May 1, 2018, Mr. Cameron Battley was appointed to the Board and subsequently resigned on September 26, 2018.

On May 2, 2018, the Company successfully completed its initial public offering of 31,510,000 units (the "IPO Units") of the Company at a price of $3.65 per IPO Unit for total gross proceeds of $115,012. Each IPO Unit consisted of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant is exercisable into one Common Share at a price of $7.00 per Common Share until May 2, 2020, subject to an acceleration right whereby the Company may provide written notice to the registered holders of the warrants that the expiry time of the warrants shall be accelerated to a date which is 30 days after the date of such warrant acceleration notice, if, at any time, the volume-weighted average trading price for the Common Shares is equal to or greater than $9.00 for any ten (10) consecutive trading day period. The Company also granted to the agents an over-allotment option to acquire up to 4,726,500 additional IPO Units, which was exercised by the agents in full for additional gross proceeds of $17,252, with a completion date of May 9, 2018. The Common Shares as well as warrants issued pursuant to a warrant indenture dated November 1, 2017 began trading on May 2, 2018 under the symbols "TGOD" and "TGOD.WT", respectively, on the TSX.

On June 5, 2018, the Company elected to accelerate the expiry date of certain warrants of the Company issued pursuant to a warrant indenture dated March 24, 2017, with each warrant entitling the holder to acquire one Common Share at a price of $2.15 per Common Share. Following acceleration, the warrants originally set to expire on March 24, 2019, expired on July 6, 2018.

On June 8, 2018, Medican received its cultivation licence from Health Canada for the Breeding Facility at the Valleyfield Land which licence is valid until June 8, 2021. The license allows the production at the Québec Facility of marijuana plants and seeds, and to sell such marijuana products within Canada to Authorized Retailers, Authorized Distributors, and federal Licensees in accordance with the Cannabis Act and Cannabis Regulations.

On June 23, 2018, the Company signed a letter of intent (the "Knud LOI") with Knud Jepsen A/S ("Knud Jepsen"), a Hinnerup, Denmark based horticultural and plant breeding company, to form a 50/50 joint venture. On January 25, 2019, the Company entered into a definitive agreement with Knud Jepsen. See "Subsequent Events".

On June 26, 2018, the Company completed a bought deal financing of 3,910,000 special warrants of the Company (the "Special Warrants") at $6.40 per Special Warrant for aggregate gross proceeds of $25,040. On August 15, 2018, the date on which a receipt for a final short form prospectus qualifying the units underlying the Special Warrants was issued by the Ontario Securities Commission, each Special Warrant was automatically converted, for no additional consideration, into a unit comprised of one Common Share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at an exercise price of $9.50 per Common Share until June 26, 2021. In connection with this offering, the Company also issued 234,600 underwriter special warrants.

On October 12, 2018, the first milestone option under the Investor Rights Agreement between the Company and Aurora expired. As a result, pursuant to the terms of the Investor Rights Agreement, all remaining milestone options to acquire additional interests in the Company have also expired. Management does not expect the expiry of Aurora's milestone option to have a negative effect on the Company's capital resources given the completion of a public offering raising gross proceeds of approximately $76 million and the additional funds received in connection with the exercise of the warrants of the Company.

On October 17, 2018, the provisions of the *Cannabis Act* went into effect, permitting, subject to certain provincial and territorial restrictions, the possession of up to 30 grams of dried recreational cannabis or equivalent for adults 18 years of age or older.

On October 19, 2018, the Company completed a bought deal short-form prospectus offering of an aggregate of 10,950,000 units at a price of $6.85 per unit for aggregate gross proceeds of $75,008. Each unit consisted of one Common Share and one Common Share purchase warrant. Each whole warrant is exercisable to acquire one Common Share until April 19, 2021 at an exercise price of $9.00 per Common Share. The Company granted the underwriters an over-allotment option to purchase up to an additional 1,642,500 units at a price of $6.85 per unit, which was exercised in full on the closing date raising additional gross proceeds of $1,215.

For key developments subsequent to December 31, 2018, see "Subsequent Events".

SUBSEQUENT EVENTS

On January 3, 2019, the Company entered into an agreement to use EnWave Corporation's ("EnWave") proprietary Radiant Energy Vacuum ("REV™") dehydration technology to dry organic cannabis in Canada.

On January 8, 2019, the Company appointed Dr. Caroline MacCallum and Mr. Jacques Dessureault to the Board. Dr. Caroline MacCallum is one of the world's most prominent experts in cannabinoid-based medicine. She is an internist, complex pain and cannabinoid clinician, researcher and clinical instructor in the Department of Medicine, an adjunct professor in the Faculty of Pharmaceutical Sciences Program and an associate member of the Department of Palliative Care at the University of British Columbia. She is also the medical director at Greenleaf Medical Clinic, where she has assessed and developed cannabinoid treatment plans for more than 3,000 patients across Canada. Mr. Jacques Dessureault has had an extensive pharmaceutical career including significant experience in life sciences, over-the-counter, natural health, and technology industries. He held an international role with Novartis, as a Global Marketing Division Head based in Basel, Switzerland, and domestic senior executive roles as President and General Manager of Valeant Pharmaceutical Inc., Vice-President at Bristol Myer-Squibb and Business Unit Head and General Manager at Novartis Canada. During Mr. Dessureault's time at Valeant Pharmaceuticals, he led all Canadian commercial units including research and development and international manufacturing and technical operations. Additionally, he held responsibilities for government relations and business acquisitions, integrations & divestments. On the same date, Mr. Ian Wilms stepped down from the Board and assumed the role of VP, Government Affairs and social responsibility.

On January 17, 2019, the Company appointed Dr. Ravinder Kumar, PhD, as Chief Science Officer.

On January 25, 2019, the Company entered into a definitive agreement with Knud Jepsen ("KJ definitive agreement") to establish two joint ventures; the first for the purpose of producing commercial cannabis and cannabis oils (the "Production JV") and the second for developing and patenting cannabis genetics (the "Genetics JV"). The parties would both joint ventures in Denmark with a goal to expand the Production JV into future lower-cost European jurisdictions. The KJ Definitive Agreement outlines the Company's and Knud Jepsen's launch of a premium organic European bulk cannabinoid production platform where TGODH will have the exclusive right to all cannabis-related production from the JV, through a guaranteed offtake agreement at a pre-determined price relative to the production cost of the JV. Further, the Production JV will have exclusive access to all intellectual property including cannabis genetics developed within the Genetics JV. Knud Jepsen will be responsible for the day-to-day operations of the JV and TGODH will leverage Knud Jepsen's years of horticulture experience and science and R&D division to accelerate commercial operations in Denmark and throughout Europe. On January 29, 2019, the Danish Medicines Agency, the Government body responsible for issuing cannabis related licences, granted an initial cannabis business authorization to Knud Jepsen. This licence will allow Knud Jepsen to immediately begin importation of starting materials and to begin research and development related to the creation of cannabis genetics. Per the terms of the definitive agreement, Knud Jepsen will submit a request to the Danish Medicines Agency for the assignment of this licence to the production JV. On March 18, 2019, TGOD Denmark A/S was incorporated as the Genetics JV.

On February 1, 2019, the Company provided construction and capacity updates to the facilities located in Hamilton and Valleyfield. See "Update on Hamilton Facility and Québec Facility Milestones".

On February 8, 2019, the Company announced that it has secured a cannabis supply agreement with the Ontario Cannabis Retail Corporation. The Ontario Cannabis Retail Corporation, operating as the Ontario Cannabis Store ("OCS"), is the only legal retailer of recreational cannabis in Ontario. The agreement was negotiated jointly by the Company and Velvet, the Company's Canadian distribution partner.

On March 5, 2019, the Company announced that it has received organic certification from Pro-cert Organic Systems Ltd. ("Pro-cert"). This is the second certification body to endorse the Company's organic processes at its Hamilton Facility.

On March 11, 2019, the Company announced that it has entered into a multi-year extraction services contract with Valens GroWorks Corp. Pursuant to the terms of the initial 2-year agreement, Valens will process, extract and purify TGOD's cannabis and hemp biomass under conditions specified by TGOD as demanded by final product manufacturing and formulation requirements. TGOD will supply Valens with significant quantities of cannabis and hemp and Valens will provide extraction purification services processing the cannabis and hemp into premium quality resins and distillates. TGOD intends to use the concentrated cannabinoid resins and distillates to produce oils, sprays and capsules as well as oils for vaporization and future edible, beverage and topical products.

On January 28, 2019, the Company's wholly owned subsidiary SpinCo shares were transferred to a third-party Company pursuant to the terms of the Arrangement.

Subsequent to December 31, 2018, a total of 2,120,261 of the Company's issued and outstanding warrants were exercised at a weighted average exercise price of $2.16 per warrant, for aggregate gross proceeds of $4,571.

OVERALL PERFORMANCE

SELECTED YEAR TO DATE INFORMATION

The table below summarizes information regarding the Company's loss before income taxes for the periods presented in accordance with IFRS and on a consistent basis with the consolidated financial statements and related notes:

		As at December 31, 2018		As at December 31, 2017		As at December 31, 2016
Total assets	**$**	**445,957**	$	96,977	$	15,359
Total non-current financial liabilities	**$**	**2,384**	$	—	$	—
		For the year ended December 31, 2018		**For the year ended December 31, 2017**		**For the period from incorporation on November 16, 2016 to December 31, 2016**
Revenues	**$**	**1,879**	$	—	$	—
Fair value adjustments on change of biological assets	**$**	**304**	$	300	$	33
Gross profit	**$**	**212**	$	300	$	33
Total operating expenses	**$**	**44,736**	$	15,398	$	162
Loss from operations	**$**	**(44,524)**	$	(15,098)	$	(129)
Loss before income taxes	**$**	**(45,552)**	$	(15,015)	$	(169)
Net loss	**$**	**(45,203)**	$	(13,459)	$	(161)
Comprehensive loss	**$**	**(44,690)**	$	(13,459)	$	(161)
Basic and diluted net loss per share	**$**	**(0.21)**	$	(0.12)	$	(0.003)

SUMMARY OF FISCAL YEAR RESULTS – FY2018 as compared to FY2017

Revenues

The Company's revenues were comprised of sales of hemp-based products through its wholly owned subsidiary, HemPoland. Revenue was recognized from the date HemPoland was acquired on October 1, 2018 to December 31, 2018 in the amount of $1,879. Sales of cannabis related products in Poland are not subject to excise taxes and therefore are recorded on a net basis (gross revenue less discounts and returns). No revenues were incurred for the year-ended December 31, 2017.

The Company did not record any revenue from Canada in the period as it was preparing for its exclusive "Grower's Circle" launch to approximately 200 medical cannabis patients and founding investors in early 2019, with product from its existing facility and expects to deliver national sales in both the medical and recreational markets in 2019. The Company has made the conscious decision to delay sales and build inventory to ensure consistent supply and product quality once sales are launched. The Company wants to ensure it is in a position to provide customers and patients with consistent and reliable product, and in order to do so, it is focusing on operational readiness at the Hamilton and Québec locations.

Gross profit

The Company's gross profit for the year ended December 31, 2018 is $212 mainly as a result of cost of sales related to inventory production in HemPoland of $594, cost of sales related to business combination fair value adjustments from HemPoland of $1,285 and Canadian operational losses Canada of $92, partially offset by unrealized gains on changes in the fair value of the Company's biological assets located in Canada of $304. The changes in fair value of the Company's biological assets were $300 in 2017.

Marketing expenses

Marketing expenses of $6,096 for the year ended December 31, 2018 were $4,931 higher than expenses of $1,165 in 2017. Marketing expenses consisted of personnel costs of $859 (2017 - $350), costs of promoting the Company's brand and consumer market research of $4,458 (2017 - $398), travel and other promotional expenditures of $477 (2017 - $417) and strategic partnership payments of $302 (2017 - $Nil). The Company's brand and consumer research efforts focused on the organic niche and the organic product differentiation of the Company's portfolio.

Research and development expenses

Research and development ("R&D") expenses of $2,815 for the year ended December 31, 2018 were $1,412 higher than research and development expenses of $1,403 in 2017. R&D expenses for the year ended December 31, 2018 consisted of personnel costs of $1,239 (2017 - $230), product development costs of $839 (2017 - $263), travel and promotional expenditures of $261 (2017 - $Nil), and other administrative expenses of $476 (2017 - $910). In the prior year, the Company wrote off $122 of biological assets and $364 of inventory as it decided to use the cultivated cannabis to further its research and development initiatives into oils prior to the large-scale commercial launch. The Company's key R&D activities included the expansion of the Company's strategic initiatives to improve yields and develop efficient organic extraction methods for oil. The product development costs include all direct costs of growing, principally including supplies, materials, consumables, utilities and lab testing.

General and administrative expenses

General and administrative expenses of $25,611 for the year ended December 31, 2018 were $21,345 higher than expenses of $4,266 in 2017. Personnel costs increased by $4,644 to $6,727 for the year ended December 31, 2018 from $2,083 in 2017 as a result of expanding operations and larger headcount. For the year ended December 31, 2018, professional, legal and consulting fees increased by $5,403 to $6,108 from $705 for the year ended December 31, 2017 primarily due to public company and finance related costs. The consulting and professional expenses contain fees that relate to the Company's efforts in obtaining its public company listing where these costs did not meet the criteria to be charged to equity. Furthermore, travel increased by $1,025 and other administrative expenses, including general administrative expenses at HemPoland, increased by $243 as a result of development and evolution of the business.

Non-cash stock-based compensation expenses

Non-cash stock-based compensation increased by $1,045 from $8,109 for the year ended December 31, 2017 to $9,154 for the year ended December 31, 2018 which is a result of the Company issuing more share-based compensation to new employees as the Company experienced high growth and inputs into the fair value calculations.

Strategic business initiatives expenses

During the year ended December 31, 2018, the Company spent $852 on professional fees related to its strategic business initiatives related to its international expansion opportunities.

Foreign exchange loss

During the year ended December 31, 2018, the Company experienced $1,810 in foreign exchange losses in comparison to $169 in 2017. This is primarily as a result of the Company purchasing foreign currencies to operate in international markets and the associated realized and unrealized losses from the transactions upon which it entered.

Finance income

During the year ended December 31, 2018, the Company earned $2,942 in finance income in comparison to $252 in the same period for the prior year. This was primarily due to the Company having larger cash balances on which it earned interest.

Loss before income taxes

Losses before income taxes of $45,552 for the year ended December 31, 2018 were $30,537 higher than the year ended December 31, 2017 losses before income taxes of $15,015 primarily as a result of increased expenses as outlined above, related to significant changes and evolution of the business from its first days of operation to becoming a global premium organic cannabis producer. These increased expenses were partially offset by an increase in finance income of $2,690 and revenues of $1,879.

SELECTED QUARTERLY INFORMATION

The table below summarizes information regarding the Company's loss from operations and other financial information for the periods presented in accordance with IFRS and on a consistent basis with the consolidated financial statements and related notes:

	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Restated Q3-2017	Q2-2017	Q1-2017
Revenue	$ 1,879	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loss from operations	$ (18,188)	$ (9,803)	$ (9,072)	$ (7,461)	$ (6,457)	$ (2,696)	$ (2,869)	$ (3,244)
Comprehensive loss	$ (17,607)	$ (11,269)	$ (8,548)	$ (7,266)	$ (6,282)	$ (2,400)	$ (2,386)	$ (2,391)
Net loss per share (basic & diluted)	$ (0.07)	$ (0.04)	$ (0.04)	$ (0.05)	$ (0.05)	$ (0.02)	$ (0.02)	$ (0.03)

SUMMARY OF QUARTERLY RESULTS – Q4-2018 as compared to Q4-2017 and Q3-2018

Revenues

The Company's revenues were comprised of sales of hemp-based products through its wholly owned subsidiary, HemPoland. Revenue was recognized from the date HemPoland was acquired on October 1, 2018 to December 31, 2018 in the amount of $1,879. Sales of cannabis related products in Poland are not subject to excise taxes and therefore are recorded on a net basis (gross revenue less discounts and returns). No revenues were incurred for the year-ended December 31, 2017.

The Company did not record any revenue from Canada in the period as it was preparing for its exclusive "Grower's Circle" launch to approximately 200 medical cannabis patients and founding investors in early 2019 with product from its existing facility and expects to deliver national sales in both the medical and recreational markets in 2019. The Company has made the conscious decision to delay sales and build inventory to ensure consistent supply and product quality once sales are launched. The Company wants to ensure it is in a position to provide customers and patients with consistent and reliable product, and in order to do so, it is focusing on operational readiness at the Hamilton and Québec locations.

Gross profit

The Company's gross loss for the three months ended December 31, 2018 is $92 mainly as a result of cost of sales from production in HemPoland of $594, cost of sales derived from purchase price accounting from HemPoland of $1,285 and Canadian operational losses Canada of $92, partially offset by unrealized gains on changes in the fair value of the Company's biological assets located in Canada of $304. In comparison to Q3-2018, gross profit decreased by $93 as a result of incurring operational losses in the normal course of operations in anticipation of the Grower's Circle.

Marketing expenses

Marketing expenses of $3,189 for the three-months ended December 31, 2018 were $2,583 higher than expenses of $606 for the same period in the prior year and consisted of personnel costs of $414 compared to $281 for the three months ended December 31, 2017, costs of promoting the Company's brand and consumer market research of $2,298 compared to $148 for the three months ended December 31, 2017, and strategic partnership payments of $302 compared to $Nil for the three months ended December 31, 2017, partially offset by a decrease in travel and promotional expenditures to $175 compared to $177 for the three months ended December 31, 2017.

In comparison to Q3-2018, marketing expenses increased in Q4-2018 by $1,772 primarily due to an increase in marketing and branding initiatives that were completed ahead of launching the Company's organic brand with various consumer research activities completed in the period. Marketing expenses in Q3-2018 consisted of personnel costs of $233, costs of promoting the Company's brand at investor conferences of $1,129 and travel and promotional expenditures of $55.

Research and development expenses

Research and development expenses of $778 for the three months ended December 31, 2018 consisted of personnel costs of $178, product development costs of $404, travel and promotional expenditures of $83, and other research related expenses of $113. The Company incurred research and product development expenses of $678 during the three months ended December 31, 2017.

In comparison to Q3-2018, research and development costs increased by $317, primarily due to increased personnel costs of $66, increased product development costs of $295, increased travel and promotional expenditures of $77 and offset by decreased other research related expenses of $121. The Company began production activities in Q3-2018 and continued in Q4-2018 where some resources were shifted towards cultivation activities instead of research and development activities. However, the Company continued to expand its research and development efforts in order to perfect its cultivation processes.

General and administrative expenses

General and administrative expenses of $11,125 for the three months ended December 31, 2018 were $9,268 higher than expenses of $1,857 for the same period in the prior year, as a result of the expansion of the business as it moves towards commercial production. Included in general and administrative expenses are personnel costs of $2,714 in comparison to $922 for the three months ended December 31, 2017, consulting fees of $1,825 compared to $302 for three months ended December 31, 2017, professional and legal fees of $3,340 compared to $512 for three months ended December 31, 2017, travel expenses of $419 in comparison to $Nil for the three months ended December 31, 2017, occupancy costs of $326 compared to $60 for the three months ended December 31, 2017 and other administrative expenses of $255 in comparison to $61 for the three months ended December 31, 2017. The remaining expenses of investor relations expenses, taxes, licences and finance expenses, computer and IT expenses, insurance expense, recruiting fees, office and administrative expenses and directors' fees were incurred for the first time in 2018. In comparison to Q3-2018, general and administrative expenses increased by $5,441. Consulting, professional and legal fees increased by $3,642 due to increased financing activity and work surrounding prospectuses and offering memorandums filed by the Company. Other administrative costs, including investor relations, taxes and licenses, travel and promotion, computer and IT, occupancy costs, insurance, recruiting, directors' fees and office and other administrative expenses increased from Q3-2018 by $474, primarily due to an increase in overall ramp-up in operations and office related expenditures. For similar reason, personnel costs increased by $1,327 from $1,387.

Non-cash stock-based compensation expenses

Non-cash stock-based compensation decreased by $35 from $2,950 in Q4-2017 to $2,915 for Q4-2018 which is a result of the Company issuing more stock option compensation near year end in fiscal 2017 as part of incentive packages. In comparison to Q3-2018, the Company experienced an increase of $600 due to new hires being granted share-based compensation as operations continued to grow.

Strategic business initiatives

During the three-months ended December 31, 2018, the Company spent $61 on professional fees and stamp taxes related to its strategic business initiatives for its international expansion opportunities. No comparable expenses were incurred in the prior year. In Q3-2018, the Company spent $791 on transaction costs prior to closing the HemPoland transaction were expensed.

Foreign exchange loss

During the three-months ended December 31, 2018, the Company experienced $51 in foreign exchange losses in comparison to $8 for the same period in the prior year. This is primarily as a result of the Company purchasing foreign currencies to operate in international markets and the associated realized and unrealized losses from the transactions upon which it entered.

Finance Income

During the three-months ended December 31, 2018, the Company earned $1,037 in finance income in comparison to $169 in the same period for the prior year. In comparison to Q3-2018, the Company experienced a $23 increase in finance income. This was primarily due to the Company actively managing the cash balances on which it can earn interest to earn adequate rates of return.

Loss from operations

Losses from operations of $18,188 for the three months ended December 31, 2018 were higher than losses from operations of $6,457 for the three months ended December 31, 2017, primarily as a result of increased expenses as outlined above, related to significant changes and evolution of the business from its first days of operation to becoming a global premium organic cannabis producer. In comparison to a loss from operations of $9,803 in Q3-2018, the Company's losses from operations were higher with the increased loss primarily due to an increase in personnel costs as a result of new initiatives and ramp-up in operations. It is largely comprised of an increase in general and administrative spend of $5,441, an increase in marketing expenses of $1,772, an increase in R&D spend of $317, an increase in stock-based compensation of $600, and an increase in depreciation and amortization of $278, and offset by an increase in revenues of $1,879 which arose from HemPoland.

FINANCIAL POSITION

The following is a discussion of the changes to the Company’s financial position as at December 31, 2018 as compared to December 31, 2017 in accordance with IFRS and on a consistent basis with the consolidated financial statements and related notes:

in thousands of $CAD, except %	December 31, 2018	December 31, 2017	Change ($)	Change (%)	Comments
ASSETS					
Current assets					
Cash and cash equivalents	**$ 213,549**	$ 63,736	149,813	235	See Liquidity and Capital Resources section below.
Restricted cash	**50,000**	16,000	34,000	213	See Liquidity and Capital Resources section below.
Refundable sales tax receivable	**13,332**	566	12,766	2,255	An increase in payments related to the construction of the facilities, with the input tax credits expected to be refunded subsequent to the period end.
Prepaid expenses	**3,521**	266	3,255	1,224	An increase in prepaid operational expenses and deposits with the ramp-up to be operationally ready for full scale production in 2019.
Accounts Receivable	**1,199**	—	1,199	100	An increase due to the acquired operations of HemPoland.
Inventory	**3,925**	-	3,925	100	An increase due to plants harvested in Q4 and transferred to inventory and the saleable inventory of HemPoland.
Biological assets	**395**	-	395	100	The increase in biological asset value is due to costs being capitalized in addition to the gain in fair value of the underlying biological assets. The Company is preparing to launch its premium product with an exclusive "Grower's Circle" pilot project.
Advances to related parties	**800**	714	86	12	See Related Party section below.
Other current assets	**864**	184	680	370	An increase due to accrued interest earned on deposits.
	$ 287,585	$ 81,466	206,119	253	
Non-current assets					
Property, plant and equipment	**$ 107,529**	$ 6,965	100,564	1,444	An increase due to $101,091 in additions partially offset by $527 in depreciation.
Intangible assets	**13,535**	5,575	7,960	143	An increase mainly due to the intangible assets acquired as part of the HemPoland transaction such as distributor relationships and branding.
Investment in associate	**10,944**	-	10,944	100	The Company obtained a 49.18% interest in Epican Medicinals Ltd. in addition to a 49.99% interest in QuébecCo.
Goodwill	**10,702**	2,007	8,695	433	An increase due to the goodwill attributable from the HemPoland transaction.
Loan receivable	**1,001**	-	1,001	100	Loan granted in QuébecCo transaction.
Other assets	**14,661**	964	13,697	1,421	An increase due to collateral for Letters of Credit on construction projects.
Total assets	**$ 445,957**	$ 96,977	348,980	360	

in thousands $CAD, except %	December 31, 2018	December 31, 2017	Change ($)	Change (%)	Comments
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	**$ 28,258**	$ 3,729	24,529	658	An increase due to increased transactional activity mainly due to construction at both the Hamilton and Valleyfield sites.
Deferred subscription receipts	**-**	16,000	(16,000)	(100)	A decrease due to the conversion of all outstanding deferred subscription receipts into common shares.
Income tax payable	**781**	-	781	100	An increase due to current taxes payable resulting from the acquisition of HemPoland.
Short term loans	**688**	-	688	100	An increase due to short term loans payable (line of credit and building loan) resulting from the acquisition of HemPoland.
Current portion of capital lease obligation	**151**	-		100	An increase due to short-term capital lease obligation owed resulting from HemPoland acquisition.
	$ 29,878	$ 19,729	10,149	51	
Non-current liabilities					
Capital lease obligation	**261**	-	261	100	An increase due to long-term capital lease obligation owed resulting from HemPoland acquisition.
Contingent consideration	**688**	-	688	100	An increase due to contingent consideration owed resulting from HemPoland acquisition.
Deferred tax liabilities	**1,435**	-	1,435	100	An increase due to the temporary tax differences resulting from the acquisition of HemPoland.
Total liabilities	**$ 32,262**	$ 19,729	12,533	64	
Total Shareholders' Equity	**$ 413,695**	$ 77,248	336,447	436	An increase due to increased share capital of $319,496, reserve for warrants of $48,918, reserve for underwriter special warrants of $610, contributed surplus of $8,473, reserve for share-based compensation of $3,640, accumulated other comprehensive income of $513, and offset by an increase in the accumulated deficit of $45,203.
Total Liabilities and Shareholders' Equity	**$ 445,957**	$ 96,977	348,980	360	

LIQUIDITY AND CAPITAL RESOURCES

During the year-ended December 31, 2018, the Company only generated revenue from acquired foreign operations and relied on equity financing to finance its operations and meet its capital requirements. The Company's objectives when managing its liquidity and capital resources are to maintain a sufficient capital base to maintain investor and creditor confidence and to sustain the future development of the business. During the period, the Company completed various equity financings to meet its current and anticipated future obligations.

Working capital as of December 31, 2018 was $257,707 (December 31, 2017 - $61,737). Total cash position was $213,549 not including $50,000 of restricted cash (December 31, 2017 – $79,736 of which $16,000 was restricted cash) held in trust as collateral on construction contracts.

Operating Activities

In 2018, cash used in operating activities was $44,965 (2017 - $4,152), and consisted of net loss after income taxes of $44,690 (2017 - $13,459), deferred income tax recovery of $413 (2017 - $1,556) and unrealized gain on change in fair value of biological assets of $304 (2017 - $300), offset by non-cash share-based compensation of $9,154 (2017 - $8,109), depreciation of $527 (2017 - $160), amortization of $533 (2017 - $295), current income tax expense of $65 (2017 - $Nil), and impairment of fixed assets of $84 (2017 - $80). Changes in non-cash working capital included an increase in prepaid expenses of $3,238, an increase in refundable sales tax receivable of $12,304, an increase in accounts receivable of $779, an increase in biological assets of $265, an increase in inventory of $1,151, an increase in other current assets of $2,687, an increase in other assets (long-term) of $13,697, and offset by an increase in accounts payable and accrued liabilities of $23,064. The cash burn during the period was driven by personnel costs, investor relations costs associated with the IPO and subsequent capital issuances, and consulting and other professional fees arising from the ramp-up in administration and operations as the Company prepared for full scale production in 2019.

Investing Activities

In 2018, cash used in investing activities was $118,178 (2017 - $6,747), and consisted mainly of investments in property, plant and equipment of $81,631 (2017 - $5,832) and change in non-cash working capital related to property, plant and equipment of $17,302 (2017 - $915) as the Company has commenced work on the expansion of the Hamilton Facility and the Québec Facility. The Company also completed the investment in Epican and Quebec SubCo, resulting in cash used of $10,608 (2017 - $Nil). Additionally, the Company entered into a technology licensing arrangement at a cost of $200. The Company's acquisition of HemPoland resulted in cash used of $9,931 (2017 - $Nil), offset by cash acquired from the business of $1,520 (2017 - $Nil).

Financing Activities

In 2018, the Company received net proceeds from share issuances of $273,307. During 2018, the Company received $2,435 (2017 - $Nil) in proceeds from the exercise of stock options, $63,399 (2017 - $Nil) in proceeds from the exercise of warrants, $2,007 (2017 - $117) in interest on its deposits, and $7,270 (2017 - $250) related to proceeds on repayment of related party loans. Cash used in financing activities in 2018 related to advances to related parties of $7,356 (2017 - $446). In Q1-2018 the Company provided a loan for $1,001 to the vendor of Class A shares as part of the arrangement for the investment in Québec SubCo. Cash provided by financing activities was driven by proceeds received from the IPO and other capital issuances, as well as exercises of stock options and warrants during the period.

Revolver facilities

On September 1, 2017, the Company executed a revolving credit agreement with a Canadian credit union entitling the Company to borrow to a maximum limit of $5,000, subject to certain reporting requirements. The credit facility is secured by a GIC and bears a conventional rate of interest. As at December 31, 2018, the Company has not drawn under the revolver loan and is in compliance with the reporting requirements. On October 1, 2018, as part of the HemPoland transaction, the Company acquired HemPoland's operating line of credit of which $146 (400,000 PLN) was drawn upon and remained outstanding until December 31, 2018. It is recorded as a charge against cash and cash equivalents given the financial intuition's right of set-off.

Lease Commitments

The Company has entered into lease commitments at multiple locations. The total future minimum annual lease payments are as follows:

	$
Within one year	582
After one year but not more than five years	994
More than five years	566
Total	2,142

The lease for the office space of the Company's headquarters required the issuance of a letter of credit in the amount $350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at December 31, 2018, there have been no breaches and no amounts have been drawn upon this letter of credit.

Construction Agreements

The Company has entered into contracts to facilitate the construction of its facilities in Hamilton, Ontario and Salaberry-de-Valleyfield, Québec with various vendors. Pursuant to some of these agreements, the Company has issued letters of credit in the amount of $5,003 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") securing the letters as collateral. The Company has pledged $5,000 of GICs as collateral, which has been recorded in other assets due to the long-term nature of the related project. As at December 31, 2018, there have been no breaches and no amounts have been drawn on the letters of credit. As at December 31, 2018, the Company has outstanding deposits on construction related activities of $9,431 (December 31, 2017 – $915). The Company has also entered into an escrow agreement with its construction partner in Québec whereby $50,000 has been allocated to the Québec project and these funds are included in restricted cash.

Update on Hamilton Facility and Québec Facility Milestones

The Company has made significant progress at both facility locations. At the Hamilton Facility, all major equipment has been procured, the cogeneration plant installation has commenced, the hot and cold-water tanks have been installed and the natural gas line has been installed and energized. At the Valleyfield facility, the external greenhouse structure erection was completed. In addition, the high voltage substation and system energization has been completed. Foundations for the support building are in progress.

The next milestone that the Company intends to meet for each of the Hamilton Facility and the Québec Facility is the completion of the full construction of the structures for each facility. The estimated costs of achieve these milestones are $15,600 for the Hamilton Facility and $138,100 for the Québec Facility. Costs incurred to date on the facilities build outs are included in Construction in Progress, within Property, Plant and Equipment, in the Company's consolidated financial statements.

As part of its execution process, the Company identified a need for design modifications and improvements to enable optimize facility throughput which and reduce ongoing operational cost which, together with organic specific modifications, provide a forecasted domestic productive capacity increase from 156,000 kg to 202,500 kgs. The recently improved designs are being implemented in phases to leverage efficiencies and learnings from each prior phase, with the objective of achieving best in class results. By optimizing original design and operating parameters, the construction schedule was updated as follows:

Facility	Previous Plan	Revised Plan - February 1, 2019	Revised Plan - Since February 1, 2019
Hamilton	Combined facilities: 150,000 sq. ft. capable of producing 14,000 kgs annually Timeline: Completion Q1 2019	Combined facilities: 166,000 sq. ft. capable of producing 17,500 kgs annually Timeline: Completion June 2019	No changes to February 1, 2019 plan.
Québec	Combined Facilities: 1,107,245 sq. ft. capable of producing 142,000 kgs annually: • Phase 1 Hybrid Greenhouse and Processing facilities: 820,000 sq. ft.; 102,000 kg capacity, ramp-up in H2 2019 • Phase 2 Hybrid Greenhouse: 287,245 sq. ft., 40,000 kg, 2020	Combined Facilities: 1,310,000 sq. ft. capable of producing 185,000 kgs annually: • Phase 1a Hybrid Greenhouse: 289,000 sq. ft.; 65,000 kg capacity; Q4 2019 • Phase 1a Central Processing Facility for all phases: 443,000 sq. ft. (including 2nd floor greenhouse of 197,518 sq ft); Q4 2019 • Phase 1b Hybrid Greenhouse: 289,000 sq. ft.; 65,000 kg capacity; 2020 • Phase 2 Hybrid Greenhouse: 289,000 sq. ft.; 55,000 kg; 2021	Combined Facilities: 1,310,000 sq. ft. capable of producing 185,000 kgs annually, however the phases are redefined as follows: • Phase 1a Hybrid Greenhouse (1st floor): 578,000 sq. ft.; 65,000 kg capacity; Q4 2019 • Phase 1a Central Processing Facility (1st floor): 245,310 sq. ft.; Q4 2019 • Phase 1b 2nd floor Greenhouse: 197,518 sq. ft.; 65,000 kg capacity; 2020 • Phase 2 Hybrid Greenhouse: 289,000 sq. ft.; 55,000 kg; 2021

The updated construction plan requires an additional three months for start-up in Valleyfield and an additional two months to complete construction of the hybrid greenhouse in Hamilton. The increased capital expenditures of approximately $30,000 for the completion of the structures, along with operating system improvements, resulting in the increased capacity, will be phased in over time and are expected to be funded from operational cashflow. The below table outlines the forecasted growing capacity at each of the Hamilton Facility and the Québec Facility and assumptions regarding construction timelines, facility size, and budget for structure construction:

Detail (1)	Hamilton Facility	Québec Facility
Project timelines	June 2019	Q4 2019
Annual Growing capacity	Approximately 17,500 kilograms	Approximately 185,000 kilograms
Square footage	166,000 square feet	1,310,000 square feet
Construction budget	$30,100	$174,700
Life-to-date spend	$14,500	$36,600

On July 19, 2018, the Hamilton City Council voted to disallow the zoning amendment required in connection with the Hamilton Facility's planned greenhouse expansion. This decision was contrary to the recommendation of city staff. The Company has filed an appeal to this decision with the LPAT. If the Company is unsuccessful in its appeal of the decision of the Hamilton City Council, the Company is considering transferring approximately 14,000 kgs. of growing capacity from the Hamilton Facility to the Québec Facility by building an extension to the Québec Facility or through driving further efficiencies. The Company is in the process of estimating the cost of such an extension should it be required. As of the date of this MD&A, the Company does not believe that an unsuccessful appeal will cause the Company to incur a material impairment on the assets related to the Hamilton Facility should the Company. However, an unsuccessful appeal is likely to cause delay in achieving the Company's projected domestic production capacity which may adversely affect the Company's business.

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

Use of Proceeds from Previous Financings

For the year-ended December 31, 2018, the Company has used the proceeds from previous financings to execute the plan set out in the Company's initial public offering ("IPO") filings in addition to the initiatives set out in the various bought deal financings. The Company used previous funds as capital for its Hamilton Facility and Québec Facility, other capital expenditures, licensing transactions and development of start-up projects, operational expenses, and international expansion.

	For the year ended, December 31, 2018		
Use of proceeds from financings (1)	**Previous Estimates**	**Actual**	**Variance**
Cash on hand prior to current year financings	63,736	**63,736**	**-**
Operating activities	(45,000)	**(44,965)**	**35**
Capital related to construction of facilities	(175,000)	**(96,991)**	**78,009**
Investments in associates and international acquisitions	(95,300)	**(19,019)**	**76,281**
Other	(3,724)	**(2,168)**	**1,556**
Net foreign exchange difference	—	**(558)**	**(558)**
	(255,288)	**(99,965)**	**155,323**
Estimated additional capital required - disclosed Feb 1, 2019	(30,000)	**-**	**30,000**
Financing activities, including new cash received, net of share issued costs	313,514	**313,514**	**-**
Cash remaining from financings as at December 31, 2018, other than working capital	28,226	**213,549**	**185,323**

(1) The Company is actively working on these projects beyond the 2018 fiscal year. Significant funds remain to ensure the Company can complete its business objectives and milestones. Updates on each facility and their respective milestones are provided above. See "Update on Hamilton Facility and Québec Facility Milestones".

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

[a] Accounting policies currently in effect

The preparation of these Consolidated Financial Statements requires the use of estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

(i) Biological assets and inventory

In calculating the value of the biological assets, management is required to make a number of judgements and estimates, including estimating the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating inventory values, management is required to determine an estimate of the obsolete inventory and compares the inventory cost to estimated net realizable value.

(ii) Share-based compensation

In calculating the share-based compensation expense, management is required to estimate the fair value of the good or service received, or the fair value of the equity instruments granted in the case where the fair value of the good or service received cannot be estimated.

(iii) Estimated useful lives and depreciation and amortization of property, plant and equipment and intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, and depreciation rates. The depreciation and amortization methods are judgements based on the Company's assessment of the pattern of use of the assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

(iv) Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition based on the facts and circumstances of the transaction in relation to the criteria listed in IFRS 3 Business Combinations. Determining the purchase price of a business combination, including any acquisition-related contingent consideration, and determining the allocation of that purchase price requires estimation of the fair value of the non-cash consideration and fair value of the assets acquired and liabilities assumed.

[b] New standards, interpretations and amendments adopted by the Company

[i] IFRS 15 - Revenue from contracts with customers ("IFRS 15")

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. IFRS 15 became effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively on January 1, 2018 but determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows the five-step model:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognizing revenue when/as performance obligations are satisfied.

Revenue from the direct sale of cannabis and cannabis oil for a fixed price is recognized when the Company transfers control of the good to the customer, which is at the point of shipment for medical cannabis and at the point of delivery for recreational cannabis. For sales of hemp-based products the Company transfers control of the good to the customer on delivery.

Revenue earned in Canada includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Revenue also includes the net consideration to which the Company expects to be entitled. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, revenue is stated net of expected price discounts, allowances for customer returns and certain promotional activities and similar items. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing.

[ii] IFRS 9 Financial Instruments ("IFRS 9")

In July 2014, the IASB issued IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a new concept for classification and measurement of financial assets as well as a new impairment model.

Summary of the new requirements

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss ("FVTPL"). IFRS 9 eliminated the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The classification of debt financial assets in IFRS 9 is generally based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The assessment of the contractual cash flow characteristics addresses whether the contractual terms of a financial asset give rise on specific dates to cash flows that consist of solely payments of both principal and interest on the principal outstanding, often referred to as "SPPI test".

Based on the business model and the SPPI test results, financial assets are measured at:

- amortized cost,
- fair value through other comprehensive income or
- fair value through profit or loss.

A financial asset is measured at amortized cost if it:

a) is held in a business model with the objective of collecting the contractual cash flows of the financial asset; and
b) passes the SPPI test.

A financial asset is measured at fair value through other comprehensive income if it:

a) is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) passes the SPPI test.

In all other situations, including when an entity chooses to irrevocably designate to eliminate an accounting mismatch, a debt financial asset is measured at fair value through profit or loss, unless the Company makes an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income.

Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss and amortized cost.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead the hybrid financial instruments as a whole is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

All debt financial assets measured at either amortized cost or fair value through other comprehensive income fall under the new expected credit loss model introduced by IFRS 9.

The standard is effective for annual periods beginning on January 1, 2018.

Impact on the Company's financial statements on initial adoption

Based on the new classification and measurement requirements for financial assets, the Company's financial assets previously classified as loans and receivables (cash and cash equivalents, restricted cash, refundable sales tax receivable, notes receivable, and advances to related parties) are classified as amortized cost financial assets. There was no change in the measurement basis of these financial assets. The impact resulting from the new expected credit loss model was determined to be immaterial. Based on the Company's assessment, financial liabilities previously classified as financial liabilities at amortized cost (accounts payable and accrued liabilities and deferred subscription receipts), continue to be measured at amortized cost. The Company had no financial instruments classified as available for sale, held for trading, held to maturity, fair value through profit or loss as at December 31, 2017.

The Company retrospectively adopted the standard on January 1, 2018 and, in line with the transitional provisions of the standard, chose not to restate comparative financial information. The adoption of IFRS 9 did not require any material adjustments to the consolidated financial statements, hence no adjustment to opening retained earnings was recorded.

[c] New and revised IFRS in issue but not yet effective

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company has completed a high-level scoping analysis to determine which agreements contain leases and to determine the expected conversion differences for leases currently accounted for as operating leases under the existing standard. The next assessment phase will involve a detailed analysis and solution development to ensure the Company is ready for the implementation of the standard effective January 1, 2019. The Company is currently assessing the potential impact of IFRS 16.

[d] Change in accounting policy

Biological assets

During the year ended December 31, 2018, the Company made a voluntary change in accounting policy to capitalize the direct and indirect costs attributable to the biological asset transformation. The previous accounting policy was to expense these costs as period costs. The new accounting policy is as follows:

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included. Certain direct and indirect costs of biological assets are capitalized as they are incurred, are subsequently recorded in inventories on the consolidated statement of financial position after the biological assets are harvested, and subsequently recorded within the line item 'production costs' on the consolidated statement of loss and comprehensive loss in the period that the related product is sold or within cost of sales of production of inventories on the consolidated statement of loss and comprehensive loss if impaired. Unrealized gain on changes in fair value of biological assets are recorded in a separate line on the face of the consolidated statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the consolidated statement of financial position. The new accounting policy provides more reliable and relevant information to users as the gross profit before changes in fair value of biological assets only considers the costs incurred on inventory sold during the year, and excludes costs incurred on the biological transformation until the related harvest is sold.

The Company has assessed the retrospective impact of this change in accounting policy as follows:

	For the year ended December 31, 2018			For the year ended December 31, 2017		
Consolidated statements of loss and comprehensive loss	**Original Accounting Policy**	**New Accounting Policy**	**Impact**	**Original Accounting Policy**	**New Accounting Policy**	**Impact**
Items included in gross loss, before changes in fair value of biological assets:						
Cost of sales before fair value adjustments	**546**	**92**	**454**	153	—	153
Items included in gross profit:						
Unrealized gain on changes in fair value of biological assets	**(758)**	**(304)**	**(454)**	(453)	(300)	(153)
Impact on net loss and comprehensive loss						
Net loss and comprehensive loss	**(212)**	**(212)**	**—**	**(300)**	**(300)**	**—**
Consolidated statements of cash flows						
Items not affecting cash:						
Unrealized gain on changes in fair value of biological assets	**(758)**	**(304)**	**(454)**	(453)	(300)	(153)
Net changes in non-cash working capital:						
Increase (decrease) in biological assets	**364**	**(90)**	**454**	—	—	—
Increase in inventory	**394**	**394**	**—**	453	300	153
Impact on net operating cash flows						
Net operating cash flows	**—**	**—**	**—**	**—**	**—**	**—**

There is no material impact of this policy change on the Company's net loss, the statement of financial position, or the statement of changes in equity and any changes to any other individual line items were also deemed to be immaterial.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

[a] Fair values

The Company's financial instruments were comprised of the following as at December 31, 2018: cash and cash equivalents; restricted cash; refundable sales tax receivable; accounts receivable; advances to related parties; a loan receivable; accounts payable and accrued liabilities.

The fair values of the financial assets and liabilities are shown at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption that the instruments fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments. The fair value of the loan receivable recorded at fair value through profit and loss is level 3 and is based on the established underlying fair values of the assets during the recent transaction involving the investment in Québec SubCo whereby it was reasonably concluded to continue to approximate the same fair value as at December 31, 2018 as compared to the initial recognition date.

[b] Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year ended December 31, 2018, cash and cash equivalents and restricted cash were measured at Level 1 on the hierarchy. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the year ended December 31, 2018, there were no transfers of amounts between levels.

RELATED PARTY TRANSACTIONS

Identification of related parties

Related parties have been identified as follows:

Related party	Business relationship	Measurement basis
Jeffrey Scott	Director	Exchange amount
Nicholas Kirton	Director	Exchange amount
Marc Bertrand	Director	Exchange amount
Jacques Dessureault	Director	Exchange amount
Caroline MacCallum	Director	Exchange amount
Brian Athaide	Management, Director	Exchange amount
Sean Bovingdon	Management	Exchange amount
Michael Gibbons	Management	Exchange amount
Julia Golubovskaya	Management	Exchange amount
Marie-Josee Lafrance	Management	Exchange amount
David Perron	Management	Exchange amount
Andrew Pollock	Management	Exchange amount
Csaba Reider	Management	Exchange amount
Geoffrey Riggs	Management	Exchange amount
Matthew Schmidt	Management	Exchange amount
Anna Stewart	Management	Exchange amount
John Wren	Management	Exchange amount
Daniel Brody	Management	Exchange amount
Ravinder Kumar	Management	Exchange amount
Marc Cernovitch	Management	Exchange amount
Ian Wilms	Management, former Director	Exchange amount
Aurora Cannabis Inc.	10% security holder	Exchange amount
Epican and Epican Canada	Non-controlled investee	Exchange amount
9371-8633 Québec Inc.	Non-controlled investee	Exchange amount

Former related party	Business relationship	Measurement basis
Brett Allan	Former Management	Exchange amount
Jim Shone	Former Management	Exchange amount
Amy Stephenson	Former Management	Exchange amount
1613240 Ontario Ltd	Amy Stephenson's company	Exchange amount
TGOF Corp.	Controlled by former director and former CEO R. Anderson and former director D. Doherty	Exchange amount
Rob Anderson	Former Management, Former Director	Exchange amount
Dave Doherty	Former Management, Former Director	Exchange amount
Cameron Battley	Former Director	Exchange amount

Key management personnel transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly and are identified above. During the year ended December 31, 2018, key management personnel received $9,619 total compensation (December 31, 2017 - $4,220). As at December 31, 2018, the Company has $487 owing to key management personnel, included in accounts payable and accrued liabilities.

Advances to related parties

Epican Medicinals Ltd.

On December 22, 2017, the Company advanced $267 (US$200,000) to Epican in the form of a convertible note (the "First Note") which was expected to mature on June 22, 2018. The First Note was unsecured and bore an annual interest of 10%.

On April 4, 2018, Epican incorporated a wholly-owned Canadian subsidiary ("Epican Canada"). Two Company officers were appointed to a five-member board of directors of Epican Canada making the Company and Epican Canada related parties. On May 7, 2018, the Company advanced a further $329 (US$250,000) to Epican in the form of a convertible note (the "Second Note") which was expected to mature on June 27, 2018.

On June 11, 2018, the Company entered into a strategic partnership agreement (the "Epican Agreement") with Epican whereby it also signed a definitive agreement with Epican to acquire approximately 49% of Epican's shares. Also, on June 11, 2018, the Company agreed to advance a further $1,975 (US$1,500,000) (the "Third Note") to Epican. The Company entered into an agreement with Epican which extended the maturity dates of the First Note and the Second Note to July 18, 2018, removed the conversion feature on the Second Note and waived all interest. The amounts for the Second Note and the Third Note were applied towards the final cash consideration amount payable at the closing of the Epican investment.

During the year ended December 31, 2018, the Company further advanced funds for goods and services to Epican to be reimbursed in the amount of $757 which remained outstanding as at December 31, 2018.

Advances to TGOF Corp.

The Company advanced the following amounts to a related party entity, TGOF Corp., of which two former directors of the Company, are shareholders:

a. $125 on March 31, 2017 in exchange for a note payable for the same amount at an interest rate of 0% and a maturity date of June 30, 2017. This note payable was settled on June 30, 2017 with a replacement note payable in the same amount and interest rate with a maturity date of June 30, 2018. The note was repaid in full on July 27, 2018.

b. $132 (US$100,000) on June 26, 2017 in exchange for a note payable for the same amount at an interest rate of 0% and a maturity date of September 26, 2017. This advance was replaced by a note payable dated September 26, 2017 for the same amount, at an interest rate of 0% and a maturity date of September 26, 2018. $80 was repaid on September 12, 2018, while the remainder was repaid in full on October 31, 2018.

Other transactions with related parties

The Company advanced $68 to Québec SubCo during the year-ended December 31, 2018. The entire balance of remained outstanding as at December 31, 2018 (December 31, 2017 - $Nil). The Company also has outstanding payments owing to Québec SubCo of $25 as at December 31, 2018 which have been recognized in accounts payable and accrued liabilities on the consolidated statement of financial position (December 31, 2017 - $Nil).

REGULATORY LANDSCAPE

Canadian Regulatory Landscape

Cannabis production, distribution, sale, and use is illegal in Canada except where specifically permitted by law. Prior to October 17, 2018, the production, distribution, and use of cannabis for medical use was legal in Canada since 2001, first under the federal *Medical Marihuana Access Regulations*, later replaced with the *Marihuana for Medical Purposes Regulation*s, and then the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). On October 17, 2018, the federal Cannabis Act and accompanying Regulations, including the *Cannabis Regulations* ("Cannabis Regulations"), the new *Industrial Hemp Regulations* ("IHR", and together with the Cannabis Regulations, collectively, the "Regulations"), came into force, legalizing the production, distribution and sale of cannabis for adult recreational purposes, as well as incorporating the existing medical cannabis regulatory scheme under one complete framework. The Canadian federal government has published draft regulations that, if enacted, would legalize edible cannabis, cannabis extracts, and cannabis topicals for adult recreational uses.

Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory. All Canadian provinces and territories have implemented or announced proposed mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licences and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Part 14 of the Cannabis Regulations sets out the regime for medical cannabis following legalization, which is substantively the same as the ACMPR with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider continue to have access to cannabis, either purchased directly from a federally licensed entity authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

The new IHR under the Cannabis Act replaced the previous *Industrial Hemp Regulations* under the *Controlled Drugs and Substances Act* ("CDSA") as of October 17, 2018. The regulatory scheme for industrial hemp production largely remains the same, however the IHR permits the sale of hemp plants to licensed cannabis producers, and licensing requirements under the new IHR are softened in accordance with the lower risk posed by industrial hemp. The IHR defines industrial hemp as a cannabis plant, or any part of that plant, in which the concentration of THC is 0.3 % w/w or less in the flowering heads and leads.

On December 22, 2018, the Canadian federal government published draft regulations in the Canada Gazette, Part I, to support the production and sale of edible cannabis, cannabis extracts and cannabis topicals. These draft regulations, among other things, outline the rules relating to packaging, labelling and advertising, shelf-stability, cannabinoid concentration levels, restrictions on other ingredients, and production and sanitation standards.

Adult Use Cannabis

The Company intends to participate in the Canadian adult use market for cannabis in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult use cannabis market.

Adult Recreational Cannabis - Federal Regulatory Framework

The Cannabis Act and the Cannabis Regulations provide a licensing scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal use (i.e., adult recreational use). Transitional provisions of the Cannabis Act provide that every licence issued under section 35 of the ACMPR that is in force immediately before the day on which the Cannabis Act comes into force is deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires.

Below are additional highlights of the Cannabis Act:

- Places restrictions on the amounts of cannabis that individuals can possess and distribute, and on public consumption and use, and prohibits the sale of cannabis unless authorized by the Cannabis Act.
- Permits individuals who are 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants in their dwelling-house, propagated from a seed or plant material authorized by the Cannabis Act.

- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabinoids to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.
- Permits the informational promotion of cannabis by entities licensed to produce, sell or distribute cannabis in specified circumstances to individuals 18 years and older.
- Introduces packaging and labelling requirements for cannabis and cannabis accessories and prohibits the sale of cannabis or cannabis accessories that could be appealing to young persons.
- Provides the designated minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.
- Establishes a national cannabis tracking system to monitor the movement of cannabis from where it is grown, to where it is processed, to where it is sold.

Provides powers to inspectors for the purpose of administering and enforcing the Cannabis Act and a system for administrative monetary penalties.

Provincial Regulatory Framework for Recreational Cannabis

While the Cannabis Act provides for the regulation of the commercial production of cannabis and related matters by the federal government, the Cannabis Act provides the provinces and territories of Canada with authority to adopt their own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limit for individuals and higher age requirements. Currently each of the Canadian provincial and territorial jurisdictions has established a minimum age of 19 years old, except for Québec and Alberta, where the minimum age is 18.

All Canadian provinces and territories have implemented or announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Provincial/territorial bodies act as intermediaries between entities licensed federally under the Cannabis Act and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances such bodies acting as exclusive retailers. The laws continue to evolve, and differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs.

Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to the company's business. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened.

Ontario: Under the *Cannabis Act, 2017* (Ontario), the Ontario Cannabis Retail Corporation, which is a subsidiary of the Liquor Control Board of Ontario ("LCBO"), is the sole distributor of recreational cannabis and may set a minimum price for cannabis or classes of cannabis. The Ontario Cannabis Store ("OCS") currently sells recreational cannabis to the public through its on-line platform.

Recreational cannabis will also be sold through a tightly regulated Private Retail Model, with a target date April 1, 2019. Private retailers are required to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. Private retailers are not permitted to sell cannabis on-line, but may only sell cannabis in person at an authorized retail store. The Alcohol, Gaming and Cannabis Corporation of Ontario regulates retail store authorizations for privately run recreational cannabis stores. On December 13, 2018, the Government of Ontario announced that a temporary cap of 25 retail store authorizations was being imposed while cannabis supply stabilizes. Anyone who supervises employees, oversees cannabis sales, manages compliance or has signing authority to purchase cannabis, enters into contracts or hires employees is required to have a cannabis retail manager license. Retail cannabis stores will not be permitted in municipalities which pass resolutions by January 22, 2019 to prohibit the sale of recreational cannabis. The OCS currently is in the process of entering into supply agreements with multiple licenced producers and is establishing a wholesale distribution network to supply legal private.

Federally licenced cannabis producers (and their affiliates) can only operate one retail store and it must be located on the premises authorized under their federal licence. A broad definition of affiliate is included in the regulations. An affiliate relationship exists if a corporation beneficially owns or controls voting shares, or securities that may be converted to voting shares, constituting more than 9.9% of voting rights. If a person, or group acting together, holds 50% voting control for the election of directors or market share of the corporation, they are considered affiliates. Additionally, an affiliate relationship may be established through involvement in a trust, partnership or joint venture, among others. The definition of affiliate may have the effect of restricting the ability of federally licensed producers from effectively entering into the consumer retail market in Ontario.

Federally licensed producers are prohibited from providing any material inducement to cannabis retailers for the purpose of increasing the sale of a particular type of cannabis

British Columbia: The Government of British Columbia's *Cannabis Control and Licensing Act* and *Cannabis Distribution Act* create a hybrid distribution and sales model. The provincial Liquor Distribution Branch is the sole wholesale distributor of recreational cannabis to privately-operated stores and it operates is own BC Cannabis Stores.

Alberta: The Government of Alberta has implemented a cannabis framework providing for the purchase of cannabis products from private retailers that receive their products from the Alberta Gaming and Liquor Commission ("AGCL"), a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Licenced Producers may sell directly to the AGCL, but may not sell directly to private retailers or to the public. The AGLC also sells recreational cannabis through its own on-line platform.

Saskatchewan: The Saskatchewan Liquor and Gaming Authority issues permits for both wholesalers and cannabis retailers. Permitted wholesalers can sell to permitted retailers and other permitted wholesalers, but not to the public. Registered Licenced Producers may sell to permitted wholesalers but not to the public. The Government of Saskatchewan initially announced that it intended to issue approximately 60 retail permits to private stores located in roughly 40 municipalities and First Nation communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

Manitoba: The Government of Manitoba put in place a "hybrid model" for cannabis distribution. Under the *Liquor, Gaming and Cannabis Control Act*, the Manitoba Liquor and Lotteries Corporation acts the sole supplier of recreational cannabis to licenced private retail stores, which may sell to the public both on-line and in authorized store locations. Manitoba held an RFP process for private retailers, which was open until December 22, 2017, at the end of which four proponents were selected. A subsequent process was opened in July 2018 to select additional pre-qualified retailers, eligible to apply for retail licences.

Québec: Recreational cannabis in Québec is sold on-line and in retail stores operated by the Société québécoise du cannabis, which is a subsidiary of, and under control and supervision of the Société des alcools du Québec. There are no private retailers.

New Brunswick: Cannabis NB, which is a subsidiary of the New Brunswick Liquor Corporation, is the sole retailer of recreational cannabis, operating an on-line platform and retail stores. The Cannabis Management Corporation controls and oversee the sale of recreational cannabis in New Brunswick.

Nova Scotia: Under the *Cannabis Control Act*, the Nova Scotia Liquor Corporation is responsible for the regulation of the retail sale of recreational cannabis in the province, and recreational cannabis is only sold publicly through government-operated storefronts and online sales.

Prince Edward Island: Similar to Nova Scotia and New Brunswick, under the *Cannabis Management Corporation Act*, the sale of recreational cannabis will controlled and supervised by the Cannabis Management Corporation, which operates retail stores and online sales.

Newfoundland and Labrador: Under the *Cannabis Control Act*, recreational cannabis is sold through licenced private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the "**NLC**"), regulating distribution to private sellers who may sell to consumers. The NLC controls the possession, sale and delivery of cannabis, and sets prices. It is also be the online retailer, although licences may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

Yukon: Under the *Cannabis Control and Regulation Act*, the distribution and sale of recreational cannabis is limited to government outlets and government-run online stores, and allows for the later licensing of private retailers.

Northwest Territories: The N.W.T. Liquor Commission is the sole supplier and distributor of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories are able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

Nunavut: The Nunavut Liquor and Cannabis Commission sells cannabis to the public on-line and by telephone sales, as well as acts as the sole-source wholesaler for private retailers. Nunavut also permits private retailers be licenced to operate a cannabis store, remote sales store, or cannabis lounge.

There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for recreational use in Canada will remain unchanged on the terms outlined above.

Regulatory Landscape Outside Canada

The Company only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with all of the laws of the foreign jurisdiction, the laws of Canada and its regulatory obligations to the TSX. The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, as well as local business culture and practices are different from those in Canada. Prior to commencing operations in a new country, in partnership with local legal counsel, consultants and partners, the Company conducts legal and commercial due diligence in order to ensure that the Company and its officers and directors gain a sufficient understanding of the legal, political and commercial framework and specific risks associated with operating in such jurisdiction. Where possible, the Company seeks to work with respected and experienced local partners who can help the Company to understand and navigate the local business and operating environment, language and cultural differences. In consultation with advisors, the Company takes steps deemed appropriate in light of the level of activity and investment it expects to have in each country to ensure the management of risks and the implementation of necessary internal controls.

Denmark

As of January 1, 2018, the Danish government initiated a trial permitting doctors to prescribe medical cannabis to a defined patient group. The trial ("pilot program") will continue for the next four years and is supported by federal funding. The Danish Medicines Agency issues licences to import "primary" (starter) cannabis products and to cultivate (as of July 1, 2018) and produce approved forms of medical cannabis for wholesale distribution within Denmark. Further to cannabis cultivation, the Danish government initiated a four-year development scheme so that the Danish Medicines Agency authorises research and development activities in terms of cultivating and handling cannabis, which may form part of the pilot programme at a later stage. All medical cannabis production facilities and products are subject to inspection by the Danish Medicines Agency. Regulations for the export of medical cannabis from Denmark have yet to be developed. Exporting activities relating to cannabis bulk or primary products must be in accordance with requirements laid down in the legislation, including obtaining the necessary authorisation, the country receiving the cannabis bulk must allow import of cannabis for medicinal use and the company importing the Cannabis Bulk or primary products must have the necessary authorisations in place according to national requirements in the importing country.

Jamaica

The Cannabis Licensing Authority (the "CLA") was established in Jamaica in 2015 under the *Dangerous Drugs Amendment Act*, with powers to make and oversee the implementation of regulations for licences, permits and other authorizations for the cultivation, processing, distribution, sale and transportation of cannabis for medicinal, scientific and therapeutic purposes. Currently the regulations do not generally allow for the import or export of medical cannabis, subject to obtaining an export permit. Medical cannabis is available to patients with a prescription written by a medical practitioner registered with the Medical Council of Jamaica. Licences, permits and other authorizations are required for the cultivation, processing, distribution, sale and transportation of medical cannabis. Licence applications are subjected to a rigorous review process and licencees are subject to pre- and post-licence inspection and reporting requirements. Once an applicant completes its post production building, the CLA inspects for final and full licence approval.

Poland

In Poland, the use of hemp is generally restricted and may be accepted only if certain statutory requirements are met. Polish laws provide specific regulations, depending on the use of the hemp. Pursuant to the *Misuse of Drugs Act*, hemp may be grown solely and exclusively for the needs of the textile, chemical, pulp and paper, food, cosmetic, pharmaceutical and construction industries, as well as for seed production. Buying hemp from a farmer requires a permit from the governor of the province holding territorial jurisdiction over the plantation. Buying and reselling hemp seeds is subject to notification to the appropriate Provincial Inspector of Plant Health and Seed Inspection. Where hemp extracts are used for producing foodstuffs, the production facility must meet the sanitary requirements stipulated under the *Act on the Safety of Food and Nutrition*. The cultivation of cannabis which does not fall within the definition of hemp under the Misuse of Drugs Act, *i.e. "plant species Cannabis Sativa L., in which the total content of delta-9-tetrahydrocannabidiol and tetrahydrocannabinolic acid (delta-9-THC-2-carboxylic acid) in the floral or fructifying tops of the plants, from which resins has not been removed, does not exceed 0.20% of the dry-extract content"* is prohibited in Poland.

Mexico

On June 19, 2017, Mexico enacted laws allowing for the use of cannabis for medicinal purposes that can be prescribed by any licensed physician and sold in pharmacies, as long as the products contain less than 1% THC. The authority overseeing medicinal cannabis regulations in Mexico is the Mexican Ministry of Health through the Federal Commission for the Protection against Sanitary Risks (COFEPRIS). The Mexican government and regulatory authorities are in the process of issuing formal regulations for medicinal cannabis. On September 20, 2018, the Federal Commissioner of the COFEPRIS announced the conclusion of the technical review process for the regulation of medicinal cannabis and the proximate presentation of the regulations to the Mexican President for ratification. Management anticipates that medicinal cannabis regulations will be ratified in the near future and exports to Mexico could begin sometime thereafter.

On October 30, 2018, COFEPRIS issued new guidelines authorizing:

1. The use for medical and scientific purposes of all cannabinoids or the mixture of these, which are not presented in a pharmaceutical form and which have characteristics to be used as a medicine or active ingredient of a medicine.

2. For uses other than medicinal purposes these guidelines also authorize: (ii) the manufacture, commercialization, importation and exportation of products, raw materials or substances other than medicines, containing cannabis derivatives in concentrations of up to 1% THC to manufacture by-products with broad industrial uses; (iii) the manufacture, commercialization, importation and exportation of food products, food supplements, non-alcoholic and alcoholic beverages containing hemp derivatives with the absence or the presence of THC traces, cosmetics, cleaning products and insect repellents as well as of products, raw materials or industrial supplies to manufacture them; and (iii) manufacture, commercialization, importation and exportation of herbal remedies and its raw materials. For these purposes, a prior evaluation from COFEPRIS is required.

The sale of food, food supplements, alcoholic and non-alcoholic beverages does not require a medical prescription as long as a cumulative dose of 1% THC is not exceeded.

Country	Regulatory Status and Framework	Corporate Activities	Applicable Licences / Permits
Jamaica	Cannabis is lawfully permitted for medicinal and therapeutic use under the Dangerous Drugs Amendment Act. The Cannabis Licensing Authority, established in 2015, oversees licensing for cultivation, processing, distribution, sale and transportation. Regulations allow for medical cannabis to be provided to patients with a prescription written by a medical practitioner.	49.18% interest in Epican Medicinals, a vertically integrated cannabis company with cultivation, extraction and retail distribution. The Company intends to construct a second GMP compliant facility as part of an export-oriented cultivation and processing site of up to 125,000 square feet.	Cultivator's licence (Tier 1)- obtained Processing Licence (Tier 1)- obtained Retail (Herb House) Licence (medical sales only)- obtained Applications have been submitted for the second export-focused cultivation site.
Poland	Hemp may be grown solely and exclusively for the needs of the textile, chemical, pulp and paper, food, cosmetic, pharmaceutical, and construction industries, as well as for seed production. Hemp is defined under the Misuse of Drugs Act as a *"plant of the species Cannabis Sativa L., in which the total content of delta-9-tetrahydrocannabidiol and tetrahydrocannabinolic acid (delta-9-THC-2-carboxylic acid) in the floral or fructifying tops of the plants, from which resin has not*	HemPoland CBD products are classified as dietary supplements in Poland. There is presently a heated discussion in Poland on whether hemp-based edible products may be marketed in Poland, taking into account the Polish Chief Sanitary Inspectorate's tough stance on THC-content in	A certificate issued by the District Sanitary Inspector confirming that the necessary sanitary conditions required to produce edible products are met – obtained Notification to the Chief Sanitary Inspector is required to market dietary supplements in Poland – complete Notification to the appropriate Provincial

	been removed, does not exceed 0.20% of the dry-extract content". The cultivation of cannabis which does not fall within the above-mentioned definition of hemp is prohibited. Where hemp extracts are used for producing foodstuffs, the production facility must meet the sanitary requirements stipulated under the Act on the Safety of Food and Nutrition.	foodstuff, as well as the recent European Food Safety Authority's position qualifying cannabidiol as a novel food. The European Food Safety Authority's stance qualifying cannabidiol as a novel food can also have an impact on the admissibility of marketing edible hemp-based products in all EU countries.	Inspector of Plant Health and Seed Inspection required to buy and resell hemp seeds – complete Legal authorizations of the appropriate local governments to purchase hemp from authorized farmers – obtained
Denmark	Trial permitting doctors to prescribe medical cannabis to a defined patient group was initiated in January 2018. The trial will continue for the next four years. The Danish Medicines Agency issues licenses to import "primary" cannabis products and to cultivate and produce approved forms of medical cannabis for wholesale distribution within Denmark. Exporting activities relating to cannabis bulk or primary products must be in accordance with requirements laid down in the legislation.	Proposed joint venture to cultivate premium organic cannabis and for cannabis oil extraction for export into other EU and international jurisdictions, provided that regulations, when released, permit these activities.	Cultivation licence – application submitted by proposed joint venture partner, Knud Jepsen, in July 2018 and received in January 2019.
Mexico	Federal laws allowing for use of cannabis for medical purposes were enacted on June 19, 2017. Products that can be prescribed by any licenced physician and sold in pharmacies must contain less than 1% THC. Medical cannabis regulations are administered by the Mexican Ministry of Health through the Federal Commission of the Protection against Sanitary Risks (COFEPRIS). Regulatory authorities are in the process of issuing formal regulations for medical cannabis.	Joint venture with local partner who will facilitate importation, registration and distribution in the Mexican market	Psychotropic Groups IV and V Licences (to be held by the Company's JV partner and its affiliates) – obtained

RISK FACTORS AND UNCERTAINTIES

Many factors could cause the Company's results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this management's analysis and discussion, including the following factors, which are discussed in greater detail under the heading "Risk Factors" in the Company's Annual Information Form March 19, 2019 filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- the Company has a limited operating history;
- the Company may be unable to sustain its revenue growth and development;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- the Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, research and development, regulatory compliance and operations;
- there is no assurance that the Company will turn a profit or generate immediate revenues;
- the adult-use cannabis market in Canada is a relatively new industry;
- the adult-use cannabis market in Canada may experience supply and demand fluctuations that could result in revenue and price decreases;
- the cannabis market in Canada may be significantly reduced over time due to personal cultivation;
- the size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- the Company is reliant on regulatory approvals and cultivation Licenses for its ability to grow, process, package, store and sell cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal;
- any failure on the Company's part to comply with applicable regulations could prevent it from being able to carry on its business and there may be additional costs associated with any such failure;
- under Canadian regulations, a Licensed Producer of cannabis is restricted regarding the type and form of marketing it can undertake which could materially impact sales performance;
- the Company intends to target a premium segment of the adult-use cannabis market, which may not materialize, or in which it may not be able to develop or maintain a brand that attracts or retains customers;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company may be unsuccessful in competing in the overall legal adult-use cannabis market in Canada and any other countries it intends to operate in;
- the Company, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception;
- the Hamilton Facility and the Quebec Facility are under construction and any delay in construction may have an adverse impact on the Company;
- the Hamilton Facility and the Québec Facility are expected to become integral to the Company's business and operations;
- there can be no assurance that the Company will receive the required approvals with respect to the Québec Facility;
- the Company may not bhe able to develop its products, which could prevent it from ever becoming profitable;
- if the Company is unable to develop and market new products, such as beverages, it may not be able to keep pace with market developments;
- there has been limited study on the health effects of cannabis products, including CBD, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of such products;
- trade of cannabis for non-medicinal purposes within Canada may be restricted by the Canadian Free Trade Agreement;
- the Company is exposed to risks relating to the laws of various countries as a result of its planned international operations;
- the Company's business is subject to a variety of foreign laws, many of which are unsettled and still developing and which could subject it to claims or otherwise harm its business;
- the Company must rely on international advisors and consultants in the foreign countries in which it intends to operate;
- the Company is required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where it operates or to which it exports its products;
- the hemp and CBD industries and markets are new and heavily regulated with rules subject to rapidly changing laws and uncertainty, compliance with which may come with significant cost;
- the hemp and CBD products industries and markets in Canada, the EU, Jamaica and Mexico are also subject to many of the same risks as the adult-use cannabis industry and market;

- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- the Company has entered into and in the future may seek to enter into strategic alliances including contractual relationships, joint ventures, selective acquisitions, licensing arrangements or other relationships, or expand the scope of currently existing relationships, with third parties that the Company believes will have a beneficial impact, and there are risks that such strategic alliances or expansions of the Company's currently existing relationships may not enhance its business in the desired manner;
- the Company may not be able to successfully identify and execute future acquisitions or dispositions or successfully manage the impacts of such transactions on its operations;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts;
- the Company is vulnerable to rising energy costs;
- the Company's products may not have, or may not be perceived to have, the effects intended by the end user;
- the Company's quality control systems may not operate effectively;
- the Company's cannabis products may be subject to recalls for a variety of reasons, which could require it to expend significant management and capital resources;
- the Company faces an inherent risk of exposure to product liability;
- the Company may be subject to liability claims as a result of positive testing for THC or banned substances;
- consumer preferences may change, and the Company may be unsuccessful in retaining customers;
- the Company's operations are subject to safety, health and environmental laws and regulations applicable to its operations and industry in the various jurisdictions in which it operates, and it may be held liable for any breaches of those laws and regulations;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company;
- the Company may become subject to litigation in the ordinary course of business;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be exposed to liability or the threat of liability in relation to the use of customer information and other personal and confidential information;
- the Company may be subject to risks related to the protection and enforcement of its intellectual property rights, or intellectual property it licenses from others, and may become subject to allegations that it or its licensors are in violation of intellectual property rights of third parties;
- the Company may be subject to breaches of security at its facilities;
- the Company may incur additional indebtedness;
- the Company may not be able to secure adequate or reliable sources of funding required to operate its business or increase its production to meet consumer demand for its products;
- management may not be able to successfully implement adequate internal controls over financial reporting;
- the Company has negative operating cash flow;
- the Company may be subject to credit risk;
- the Company's loans may contain covenants that limit its ability to seek additional financing or perform desired business operations;
- tax and accounting requirements may change in ways that are unforeseen to the Company and it may face difficulty or be unable to implement or comply with any such changes;
- fluctuations in foreign currency exchange rates could harm the Company's results of operations;
- if the Company has a material weakness in its internal controls over financial reporting, investors could lose confidence in the reliability of the Company's financial statements, which could result in a decrease in the value of its securities;
- it is anticipated that no cash dividends will be paid to holders of Common Shares for the foreseeable future;
- the Company continues to sell shares for cash to fund operations, expansion, and mergers and acquisitions that will dilute the current shareholders;
- the Company's officers and directors control a large percentage of the Company's issued and outstanding Common Shares and such officers and directors may have the ability to control matters affecting the Company and its business;
- the price of the Common Shares in public markets may experience significant fluctuations;
- if securities or industry analysts do not continue to publish research, or publish inaccurate or unfavourable research, about the Company's business, the Common Share price and trading volume could decline; and
- U.S. border officials could deny entry into the U.S. to employees of or investors with cannabis operations in the United States and Canada.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") under National Instrument 52-109 to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Chief Executive Officer and Chief Financial Officer have designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the disclosures are being prepared to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

The CEO and CFO have evaluated the design and effectiveness of the Company's DC&P as at December 31, 2018 and based on that evaluation, the CEO and CFO have concluded that the DC&P are effective. Due to inherent limitations in control systems and procedures no matter how well conceived or operated, their evaluation can provide only reasonable, not absolute, assurance that such disclosure controls and procedures are operating effectively.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

The CEO and CFO have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS as at December 31, 2018.

The CEO and CFO have evaluated the design and effectiveness of the Company's ICFR as at December 31, 2018 and based on that evaluation, the CEO and CFO have concluded that the ICFR are effective. Due to inherent limitations in control systems and procedures no matter how well conceived or operated, their evaluation can provide only reasonable, not absolute, assurance that such ICFR are operating effectively.

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

Notwithstanding the above, management had previously identified and disclosed certain material weaknesses in financial reporting prior to the reporting period of March 31, 2018 which have subsequently been remediated. A material weakness is a deficiency, or a combination of deficiencies, in ICFR where there is a possibility that a material misstatement of the financial statements may not be prevented or detected on a timely basis.

Weaknesses identified and remediated

- IT General Controls – The Company's previous enterprise resource system ("ERP") did not have sufficient inherent controls in place to implement appropriate access controls related to user access and change management. This presented a risk for unauthorized or unintended manual journal entries within the system. During the year-ended December 31, 2018, the Company has completed a transition to a new cross-functional ERP system to appropriately segregate duties and provide an opportunity for management to appropriately review individual transactions, user access rights and change management protocols.
- Analysis and review of contracts – A central repository and a formal review and approval process did not exist for all material contracts, including those related to property, plant and equipment and construction in progress. The impact of this weakness is that management might not have had complete and timely information which could impact the financial results of the Company. During the year-ended December 31, 2018, the Company implemented a formal review and approval process and a contracts repository for all new material contracts.

The Company also implemented a "sub-certification" process with the senior management team to capture relevant information and enable appropriate levels of review on a timely basis. Furthermore, additional human resources, including designated accounting staff, have been hired to support both the internal and the external reporting function at the Company. The Company engaged third party resources to assist in a company-wide review of its control framework in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework") and is continuously improving its internal control function.

LIMITATIONS ON SCOPE AND DESIGN

In accordance with National Instrument 52-109 subsection (3), the CEO and CFO may limit the certification to exclude a business that the issuer acquired not more than 365 days before the end of the financial period in question. Therefore, the CEO and CFO have limited the scope of the design of the Company’s DC&P and ICFR to exclude HemPoland and its subsidiaries, acquired on October 1, 2018, for the year ended December 31, 2018.

OUTSTANDING SHARE DATA

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

Shares	272,137,405
Warrants	67,007,382
Special underwriter's warrants	234,600
Compensation options	631,484
Escrowed share units arising from the HemPoland transaction	1,968,323
Contingent share units arising from the HemPoland transaction	3,047,723
Restricted share units issued to employees	54,348
Stock options	14,319,332

See the Company’s consolidated financial statements for a detailed description of these securities.