

GREEN GROWTH BRANDS

GREEN GROWTH BRANDS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2019 AND PERIOD ENDED JUNE 30, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

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

GGB is in the business of cultivating, processing and retailing cannabis and cannabidiol (“CBD”) infused consumer products. The GGB team is comprised of retail and consumer-packaged-goods experts with decades of experience building successful brands.

The Company’s objectives are to develop and sell CBD personal care and beauty products and establish and operate retail cannabis locations, or otherwise apply for such licenses, pursuant to state laws. Such activity will focus on those certain states where cannabis has been legalized for medical and/or adult recreational use at the state level.

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

This Management’s Discussion and Analysis (“MD&A”) has been prepared with an effective date of Oct 23, 2019, and provides an update on matters discussed in, and should be read in conjunction with the Company’s audited consolidated financial statements for the twelve months ended, including the notes thereto, as at and for period ended June 30, 2019 (the “2019 Audited Financial Statements”), which have been prepared using International Financial Reporting Standards (“IFRS”), available under the Company’s profile at www.sedar.com. All amounts are in United States dollars unless otherwise specified. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management’s expectations. See the “*Caution Concerning Forward Looking Statements*” section in this MD&A.

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

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

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

“Adjusted gross profit” is equal to gross profit before fair value adjustments divided by revenue. Management believes this measure provides useful information as it represents gross margin based on the Company’s cost to produce inventory sold and removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS.

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

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

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

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

Unless and until the United States Congress amends the U.S. CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, which may adversely affect the current and future operations of the Company in the United States. As such, there are a number of significant risks associated with the Company's existing and future operations in the United States, and such operations may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate in the United States or any other jurisdiction. See “Risk Factors”.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

GOING CONCERN ASSUMPTION AND EARLY STAGE CORPORATION

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

OVERVIEW OF THE COMPANY

Description of Business

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

As of June 30, 2019, the Company had the following cannabis related licenses:

License	# Licenses	Type	State
Medical Cultivation ¹	3	Cultivation	Nevada and Massachusetts, US
Medical Dispensary ¹	4	Retail	Nevada and Massachusetts, US
Adult use Dispensary ²	8	Retail	Nevada, US
Medical Production ¹	2	Production	Nevada and Massachusetts, US
Adult use Cultivation	2	Cultivation	Nevada, US
Adult use Production	1	Production	Nevada, US

1. In Massachusetts, the Company holds provisional certificate of registration for three medical dispensaries, a cultivation and production facility.
2. Seven of the retail licenses in Nevada awarded to the Company in December 2018 were provisional at June 30, 2019.

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

Highlights from the fiscal quarter and year ended June 30, 2019

During the fiscal quarter:

- On April 20, 2019, the Company launched CAMP™, a proprietary cannabis brand.
- On April 25, 2019, the Company announced it had closed its formal takeover bid of Aphria Inc. and did not take up any Aphria shares as the conditions of the takeover bid had not been met. Further, the Company agreed to repurchase 27,300,000 common shares held by GA Opportunities Corp. for aggregate consideration of CAD\$89,000,000 which was completed on May 15, 2019.
- On May 16, 2019, the Company announced it closed on its acquisition of its second cultivation facility in Nevada with the acquisition of Wellness Orchards of Nevada LLC.
- On May 17, 2019, the Company closed a 15% secured convertible debenture private placement of \$45,500,000.
- On June 4, 2019, the Company announced it had signed a definitive agreement to acquire all of the issued and outstanding capital stock of Spring Oaks Greenhouses, Inc. ("Spring Oaks") in Florida.
- On June 10, 2019, the Company announced an agreement with Brookfield Properties shopping centers to open approximately 70 new CBD locations across the United States.
- On June 12, 2019, the Company achieved a major milestone with the opening of its 50th Seventh Sense Botanical Therapy CBD ("Seventh Sense") mall-based kiosk shop.
- On June 25, 2019, the Company announced the appointment of Jann Parish as Chief Marketing Officer adding to the Company's experienced management team.
- On June 27, 2019, the Company announced its expansion of its CBD wholesale partnership with Abercrombie & Fitch by expanding into over 160 store locations.

During the fiscal year:

- In October 2018, the Company conducted a test period for Seventh Sense CBD products in 10 DSW stores.
- On November 9, 2018, the Company completed the Business Combination and on November 13, 2018, the Company was publicly listed on the Canadian Securities Exchange under symbol "GGB".
- On December 20, 2018, the Company began trading on the OTCQB Venture Market under the symbol "GGBXF".
- On December 21, 2018, the Agriculture Act of 2018, known as the "Farm Bill" was signed by President Trump, removing industrial hemp from the definition of "marihuana" under the federal Controlled Substances Act.

- On January 30, 2019, the Company closed on the acquisition of Just Healthy LLC, gaining the Company access to provisional certificates of registration in Massachusetts to operate up to three medical dispensaries and a cultivation and processing facility.
- On February 7, 2019, the Company announced a licensing agreement with Authentic Brands Group to create Greg Norman branded CBD personal care products.
- On February 11, 2019, the Company announced an agreement with Simon Property Group Inc. to lease approximately 108 CBD kiosk shop locations in malls throughout the U.S.
- On February 13, 2019, the first Seventh Sense CBD mall-based kiosk shop opened in Lexington, KY.
- On February 14, 2019, the Company launched its eCommerce website for consumers to purchase Seventh Sense CBD personal care and beauty products.
- On March 15, 2019, the Company launched Seventh Sense products in 98 DSW stores throughout the U.S.

RECENT DEVELOPMENTS

Pending Acquisitions

Moxie Acquisition

On July 8, 2019, the Company entered into a securities acquisition and contribution agreement (the “Moxie Agreement”), with, among others, MXY Holdings LLC (“Moxie”) under which a new Ontario limited partnership, of which the Company will be the general partner (GGB LP), will acquire the operating companies of GGB and the issued and outstanding units of Moxie, an arm’s length third party, in an all-equity interest transaction (the “Transaction”). As part of the Transaction, the Company will also be directly acquiring shares of MXY C, INC. (MXY C) and MXY D, INC. (MXY D), Delaware entities within the Moxie structure, and interests in two entities, PurePenn LLC and Pure CA, LLC (collectively, the Pure Entities), with which Moxie has current acquisition agreements (subject to regulatory approval).

The equity purchase price of the Transaction of \$310,000,000 (the “Purchase Price”) will be satisfied through the issuance of either the Company’s common shares or exchangeable LP units, as more fully described below.

The Transaction is structured to include the formation of GGB LP, a new Ontario limited partnership of which GGB will be the general partner, with the operating companies of the Company being placed under the partnership (the “Reorganization”). Payment of the Purchase Price will be satisfied through the issuance of common shares of the Company and exchangeable limited partnership units in GGB LP (“Exchangeable LP Units”) as follows: (i) through the issuance of the Company’s common shares to the shareholders of MXY C and MXY D; (ii) through the issuance of either the Company’s common shares or Exchangeable LP Units to the unitholders of Moxie; and (iii) through the issuance of Exchangeable LP Units to the holders of the Pure Entities. The Exchangeable LP Units are exchangeable into the Company’s common shares on a one-for-one basis for no additional consideration; however, the Exchangeable LP Units may not be exchanged for the Company’s common shares for the first year following the closing of the Transaction.

The total number of securities issuable as payment under the Transaction is equal to that number determined by dividing the Purchase Price by the 30-day volume-weighted average price (VWAP) of the Company’s common shares ending on the third trading day prior to the closing (the Closing VWAP) (but in no case will the Closing VWAP be less than \$2.07 or greater than \$3.45 (being the equivalent to CAD\$2.71 and CAD\$4.52, based on the Bank of Canada exchange rate as of July 5, 2019)), such that following the issuance of the Company’s common shares and Exchangeable LP Units, the former Moxie members, the shareholders of MXY C and MXY D and the holders of the Pure Entities will hold between approximately 30% and 42% of the fully-diluted equity of the Company (treasury method and assuming the closing of the Company’s previously announced Spring Oaks acquisition in Florida) with the majority of such securities to be subject to lock up agreements (the “Lock-Up Agreements”) for a period of 12 months from the completion of the Transaction with staggered releases.

As part of the Transaction, Moxie agreed to make available a loan of \$5,000,000 (the “Loan”) to the Company in order to fund certain pending acquisitions and the parties have agreed to enter into a distribution agreement. The Loan

will bear interest at 6% and, if the Transaction is terminated, will be repaid within 12 months of termination. The distribution agreement provides that the Company will distribute Moxie CBD products through its kiosk and dispensary network for a period of up to thirty (30) months.

Completed Milestones

Nevada Organic Remedies LLC Acquisition (“NOR”)

On September 4, 2018, the Company, through GGB Nevada LLC (“GGB Nevada”), a wholly owned subsidiary, completed the purchase of NOR from its members (“NOR Members”) pursuant to which GGB Nevada acquired (the “NOR Acquisition”) 95% of the outstanding membership interests of NOR for aggregate consideration of \$56,750,000 payable by a combination of cash, stock, and a promissory note (“Purchase Note”). The balance of the 5% or \$2,837,500 to the NOR Members was satisfied by the issuance of common shares of the resulting issuer following completion of the business combination with GGB, which was completed November 9, 2018. Under the NOR Agreement, the remaining 5% was retained by the NOR Members as security until the Purchase Note was settled.

Following an amendment that extended the maturity date of the Purchase Note from March 4, 2019, to May 4, 2019, the Company repaid \$6,080,000 on March 4, 2019. Following another amendment on June 24, 2019, the maturity date of the Purchase Note was further extended to August 28, 2019. On August 27, 2019, the Company completed the remaining repayment of the Purchase Note of \$15,485,000.

Seven additional retail licenses awarded

On December 5, 2018, GGB was awarded seven additional retail cannabis dispensary licenses by the Nevada Department of Taxation (the “Department”). Following the award, certain unsuccessful applicants brought suit against the Department in Nevada state court, challenging the process by which the Department awarded the licenses. GGB, through NOR, intervened in the matter. On August 23, 2019, the court entered an order enjoining the Department from issuing final approval for certain of the winning applicants, including NOR, pending clarification regarding ownership structure. NOR has appealed that determination and is seeking expedited appellate review. See Risk Factors.

Wellness Orchards of Nevada LLC Acquisition

On December 12, 2018, the Company entered into definitive agreements to acquire a Pahrump, Nevada cultivation facility operated by Wellness Orchards of Nevada LLC (“WON”) and Panorama WON LLC (“Panorama”) for a total purchase price of \$13,372,162. WON operates a 12,000 square foot cannabis cultivation facility in Pahrump, while Panorama owns the real property and assets upon which the cultivation facility operates.

On May 16, 2019, the transaction closed, bringing GGB’s Nevada cultivation footprint to two facilities and positioning the Company to supply its retail operations and enhance its current cannabis wholesale operations.

Henderson Organic Remedies Irrevocable Option and Acquisition

On December 14, 2018, GGB agreed to an irrevocable option (the “**Henderson Option**”) to acquire all of the membership interests of Henderson Organic Remedies, LLC (“**Henderson Organic**”) together with the right to all of Henderson Organic’s free cash flow until exercise of the Henderson Option in consideration of the issuance of (i) a secured loan (the “**Loan**”) in the principal amount of \$15,485,000 and (ii) a common share purchase warrant (the “**Warrant**”) exercisable for an aggregate of 7,609,746 GGB Shares. Henderson Organic operates a 2,693 square foot medical and retail marijuana dispensary facility located in Henderson, Nevada. In connection with these transactions, HOR Holdings LLC (“**HOR Holdings**”) is expected to acquire (the “**Henderson Acquisition**”) all of the membership interests of Henderson Organic.

The Loan, which was issued on December 13, 2018, to certain members of Henderson Organic, had an original maturity date of May 4, 2019, bears interest at a simple annual rate of 6% and is secured against (i) a portion of the payment obligation of NOR, in favor of the borrowers under the Loan (which portion is equal to the principal amount and accrued interest under the Loan) and (ii) all membership interests of Henderson Organic held by the borrowers

under the Loan. The Warrant, which was issued to HOR Holdings LLC on December 13, 2018, expires on December 31, 2019, and vests only upon completion of Henderson Acquisition. Once vested, the Warrant is exercisable for an aggregate of 7,609,746 GGB Shares at an exercise price of CAD\$3.16 per GGB Share (reflecting the price per GGB Share as of the close of trading on December 12, 2018).

On May 9, 2019, an amendment was agreed to with the members of Henderson Organic to extend the due date of the Loan from May 4, 2019, to June 28, 2019. As a condition of the Purchase Note extension, the Company agreed to return the licensing fees earned up to May 8, 2019. On June 24, 2019, the Company agreed to a second amendment to close no later than August 28, 2019. Further amendments included (i) cash consideration of \$8,979,500 due on closing of which \$1,000,000 was provided as cash advance provided on signing of the second amendment, and (ii) the cancellation of 7,609,746 warrants noted above to be replaced by 3,973,230 warrants with an exercise price of CAD\$3.03 per GGB Share.

On August 27, 2019, the transaction closed, with Henderson Organic becoming the second The +Source dispensary operated by the Company in greater Las Vegas.

Just Healthy LLC Acquisition

On January 30, 2019, GGB acquired 100% of the membership interests of Just Healthy LLC (“**Just Healthy**”). Just Healthy holds provisional certificates of registration for a registered marijuana dispensary expected to be located in Northampton, Massachusetts. The license allows for a total of up to three medical dispensaries with preferred treatment for future adult use. Pursuant to the terms of the Just Healthy agreement, the Company issued 1,741,244 common shares in the capital of GGB (the “**GGB Shares**”). The fair value of GGB Shares on January 30, 2019, was CAD\$5.04. GGB also assumed and satisfied \$455,000 of Just Healthy corporate debt. In connection with the acquisition of Just Healthy, the Company elected to exercise an option to purchase land in the Northampton, Massachusetts area for a total purchase price of \$709,306.

Senior Management Appointments

In January 2019, the Company announced the appointment of Peter Horvath as Chief Executive Officer, Ed Kistner as Chief Administrative Officer and Brian Logan as Chief Financial Officer, who collectively bring to the Company their extensive retail experience.

On February 26, 2019, the Company announced the appointment of Randy Whitaker as Chief Operating Officer, who brings retail and real estate expertise to the Company.

On June 25, 2019, the Company announced the appointment of Jann Parish as Chief Marketing Officer adding to the Company’s experienced management team.

Authentic Brands Group and Greg Norman Licensing Agreement

On February 7, 2019, GGB Beauty LLC, a subsidiary of GGB, announced it had executed a licensing agreement with Authentic Brands Group (“**ABG**”) and the Greg Norman brand to develop a line of CBD infused personal care products designed for active men and women. ABG is a brand development and marketing company. The agreement is for a five-year term with certain guaranteed annual minimum royalties. The Company has discretion to terminate the Agreement at any time subject to a \$8,000,000 termination fee.

Simon Property Group Leases

On February 11, 2019, GGB announced that it had entered into an arrangement through which the Company gained access to approximately 108 prime shop locations in U.S. malls owned and operated by the Simon Property Group, Inc. (NYSE: SPG) (“**Simon**”). Pursuant to the arrangement, GGB plans to further expand its chain of CBD-infused personal care product kiosk shops under the Seventh Sense brand and other GGB brands.

In conjunction with the Simon transaction, the Company, through its wholly owned subsidiary GGB Kiosks LLC, entered into a consulting agreement for services rendered with Simon Canada Management Ltd. (“**Simon Canada**”).

In exchange for the services rendered under the this consulting agreement, which relate to GGB's shop expansion strategy, the Company issued to Simon Canada \$2,204,280 (CAD\$2,925,000) in GGB Shares and 1,000,000 GGB Share purchase warrants with an exercise price of \$4.41 (CAD\$5.85) per GGB Share, with both the GGB Shares and the warrants reflecting the GGB Share price as of close of trading on February 7, 2019. The GGB Shares issued to Simon Canada are subject to a lock up agreement for a period of 12 months from the effective date.

GGB also entered into an Advisory Services Agreement (the “**Advisory Agreement**”) with J. Salter Ltd., d.b.a. Authentic Retail Concepts, Ltd. (“**ARC**”), for a variety of consulting services that leverage a network of strategic relationships, including Simon Property Group. As compensation for the services under the Advisory Agreement, GGB has issued to ARC \$2,204,280 (CAD\$2,925,000) in GGB Shares at a price of \$4.41 (CAD\$5.85) per GGB Share. The GGB Shares issued to ARC are subject to a lock up agreement for a period of 12 months from the effective date.

Debenture Financing

On May 17, 2019, the Company announced that it had raised gross proceeds of \$45,500,000 (CAD\$61,200,000) pursuant to a private placement of convertible debt in the form of 15% secured convertible debentures (the “**Debentures**”) at a price of \$1,000 per Debenture and with a conversion price equivalent to CAD\$7.00 per common share. The net proceeds of the Debenture financing will be used for general corporate and working capital purposes.

Each Debenture has a maturity date of May 17, 2020 (the “**Maturity Date**”) and is convertible, in certain circumstances, into proportionate voting shares in the capital of the Company (the “**PV Shares**”) at a conversion price per PV Share equal to CAD\$3,500.00 (being equivalent to CAD\$7.00 per common share) divided by the Canadian-US exchange rate on the business day prior to conversion (the “**Conversion Price**”).

Interest on the Debentures accrues daily and is payable to the holders thereof initially on November 17, 2019 and the balance on the Maturity Date. On the Maturity Date, the principal amount of the Debentures shall be payable by the Company in cash (together with all accrued but unpaid interest thereon) or, at the option of the holder thereof, in PV Shares at the Conversion Price, without adjustment for interest accrued on the Debentures or for dividends or distributions on the PV Shares issuable upon conversion, all subject to the terms and conditions and in the manner set forth in the Debenture Indenture.

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

Spring Oaks

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

On July 29, 2019, the Company announced amended terms related to the acquisition of Spring Oaks (the “**Amendment**”). Pursuant to the Amendment, the purchase price for the shares of capital stock of Spring Oaks of \$54,650,000, subject to certain post-closing purchase price adjustments, shall be satisfied by the Company at closing through a combination of: (i) a previously paid deposit of \$1,350,000; (ii) a cash payment at closing of \$2,000,000, subject to certain adjustments identified in the Agreement; (iii) a cash payment of \$3,000,000 due on August 31, 2019; (iv) the issuance of 7,133,297 common shares of the Company (the “**Consideration Shares**”) to the owners of Spring Oaks representing an aggregate amount of \$17,100,000 at a price of \$2.39 (CAD\$3.16) per Consideration Shares; (v) the issuance of 8,094,210 common shares of the Company (the “**Additional Consideration Shares**”) to the owners of Spring Oaks representing an aggregate amount of \$14,000,000, at a price of \$1.72 (CAD\$2.28) per Additional Consideration Shares; (vi) the issuance of a two-year convertible secured promissory note in the aggregate principal

amount of \$11,400,000 (the "Two-Year Note"); and (vii) the issuance of a one-year convertible secured promissory note in the aggregate principal amount of \$5,800,000 (the "One-Year Note"). The Two-Year Note shall bear interest at a rate of 15%, payable after the first year, and shall have a maturity date of 24 months following the date of closing. The Two-Year Note shall be convertible, on the maturity date, at the option of Spring Oaks, into common shares of the Company at a conversion rate equal to \$2.39 (CAD\$3.16) and shall be secured by the Spring Oaks assets. The One-Year Note shall bear interest at a rate of 15%, simple interest, per annum, and shall have a maturity date of 12 months following the date of closing. The One-Year Note shall be convertible, on the maturity date, at the option of Spring Oaks, into common shares of the Company at a conversion rate of \$1.72 (CAD\$2.28), representing the closing market price of the Company common share on the CSE on the trading day immediately prior the date hereof. The One Year Note shall be secured by the Spring Oaks assets.

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

On August 1, 2019, the Company announced the closing of the transaction, and on August 30, 2019, the Company made the \$3,000,000 cash payment as a condition of closing noted above.

Subsequent to Year end activities

Bought Deal Financing

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

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

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

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

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

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

If issued, the obligations of the Company under the Convertible Debentures will be secured by a general security agreement over all of the Company’s applicable present and after-acquired personal property and will be subordinate to the Company’s existing secured convertible debt. In connection with the Commitment Letters, and following the completion of the Offering, the Company will pay the Investors a fee in the aggregate of \$3,866,250, payable through the issuance of (i) Common Shares at a price equal to the closing market price of the Common Shares on the trading day immediately prior to such issuance, in the case of the non-U.S. resident Investors and (ii) Proportionate Voting Shares, at a price equal to the closing market price of the Common Shares on the trading day immediately prior to such issuance, multiplied by 500 and divided by the Canadian-U.S. exchange rate on such date, in the case of the U.S. resident Investor.

On October 8, 2019, the Company agreed to release Park Lane Capital Limited from its obligation in exchange for cancellation of the Common Shares issued as a fee under the Backstop Commitment.

Between October 1 and October 16, 2019, the Company incurred short term debt in the aggregate amount of \$13,831,845, which debt was provided by certain of the parties identified in the previously announced backstop commitment agreement (the “Backstop Commitment”). Such debt was satisfied via the issuance of convertible debentures on the terms set forth in the Backstop Commitment.

Director Resignation

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

Not Completed Activities

ZLJT LLC & Arizona Natural Pain Solutions Inc. Acquisition

On January 31, 2019, GGB entered into an arm’s length definitive agreement to acquire control of ZLJT LLC & Arizona Natural Pain Solutions Inc. (collectively, “**Desert Rose**”). Desert Rose holds a license for a vertically-integrated operation in Arizona, including retail, cultivation & infusion (kitchen). As consideration for the membership interests, GGB will pay an aggregate purchase price of \$12,350,000 in cash.

On June 4, 2019, the Company announced it had mutually agreed with Desert Rose to terminate the previously announced agreement to acquire Desert Rose so as to focus on its expansion in Florida.

Aphria Takeover Bid

On January 23, 2019, GGB announced that it had filed its offer to purchase (the “Offer”) all of the issued and outstanding common shares (the “Aphria Shares”) of Aphria Inc. (“Aphria”), including any Aphria Shares that may become issued and outstanding after the date of the Offer but prior to 5:00 p.m. (Toronto time) on May 9, 2019 upon the conversion, exchange or exercise of any convertible securities, in accordance with the terms and subject to the conditions contained in the Offer.

On April 15, 2019, the Company announced that it had reached an agreement with Aphria to shorten the expiry time for acceptance of its Offer from May 9, 2019, to April 25, 2019. On April 25, 2019, the Company announced the Offer had expired. The Company did not take up any Aphria Shares as the conditions of the Offer had not been met.

On May 15, 2019 the Company completed the previously announced repurchase of 27,300,000 of its common shares held by GA Opportunities Corp. (“GAOC”) for aggregate consideration of CAD\$89,000,000, or at a discounted price of approximately CAD\$3.26 per share (the “Repurchase”), through a combination of cash and a secured promissory note, representing approximately 13% of its outstanding shares. The aggregate consideration was satisfied by delivery of a secured promissory note (“GAOC Note”) in the principal amount of CAD\$39,000,000 and cash in the amount of CAD\$50,000,000. The GAOC Note is payable in six months from May 15, 2019 and bears interest at 3% per annum. GAOC or its permitted transferee will continue to hold 200,000 GGB shares following the completion of the Repurchase, which shares are subject to a 12-month lock-up agreement on customary terms with 16,666 shares released per month. As GAOC will hold less than 5% of the issued and outstanding GGB common shares on closing of the Repurchase (on a non-diluted basis), it no longer has rights under the Nomination Rights Agreement with the Company.

OPERATIONAL AND REGULATION OVERVIEW

As at June 30, 2019, the Company was operating or active in two states, Nevada and Massachusetts.

Nevada

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

The Company, through its wholly owned subsidiary, NOR, is licensed to possess, cultivate, process, dispense and sell medical and recreational cannabis in the State of Nevada. NOR operates a facility which is approximately 12,000 square feet located in Clark County, Nevada, where cultivation, production, and distribution take place. With the acquisition of WON, noted above, the Company has a further 12,000 square foot cannabis cultivation facility in Pahrump.

Massachusetts

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

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

The Company, through its wholly owned subsidiary Just Healthy, holds provisional certificates of registration for a registered medical marijuana dispensary expected to be located in Northampton, Massachusetts. The license allows for a total of up to three medical dispensaries with preferred treatment for adult use cannabis.

CORPORATE OUTLOOK AND STRATEGY

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

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

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

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

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

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

Background

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

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

Business Combination

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

Following the close of the Business Combination, all the issued and outstanding shares in the capital of GGB Ltd. Shares were acquired by the Company and as consideration, the Company issued to the GGB Ltd. shareholders, on a 3.43522878-for-one basis, 598,613,452 common shares in the capital of the Company in exchange for the then issued

and outstanding GGB Ltd. shares. In addition, the Company reorganized its share structure and consolidated all of its issued and outstanding shares (the “**Consolidation**”) on the basis of four (4) pre-consolidation shares for one (1) post-Consolidation share.

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

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

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

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

Business Combination Accounting

The Business Combination constituted a reverse takeover transaction by GGB Ltd., and Xanthic is considered to have met the definition of a business, as defined in IFRS 3 – *Business Combinations* due to its productive operating potential. The consideration paid was determined based on the fair value of CAD\$1.44 per common share based on the price of the GGB Ltd. convertible debentures conversion ratio at the time of the Business Combination. Therefore, fair value ascribed to Xanthic was \$4,582,299 based on what GGB Ltd. would have paid to acquire 100% of Xanthic.

In accordance with IFRS 3, GGB Ltd. was determined to be the accounting acquirer and legal acquiree. Therefore, the operating results of the Company for the fiscal year ended June 30, 2019, reflects the operations of GGB Ltd. and its subsidiaries from July 1, 2018 to June 30, 2019, and the operating results of Xanthic, including NOR, from the Business Combination date of November 9, 2018 to June 30, 2019.

The following represents the allocation of the purchase price by the Company and the step purchase on the NOR acquisition and subsequent GGB RTO:

	NOR	Xanthic	Total
Cash	\$ 877,027	\$ 285,393	\$ 1,162,420
Accounts receivable	276,449	-	276,449
Other receivables	58,777	67,781	126,558
Inventory	1,319,159	177,665	1,496,824
Property, plant and equipment	347,704	122,153	469,857
Equity Investment	-	838,688	838,688
Investment in NOR	-	56,750,000	56,750,000
Intangible assets	23,555,000	3,937,893	27,492,893
Goodwill	31,724,566	826,958	32,551,524
Accounts payable and accrued liabilities	(1,271,560)	(547,274)	(1,818,834)
Deferred tax liability	(137,122)	(826,958)	(964,080)
Other financial liabilities	-	(3,137,500)	(3,137,500)
Interest bearing Loans	-	(53,912,500)	(53,912,500)
	\$ 56,750,000	\$ 4,582,299	\$ 61,332,299
Fair value of consideration paid:			
Cash	\$ 32,347,500	\$ -	\$ 32,347,500
Promissory note	21,565,000	-	21,565,000
Common Shares	2,837,500	4,582,299	7,419,799
	\$ 56,750,000	\$ 4,582,299	\$ 61,332,299

Just Healthy Acquisition

On January 30, 2019, the Company acquired 100% of the membership interests of Just Healthy, who holds provisional certificates of registration for a registered medical cannabis dispensary, cultivation, and processing site in Northampton, Massachusetts. Pursuant to the terms of the agreement, the Company paid \$6,561,717 satisfied by the issuance of 1,741,244 common shares of the Company at a price of CAD\$5.04 per common share representing the closing market price of the common shares on January 30, 2019. The Company also assumed and settled for cash \$455,000 of Just Healthy corporate debt. Further, the Company exercised its option to acquire the land package associated with the license for \$709,306.

Since Just Healthy did not meet the definition of a business under IFRS 3 – Business Combinations, the acquisition was accounted for as a purchase of Just Healthy’s assets. The consideration paid was determined as equity-settled share-based payments under IFRS 2, at the fair value of the equity of the Company issued to the shareholders of Just Healthy based on the fair value of the Company common shares on the date of the closing noted above. IFRS 2 requires the shares issued for the acquisition of the net assets of Just Healthy be measured at the fair value of the net assets, unless the fair value cannot be reliably estimated.

The following represents the net assets acquired.

	Total
Cash and cash equivalents	1,936
Deposits and other assets	50,000
Property and equipment	156,119
Intangible assets	6,925,712
Accounts payable and accrued liabilities	(117,020)
Note payable	(455,030)
	6,561,717
Fair value of consideration paid:	
Common shares	6,561,717
	6,561,717

Wellness Orchards of Nevada LLC (“WON”)

On May 16, 2019, the Company closed on the acquisition of WON, which holds a cultivation licenses for cannabis in the state of Nevada. Pursuant to the terms of the purchase agreement, the Company paid \$13,372,162 in cash.

The Company considered this acquisition to have met the definition of a business, as defined in IFRS 3 – Business Combinations due to WON’s productive operating license and cultivation. The consideration paid was determined based on cash paid on closing.

The following represents the assets acquired:

	Total
Cash and cash equivalents	141,113
Accounts receivables	60,316
Inventory	658,219
Biological assets	858,678
Property and equipment (net)	3,105,620
Intangible assets	5,135,000
Goodwill	3,701,894
Accounts payable and accrued liabilities	(288,678)
	13,372,162
Fair value of consideration paid:	
Cash	13,372,162
	13,372,162

The intangible assets relate to the cultivation licenses held by WON in the state of Nevada. The licenses entitle the Company to produce cannabis in the state of Nevada to supply its own dispensary store and sell its production wholesale to other legal dispensaries in the state of Nevada. The Company has assigned these licenses with an indefinite useful life due to the nature of their indefinite life.

OVERALL FINANCIAL PERFORMANCE

(Expressed in United States dollars)

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 7,174,674	\$ -	\$ 15,729,803	\$ -
Gross profit	(576,101)	-	(323,993)	-
Adjusted gross profit	(733,550)	-	(674,330)	-
Net loss before income taxes	(30,983,198)	(2,033,270)	(63,129,509)	(2,626,609)
Net loss per share	(0.19)		(0.40)	
Adjusted EBITDA ¹	(15,346,952)	(1,935,190)	(38,035,213)	(2,528,529)
Cash	4,789,557	4,688,311	10,256,008	4,688,311
Working capital	\$ (74,452,634)	\$ 4,389,812	\$ (74,452,634)	\$ 4,389,812

¹ - Non-IFRS measure

- For the three months and year ended June 30, 2019, revenues were \$7,174,674 and \$15,729,803, respectively.
- The Company’s gross profit, after fair value adjustments for the sale of inventory and fair value adjustments on biological assets, for the three months and year ended June 30, 2019, was negative \$576,101 and negative \$323,993, respectively.
- The Company’s adjusted gross profit, before fair value adjustments for the sale of inventory and fair value adjustments on biological assets, as reconciled below, for the three months and year ended June 30, 2019, was negative \$733,550 and \$674,330, respectively.
- The Company’s net loss before income taxes for the three months and year ended June 30, 2019, was \$30,983,198 and \$63,129,509, respectively, compared to a net loss of \$2,033,270 and \$2,626,609 in the same respective periods of 2018, reflecting the Company’s start-up phase.

- The Company's adjusted EBITDA, as reconciled below, for the three months and year ended June 30, 2019, was a loss of \$15,346,952 and \$38,035,213, respectively, compared to a loss of \$1,935,190 and \$2,528,529 in the same respective periods of the prior year.
- The Company had cash and cash equivalents of \$10,256,008 at June 30, 2019, compared to cash and cash equivalents of \$4,688,311 at June 30, 2018.
- The Company had negative working capital of \$74,452,634 at June 30, 2019 compared to positive working capital of \$4,389,812 at June 30, 2018.

Review of Operations for the three months and year ended June 30, 2019 compared to the respective period ended June 30, 2018

Results from operations for the three months and year ended June 30, 2019, includes activity of GGB Ltd. from July 1, 2018 to June 30, 2019, and of Xanthic, including NOR, from the Business Combination date of November 9, 2018 to June 30, 2019.

During the three months ended June 30, 2019, the Company incurred a net loss after income taxes attributable to owners of the parent of \$31,471,103, or \$0.19 per share, which included non-operating expenses of \$10,290,435. During the year ended June 30, 2019, the Company incurred a net loss after income taxes attributable to owners of the parent of \$64,254,374, or \$0.40 per share, which included non-operating expenses of \$12,239,687 compared to a net loss of \$2,626,609, or \$0.05 per share in the same period of 2018.

During the three months and year ended June 30, 2019, the Company recorded fair value adjustments on the sale of inventory of \$863,649 and \$662,212, respectively, and an unrealized fair value gain on biological assets of \$706,200 and loss of \$1,012,549, respectively (see "MSO Segment").

As illustrated below, the Company had a net loss from operations for the three months and year ended June 30, 2019 of \$20,624,708 and \$50,122,577, respectively, before net non-operating expenses of \$10,290,434 and \$12,239,687, respectively, compared with a loss of \$1,935,190 and \$2,528,529 in the same period of the prior year, respectively.

(Expressed in United States dollars)

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Net operating loss	\$ (20,624,708)	\$ (1,935,190)	\$ (50,122,577)	\$ (2,528,529)
Loss on equity investments	-	-	671,579	-
Gain in fair value of derivative liability	(2,739,549)	-	(2,739,549)	-
Interest expense	1,266,594	1,113	3,509,419	1,113
Accretion on convertible debenture	466,264	-	466,264	-
Foreign exchange (gain) loss	1,070,883	96,967	1,419,220	96,967
Realized loss (gain) on short term investments	6,617,587	-	(4,347,339)	-
Transaction costs	3,608,655	-	13,260,093	-
	10,290,434	98,080	12,239,687	98,080
Net loss before listing fees and income taxes	\$ (30,915,142)	\$ (2,033,270)	\$ (62,362,264)	\$ (2,626,609)

Loss on equity investments for the year ended June 30, 2019, was \$671,579 and relates to the disposition of the Company's equity investment in Xanthic Beverages USA, LLC ("Xanthic Beverages"), which was completed December 21, 2018. The Company previously had a 45% interest in Xanthic Beverages, which it sold back to the other controlling member of Xanthic Beverages for gross proceeds of \$300,000. Gross proceeds included cash of \$50,000 and a note receivable of \$250,000, which bears interest at 3%. Xanthic Beverages investment no longer fit in the Company's corporate strategy. The Company still retains the intellectual property related to its water solubility and fast onset.

The gain in fair value of derivative liability represents the remeasurement of the embedded liability associated with the Convertible Debentures, which the holder has an option to convert their debt into PV Shares at a price of CAD\$3,500 per share.

Interest expense, net, for the three months and year ended June 30, 2019, was \$1,266,594 and \$3,509,419, respectively, which included \$231,639 and \$708,034 of expense, respectively, related to the NOR Promissory Note and \$822,740 of expense associated with the Convertible Debenture. In addition, interest expense, net, for the year ended June 30, 2019, included expense of \$1,544,742 related to convertible debentures that were converted into common shares of the Company on the close of the Business Combination and income of \$231,639 and \$506,550, respectively related to the Henderson Organics advance payment in connection with the Henderson Acquisition.

Foreign currency exchange loss for three months and year ended June 30, 2019 was \$1,070,883 and \$1,419,220, respectively, primarily associated with cash and cash equivalents and short-term investment denominated in Canadian dollars. The Company does not currently hedge against these foreign exchange fluctuations.

The accretion on the convertible debenture represents the amortization of the discount on the Convertible Debenture over its term to its face value on maturity.

The Company disposed of its portfolio holding of its Aphria common shares on the open market after its takeover bid expired, which resulted in a realized loss of \$6,617,587 for the three months ended June 30, 2019 and a realized gain of \$4,347,339 for the year ended June 30, 2019.

Components of transaction costs

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
<i>Components of transaction costs</i>				
Aphria TOB costs	3,608,655	-	5,950,441	-
Commitment fee paid in shares	-	-	5,617,110	-
Break fee on acquisition	-	-	1,000,000	-
Lease termination charges	-	-	692,542	-
	3,608,655	-	13,260,093	-

Transaction costs for the three months and year ended June 30, 2019, were \$3,608,655 and \$13,260,093, respectively, which included \$3,608,655 and \$5,950,441, respectively, of legal, regulatory filing and mailing costs associated with the Aphria takeover bid. Also included in transaction costs for the year ended June 30, 2019, was a \$5,617,110 non-cash backstop commitment fee paid in the form of proportionate voting shares (see Note 20 (viii) to the 2019 Audited Financial Statements), a \$1,000,000 breakup fee related to the cancellation of a potential acquisition and \$692,542 in lease termination costs incurred as a result of the Company being unsuccessful in winning a dispensary license in the Ontario lottery.

Adjusted EBITDA

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

(Expressed in United States dollars)

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Net loss after listing fees before income taxes	\$ (30,983,198)	\$ (2,033,270)	\$ (63,129,509)	\$ (2,626,609)
Fair value adjustment on sale of inventory	(863,649)	-	662,212	-
Fair value adjustment on biological assets	706,200	-	(1,012,549)	-
Stock based compensation	2,136,271	-	3,839,254	-
Depreciation and amortization	609,765	-	1,191,682	-
Shares issued for services	1,876,212	-	6,508,389	-
Pre-opening expenses	812,957	-	898,376	-
Non-operating expenses	10,290,435	98,080	12,239,687	98,080
Listing fees	68,055	-	767,245	-
	15,636,246	98,080	25,094,296	98,080
Adjusted EBITDA	\$ (15,346,952)	\$ (1,935,190)	\$ (38,035,213)	\$ (2,528,529)

For the three months and year ended June 30, 2019, the Company had negative adjusted EBITDA of \$15,346,246 and \$38,035,213, respectively compared to \$1,935,190 and \$2,528,529, for the same respective periods of the prior year. The Company continued to build out its infrastructure and team during the three months and year ended June 30, 2019.

MSO SEGMENT

At June 30, 2019, the MSO Segment (“Multi-State operator”) primarily represents its operations in Nevada. The Company is still developing its Massachusetts facilities.

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

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

The following reflects operating results of the MSO segment from the Business Combination date on November 9, 2018 to June 30, 2019.

Revenue

Below is breakdown of revenue between the MSO segment’s direct to consumer retail business and its wholesale business.

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Direct to Consumer	\$ 4,411,536	\$ -	\$ 11,410,096	\$ -
Wholesale	1,050,405	-	2,080,094	-
	5,461,941	-	13,490,190	-

One of the key metrics the Company follows and manages is annualized revenue per retail selling square foot. The MSO segment achieved an annualized revenue per retail selling square foot of \$14,909 and \$14,895 for the three months and year ended June 30, 2019, respectively.

Gross profit

The MSO segment had gross profit after fair value adjustments for the sale of inventory and fair value adjustments on biological assets of \$157,449 and \$350,337 for the three months and year ended June 30, 2019, respectively.

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

As detailed in the table below, the MSO segment had gross profit before fair value adjustments of \$1,485,916 and \$4,645,897 for the three months and year ended June 30, 2019, respectively.

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 5,461,941	\$ -	\$ 13,490,190	\$ -
Cost of Sales				
Direct costs	(2,578,006)	-	(6,114,621)	-
Indirect costs	(1,398,019)	-	(2,729,672)	-
Gross profit before fair value adjustments	1,485,916	-	4,645,897	-
Gross margin	27%		34%	

Indirect costs represents costs associated with cultivation and production of products sold at retail and to wholesale customers. Included in indirect costs for the three months and year ended June 30, 2019, are cultivation and production expenses which include salaries of \$343,280 and \$908,843, respectively, wholesale taxes of \$261,123 and \$709,721, respectively, supplies and materials of \$485,177 and \$598,294, respectively, and product testing of \$82,380 and \$286,755, respectively.

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
<i>Indirect Costs</i>				
Salaries	343,280	-	908,843	-
Taxes	261,123	-	709,721	-
Supplies and materials	485,177	-	598,294	-
Product testing	82,380	-	286,755	-
Other	226,059	-	226,059	-
	1,398,019	-	2,729,672	-

The MSO segment had gross margin, before fair value adjustments, of 27% and 34% for the three months and year ended June 30, 2019, respectively. During the three months ended June 30, 2019, the Company changed its methodology as it related to receiving, purchasing and packaging activities that had previously been included in selling and marketing and general and administrative costs, as applicable. Such costs were reclassified into cost of sales and amounted to \$1,195,754, of which \$802,965 related to prior periods and reduced gross margin by 15% for the three months ended June 30, 2019.

Operating costs

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Sales and marketing	\$ 394,488	\$ -	\$ 2,104,497	\$ -
Depreciation and amortization	-	-	68,500	-
Other income	(15,932)	-	(39,060)	-
Total	\$ 378,556	\$ -	\$ 2,133,937	\$ -

The MSO segment had operating expenses of \$378,556 and \$2,133,937 for the three months and year ended June 30, 2019, respectively. Sales and marketing expenses primarily include costs incurred to operate the Company's dispensary, which includes personnel, occupancy, marketing and other direct costs. During the three months ended

June 30, 2019, the Company changed its methodology as it related to receiving and packaging activities that had previously been included in selling and marketing costs. Such costs were reclassified into cost of sales and amounted to \$1,195,754, of which \$802,965 related to prior periods.

MSO segment liquidity and capital resources

Cash flow generated from the MSO segment operations for the year ended June 30, 2019, was \$2,162,863. As at June 30, 2019, the MSO segment had \$661,454 in cash and cash equivalents and net negative working capital of \$13,545,234.

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

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

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

Inventory

	June 30, 2019
Raw materials	\$ 1,120,577
Work in process	647,697
Retail inventory	896,568
Total	\$ 2,664,842

Biological assets

Balance at June 30, 2018	\$ -
Biological assets acquired	858,678
Biological assets acquired through business combination	916,384
Production costs capitalized	2,347,418
Changes in fair value less costs to sell due to biological transformation	1,012,549
Transferred to inventory	(3,782,932)
Balance at June 30, 2019	\$ 1,352,097

CBD SEGMENT

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

Revenue

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

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Direct to Consumer	\$ 860,650	\$ -	\$ 958,018	\$ -
Wholesale	852,083	-	1,281,595	-
	1,712,733	-	2,239,613	-

Gross profit

The following reflects operating results of the CBD Segment for the three months and year ended June 30, 2019.

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 1,712,733	\$ -	\$ 2,239,613	\$ -
Cost of Sales	(2,513,376)	-	(3,599,882)	-
Gross profit	(800,643)	-	(1,360,269)	-
Gross margin	-47%		-61%	

The Company launched its first mall-based kiosk shop in February 2019. As of June 30, 2019, the CBD Segment had 58 mall-based kiosk shops opened in 20 States. For the three months and year ended June 30, 2019, cost of sales reflected the impact of start-up development costs, low production runs and pre-launch royalty fees of \$522,067 and \$869,893, respectively, associated with the Greg Norman branded product, which the Company expects to launch in October 2019. In addition, included in cost of sales for the three months and year ended June 30, 2019, were charges associated with the write-down of slow-moving inventory of \$211,329 and product development costs of \$353,283 and \$406,430 respectively.

Operating Costs

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Sales and marketing	\$ 4,986,676	\$ -	\$ 5,624,291	\$ -
Depreciation and amortization	155,955	-	178,938	-
Total	\$ 5,142,631	\$ -	\$ 5,803,229	\$ -

During the three months and year ended June 30, 2019, the CBD Segment incurred operating expenses of \$5,142,631 and \$5,803,229, respectively. Sales and marketing include personnel, rent, supplies, visual marketing materials for the kiosk shops, eCommerce website development, digital marketing and customer support. Included in sales and marketing are pre-opening costs of \$812,957 and \$898,376 for the three months and year ended June 30, 2019, respectively, which have been excluded from Adjusted EBITDA noted above.

Sales and marketing costs are made up of the following:

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Salaries	\$ 1,268,188	\$ -	\$ 1,458,213	\$ -
Rent and occupancy costs	1,416,015	-	1,664,293	-
Advertising	977,288	-	1,053,616	-
Pre-opening costs	812,957	-	898,376	-
Other	512,228	-	549,793	-
Total	\$ 4,986,676	\$ -	\$ 5,624,291	\$ -

CBD Segment liquidity and capital resources

The CBD Segment had net working capital of \$5,645,670 as of June 30, 2019. The CBD Segment is currently in a startup phase, launching its product midway through the last quarter through its wholly-owned retail kiosk shops in mall locations and eCommerce sites and through wholesale arrangements.

The CBD Segment will continue to require capital resources in order to fully execute on its business strategy of opening approximately 200 kiosks shops by the end of calendar 2019.

At June 30, 2019, the Company's inventory consists of the following:

Inventory

	June 30, 2019
Raw materials	\$ 2,002,020
Work in process	643,838
Finished goods	4,934,104
Total	\$ 7,579,962

HEAD OFFICE

Operating Costs

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
General and administration	\$ 6,521,008	\$ 1,146,474	\$ 22,791,162	\$ 1,364,719
Legal and professional fees	5,640,914	788,716	17,337,691	1,163,810
Advertising and promotion	148,277	-	903,863	-
Stock based compensation	2,136,271	-	3,839,254	-
Depreciation and amortization	456,401	-	949,927	-
Other expense/(income)	1,043,372	-	(521)	-
	\$ 15,946,243	\$ 1,935,190	\$ 45,821,376	\$ 2,528,529

During the three months and year ended June 30, 2019, the Company incurred operating expenses of \$15,946,243 and \$45,821,376, respectively, compared to \$1,935,190 and \$2,528,529 in the same respective periods of the prior year. Other expenses/(income) includes the reversal of the license fee received in the nine months ended March 31, 2019, after the Company agreed on the NOR promissory note extension signed in June 2019.

General and administrative costs

	Three months ended June 30,		Year ended June 30,	
	2019	2018	2019	2018
Salaries	\$ 4,832,390	\$ 618,039	\$ 15,511,770	\$ 738,039
Travel	909,253	374,766	3,916,517	462,151
Occupancy and insurance	950,681	33,143	2,117,648	33,143
Other	(171,316)	120,526	1,245,227	131,386
Total	\$ 6,521,008	\$ 1,146,474	\$ 22,791,162	\$ 1,364,719

General and administrative costs were \$6,521,008 and \$22,791,162 for the three months and year ended June 30, 2019, respectively, compared to \$1,146,474 and \$1,364,719 for the same respective periods of the prior year. This included head office salaries of \$4,832,390 and \$15,511,770; travel related costs of \$909,253 and \$3,916,517; and occupancy and insurance of \$950,681 and \$2,117,648; for the three months and year ended June 30, 2019, respectively. This compares to salaries of \$618,039 and \$738,039; travel of \$374,766 and \$462,151; and occupancy and insurance of \$33,143 and \$33,143; for the same respective periods of the prior year.

Legal and professional fees were \$5,640,914 and \$17,337,691 for the three months and year ended June 30, 2019, respectively, compared to legal and professional fees of \$788,719 and \$1,163,810 for the same respective periods of the prior year. Legal and professional fee include investor relations activities, legal fees in connection with potential acquisitions, human resources, accounting operations, corporate finance and strategic advisory services. For the three months and year ended June 30, 2019, legal and professional fees also included \$1,587,915 and \$4,652,208 in tax and advisory services settled with common shares, which have been excluded from Adjusted EBITDA noted above.

Advertising and promotion costs were \$148,277 and \$903,863 for the three months and year ended June 30, 2019, respectively. These costs represent website development of the Company's corporate website, branding and photography and other corporate print and marketing materials.

Stock-based compensation expenses were \$2,136,271 and \$3,839,254 for the three months and year ended June 30, 2019, respectively, related to stock options and restricted stock units granted, and have been excluded from Adjusted EBITDA noted above.

Income tax expense

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end. For the three months and year ended June 30, 2019, federal and state income tax expense totaled \$1,202,300, compared to nil provision for income taxes for the same period of the prior year. The net expense of \$1,202,300 for the year ended June 30, 2019, includes current tax expense of \$729,055 and deferred tax expense of \$473,245. The deferred tax expense is driven by the fair value of biological assets and tax amortization of goodwill and intangibles (see Note 25 of the 2019 Audited Financial Statements).

Corporate debt

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

	Year ended June 30, 2019
Promissory note to NOR	\$ 15,780,049
GAOC promissory note	29,982,491
Convertible Debenture (including embedded liability)	43,119,255
Total	\$ 88,881,795

The promissory note with NOR members in connection with the acquisition of NOR is due on or before August 28, 2019. The Company has settled this liability subsequent to year end.

The GAOC promissory note exists in connection with the May 15, 2019 agreement with GA Opportunities Corp. with respect to the repurchase and cancellation of 27,300,000 common shares held by GAOC. In connection with this agreement, the Company signed a secured promissory note in the amount of \$29,982,491 (CAD\$39,000,000) with expiration date of November 15, 2019 and bears interest at 3% per annum.

The Company completed on May 17, 2019, a non-brokered private placement convertible debenture (“Debenture”) financing for gross proceeds of \$45,500,000. Each Debenture bears interest at 15% at a price of \$1,000 per Debenture and has a maturity date of May 17, 2020. The Debentures are convertible into proportionate voting shares in the capital of the Company at a conversion price per proportionate voting shares equal to CAD\$3,500 (being equivalent to CAD\$7.00 per common share). Upon conversion of the Debentures, the holders thereof shall be entitled to receive all accrued but unpaid interest thereon to, but excluding, the maturity date, with such amount to be paid in cash.

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

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

SELECTED QUARTERLY FINANCIAL INFORMATION

For the three months ended,	June 30 2019	March 31 2019	December 31 2018	September 30 2018	June 30 2018
Current Assets	\$ 31,358,073	\$ 46,637,404	\$ 54,468,123	\$ 67,702,121	\$ 4,706,580
Current Liabilities	105,810,707	23,080,409	27,594,819	73,380,719	316,768
Revenue	7,174,674	5,554,684	3,000,445	-	-
Net loss from Operations	(20,624,708)	(16,987,529)	(8,724,688)	(3,785,652)	(2,626,609)
Net Loss per share	\$ (0.19)	\$ (0.09)	\$ (0.08)	\$ (0.04)	\$ (0.03)

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

- At June 30, 2019, the Company's current assets primarily consisted of cash and cash equivalents, prepaids and inventories.
- At June 30, 2019, the Company's current liabilities consisted of accounts payable and accrued liabilities, notes payable and convertible debentures.
- At September 30, 2018, the Company had convertible debentures included in current liabilities. The convertible debentures converted to common shares of the Company on of the Business Combination.

Other than CAD\$751,090 in cash and the GAOC Note of CAD\$39,000,000, substantially all of the Company's assets and liabilities as at June 30, 2019, are denominated in the United States dollars and substantially all of the Company's operations are located in the United States.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of \$10,256,008, total current assets of \$31,358,073 and current liabilities of \$105,810,707 as at June 30, 2019. The Company, therefore, had net negative working capital of \$74,452,634.

The chart below highlights the Company's cash flows during the year ended June 30, 2019, and period end June 30, 2018.

	Year ended	
	June 30, 2019	June 30, 2018
Operating activities	\$ (55,480,801)	\$ (2,328,110)
Investing activities	(70,237,436)	-
Financing activities	131,804,657	7,016,421
Cash and cash equivalents, beginning of the year	4,688,311	-
Cash and cash equivalents, end of the year	\$ 10,256,008	\$ 4,688,311

The Company has negative working capital, and therefore does not have sufficient liquidity and capital resources at June 30, 2019, to fully execute on its business plan and satisfy its commitments over the next twelve months. The Company expects it will have negative operating cashflow while it executes on its business plan through the start-up phase.

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

As previously noted, the Company has announced it has entered into backstop commitment letters with each of All Js Greenspace LLC, Park Lane Capital Limited, and Chiron Ventures Inc. (collectively, the "Investors"), pursuant to which the Investors have committed to subscribe for and purchase, in certain circumstances, up to CAD\$102,796,241

in the aggregate (approximately \$77 million) of convertible debentures (the “Convertible Debentures”) of the Company to support the Company’s operations and capital needs (the “Commitment Letters”).

OUTSTANDING SHARE DATA

At June 30, 2019, the Company had 164,000,961 common shares outstanding, 59,795 proportionate voting shares that have super voting rights of 500 votes per share, 19,818,849 warrants outstanding and 300,000 stock options and 2,395,000 restricted stock units outstanding. On October 23, 2019, the Company had 205,933,767 common shares, 63,931 proportionate voting shares, 26,442,378 warrants, 1,930,000 restricted stock units, and 300,000 stock options outstanding.

OFF BALANCE SHEET ARRANGEMENTS

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

COMMITMENT AND CONTINGENCIES

Other than as described in Note 28 to the 2019 Audited Financial Statements and as noted in this MD&A, the Company has no additional commitment disclosure.

As previously disclosed, the Company’s MSO segment was awarded seven additional retail dispensary licenses in the state of Nevada by the Nevada Department of Taxation, as well as the licenses acquired in Massachusetts through the acquisition of Just Healthy. The requirements to develop and secure locations, and to build the production capacity to service the increased number of dispensaries in the state of Nevada as well dispensaries in Massachusetts will require capital resources.

Contingencies

The Company is subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its consolidated operations, or losses of permits that could result in ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of June 30, 2019, cannabis regulations continue to evolve and area subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As at June 30, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company’s consolidated operations. There are no proceedings in which any of the Company’s directors, officers, or affiliates is an adverse party or has a material interest adverse to the Company’s interest.

RELATED PARTY TRANSACTIONS

Other than as described in Note 22 to the 2019 Audited Financial Statements, there are no additional related party transactions.

ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Company’s 2019 Audited Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. Critical judgments and estimates represent estimates made by management that are, by their very nature, uncertain. The

Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and other items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied, and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 2 and 3 to the 2019 Audited Financial Statements.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at June 30, 2019 covered by this management's discussion and analysis, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

ISSUERS WITH U.S. CANNABIS-RELATED ASSETS

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

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

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

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved and through its subsidiaries, in the cannabis

industry. Pursuant to Staff Notice 51-352, issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents. As the Company, its subsidiaries and proposed acquisition targets are directly engaged in the cultivation, processing, sale and distribution of cannabis in the cannabis marketplace in the U.S., the Company is subject to Staff Notice 51-352. Although the Company's business activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

Federal Regulatory Environment

Under U.S. federal law, marijuana is currently classified as a Schedule I drug. The CSA classifies drugs in five different schedules. As a Schedule I drug, the federal Drug Enforcement Agency ("DEA") considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the United States; and a lack of accepted safety for use of the drug under medical supervision.¹ The scheduling of marijuana as a Schedule I drug is inconsistent with what the Company believes to be the many valuable medical uses for marijuana accepted by physicians, researchers, patients, and others. As evidence of this, the federal Food and Drug Administration ("FDA") on June 25, 2018 approved Epidiolex (cannabidiol) ("CBD") oral solution for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. This is the first FDA-approved drug that contains a purified drug substance derived from marijuana. In this case, the substance is CBD, a chemical component of marijuana that does not contain the intoxication properties of THC, the primary psychoactive component of marijuana. The Company believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Moreover, while certain published studies show that marijuana may be less harmful than alcohol,² alcohol is not classified under the CSA. This disparity may reflect the comparative stigma associated with marijuana that factors into scheduling decisions by the DEA.

The federal position is also not necessarily consistent with democratic approval of marijuana at the state government level in the United States. As of June 30, 2019, approximately thirty-three (33) states and the District of Columbia have passed laws legalizing marijuana for medicinal use by eligible patients.³ In the District of Columbia, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, and Guam and eleven (11) of these states – Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington – marijuana is legal for adult-use regardless of medical condition, although Washington D.C. has not legalized commercial sale of cannabis. The large increase in recent statewide referenda and legislation that liberalizes marijuana laws is consistent with public opinion. Public polling routinely shows large majorities of Americans in favor of the legalization of marijuana. For instance, a Gallup Organization survey in October of 2018 found that 66% of respondents in the United States support the legalization of marijuana.⁴

¹ 21 U.S.C. 812(b)(1).

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

³ *Governing Magazine*, State Marijuana Laws in 2018 Map, available at <http://www.governing.com/gov-data/safety-justice/state-marijuana-laws-map-medical-recreational.html> (visited September 29, 2019).

⁴ Justin McCarthy, *Two in Three Americans Now Support Legalizing Marijuana*, GALLUP (October 22, 2018), available at <https://news.gallup.com/poll/243908/two-three-americans-support-legalizing-marijuana.aspx>.

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

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

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

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

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

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

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

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

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

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

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

1. Verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
3. Requesting from state licensing and enforcement authorities available information about the business and related parties;
4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult-use customers);
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

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

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

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

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

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

- The Company and its subsidiaries operate in compliance with licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions.
- The Company’s cannabis-related activities adhere to the scope of the licensing obtained – for example, in the states where only medical cannabis is permitted, products are sold only to patients who hold the necessary documentation to permit the possession of the cannabis.
- The Company performs due diligence on contractors or anyone provided access to secure areas of its facilities to prevent products from being distributed to minors.
- The Company works to ensure that the licensed operators have an adequate inventory tracking system and adequate procedures in place so that their compliance system can track inventory effectively. This is done so that there is no diversion of cannabis or cannabis products into states where cannabis is not permitted by state law, or across state lines in general.
- The Company conducts background checks as required by applicable state law.
- The Company conducts reviews of activities of the cannabis businesses, the premises on which they operate, and the policies and procedures that are related to possession of cannabis or cannabis products outside of its licensed premises (including the cases where such possession is permitted by regulation – e.g. transfer of products between licensed premises). These reviews are completed to ensure that licensed operators do not possess or use cannabis on federal property or engage in manufacturing or cultivation of cannabis on federal lands.
- The Company’s product packaging complies with applicable regulations and contains necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

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

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

The Rohrbacher-Farr Amendment (now known colloquially as the “Joyce/Leahy Amendment” after its most recent sponsors) was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30,

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

⁹ 2015 Appropriations Act, Public Law No. 113-235 § 538.17.

¹⁰ Statement of Rep. Alcee Hastings, 160 Cong. Rec. 82, H4914, H4984 (daily ed. May 29, 2014).

2019. In signing the Act, President Trump issued a signing statement noting that the Act “provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories,” and further stating “I will treat this provision consistent with the President’s constitutional responsibility to faithfully execute the laws of the United States.” While the signing statement can fairly be read to mean that the executive branch intends to enforce the Controlled Substances Act and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no federal enforcement actions followed. Rohrbacher-Farr has been extended through fiscal end September 2020.

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

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

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

State Regulatory Environment

The following sections describe the legal and regulatory landscape in the states in which the Company (Massachusetts, and Nevada), may operate or distribute products as of June 30, 2019. While the Company works to ensure that its operations comply with applicable state laws, regulations, and licensing requirements, for the reasons described above and the risks further described under the heading “*Risk Factors*”, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read and consider all of the risk factors contained under the heading “*Risk Factors*” below, including those risks identified and discussed under the heading “*Risk Factors*” in the RTO Information Circular, the AIF and prior Interim Company MD&A, all of which are incorporated by reference herein.

The Company, through its subsidiaries holds licenses that are in good standing to cultivate, produce, dispense and distribute marijuana in Nevada, and a provisional certificate of registration (“PCR”) in Massachusetts. The PCR provides the ability to open up to three medical dispensaries, a cultivation facility, with preferential treatment given for adult-use. The Company’s adult-use application in Massachusetts remains pending before the Massachusetts Cannabis Control Commission. The Company is fully in compliance with respect to its respective cannabis-related activities and has not received any uncorrected notices of material violation with respect to any of their cannabis-related activities by any regulatory authority. The Company will promptly disclose any non-compliance, citations or notices of violation which may have a material impact on its licenses, business activities or operations.

¹¹ H.R.2 - 115th Congress (2017-2018): Agriculture Improvement Act of 2018, Congress.gov (2018), <https://www.congress.gov/bill/115th-congress/house-bill/2/text>.

¹² See, e.g., 21 C.F.R. § 1308.35.

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

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

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

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

Massachusetts (Medical)

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

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

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

Massachusetts Licensing Requirements (Medical)

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

\$500,000 in its control as evidenced by bank statements, lines of credit or equivalent; and (ix) payment of the required application fee.

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

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

Massachusetts Licenses (Medical)

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

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

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

Massachusetts Dispensary Requirements (Medical)

A RMD shall follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include (i) security measures in compliance with the Massachusetts Regulations; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of operation and

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

Massachusetts Security Requirements (Medical)

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

Massachusetts Transportation (Medical)

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

Marijuana must be packaged in sealed, labeled, and tamper-proof packaging prior to and during transportation. In the case of an emergency stop, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A RMD shall ensure that delivery times and routes are randomized. Each dispensary agent shall carry his or her Massachusetts Department-issued MUMP ID Card when transporting marijuana or MIPs and shall produce it to Massachusetts Department representatives or law enforcement officials upon request. Where videotaping is required when weighing, inventorying, and accounting of marijuana before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. A RMD must document and report any unusual discrepancy in weight or inventory to the Massachusetts Department and local law enforcement within 24 hours. A RMD shall report to the Massachusetts Department and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport, within 24 hours. A RMD shall retain transportation manifests for no less than one year and make them available to the Massachusetts

Department upon request. Any cash received from a qualifying patient or personal caregiver must be transported to a RMD immediately upon completion of the scheduled deliveries. Vehicles used in transportation must be owned, leased or rented by the RMD, be properly registered, and contain a GPS system that is monitored by the RMD during transport of marijuana and said vehicle must be inspected and approved by the Massachusetts Department prior to use.

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

Massachusetts Department Inspections (Medical)

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

Massachusetts (Adult-Use)

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

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

Massachusetts Licensing Requirements (Adult-Use)

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

The adult-use license application process commenced on April 1, 2018 for existing RMD license holders, and on July 1, 2018 for all non-RMD license holders. Existing RMD license holders that timely applied for an adult-use license on or before April 1, 2018 are eligible to receive three adult-use licenses per medical RMD license. Namely, one

integrated RMD medical license is eligible, if awarded by the Cannabis Control Commission, to receive three adult-use licenses as follows: one for cultivation, one for processing, and one for dispensary.

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

Massachusetts Dispensary Requirements (Adult-Use)

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

- A warning that marijuana has not been analyzed or approved by the FDA, that there is limited information on side effects, that there may be health risks associated with using marijuana, and that it should be kept away from children;
- A warning that when under the influence of marijuana, driving is prohibited by M.G.L. c. 90, § 24, and machinery should not be operated;
- Information to assist in the selection of marijuana, describing the potential differing effects of various strains of marijuana, as well as various forms and routes of administration;
- Materials offered to consumers to enable them to track the strains used and their associated effects;
- Information describing proper dosage and titration for different routes of administration, with an emphasis on using the smallest amount possible to achieve the desired effect;
- A discussion of tolerance, dependence, and withdrawal;
- Facts regarding substance abuse signs and symptoms, as well as referral information for substance abuse treatment programs;
- A statement that consumers may not sell marijuana to any other individual;
- Information regarding penalties for possession or distribution of marijuana in violation of Massachusetts law; and
- Any other information required by the CCC.

Massachusetts Security and Storage Requirements (Adult-Use)

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

- Positively identifying individuals seeking access to the premises of the Marijuana Establishment or to whom or marijuana products are being transported pursuant to 935 CMR 500.105(14) to limit access solely to individuals 21 years of age or older;
- Adopting procedures to prevent loitering and ensure that only individuals engaging in activity expressly or by necessary implication permitted by these regulations and its enabling statute are allowed to remain on the premises;
- Disposing of marijuana in accordance with 935 CMR 500.105(12) in excess of the quantity required for normal, efficient operation as established within 935 CMR 500.105;
- Securing all entrances to the Marijuana Establishment to prevent unauthorized access;
- Establishing limited access areas pursuant to 935 CMR 500.110(4), which shall be accessible only to specifically authorized personnel limited to include only the minimum number of employees essential for efficient operation;
- Storing all finished marijuana products in a secure, locked safe or vault in such a manner as to prevent diversion, theft and loss;

- Keeping all safes, vaults, and any other equipment or areas used for the production, cultivation, harvesting, processing or storage of marijuana products securely locked and protected from entry, except for the actual time required to remove or replace marijuana;
- Keeping all locks and security equipment in good working order;
- Prohibiting keys, if any, from being left in the locks or stored or placed in a location accessible to persons other than specifically authorized personnel;
- Prohibiting accessibility of security measures, such as combination numbers, passwords or electronic or biometric security systems, to persons other than specifically authorized personnel;
- Ensuring that the outside perimeter of the marijuana establishment is sufficiently lit to facilitate surveillance, where applicable;
- Ensuring that all marijuana products are kept out of plain sight and are not visible from a public place without the use of binoculars, optical aids or aircraft;
- Developing emergency policies and procedures for securing all product following any instance of diversion, theft or loss of marijuana, and conduct an assessment to determine whether additional safeguards are necessary;
- Developing sufficient additional safeguards as required by the CCC for marijuana establishments that present special security concerns; and
- Sharing the marijuana establishment's security plan and procedures with law enforcement authorities and fire services and periodically updating law enforcement authorities and fire services if the plans or procedures are modified in a material way.

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

Massachusetts Transportation Requirements (Adult-Use)

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

Vehicles used for transport must be owned or leased by the marijuana establishment or transporter, and they must be properly registered, inspected, and insured in Massachusetts. Marijuana may not be visible from outside the vehicle, and it must be transported in a secure, locked storage compartment. Each vehicle must have a global positioning

system, and any agent transporting marijuana must have access to a secure form of communication with the originating location.

CCC Inspections

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

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

U.S. Attorney Statements in Massachusetts

In January 2018, Andrew E. Lelling, the US Attorney for the District of Massachusetts, issued the following statement: "I understand that there are people and groups looking for additional guidance from this office about its approach to enforcing federal laws criminalizing marijuana cultivation and trafficking. I cannot, however, provide assurances that certain categories of participants in the state-level marijuana trade will be immune from federal prosecution. This is a straightforward rule of law issue. Congress has unambiguously made it a federal crime to cultivate, distribute and/or possess marijuana. As a law enforcement officer in the Executive Branch, it is my sworn responsibility to enforce that law, guided by the Principles of Federal Prosecution. To do that, however, I must proceed on a case-by-case basis, assessing each matter according to those principles and deciding whether to use limited federal resources to pursue it. Deciding, in advance, to immunize a certain category of actors from federal prosecution would be to effectively amend the laws Congress has already passed, and that I will not do. The kind of categorical relief sought by those engaged in state-level marijuana legalization efforts can only come from the legislative process."

Nevada

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

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

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

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

To the knowledge of the CSAC’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada.

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

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

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

Adult-Use Marijuana Program

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

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

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

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

In September 2018, the Nevada Taxation Department accepted applications from existing Nevada medical marijuana establishment certificate owners to be awarded licenses for approximately 65 retail marijuana stores throughout the State. The application period closed on September 20, 2018, and the additional retail store licenses were awarded by the Nevada Taxation Department on December 5, 2018.

Regulatory Framework

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

Licensing Requirements

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

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

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

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

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

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

The table below describes the cannabis-related licenses held by the Company and its subsidiaries in the State of Nevada as of June 30, 2019:

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable)	Description
Wellness Orchards of Nevada LLC	Medical Cultivation License No. 06113068616119421027	Pahrump	6/30/20	Cultivation
Wellness Orchards of Nevada LLC	Adult Use / Cultivation License No. 75650075113718192894	Pahrump	6/30/20	Cultivation
Nevada Organic Remedies LLC	Adult Use Dispensary License No. 024414260227553521200	Las Vegas	6/30/20	Retail
Nevada Organic Remedies LLC	Medical Dispensary License No. 51266222807288437193	Las Vegas	6/30/20	Medical
Nevada Organic Remedies LLC	Adult Use / Cultivation License No. 89537461737742132623	Las Vegas	6/30/20	Cultivation
Nevada Organic Remedies LLC	Distribution License No. 66956185074616370216	Las Vegas	6/30/20	Distribution
Nevada Organic Remedies LLC	Medical Cultivation License No. 88242054656300627601	Las Vegas	6/30/20	Cultivation
Nevada Organic Remedies LLC	Medical Production License No. 72792951478780009507	Las Vegas	6/30/20	Production

Nevada Organic Remedies LLC	Adult Use Production License No. 88853210986743836974	Las Vegas	6/30/20	Production
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Administration of the regular retail program in Nevada is governed by Nevada Revised Statutes Section 453D and the Adopted Regulation of the Nevada Department of Taxation, LCB File R092-17 (the “**Nevada Adult-Use Regulation**”). The Nevada Adult-Use Regulation was adopted on February 27, 2018 and is a regulation relating to marijuana responsible for: (i) revising requirements relating to independent testing laboratories; (ii) providing for the licensing of marijuana establishments and registration of marijuana establishment agents; (iii) providing requirements concerning the operation of marijuana establishments; (iv) providing additional requirements concerning the operation of marijuana cultivation facilities, marijuana distributors, marijuana product manufacturing facilities, marijuana testing facilities and retail marijuana stores; (v) providing standards for the packaging and labeling marijuana and marijuana products; (vi) providing requirements relating to the production of edible marijuana products and other marijuana products; (vii) providing standards for the cultivation and production of marijuana; (viii) establishing requirements relating to advertising by marijuana establishments; (ix) establishing provisions relating to the collection of excise taxes from marijuana establishments; (x) establishing provisions relating to dual licensees; and (xi) providing other matters properly relating thereto.

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

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

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

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

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

Security Requirements

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

- Devices or a series of devices to detect unauthorized intrusion;
- Exterior lighting to facilitate surveillance;
- Electronic monitoring, including, without limitation, each of the following:
 - At least one call-up monitor that is 19 inches or more;
 - A video printer capable of immediately producing a clear still photo from any video camera image;



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

Transportation

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

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

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

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

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

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

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

Department Inspections

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

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

Delivery and Online Distribution

There are specific situations in which the delivery of marijuana to customers is allowed under the Nevada Taxation Department regulations. Delivery services to customers may only be carried out by retail stores that are licensed properly by the Nevada Taxation Department. Deliveries can only be brought to the residential addresses of customers

and only within the State of Nevada. Delivery was allowed as soon as retail marijuana sales began on July 1, 2017, although those regulations were only temporary. Drivers may not deliver more than the legal amount of marijuana, which is currently one ounce, in compliance with the existing seed-to-sale tracking system. See “Cannabis Market Overview – Legal and Regulatory Matters – Nevada State Level Overview – Regulatory Framework”. Marijuana or marijuana products may not be shipped via the US Postal Service or via any private courier.

Recreational Marijuana

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

U.S. Attorney Statement in Nevada

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

Foreign Operations

See below under the heading “*Risk Factors*”.

Bankruptcy and Similar Procedures

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

Reorganizations

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

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

RISK FACTORS

Risks Specifically Related to Operating under the United States Regulatory System

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

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

individuals for violations of the law during the time it lacked funding, subject to the CSA's five-year statute of limitations.

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

The Company will derive a significant portion of its revenue from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The enforcement of relevant laws is a significant risk.

Approach to the enforcement of cannabis laws is subject to change

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the United States Department of Justice memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "Cole Memorandum"), acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states have enacted laws relating to cannabis for medical purposes.

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

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

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

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

1. Priority 1: Overproduction and Interstate Trafficking. Prioritizing enforcement of federal marijuana violations that have national or interstate implications, particularly when the Oregon-based criminal activity adversely affects states that have not legalized marijuana, which will remain a top priority until overproduction that feeds exportation of marijuana across Oregon's borders stops.
2. Priority 2: Protecting Oregon's Children. Prioritizing enforcement of federal marijuana violations that threaten public health, with particular emphasis on the access to marijuana by minors.
3. Priority 3: Violence, Firearms, or other Public Safety Threats. Prioritizing enforcement of federal marijuana violations that involve or pose a substantial risk of violence or other threats to public safety in our communities, especially those involving firearms and illegal manufacture of butane hash oil that has potential to result in dangerous explosions and fires.
4. Priority 4: Organized Crime. Prioritizing enforcement of federal marijuana violations that serve to fuel other criminal activity, especially through racketeering and the involvement of organized crime. This includes not only violent crimes, but also non-violent criminal activity, such as federal income tax evasion or systematic money laundering to evade detection of illegal proceeds.
5. Priority 5: Protecting Federal Lands, Natural Resources, & Oregon's Environment. Prioritizing enforcement of federal marijuana violations that have serious adverse effects on federal land or natural resources, including water, air, and listed species. Examples falling within this priority include cultivating marijuana on federally managed lands, using unlawful pesticides that pose a threat to human health, wildlife, and our environment, or using large amounts of water for grow operations without proper authorization.

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

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

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

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

Anti-money laundering laws and regulation

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

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

In February 2014, the Department of the Treasury Financial Crimes Enforcement Network issued a memo (the "FinCEN Memo") providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. While the FinCEN Memo has not been rescinded, it remains unclear whether the current administration will follow its guidelines. Overall, the Department of Justice continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the Department of Justice's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the United States Attorney General. A change in the Department of Justice's enforcement priorities could result in the Department of Justice prosecuting banks and financial institutions for crimes that previously were not prosecuted.

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

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

The illegality of cannabis in the United States presents additional legal and operational challenges. Because the use of cannabis is illegal under federal law, many judges and courts have denied cannabis businesses bankruptcy protections, enforcement of contracts, and protection of intellectual property – all of which may have a materially adverse effect on the Company's results of operations and its investors return on investment. Without bankruptcy protections, it would be very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. In addition, there remains doubt and uncertainty that the Company will be able to legally enforce its contracts. The Company cannot be assured that it will have a remedy for breach of contract, which may have a material adverse effect on its business. Similarly, the benefit of federal laws and protections which are otherwise available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. The Company's strategy is highly focused on creating brand equity and identity in its markets, by building strong brand awareness. The Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third parties. While many states do offer the ability to

protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than would federally registered marks. This position may prevent the Company from effectively marketing and selling its cannabis-infused and CBD-infused consumable products using technology that management believes should otherwise be afforded patent protection. As a result of the United States regulatory position on cannabis businesses, the Company may not be able to effectively prevent competitors from using its technology to market similar products in the markets in which it operates.

Restriction of entry into the United States

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

Securing Additional Financing

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

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

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

New Tax Legislation

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

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

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

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

As a growing company, GGB increasingly faces the risk of litigation and other claims against it. By the nature of the Company's operations, it is exposed to the potential for a variety of litigation. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time. In particular, the Company's subsidiary, NOR, is currently intervening in several cases pending in the Eighth Judicial District, Clark County, Nevada. These claims, brought by Serenity Wellness Center LLC and others, challenge the method by which the Department of Taxation in Nevada awarded retail cannabis licenses on December 5, 2018 (the "**Complaint**"). The Complaint seeks relief for, among other things, alleged violations of state- and federal-level due process rights, violations of equal protection rights, and further requests that a writ of mandamus be issued compelling the Department of Taxation to conduct a new review of the plaintiffs' recreational dispensary applications on their merits and/or approve them. NOR has also been named as a defendant in other cases in the Eighth Judicial District, Clark County, Nevada, which assert similar challenges. As of the filing of this MD&A, the court has enjoined the State of Nevada from providing final approval for the awarded licenses to four awardees, to include NOR. Although the Company has taken the requisite steps to protect its interests in these matters, to include the intervention and active participation in the lawsuit, there can be no assurance of a positive outcome or what relief, if any, the Court may provide in the event of a final, adverse outcome. The litigation, even in the event of a positive final outcome, may cause delay in the opening of proposed recreational dispensary locations. While such matters remain ongoing, and have not yet been resolved, the Company's inability to defend itself against a significant litigation claim, could have a material adverse effect on its financial results. Moreover, any litigation involving the Company, even if it is not held liable, could negatively affect its reputation among customers and the public, thereby making it more difficult for the Company to compete effectively, and could have a material adverse effect on the Company's financial results. Although the Company maintains liability insurance to mitigate potential claims, it cannot be certain that its coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

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

Moratoriums on additional recreational dispensaries remain in place in the State of Nevada for unincorporated Clark County, North Las Vegas, Henderson, and Carson City. Such moratoriums could negatively affect the Company's ability to open its proposed recreational dispensary locations on or before the state-implemented deadline of December 5, 2019. The Company is engaged at the local and state level to protect its interests, however, there can be no assurance that the Company will be successful in its lobbying efforts related to these moratoriums, or that the subject localities (or the State of Nevada) will provide relief from the pending December 5, 2019 deadline for dispensaries to be operative. The moratoriums or lack of such relief to be provided by the subject localities (or the State of Nevada) could have a material adverse effect on the Company's operations.

Use of Customer Information and Other Personal and Confidential Information

GGB collects, process, maintains and uses data, including sensitive information on individuals, available to GGB through online activities and other customer interactions with its business. GGB's current and future programs may depend on its ability to collect, maintain and use this information, and its ability to do so is subject to evolving international, U.S. and Canadian laws and enforcement trends. GGB strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict

with other rules, conflict with GGB's practices or fail to be observed by its employees or business partners. If so, GGB may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt GGB's reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

The Market Price of the Common Shares may be Highly Volatile

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

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

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

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

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

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

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

Certain Remedies may be Limited

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

Past Performance Not Indicative of Future Results

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

Financial Projections May Prove Materially Inaccurate or Incorrect

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

In addition to those stated above, there are a number of inherent risks associated with the Company's activities. These risks are described in the Company's CSE listing statement filed on www.sedar.com under "*Business Risks*" as filed on November 12, 2018, and under "*Risk Factors*" in the Company's Annual Information Form filed on November 26, 2018 and updated in "*Risk Factors*" in the Company's Short form prospectus form filed on August 15, 2019. At December 31, 2017, the Company had not identified any material changes to the risk factors affecting its business, and its approach to managing those risks, from those discussed in the document referred to above. These business risks should be considered by interested parties when evaluating the Company's performance and outlook.

INFORMATION CONCERNING GREEN GROWTH BRANDS INC.

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

Toronto, Ontario
October 23, 2019