



CANSORTIUM

COMPANY PRESENTATION

MAY 2019



DISCLAIMER



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- Any graphs, tables or other information in this presentation demonstrating the historical performance of the Company (including any proposed subsidiaries) or any other entity contained in this presentation are intended only to illustrate past performance of such entities and are not necessarily indicative of future performance of the Company or such entities.
- Cannabis is a Schedule I controlled substance under the U.S. Controlled Substances Act and is illegal under U.S. federal law, the laws of certain U.S. states and many foreign jurisdictions. Even in those U.S. states where cannabis has been legalized or decriminalized, it remains criminal under U.S. federal law. Companies participating in the regulated cannabis industry are subject to myriad risks as a result of applicable laws and regulations, including, without limitation, the risk of criminal prosecution and asset seizure, burdensome tax liabilities, lack of access to banking services and an inability to enforce certain creditor and intellectual property rights, any of which may adversely affect the Company's operations and financial performance.

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- Certain statements in this presentation constitute forward-looking statements and forward-looking information within the meaning of applicable Canadian and United States securities legislation (collectively herein referred to as "forward-looking statements"), which can often be identified by words such as "will", "may", "estimate", "expect", "plan", "project", "intend", "anticipate", "target", "believe", "continue", "outlook", "forecast" and other words indicating that the statements are forward-looking. Such forward-looking statements are expectations only and are subject to known and unknown risks, uncertainties and other important factors, that could cause the actual results, performance or achievements of the Company or industry results to differ materially from any future results, performance or achievements implied by such forward-looking statements. Such risks and uncertainties include, among others, dependence on obtaining and maintaining regulatory approvals, including acquiring and renewing state, local or other licenses; engaging in activities which currently are illegal under United States federal law and the uncertainty of existing protection from United States federal or other prosecution; regulatory or political change such as changes in applicable laws and regulations, including United States state-law legalization, particularly in Florida, due to inconsistent public opinion, perception of the medical-use and adult-use cannabis industries, bureaucratic delays or inefficiencies or any other reasons; any other factors or developments which may hinder market growth; the ability to complete proposed transactions and business plans as described, whether within proposed timeframes or at all; reliance on management; and the effect of capital market conditions and other factors on capital availability; competition, including from more established or better financed competitors; and the need to secure and maintain corporate alliances and partnerships, including with customers and suppliers. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements.

DISCLAIMER (CONTINUED)

- Although the Company has attempted to identify important risk factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other risk factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in forward-looking statements. The Company assumes no obligation to update any forward-looking statement, even if new information becomes available as a result of future events, new information or for any other reason except as required by law.
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Use of non-IFRS measures:

- This presentation refers to non-IFRS financial measures, such as “EBITDA”, “Adjusted EBITDA” and “EBITDA margin”, as defined below. The management of the Company believes that these non-IFRS financial measures in addition to conventional measures prepared in accordance with IFRS provides information that is helpful to understand the results of operations and financial condition of the Company. The objective is to present readers with a view of the Company from management’s perspective by interpreting the material trends and activities that affect the operating results, liquidity and financial position of the Company. These measures are not necessarily comparable to similarly titled measures used by other companies. “EBITDA” is earnings before interest, taxes, depreciation and amortization. “Adjusted EBITDA” is equal to net income (loss), plus (minus) interest expense (income) and finance transactions costs, plus depreciation and amortization, plus (minus) loss (gain) on disposal of capital assets, plus (minus) loss (gain) on foreign exchange, plus (minus) unrealized loss (gain) on embedded derivatives, plus (minus) certain one-time non-operating expenses, as determined by management. “EBITDA margin” is equal to EBITDA divided by revenue.



CANSORTIUM



A VERTICALLY-INTEGRATED CULTIVATOR, PROCESSOR, FORMULATOR AND RETAILER OF MEDICAL CANNABIS, ROOTED IN DEEP REGULATORY AND COMPLIANCE EXPERTISE

ESTABLISHED REVENUE-GENERATING OPERATIONS IN FLORIDA, TEXAS, PUERTO RICO AND PENNSYLVANIA, EXPANDING REVENUES IN 2019 IN CANADA AND MICHIGAN

STATE-OF-THE-ART CULTIVATION AND PROCESSING TECHNOLOGIES ENABLE PRODUCTION OF A SUITE OF PREMIUM CANNABIS PRODUCTS

RECENT COMPANY WIDE BRANDING WILL UNIFY ALL OPERATIONS UNDER FLUENT™ CANNABIS CARE. PROVIDING RECOGNITION AND CONSUMER CONFIDENCE.

FLUENT

C A N N A B I S C A R E

WE
SPEAK
CANNABIS



Fluent is a vertically-integrated cultivator, processor, formulator, and retailer of premium cannabis products.

Fluent has invested heavily in developing top-quality products and gaining a deeper understanding of cannabis' potential. All while providing its customers with unparalleled care at its sleek and modern dispensaries.



COMPANY HIGHLIGHTS

World-class regulatory expertise, revenue-generating operations (today), & massive growth potential

REGULATORY EXPERTISE & BAR-RAISING COMPLIANCE

Extensive regulatory expertise enables Consortium to navigate evolving medical cannabis regulatory frameworks
Strategically positioned for rapid growth in highly-regulated jurisdictions

FIRST-MOVER ADVANTAGE

Strategic first-mover in large, regulated markets with high barriers to entry, including Florida, Texas, Pennsylvania and Puerto Rico

STRONG TOP LINE GROWTH

2018 Pro Forma Revenue of
USD \$18.9 mm

2019 Projected Revenue of
USD \$82 mm

CAPITAL-EFFICIENT, SCALABLE & PREDICTABLE PLATFORM

A vertically-integrated, technologically-advanced, and modular business platform

Consortium's proven, proprietary production methodologies are both scalable and replicable

INTERNATIONAL PARTNERSHIPS

In addition to its US-based operations, Consortium is in process of expanding operations in Canada and Colombia

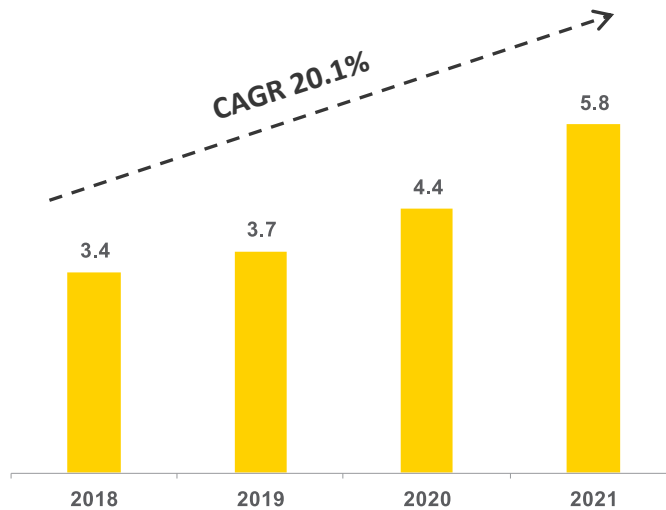
- Combined population of ~300 million
- Opportunity for low-cost production
 - Access to further international markets by export

MARKET OPPORTUNITY



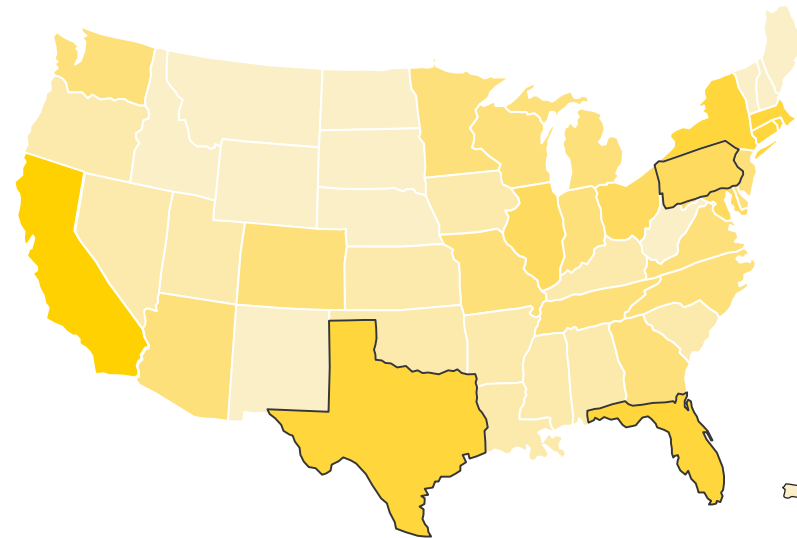
CANSORTIUM

US Medical Cannabis Sales Growth (US\$bn)⁽¹⁾



- US medical cannabis sales projected to grow at 20.1% CAGR from 2018 to 2021
- Growth expected to be driven by:
 - increasing adoption of cannabis among practitioners and patients alike
 - relaxation of legal restrictions
 - deepened understanding of the medical cannabis' clinical applications

Cansortium's Current Revenue Markets



Texas:

- 1 of 3 issued
- September 2017
- January 2018
- Home Delivery

Florida:

- 1 of 13 operating
- 2016
- 2016
- 10 Dispensaries Open, (20 – 25 additional locations available under the license)

Pennsylvania:

- June 2017
- 1 Dispensary open (2 additional locations available under the license)

Puerto Rico:

- October 2016
- January 2018
- 1 Dispensary open (3 additional locations available under the license) and Home Delivery License

Population by state, including Puerto Rico (2015)



- Licence
- Cultivation
- Distribution

Currently operational in 3 of the 5 most populous U.S. states, collectively representing ~20% of the U.S. Population

1. Hexa Research, *US Medical Cannabis Market Size and Forecast*

THE CANSORTIUM BUSINESS MODEL

CULTIVATION

EFFICIENT AND SCALABLE CULTIVATION PLATFORM

- Portable cultivation pods, modular scalability, and modernized greenhouses with maximum space efficiency give a competitive advantage over peers that rely on legacy cultivation techniques
- World class PhD agronomist leading cultivation operations with a focus on R&D
- Experienced in greenhouse, indoor and outdoor cultivation techniques and methods

PROCESSING

PROPRIETARY MANUFACTURING PROCESSES

- Proprietary drying and terpene extraction machinery:
 - Requires only 6 hours to complete versus the conventional 6-day process, removing a key bottleneck
 - Preserves plant terpenes and whole plant profile
- Cansortium employs subcritical/supercritical CO₂ extraction in order to maximize cannabinoid extraction without the use of hazardous solvents (e.g. alcohol, butane)
- Leveraging technological superiority to maximize gross margins without compromising quality

RETAIL

PREMIUM RETAIL EXPERIENCE

- New branding of Fluent™ Cannabis Care introduced as of May 3rd, 2019 highlights Cansortium's dedication to understanding the needs of our customers in all aspects of Cannabis
- Dispensaries are strategically located in highly-visible, conveniently accessed locations with ample parking
- Our position as a retailer of premium medical products commands a premium price and a sticky customer base

VERTICALLY-INTEGRATED BUSINESS MODEL:
EXQUISITE SEED-TO-SALE CONTROL, ATTRACTIVE MARGINS

FLORIDA

MARKET SUMMARY

- 13 operating licenses in the state ⁽¹⁾
- 281,345 Total Patients ⁽¹⁾
- 120 Dispensary Locations ⁽¹⁾

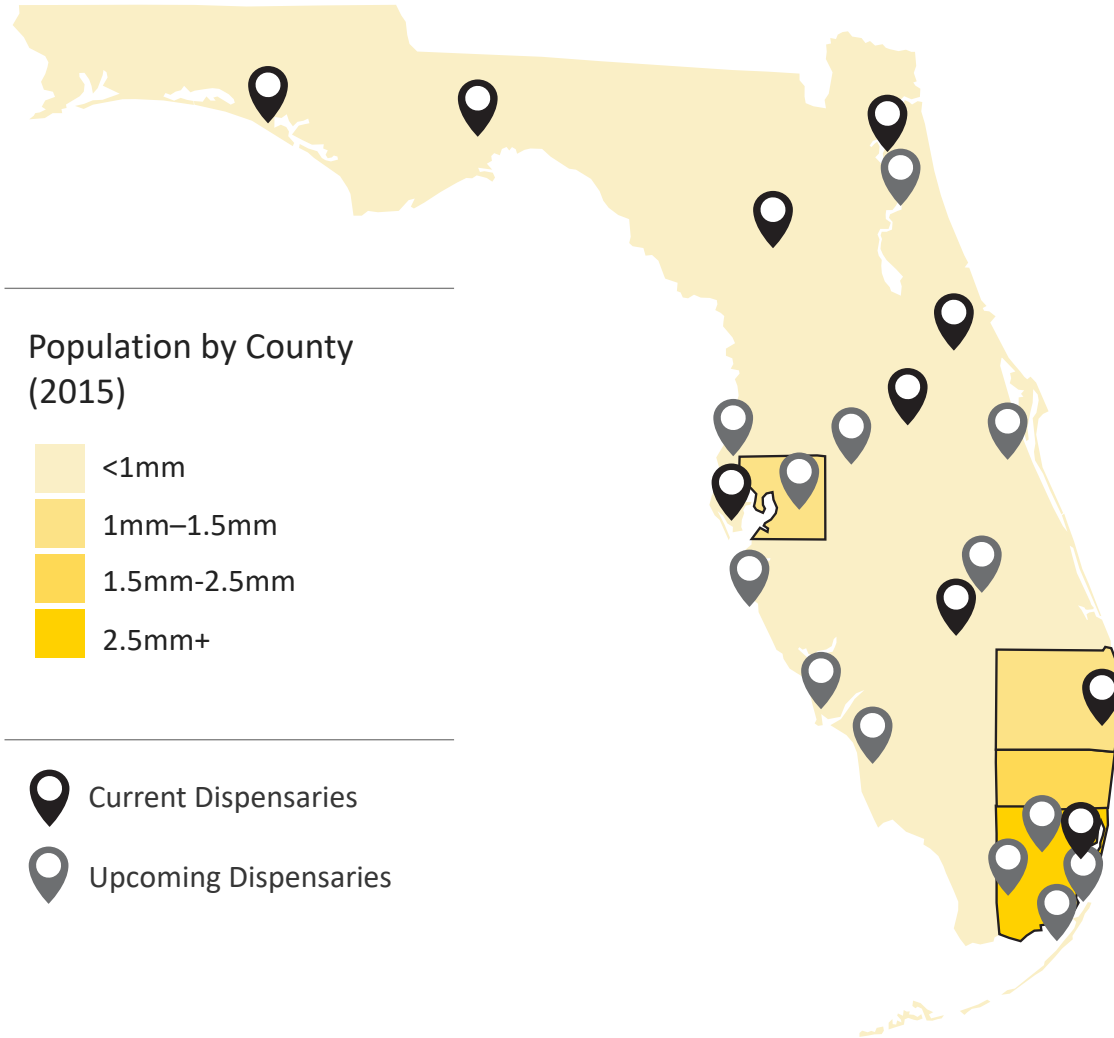
CANSORTIUM OPERATIONS

- 91,000 sq ft cultivation on two campuses and 9,000 sq ft processing facility currently in operation
- Additional expansion of 27,000 sq. ft. planned in Q3 of 2019 and a further 100,000 sq. ft of cultivation space expected to be available for the full year in 2020
- Meets the State of Florida's Department of Health GMP Certification needs

1. OMMU Update dated May 3rd, 2019



FLORIDA



Note: OMMU Florida data as of May 3, 2019

CULTIVATION

2 Operational Campuses

>90K Square Feet of Capacity

1 New Campus Planned

DISPENSARIES

10 Open with Delivery

13 In Development

7 Planned



CURRENT OPERATIONS

TEXAS

MARKET SUMMARY

- Hold 1 of 3 operating licenses granted by the state to date
- Second largest US State: 29mm people
- Market growth driven by potential expansion of qualifying indications

OPERATIONS

- 1,300 sq ft cultivation facility and 650 sq ft processing facility
- Statewide delivery

GROWTH STRATEGY

- An additional 400,000 sq ft of cultivation space available as demand increases

PENNSYLVANIA

MARKET SUMMARY

- Only US State with a Clinical Registrant Program which allows for clinical research and full commercial activity
- License holders under the Academic Clinical Research Center (ACRC) are anticipated to be licensed to have cultivation, processing and up to 6 dispensaries anywhere within the commonwealth under one vertically integrated license

OPERATIONS

- Currently operating under a Dispensary License in Region 3 with 1 dispensary open

GROWTH STRATEGY

- Applied for Clinical Registrant on April 11, 2019. Partnering with Philadelphia College of Osteopathic Medicine (PCOM) for the ACRC program after an in depth application and selection process
- 2 more dispensaries locations allowed to open under Dispensary License

PUERTO RICO

MARKET SUMMARY

- Hold 1 cultivation license and 1 home delivery license, with the right to open 4 dispensaries

OPERATIONS

- 1 dispensary open
- 2,000 sq ft cultivation facility and 650 sq ft processing facility currently in operation

GROWTH STRATEGY

- In the final stages of selecting outdoor cultivation site
- Second dispensary development underway and wholesale distribution to other licensed dispensaries has commenced
- 1 dispensary to open in Q2 2019, and 2 additional locations allowed for under the license

EARLY MOVER IN MANY MORE HIGH-POTENTIAL US MEDICAL CANNABIS MARKETS

NEAR-REVENUE OPERATIONS



CANADA

- Licensed under the Cannabis Act by Health Canada on May 3, 2019 for Cultivation, Processing and Medical Sales.
- Population of >36mm and largest federally legal cannabis market
- Originally applied under the ACMPR and successfully transitioned to the Cannabis Act (Canada) in October 2018
- 130,000 sq ft of potential greenhouse space (20,300 sq ft currently licensed, upon further licensing, will expand to 100,200 sq ft) with 10,000 sq ft processing space
- Cultivation now underway



MICHIGAN

- Currently approximately 300,000 registered patients in Michigan
- Contracted for the right to acquire a late stage applicant for cultivation, processing and dispensary licensing
- The applicant has received pre-application status from LARA for 12 Class C cultivation licenses and a processing license
- Successfully passed early zoning requirements on planned site selection

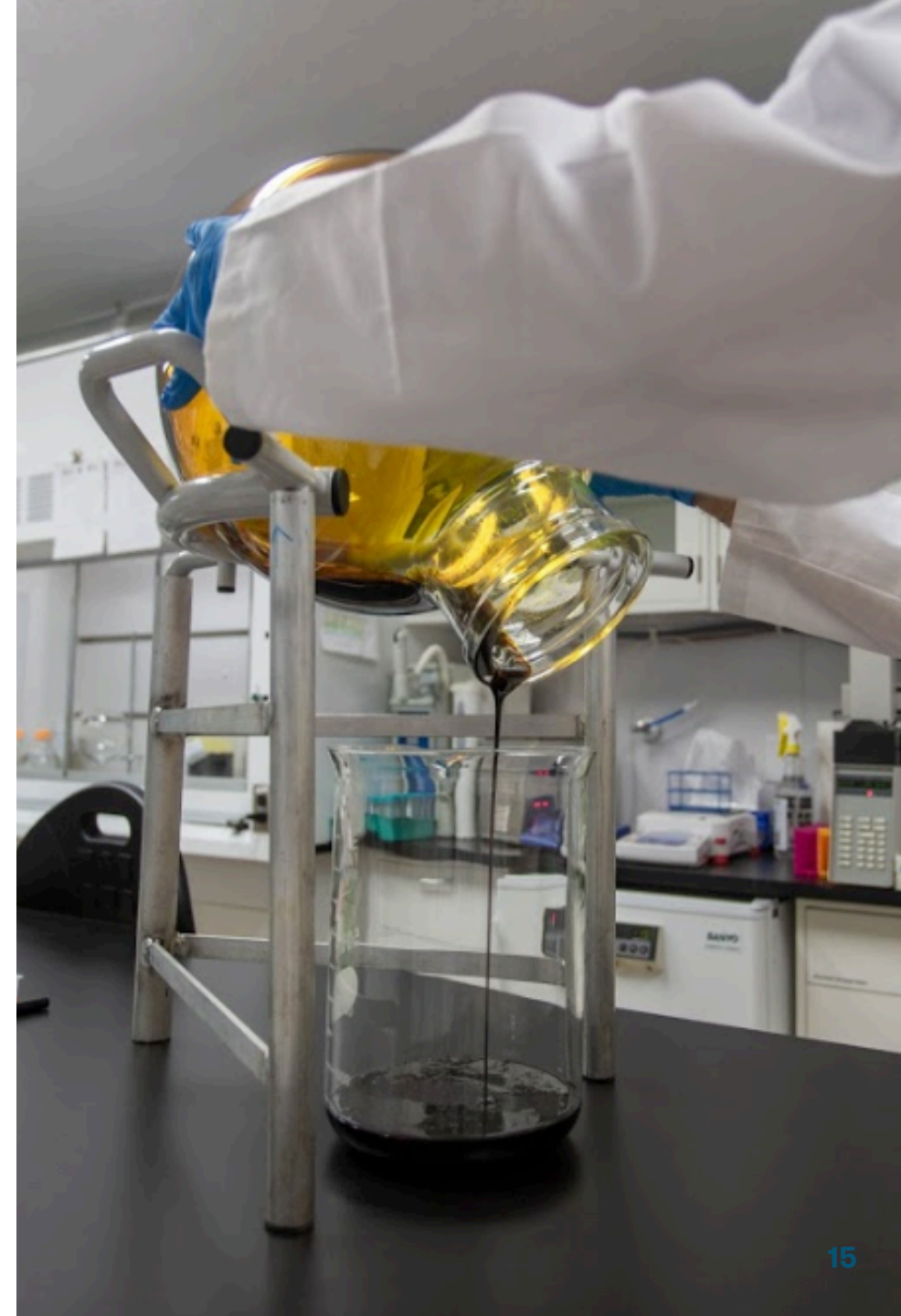
RECENT SUCCESSES

TRANSACTIONS

- \$10M USD Private Convertible Debt in February 2019
- \$56M USD IPO on the Canadian Securities Exchange (CSE) – ticker TIUM.U in March 2019

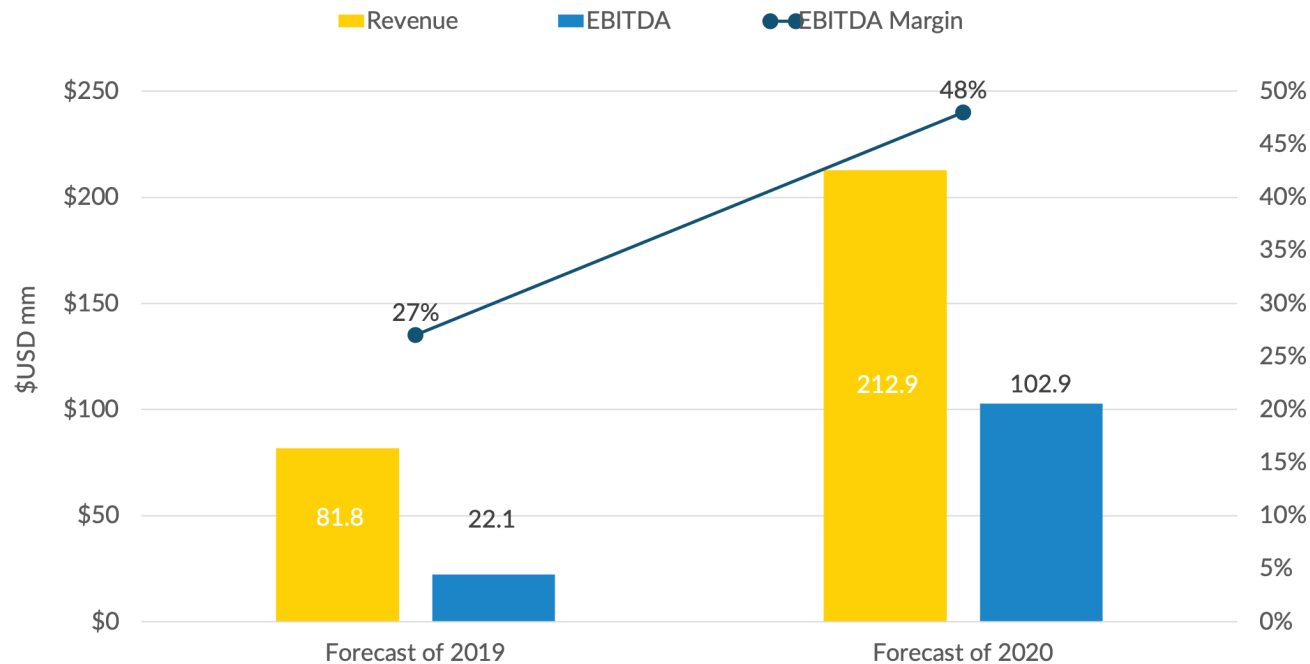
DEVELOPMENTS

- Awarded license status in Canadian subsidiary
- Opened 10th Florida dispensary in April 2019
- Tripled Florida cultivation capacity to >90,000 sq. ft.
- Introduced the new unified brand as *Fluent™*



FINANCIAL HIGHLIGHTS⁽¹⁾

PROJECTED PERFORMANCE



- In 2019, strong top-line and EBITDA growth forecasted as a result of the roll-out of new dispensaries across Florida
- Approximately 75%-80% of 2019 projected revenue expected to be from operations in Florida
- Approximately 69% of 2020 projected revenue expected to be from operations in Florida
- EBITDA margins in Florida are projected to achieve 40% by Q4 2019 and then remain above 40% throughout the forecast period

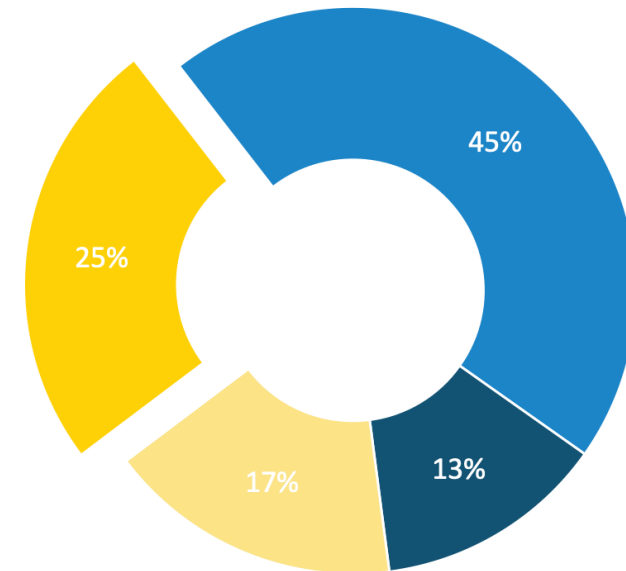
1. Based on Assumptions and subject to Risk Factors. See slides 21, 22 and 23 for details.
 Note: All references to dollars are in USD unless otherwise noted

CAPITALIZATION AND OWNERSHIP

CURRENT CAPITALIZATION ⁽¹⁾

Common Shares	71,860,941
Proportionate Voting Shares (10:1 Exchange Ratio to Common Shares)	12,157,473
<hr/>	
TOTAL ISSUED AND AUTHORIZED ON AN "AS EXCHANGED BASIS"	193,435,671
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Warrants Issued and Authorized	23,149,784
Conversion of Debt Allotment	5,000,011
Issued Options	1,182,106
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FULLY DILUTED CAPITAL ISSUANCE ON AN "AS EXCHANGED BASIS"	222,767,572

FULLY-DILUTED OWNERSHIP ⁽¹⁾



- Founders and Executives
- Historic Investors (Pre-IPO)
- Warrants, Conversions and Options
- Re-Organization and Public Issuance

1. As of May 7, 2019 and each Proportionate Voting Share held is convertible into ten Common Shares

MANAGEMENT & BOARD



JOSE JAVIER HIDALGO – CHAIRMAN & CHIEF EXECUTIVE OFFICER

- Founded Cansortium Holdings in 2016 with the mission of redefining excellence in medical cannabis and to provide access and unrivaled care to patients who need it most
- Extensive background in real estate development, investment, risk management, and capital raising for companies in highly regulated markets
- Mr. Hidalgo spent over 20 years as a mortgage banking executive in the United States and then co-founded Habitribe, LLC, a national residential redevelopment firm

HENRY BATIEVSKY – BOARD MEMBER & CHIEF FINANCIAL OFFICER

- Co-founded Cansortium Holdings in 2016 after a successful career in law and real estate development
- Previously co-founded Habitribe, LLC, a national residential redevelopment firm, with Mr. Hidalgo
- 20 year real estate development career bringing multi-family housing and commercial properties to the market
- Former tax attorney at international law firm Paul, Weiss, Wharton, Rifkind & Garrison LLC, focused on major corporate mergers and acquisitions

PATRICK MALOY – BOARD MEMBER & CHIEF OPERATING OFFICER

- Joined Cansortium Holdings in 2016 and is a former investment banker, law school graduate and a founding partner of a national public affairs firm with extensive experience in healthcare, commercial lending, financing and insurance transactions
- Began his career as staff analyst with the Florida House of Representatives Committee on Agriculture, responsible for researching and drafting legislation on issues relating to agriculture and food safety
- Previously CEO of a healthcare company and a Board Member or Advisor for multiple privately held healthcare and technology companies

JEFFREY REATH – BOARD MEMBER & EVP OF FINANCE AND INVESTOR RELATIONS

- Joined Cansortium Holdings in 2016 following a 25-year career advising the financial strategies of institutional and high-net worth individual investors
- In 2001, opened a consulting practice catering to Canadian private equity and venture capital firms culminating in a principal role with a strategic private capital development firm
- Has managed and overseen all capital raises of the company to date

MANAGEMENT & BOARD (CONTINUED)

JOHN MCKIMM – BOARD MEMBER

- John McKimm’s experience spans over 35 years of serving as a director and an officer of many public and private companies, where he provided operations, investment banking, and corporate finance expertise
 - He possesses a deep knowledge in dealing with emerging and growth companies, having personally identified, negotiated and executed more than 150 individual merger, acquisition and financing transactions
-

DAVID ABRAMS – BOARD MEMBER

- Currently is the Head of Investments and Strategy for Harris Blitzer Sports & Entertainment (“HBSE”)
 - Prior to this position, Mr. Abrams was the Senior Managing Director at Cerberus European Capital Advisors, LLP, with a 30 year career specializing in lending, distressed assets and specialty finance
 - Prior to joining Cerberus in 2016, Mr. Abrams was the Managing Partner of the Apollo European Principal Finance Funds franchise which had approximately \$5 billion of AUM focused on acquiring distressed debt, real estate and non-performing loans
 - Mr. Abrams was previously at Credit Suisse for 11 years and from 1996 to 2004 was a founding member and Co-Head of the Global Distressed Sales and Trading Group and from 2004 to 2007 he was the Head of the Credit Suisse Specialty Finance Investment business
-

NEAL HOCHBERG, CPA – BOARD MEMBER

- Neal Hochberg is a Senior Advisor of the FTI Consulting Forensic & Litigation Consulting segment. For the last 28 years he has focused exclusively on accounting and forensic investigations, resolution of complex economic and financial disputes along with matters involving financial reporting, internal investigations, compliance and internal control reviews
- His career includes service as a forensic and litigation partner at two of the Big 4 accounting firms and as an audit partner at another international accounting firm
- Currently, he is serving as the project delegate to the World Economic Forum’s Partnering Against Corruption Initiative and recently completed an engagement as a Compliance consultant in a multi-year deferred prosecution agreement

CONCLUSIONS



- A Multi State Operator (MSO) with wholly owned, licensed international assets
- New Fluent™ branding designed to appeal to all levels of consumers in multiple high-population markets, highlighting the commitment to quality and attention to detail throughout the entire supply chain
- Focus on regulatory compliance and skill in negotiating an ever-changing legislative environment positions Cansortium to capitalize on growth opportunities in domestic and international markets
- Modular, scalable, and replicable production platform enables rapid penetration of new markets with minimal capital burden
- Rapidly expanding and addressable markets create significant potential for Cansortium's long-term growth
- Established business model and close relationships with key players in both domestic and international markets, positions Fluent™ to be developed as the future unified brand of Cansortium for customer recognition and confidence

FLUENT
C A N N A B I S C A R E

RISK FACTORS



CANSORTIUM

Risk Factors:

- Forward-looking information as well as the Company's business involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, financial position, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, financial position, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others: risks relating to cannabis being illegal under US federal law and risks of federal enforcement actions related to cannabis; negative changes in the political environment or in the regulation of cannabis and the Company's business; risks relating to lack of banking providers and characterization of the Company's revenue as proceeds of crime as a result of anti-money laundering laws and regulation; the costs of compliance with and the risk of liability being imposed under the laws the Company operates under including environmental regulations; negative shifts in public opinion and perception of the cannabis industry and cannabis consumption; risks that service providers may suspend or withdraw services; the limited operating history of the Company; reliance on the expertise and judgement of senior management of the Company; increasing competition in the industry; risks related to financing activities, including leverage; risks related to the management of growth; increased costs related to the Company becoming a publicly traded company; risks inherent in an agricultural business; adverse agricultural conditions impacting cannabis yields; risks relating to rising energy costs; risks of product liability and other safety related liability as a result of usage of the Company's cannabis products; negative future research regarding safety and efficacy of cannabis and cannabis derived products; risk of shortages of or price increases in key inputs, suppliers and skilled labor; a lack of reliable data on the medical and adult-use cannabis industry; loss of intellectual property rights or protections; cybersecurity risks; constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risk of litigation; conflicts of interest; compliance with extensive government regulation; changes in general economic, business and political conditions, including changes in the financial markets; as well as those risk factors discussed in the Company's prospectus filed on SEDAR at www.sedar.com on March 15, 2019 and discussed in the Company's other public filings available on SEDAR. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended.
- **Some of the Company's planned business activities, while believed to be compliant with applicable certain U.S. state and local law, are illegal under United States federal law.** Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the Access to Cannabis for Medical Purposes Regulations, it is cautioned that in the United States, marijuana is largely regulated at the state level. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Controlled Substances Act ("CSA"). Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of marijuana licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares, if any. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. In addition, since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations. Such an action would have a material negative effect on our business and operations.
- **The Company's investments and operations in the United States may be subject to heightened scrutiny.** For the reasons set forth above, the Company's existing investments and operations in the United States, and any future investments or operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. On February 8, 2018, CDS Clearing and Depository Services Inc. ("CDS") signed a memorandum of understanding (the "CDS MOU") with the Aequis NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (collectively, the "Exchanges"). The CDS MOU outlines CDS' and the Exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Exchanges to review the conduct of listed issuers. As a result, there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, if CDS were to apply such a policy to the Company, it would have a material adverse effect on the ability investors to make trades. In particular, the Common Shares would be highly illiquid as investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange in Canada. Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

RISK FACTORS (CONTINUED)



CANSORTIUM

- **Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.** The Company's business activities rely on newly established and/or developing laws and regulations in various states in the United States. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital.
- **The size of the Company's target market is difficult to quantify.** Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, there can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.
- **The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate.** In February 2014, the Financial Crimes Enforcement Network ("FCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States, and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FCEN guidance.
- **U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.** As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.
- **The Company's contracts may not be legally enforceable in the United States.** Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.
- **There is uncertainty surrounding the Trump Administration and its influence and policies in opposition to the cannabis industry as a whole.** The inconsistency between U.S. federal law and the laws of certain states concerning cannabis was addressed in August 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum (the "Memorandum"). The Memorandum was addressed to all U.S. district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several US states have enacted laws relating to cannabis for medical purposes. The Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the 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 DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Memorandum standard. In light of limited investigative and prosecutorial resources, the Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. On January 4, 2018, then US Attorney General Jeff Sessions issued a memorandum to US district attorneys which rescinded the Memorandum. With the Memorandum rescinded, US federal prosecutors may exercise their discretion in determining whether to prosecute compliant state law cannabis-related operations as violations of U.S. federal law throughout the U.S. The practical impact of the decision to rescind the Memorandum is unknown and may have a material adverse effect on the Company's business and results of operations.

RISK FACTORS (CONTINUED)



CANSORTIUM

- **Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.** Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-transmitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks. In the event that any of the Company’s investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.