MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

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INTRODUCTION

CannaRoyalty Corp. d/b/a Origin House ("Origin House" or the "Company") is a publicly traded company, incorporated under the *Business Corporations Act* (Ontario), with its head office located at 333 Preston Street, Ottawa, Ontario, Canada. Origin House's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "OH" and in the United States ("U.S.") trades on the OTCQX market under the symbol "ORHOF". In addition, certain of the Company's warrants trade on the CSE under the symbol "OH.WT" and its convertible debentures trade under the symbol "OH.DB".

This Management's Discussion and Analysis ("MD&A") of the Financial Condition and Results of Operations of Origin House is dated November 27, 2018. The MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements (the "Financial Statements") for the three months ended September 30, 2018, including the accompanying notes, which are unaudited.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. The Company prepared this MD&A of the Financial Condition and Results of Operations with reference to National Instrument 51-102- Continuous Disclosure Obligations of the Canadian Securities Administrators ("CSA") and CSA Staff Notice 51-352 (revised) – Issuers with U.S. Marijuana Related Activities ("Staff Notice 51-352"). This MD&A provides information for the three and nine months ended September 30, 2018 and up to and including November 27, 2018.

By their nature, the interim Financial Statements do not include all the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the period ended December 31, 2017 and the related management's discussion and analysis.

The Financial Statements and this MD&A have been approved by the Company's Board of Directors.

The accompanying Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and include the accounts of the Company and its wholly-owned subsidiaries or controlling equity interests including Cannabis Royalties & Holdings Corp. ("CRHC"), Electric Medialand, Inc. ("EML"), Trichome Financial Corp. ("Trichome") and CR Advisory Services Inc. ("CR Advisory") formed in Canada, Cannroy Delaware, Inc. ("Cannroy Delaware"), Cannroy Distribution LLC ("Cannroy Distribution"), Dreamcatcher Labs, Inc. ("Dreamcatcher"), GreenRock Botanicals, Inc. ("GreenRock"), Achelois LLC ("Achelois"), Kaya Management, Inc. ("Kaya"), Alta Supply, Inc. ("Alta"), Cali-Antifragile Corp. ("Cali-Antifragile"), FloraCal Farms ("FloraCal"), Cissonius LLC ("Cissonius"), and RPE Inc. (formerly River Distribution) ("RVR") formed in the United States of America. All inter-company balances and transactions have been eliminated on consolidation.

Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See the "Adjusted EBITDA" section of this MD&A for more information on the Company's non-GAAP financial measures. See Adjusted EBITDA reconciliation. Additional information filed by the Company with

the Canadian Securities Administrators is available on-line at www.sedar.com and on the Company's website at www.originhouse.com.

DESCRIPTION OF THE BUSINESS

OVERVIEW OF ORIGIN HOUSE

Origin House, previously CannaRoyalty, is a cannabis products and brands company operating across key markets in the U.S. and Canada, with a strategic focus on becoming a preeminent global house of cannabis brands. The Company's foundation is in California, the world's largest regulated cannabis market, where it delivers over 100 branded cannabis products to the majority of licensed dispensaries. Origin House's brand development platform is operated out of five licensed facilities located across California, and provides distribution, manufacturing, cultivation and marketing services for its brand partners.

California transitioned to a full adult-use cannabis market in January 2018. It is the largest regulated cannabis market in the world and has a history of over 20 years of state-legalized medical use. The Company believes California, home to some of the world's most discerning consumers and a nexus of information and trends, will be the point of inception for the global cannabis brands of the future. In the Company's view, only superior products and brands will be able to succeed in the global cannabis market over the long term. Origin House believes that cannabis consumer products that win in California will have a unique advantage competing not only in other U.S. jurisdictions, but also in Canada and across the globe. The Company is actively developing infrastructure to support the proliferation of its brands internationally, initially through its planned acquisition of Canadian retailer, 180 Smoke.

HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

SUMMARY

Goal

In late 2017, Origin House established our goal of becoming an active operator in the cannabis space.

The Company planned to achieve this goal by acquiring active cannabis businesses and adding strategic brands to its distribution portfolio.

Achievements

The milestones we have achieved this quarter include:

- *FloraCal Farms ("FloraCal") – acquired an active, premium cannabis cultivation brand – California*
    - On July 2, 2018, Origin House closed the acquisition of FloraCal, an ultra-premium cannabis cultivator in California, for total consideration of approximately $34.8 million.

- *River Distribution ("RVR") – acquired an active, large cannabis distributor – California*
    - On August 31, 2018, Origin House gained control of RVR, a large cannabis distributor in California, and began consolidating financial results. Total consideration was approximately $42.3 million.
    - RVR distributes to the majority of cannabis dispensaries in California

- *Pacific Remedy LLC ("Pacific Remedy") – acquired rights to exclusively manufacture and distribute cannabis pre-roll brand – California*
    - Origin House acquired the exclusive rights to distribute and manufacture Pacific Remedy's premium infused pre-rolls in California.
    - Origin House has an option to purchase Pacific Remedy

- *Utopia Cannabis ("Utopia") – provided growth capital to distributed cannabis brand – California*
    - Origin House provided strategic financing to support the expansion and growth of Utopia, an award-winning California-based cannabis brand whereby Origin House will advance USD$750,000 towards the prepayment of Utopia-branded manufactured products including jarred extracts, vaporizer cartridges, and edibles.

- *180 Smoke and Affiliates ("180 Smoke") – agreement to acquire vape retailer, and future cannabis retailer – Canada*
    - Binding term sheet to acquire 100% of 180 Smoke for initial consideration of $25 million, as well as an additional $15 million upon completion of certain milestones.
    - 180 Smoke was approved by the City of Calgary to open its first cannabis dispensary in the city, pending approval from the Alberta Gaming and Liquor Commission.
    - Origin House has lent $850,000 to 180 Smoke during the nine months ended September 30, 2018 for retail footprint expansion.

Origin House Holdings

Goal

The Company's transformation into an active operator, which began in the latter half of fiscal 2017, has also involved rationalizing its portfolio of passive investments.

Achievements

During the quarter, the Company continued to execute on this strategy through the following achievements[1].

- *Anandia Laboratories Inc. ("Anandia")*
    - On August 9, 2018, Origin House closed the sale of investee, Anandia, to Aurora Cannabis ("Aurora")
    - After close, Origin House realized a gain on sale of $5.9 million during the fiscal year. The proceeds of $16.8 million on closing result in a return of 316% on our original investment of $4.0 million.

- *Alternative Medical Enterprises LLC ("AltMed")*
    - On August 27, 2018, Origin House entered into an agreement for the strategic sale of its equity stake and royalty in AltMed for $8 million to Tidal Royalty.
    - The aggregate consideration would be a combination of $7 million in cash and $1 million in Tidal Royalty's stock. The closing of the transaction is subject to, among other things, the satisfactory completion of due diligence, which is currently underway, and the receipt of all corporate and regulatory approvals.
    - Origin House's initial investment in these assets was approximately $3 million.
    - By mutual agreement, the exclusivity period and closing date have been extended to December 15, 2018.

- *Wagner Dimas ("Wagner")*
    - On August 14, 2018, Origin House closed a sale of the Company's exclusive Canadian license to use and commercialize the pre-roll technology developed by Wagner Dimas to Aurora.
    - The Company recorded a gain of $4.3 million in the third quarter, resulting in a 2,220% return on original investment of $193,620 (US$ - $150,000).
    - On September 17, 2018, Origin House signed a letter of intent with Australis Capital Inc. ("Australis") regarding Australis' intent to purchase 2,200,000 common shares of Wagner Dimas from Origin House for consideration of $3.0 million
    - Further details regarding the agreement are set out below under the heading *"Recent Developments – Origin House Holdings".*

- *Aurora*
    - The Company owned $21.3 million in Aurora shares and warrants upon the sale of Anandia and Wagner, and sold these investments for $28.1 million, at a gain of $6.8 million.

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[1] *Please refer to Origin House's most recent annual information form for historical information regarding its portfolio of holdings.*

- *River Distributing (“RVR”):*
    - The Company's May 2017 royalty investment in RVR was converted into equity in conjunction with the Company’s acquisition of RVR.

Trichome Financial Corp. (“Trichome”)

On September 5, 2018, Origin House’s subsidiary, Trichome, completed a private placement. Gross proceeds from the financing were $15 million which Trichome intends to deploy into its growing pipeline of specialty finance opportunities within the cannabis sector as well as for general working capital purposes. Following the offering close, Origin House owns approximately 31% of Trichome on a fully diluted basis, and controls Trichome through Board of Director positions. The financial results of Trichome are consolidated by the Company.

Corporate Governance

On September 20, 2018, Origin House announced that effective August 31, 2018, Sadie Reyes, President of Alta Supply, was also appointed to the position of President of RVR to lead the Company’s state-wide distribution efforts.

Corporate Financings and Other Matters

On July 12, 2018, Origin House announced the closing of its previously announced, fully marketed private placement of unsecured convertible debentures which raised aggregate proceeds of C$32,980,000 (the “Offering”). The Offering was comprised of up to 30,000 unsecured convertible debentures (the “Convertible Debentures”) of the Company at a price of $1,000 per Convertible Debenture (the “Offering Price”). The agents also partially exercised their option to arrange for purchases of additional Convertible Debentures, raising an additional $2.98 million in gross proceeds. The proceeds from the financing will be primarily used by the Company to expand its footprint across California, as well as general corporate and working capital purposes.

On August 8, 2018, Origin House announced its intention to commence a normal course issuer bid (the “Bid”). Under the Bid, the Company may purchase up to 5% of the Company’s issued and outstanding shares. The Bid commenced on August 14, 2018, and will terminate on the earlier of August 13, 2019, and the date on which the maximum number of common shares that can be acquired pursuant to the Bid have been purchased. To date, the Company has acquired 16,500 shares at an average price of $5.96 at a total cost of $98,382.

On September 18, 2018, Origin House announced its intention to accelerate the expiry date of all outstanding common share purchase warrants of the Company issued pursuant to the warrant indenture dated February 15, 2017, between the company and TSX Trust Company. If all warrants are exercised, gross proceeds to the company will total $5,931,675, which will be used by the Company to expand its footprint across California, as well as general corporate and working capital purposes.

FINANCIAL PERFORMANCE

The following are the major financial highlights of Origin House's operating results for the three months ended September 30, 2018, compared to the three months ended September 30, 2017:

- revenues were $6.6 million as compared to $744,302, an increase of 790%;
- gross margin was $298,619 as compared $128,010, an increase of 133%;
- operating expenses were $10.1 million as compared to $2.8 million, an increase of 261%;
- net loss of $7.5 million as compared to $3.3 million, an increase of 128%;
- net loss per basic and dilutive shares of $0.12 as compared to $0.08; and
- adjusted EBITDA loss of $4.5 million as compared to a loss of $1.8 million.

The following is a summary of key balance sheet totals as at September 30, 2018, compared to December 31, 2017.

- cash was $75.3 million as compared to $4.5 million an increase of 1,565%;
- total assets of $220.2 million as compared to $46.1 million, an increase of 377%;
- current assets of $90.8 million as compared to $7.9 million, an increase of 1,043%;
- current liabilities of $27.2 million as compared to $2.1 million, an increase of 1,172%; and
- long-term debt financing of $28.2 million as compared to $2.3 million, an increase of 1,147%.

RECENT DEVELOPMENTS

Origin House Brands

RVR

On October 18, 2018, Origin House closed the previously announced acquisition of RVR. Upon closing the acquisition, Origin House gained legal control of RVR, however, the Company had control under IFRS 10 from August 31, 2018.

Origin House Holdings

Wagner Dimas

On October 3, 2018, Origin House signed a definitive agreement with Australis whereby Australis would purchase 2,200,000 common shares in the capital of Wagner Dimas from Cannroy Delaware Inc. ("Cannroy Delaware"), a wholly-owned subsidiary of Origin House. The sale closed on November 19, 2018.

Corporate Governance

Ted Simpkins, Co-Founder and CEO of RVR, joined the Company's Board of Directors, effective October 18, 2018.

Corporate Rebrand

On October 22, 2018, CannaRoyalty Corp. registered "Origin House" as a business name and began to conduct business under the Origin House business name.

On October 23, 2018, the Company's changed its ticker symbol from "CRZ" to "OH" on the Canadian Securities Exchange and from "CNNRF" to "ORHOF" on the OTCQX market in the United States.

Trichome

On October 3, 2018, Trichome, entered into an agreement with 22 Capital to complete a transaction that will result in a reverse take-over of 22 Capital by the shareholders of Trichome. If completed, the resulting issuer will be listed on the TSX Venture Exchange.

Henry's Original ("Henry's")

On November 22, 2018, Origin House began partnering with Mendocino cannabis brand, Henry's, to offer strategic investment and innovative brand acceleration.

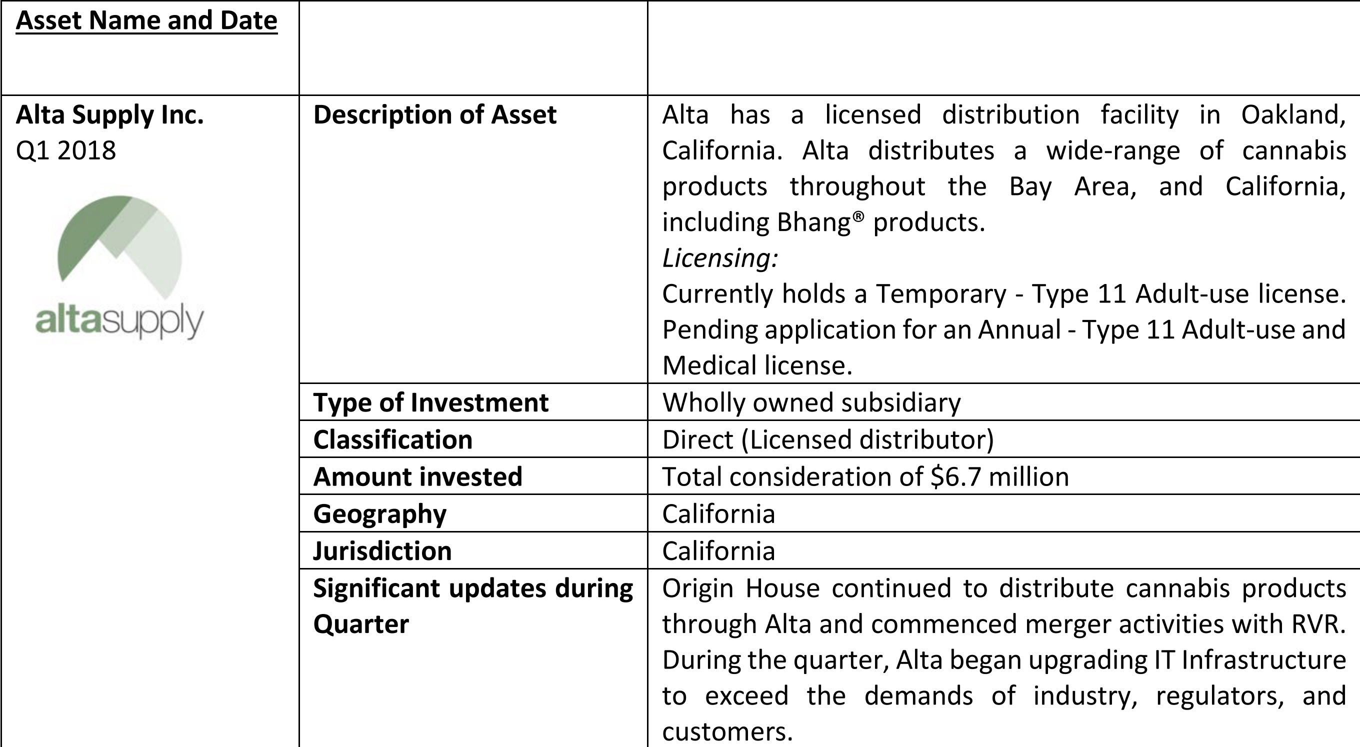
Acceleration trigger on common share purchase warrants

On November 23, 2018, the Company accelerated the expiry of all outstanding common share purchase warrants to December 14, 2018. If all warrants are exercised, they will generate proceeds of $10.6 million for Origin House.

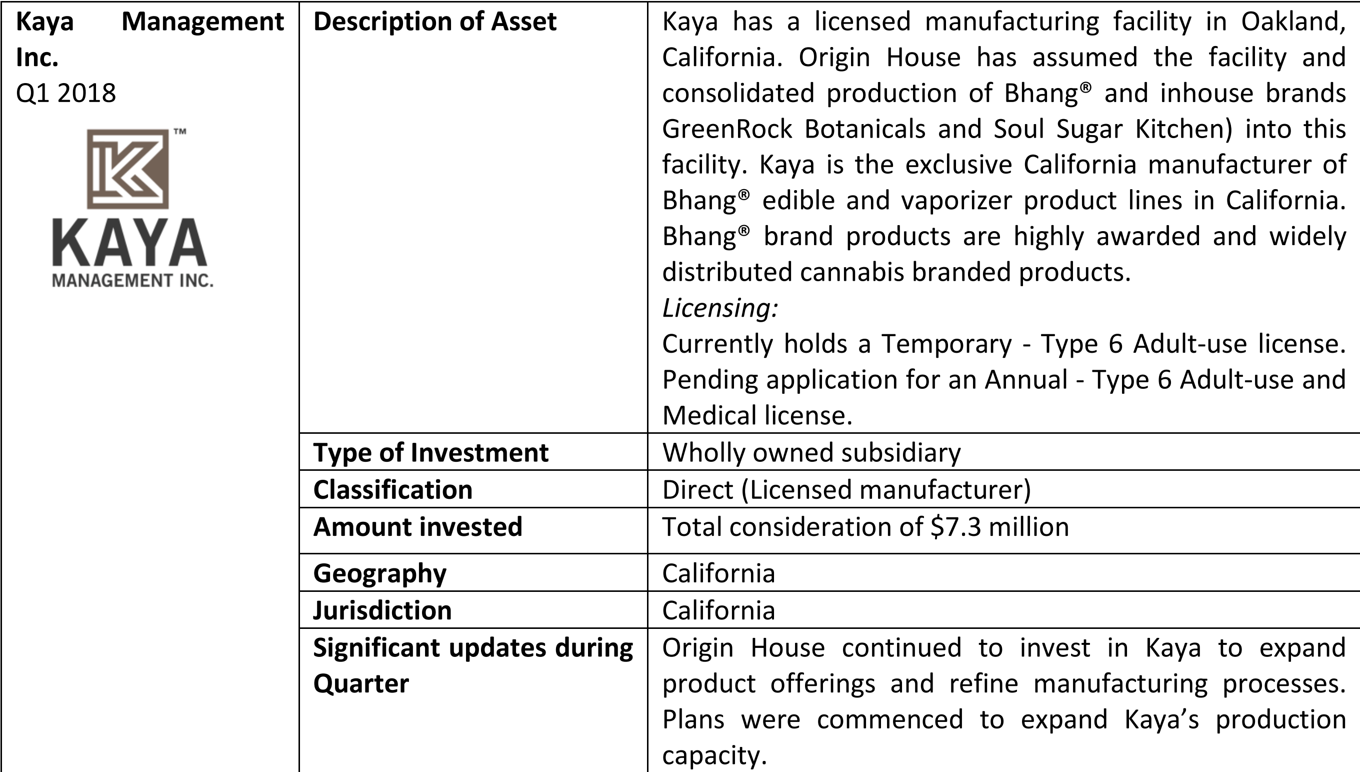
Material Assets and Investments

The following chart is a summary of the Company's material assets and investments. The Company has excluded ancillary intellectual property and other minor transactions and investments, with no such items having more than $1,000,000 of tangible or intangible assets on the Company's consolidated balance sheet as of September 30, 2018. Furthermore, investments which were disposed in the current period, as well as investment that have been written-off or fully impaired in prior periods have been excluded. References to "Direct", "Indirect" or "Ancillary" classifications of each asset or investment have the meanings ascribed thereto in Staff Notice 51-352 (revised). All of the Company's investments that give the Company "Direct" and "Indirect" involvement (as such terms are defined in the Staff Notice 51-352 (revised)) in the U.S. marijuana industry are included in the chart.

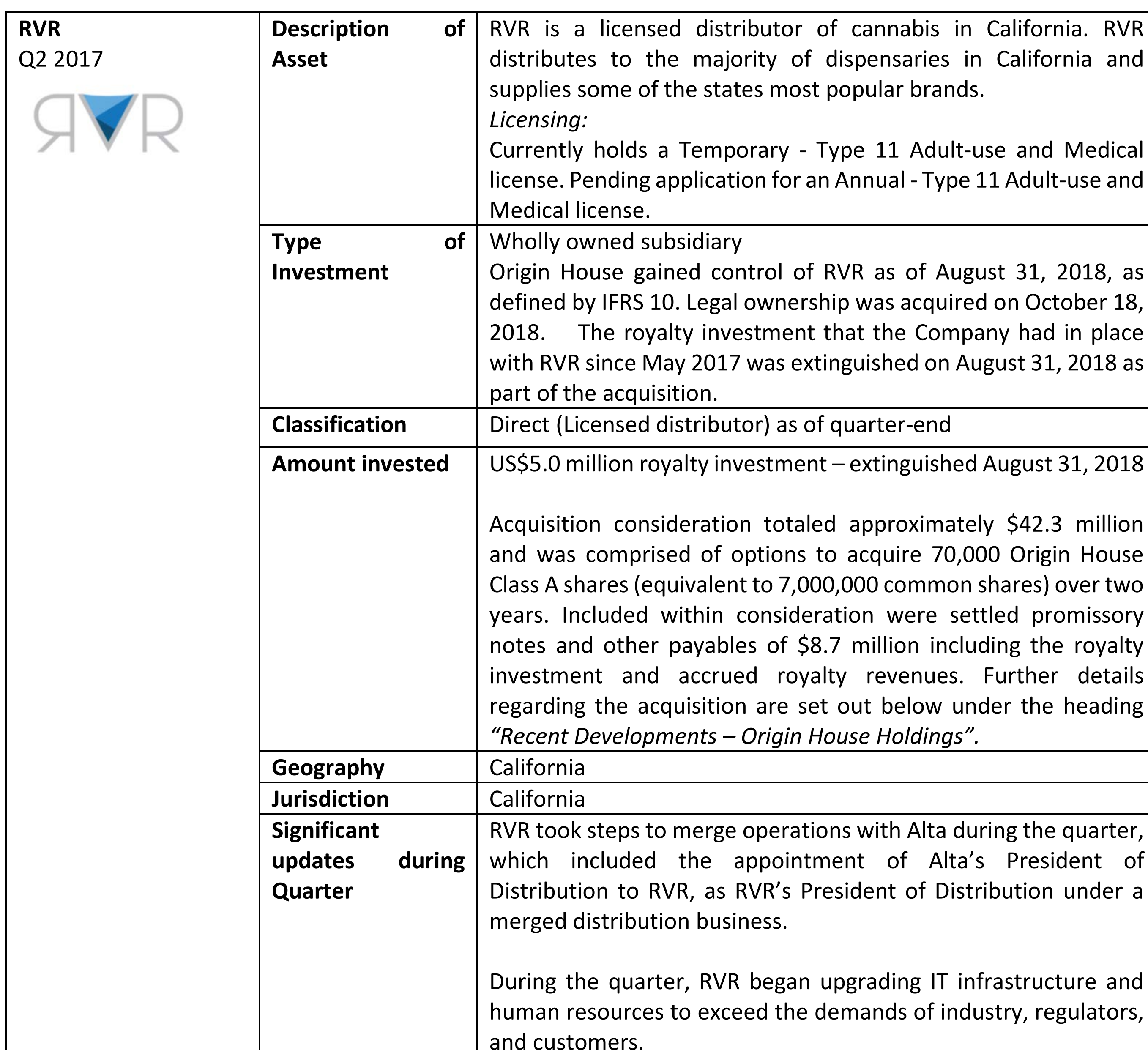
Prior to this fiscal year the Company made certain investments in equity, loans receivable, and royalties that were fully impaired as of December 31, 2017. These include loans of US$400,000 to, and equity of US$100,000 in Eureka Management Services, loans of US$2.8 million to Rich Extracts LLC, and royalty investments of US$807,000 in Cascadia Holdings LLC. The Company does not expect to collect on any of these investments and therefore considers them to be inactive. If the Company were to receive loan payments or royalty payments, as applicable, from any of these parties, the investment would be recorded as an interest at that time and at such time the Company's US cannabis involvement by way of its investment in any of Eureka, Rich Extracts or Cascadia would be considered by the Company to be ancillary, indirect, or direct, respectively.

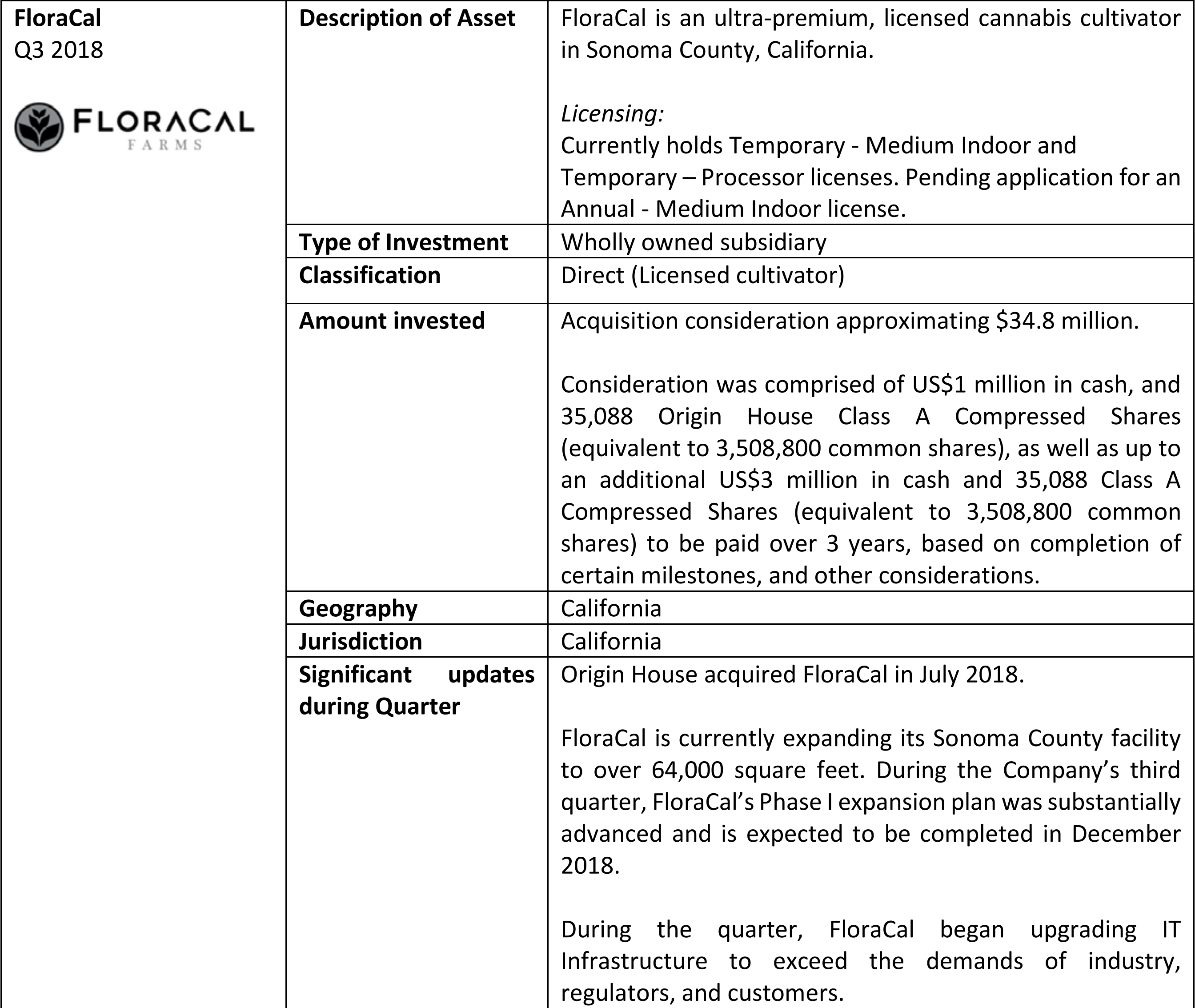


Asset Name and Date		
Alta Supply Inc. Q1 2018	**Description of Asset**	Alta has a licensed distribution facility in Oakland, California. Alta distributes a wide-range of cannabis products throughout the Bay Area, and California, including Bhang® products. *Licensing:* Currently holds a Temporary - Type 11 Adult-use license. Pending application for an Annual - Type 11 Adult-use and Medical license.
	Type of Investment	Wholly owned subsidiary
	Classification	Direct (Licensed distributor)
	Amount invested	Total consideration of $6.7 million
	Geography	California
	Jurisdiction	California
	Significant updates during Quarter	Origin House continued to distribute cannabis products through Alta and commenced merger activities with RVR. During the quarter, Alta began upgrading IT Infrastructure to exceed the demands of industry, regulators, and customers.

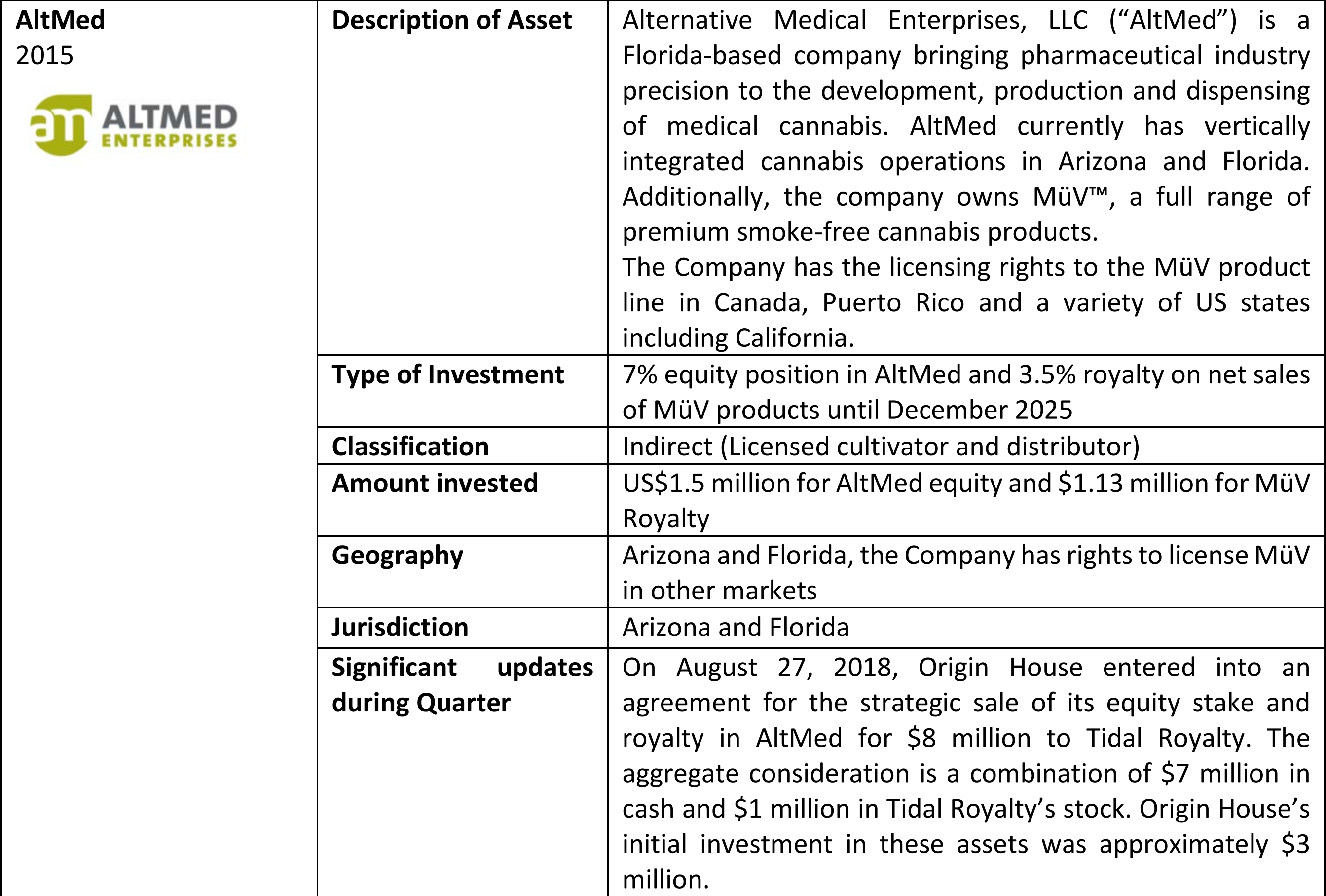


Kaya Management Inc. Q1 2018	**Description of Asset**	Kaya has a licensed manufacturing facility in Oakland, California. Origin House has assumed the facility and consolidated production of Bhang® and inhouse brands GreenRock Botanicals and Soul Sugar Kitchen) into this facility. Kaya is the exclusive California manufacturer of Bhang® edible and vaporizer product lines in California. Bhang® brand products are highly awarded and widely distributed cannabis branded products. *Licensing:* Currently holds a Temporary - Type 6 Adult-use license. Pending application for an Annual - Type 6 Adult-use and Medical license.
	Type of Investment	Wholly owned subsidiary
	Classification	Direct (Licensed manufacturer)
	Amount invested	Total consideration of $7.3 million
	Geography	California
	Jurisdiction	California
	Significant updates during Quarter	Origin House continued to invest in Kaya to expand product offerings and refine manufacturing processes. Plans were commenced to expand Kaya's production capacity.

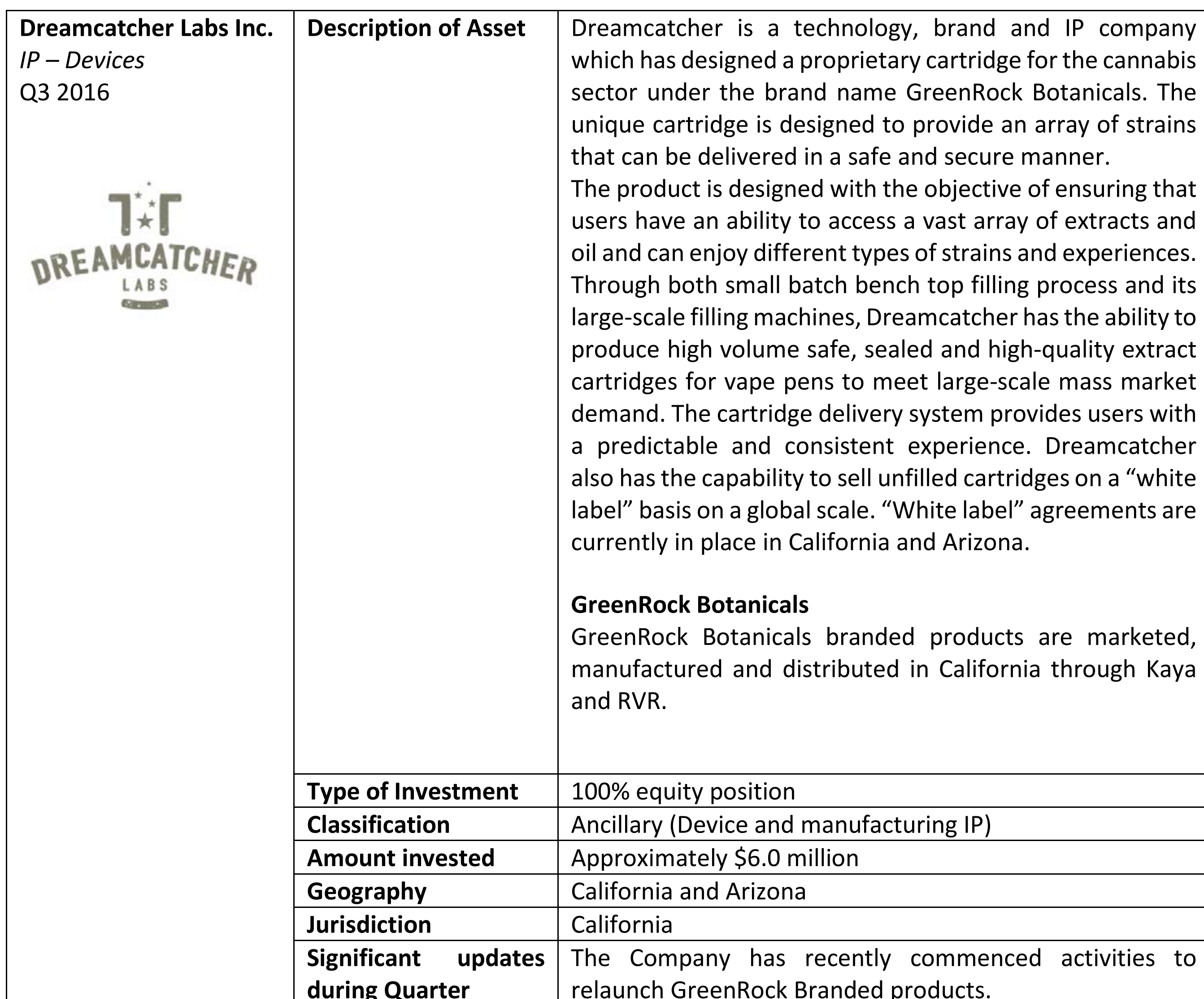
RVR Q2 2017 	**Description of Asset**	RVR is a licensed distributor of cannabis in California. RVR distributes to the majority of dispensaries in California and supplies some of the states most popular brands. *Licensing:* Currently holds a Temporary - Type 11 Adult-use and Medical license. Pending application for an Annual - Type 11 Adult-use and Medical license.
	Type of Investment	Wholly owned subsidiary Origin House gained control of RVR as of August 31, 2018, as defined by IFRS 10. Legal ownership was acquired on October 18, 2018. The royalty investment that the Company had in place with RVR since May 2017 was extinguished on August 31, 2018 as part of the acquisition.
	Classification	Direct (Licensed distributor) as of quarter-end
	Amount invested	US$5.0 million royalty investment – extinguished August 31, 2018 Acquisition consideration totaled approximately $42.3 million and was comprised of options to acquire 70,000 Origin House Class A shares (equivalent to 7,000,000 common shares) over two years. Included within consideration were settled promissory notes and other payables of $8.7 million including the royalty investment and accrued royalty revenues. Further details regarding the acquisition are set out below under the heading *“Recent Developments – Origin House Holdings”.*
	Geography	California
	Jurisdiction	California
	Significant updates during Quarter	RVR took steps to merge operations with Alta during the quarter, which included the appointment of Alta’s President of Distribution to RVR, as RVR’s President of Distribution under a merged distribution business. During the quarter, RVR began upgrading IT infrastructure and human resources to exceed the demands of industry, regulators, and customers.



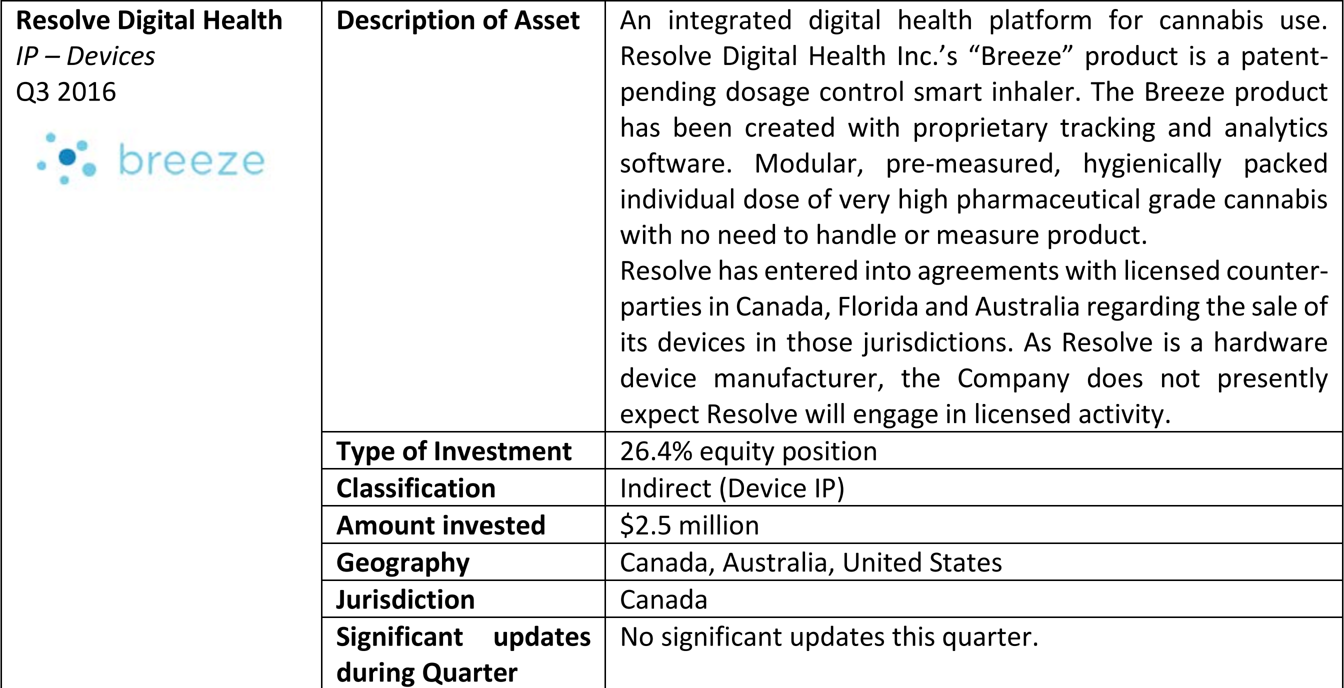
FloraCal Q3 2018	**Description of Asset**	FloraCal is an ultra-premium, licensed cannabis cultivator in Sonoma County, California. *Licensing:* Currently holds Temporary - Medium Indoor and Temporary – Processor licenses. Pending application for an Annual - Medium Indoor license.
	Type of Investment	Wholly owned subsidiary
	Classification	Direct (Licensed cultivator)
	Amount invested	Acquisition consideration approximating $34.8 million. Consideration was comprised of US$1 million in cash, and 35,088 Origin House Class A Compressed Shares (equivalent to 3,508,800 common shares), as well as up to an additional US$3 million in cash and 35,088 Class A Compressed Shares (equivalent to 3,508,800 common shares) to be paid over 3 years, based on completion of certain milestones, and other considerations.
	Geography	California
	Jurisdiction	California
	Significant updates during Quarter	Origin House acquired FloraCal in July 2018. FloraCal is currently expanding its Sonoma County facility to over 64,000 square feet. During the Company's third quarter, FloraCal's Phase I expansion plan was substantially advanced and is expected to be completed in December 2018. During the quarter, FloraCal began upgrading IT Infrastructure to exceed the demands of industry, regulators, and customers.



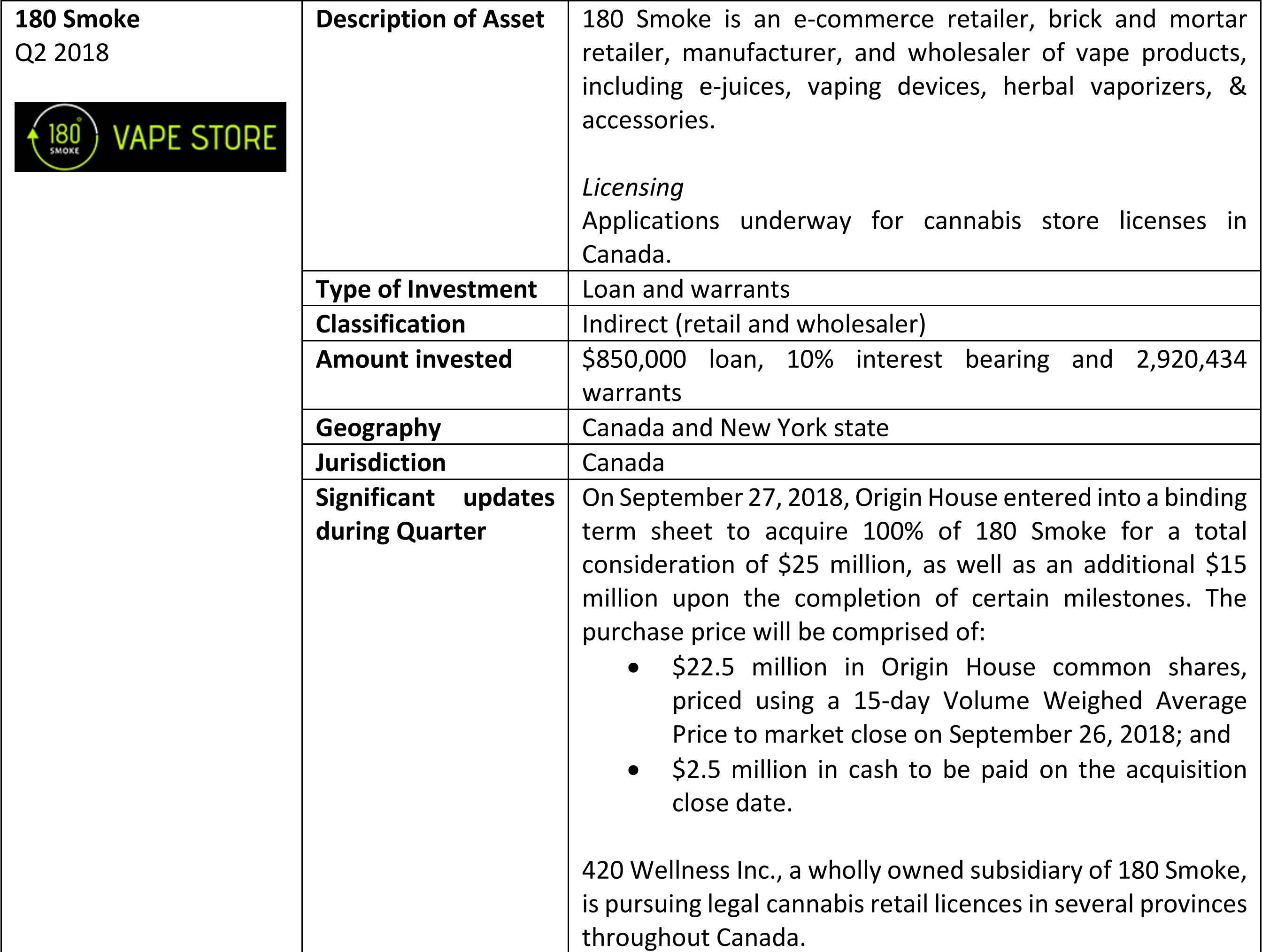
AltMed 2015 ALTMED ENTERPRISES	**Description of Asset**	Alternative Medical Enterprises, LLC ("AltMed") is a Florida-based company bringing pharmaceutical industry precision to the development, production and dispensing of medical cannabis. AltMed currently has vertically integrated cannabis operations in Arizona and Florida. Additionally, the company owns MüV™, a full range of premium smoke-free cannabis products. The Company has the licensing rights to the MüV product line in Canada, Puerto Rico and a variety of US states including California.
	Type of Investment	7% equity position in AltMed and 3.5% royalty on net sales of MüV products until December 2025
	Classification	Indirect (Licensed cultivator and distributor)
	Amount invested	US$1.5 million for AltMed equity and $1.13 million for MüV Royalty
	Geography	Arizona and Florida, the Company has rights to license MüV in other markets
	Jurisdiction	Arizona and Florida
	Significant updates during Quarter	On August 27, 2018, Origin House entered into an agreement for the strategic sale of its equity stake and royalty in AltMed for $8 million to Tidal Royalty. The aggregate consideration is a combination of $7 million in cash and $1 million in Tidal Royalty's stock. Origin House's initial investment in these assets was approximately $3 million.



Dreamcatcher Labs Inc. *IP – Devices* Q3 2016 DREAMCATCHER LABS	**Description of Asset**	Dreamcatcher is a technology, brand and IP company which has designed a proprietary cartridge for the cannabis sector under the brand name GreenRock Botanicals. The unique cartridge is designed to provide an array of strains that can be delivered in a safe and secure manner. The product is designed with the objective of ensuring that users have an ability to access a vast array of extracts and oil and can enjoy different types of strains and experiences. Through both small batch bench top filling process and its large-scale filling machines, Dreamcatcher has the ability to produce high volume safe, sealed and high-quality extract cartridges for vape pens to meet large-scale mass market demand. The cartridge delivery system provides users with a predictable and consistent experience. Dreamcatcher also has the capability to sell unfilled cartridges on a "white label" basis on a global scale. "White label" agreements are currently in place in California and Arizona. **GreenRock Botanicals** GreenRock Botanicals branded products are marketed, manufactured and distributed in California through Kaya and RVR.
	Type of Investment	100% equity position
	Classification	Ancillary (Device and manufacturing IP)
	Amount invested	Approximately $6.0 million
	Geography	California and Arizona
	Jurisdiction	California
	Significant updates during Quarter	The Company has recently commenced activities to relaunch GreenRock Branded products.

Resolve Digital Health *IP – Devices* Q3 2016 	**Description of Asset**	An integrated digital health platform for cannabis use. Resolve Digital Health Inc.’s “Breeze” product is a patent-pending dosage control smart inhaler. The Breeze product has been created with proprietary tracking and analytics software. Modular, pre-measured, hygienically packed individual dose of very high pharmaceutical grade cannabis with no need to handle or measure product. Resolve has entered into agreements with licensed counter-parties in Canada, Florida and Australia regarding the sale of its devices in those jurisdictions. As Resolve is a hardware device manufacturer, the Company does not presently expect Resolve will engage in licensed activity.
	Type of Investment	26.4% equity position
	Classification	Indirect (Device IP)
	Amount invested	$2.5 million
	Geography	Canada, Australia, United States
	Jurisdiction	Canada
	Significant updates during Quarter	No significant updates this quarter.

Wagner Dimas Q2 2016 WAGNER WD DIMAS INC	**Description of Asset**	Wagner Dimas Inc. is a Nevada registered corporation operating primarily in California that has developed a highly scalable, patent-pending manufacturing platform for creating machine rolled cannabis products. On August 14, 2018, the Company sold its exclusive rights to Wagner Dimas IP and manufacturing technology in Canada.
	Type of Investment	22% equity position; US$200,000 of debt
	Classification	Indirect (Technology)
	Amount invested	US$825,000 in equity and US$200,000 in debt.
	Geography	Canada, Nevada, and California
	Jurisdiction	Canada, Nevada, and California (IP and technology is exportable)
	Significant updates during Quarter	On August 14, 2018, the Company closed a transaction with Aurora to sell its rights to Wagner Dimas' IP and manufacturing technology in Canada. In return the company received Aurora shares which were valued at $7.0 million at the date of the binding term sheet and $4.5 million at the date of closing. Following the end of the quarter, on October 3, 2018, the company sold its full 22% interest in Wagner Dimas to Australis Cannabis for proceeds of $3.0 million consisting of cash of $1.5 million and Australis Cannabis shares and warrants of $1.5 million.



180 Smoke Q2 2018 180 SMOKE VAPE STORE	**Description of Asset**	180 Smoke is an e-commerce retailer, brick and mortar retailer, manufacturer, and wholesaler of vape products, including e-juices, vaping devices, herbal vaporizers, & accessories. *Licensing* Applications underway for cannabis store licenses in Canada.
	Type of Investment	Loan and warrants
	Classification	Indirect (retail and wholesaler)
	Amount invested	$850,000 loan, 10% interest bearing and 2,920,434 warrants
	Geography	Canada and New York state
	Jurisdiction	Canada
	Significant updates during Quarter	On September 27, 2018, Origin House entered into a binding term sheet to acquire 100% of 180 Smoke for a total consideration of $25 million, as well as an additional $15 million upon the completion of certain milestones. The purchase price will be comprised of: • $22.5 million in Origin House common shares, priced using a 15-day Volume Weighed Average Price to market close on September 26, 2018; and • $2.5 million in cash to be paid on the acquisition close date. 420 Wellness Inc., a wholly owned subsidiary of 180 Smoke, is pursuing legal cannabis retail licences in several provinces throughout Canada.

RESULTS OF OPERATIONS

The following tables set forth consolidated statements of operations data for the three and nine month period ended September 30, 2018 and September 30, 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Consolidated Statements of Net Loss				
Revenue	**$ 6,623,998**	$ 744,302	**$ 10,778,901**	$ 2,005,570
Gross margin, excluding fair value items	**508,396**	128,010	**1,299,701**	794,164
Operating expenses	**10,064,130**	2,834,939	**20,824,360**	8,629,385
Loss from operations	**(9,765,511)**	(2,706,929)	**(19,734,436)**	(7,835,221)
Net loss	**(7,502,098)**	(3,295,477)	**(2,858,083)**	(7,816,773)
Other income (expense)	**2,015,184**	(662,197)	**16,737,179**	(212,254)
Total comprehensive loss	**(9,265,872)**	(3,618,961)	**(3,377,788)**	(8,677,392)
Net loss per common share - basic & diluted	**(0.12)**	(0.08)	**(0.05)**	(0.19)
Weighted average common shares - basic & diluted	**57,621,347**	42,156,344	**51,634,188**	40,961,436

REVENUE

The following is a summary of the Company's revenue by type for the three and nine-month periods ended September 30, 2018 and September 30, 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Product sales	**$ 6,250,992**	$ 298,866	**$ 9,446,382**	$ 703,193
Services	**69,760**	41,451	**737,921**	314,594
Royalties	**108,306**	385,001	**364,553**	928,095
Interest income	**194,940**	18,984	**230,045**	59,688
Total	**$ 6,623,998**	$ 744,302	**$ 10,778,901**	$ 2,005,570

Product sales

Until the first quarter of 2018, product sales were mostly attributable to the sale of the Company's wholly-owned brands; GreenRock Botanicals vape cartridges and Soul Sugar Kitchen edibles to distributors in California.

The Kaya and Alta acquisitions closed on March 27, 2018 and revenues from product sales increased substantially as the Company began distributing in-house and third-party brands. The Company's product sales continued to increase with the acquisition of FloraCal on July 2, 2018, which added dry bud and pre-rolls to the Company's in-house brand offerings. On August 31, 2018, Origin House gained control of RVR, which significantly expanded the Company's distribution reach, breadth of products, and revenues. Origin House brands are now distributed directly to dispensaries through the Company's wholly-owned distribution network.

Service revenues

Service revenues for the three and nine-month periods ended September 30, 2018 were from advisory activities which relate to capital markets expertise provided in connection with clients' equity financing initiatives as well as third-party marketing services provided by the Company's EML subsidiary. The increase from the nine-month comparative period ended September 30, 2017 relates primarily to services provided for capital markets expertise and strategic financing.

Royalty revenues

During the three and nine-month periods ended September 30, 2018, the Company's Royalty revenues were primarily attributable to RVR, whereas in the comparative periods ended September 30, 2017, these revenues were driven primarily by both RVR and Cascadia royalty investments. Due to concerns over the viability of Cascadia's business and issues in connection with the ultimate collection of these revenues, the Company ceased recording revenue on this investment causing a decrease in royalty revenue in comparison to the same periods last year. Royalty revenues from RVR ceased on August 31, 2018 upon the Company obtaining control of RVR, further decreasing royalty revenue in comparison to fiscal 2017.

Interest income
Interest income increased for the three and nine-month periods ended September 30, 2018 related to loans issued to 180 Smoke, RVR prior to acquisition, from interest received on the BAS Research recovery, and from interest income on funds received from financing.

COST OF SALES

The following table represents the costs of sales by revenue type for the three and nine-month periods ended September 30, 2018 and September 30, 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Cost of product sales	**$ 5,900,572**	$ 327,986	**$ 8,354,623**	$ 688,917
Cost of services	**35,000**	23,961	**304,024**	61,656
Cost of royalties	**180,030**	264,345	**820,553**	460,833
Total	**$ 6,115,602**	$ 616,292	**$ 9,479,200**	$ 1,211,406

Cost of product sales
For the three and nine months ended September 30, 2018, the cost of product sales increased due to wholesale product costs driven by Alta and RVR distribution sales, manufacturing costs related to sales generated by Kaya, and production costs related to FloraCal cultivation activities. Further increasing cost of product sales were costs associated with changes in California cannabis laws, effective July 1, 2018, which led to inventory valuation adjustments.

Excluded from cost of product sales, as presented above, are IAS 41 – *Agriculture* fair value impacts from cultivation activities. These activities include realized fair value amounts of inventory sold of $1,161,471 and unrealized fair value gain on growth of biological assets of $951,694.

Cost of service revenues
Costs of sales associated with services revenues in the third quarter related to EML labor costs for marketing, branding, and promotional services to external customers. In the first and second quarters of fiscal 2018, additional costs were incurred on external providers used to provide financing related advisory services.

Cost of royalty revenues
The cost of royalties pertains to the amortization of the royalty financing arrangement with NuTrae and RVR which are amortized on a straight-line basis over the term of their royalty arrangements, which began in February 2017 and May 2017, respectively. RVR royalty amortization ceased on August 31, 2018.

GROSS MARGIN

The following tables represent the gross margin amounts and percentages, excluding fair value items, by revenue type for the three and nine-month periods ended September 30, 2018 and September 30, 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Products	**$ 350,420**	$ (29,120)	**$ 1,091,759**	$ 14,276
Services	**34,760**	17,490	**433,897**	252,938
Royalties	**(71,724)**	120,656	**(456,000)**	467,262
Interest	**194,940**	18,984	**230,045**	59,688
Total	**$ 508,396**	$ 128,010	**$ 1,299,701**	$ 794,164

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Products	**6%**	(10%)	**12%**	2%
Services	**50%**	42%	**59%**	80%
Royalties	**(66%)**	31%	**(125%)**	50%
Interest	**100%**	100%	**100%**	100%
All Types	**8%**	17%	**12%**	40%

Product sales gross margin

Gross margin on product sales increased for the three and nine-month periods ended September 30, 2018 as compared to the same periods last year. Margins have increased primarily due to the impacts of acquisitions in the current quarter. Included within gross margin are inventory write-offs of $453,637, royalty payments, as well as impacts from purchase accounting and overhead allocations due to full absorption costing. As volumes increase, the Company expects margins to continue improving.

Service revenue gross margin

The gross margin percentage on service revenues decreased for the nine-month period ended September 30, 2018 as compared to the same period last year due to the mix of advisory services provided, which required additional external consultants and lower margin marketing services. Gross margin on service revenues increased for the three-month period ended September 30, 2018 due to the mix of services provided.

Royalty revenue gross margin

The gross margin percentages related to royalty-based revenues decreased due to Cascadia revenues in fiscal 2017, which were a perpetual stream investment that were not amortized. In comparison, most of the royalty revenue recorded in the three and nine-month periods ended September 30, 2018 was attributable to RVR, which was a fixed-term investment requiring straight-line amortization expense, thereby reducing gross margin. As amortization is on a straight-line basis, margins are lower earlier in the investment period. The RVR royalty investment was extinguished and related revenues ceased effective August 31, 2018, in connection with the Company's acquisition of RVR.

OPERATING EXPENSES

	Three months ended September 30			Nine months ended September 30		
	2018	2017	Change	**2018**	2017	Change
Sales and marketing	**$ 1,947,706**	$ 422,362	361%	**$ 3,535,796**	$ 1,068,443	231%
Research and product development	**211,469**	275,839	(23%)	**472,371**	900,932	(48%)
General and administrative	**6,457,990**	1,943,675	232%	**14,665,054**	6,058,597	142%
Amortization of intangibles	**1,446,965**	193,063	649%	**2,151,139**	601,413	258%
Total	**$ 10,064,130**	$ 2,834,939	255%	**$ 20,824,360**	$ 8,629,385	141%

Total operating expenses increased for the three and nine-month periods ended September 30, 2018 as compared to the same periods last year due to the Company's acquisitions and operational expansion in California.

Sales and marketing ("S&M") expenses increased for the three and nine-month periods ended September 30, 2018 compared to the same periods last year due to the expansion of distribution operations across California and ongoing support and development of active Origin House brands.

Research and product development ("R&D") expenses decreased for the three and nine-month periods ended September 30, 2018 compared to the same periods last year due to the Company's new direction in California, which has resulted in less investment in research-based holdings and future research-based advisory services. The Company has begun to focus on product development related to its newly acquired brands, and product development activities. R&D spending is expected to increase in the future. This is consistent with the Company's view that comprehensive brand building efforts are fundamental to growing a sustainable base of product revenues.

General and administrative ("G&A") expenses increased for the three and nine-month periods ended September 30, 2018 compared to the same periods last year due to a rapidly expanding asset base and significant hiring initiatives. G&A costs also include new offices in Toronto and California, new employees across corporate support functions and operations management in California, in addition to increased compliance costs, as well as legal and advisory costs related to ongoing acquisition-related activities. During Q3 alone, the Company increased its headcount by 107.

Expenses related to the amortization of brands and technologies relate to intangibles that were acquired from Dreamcatcher and EML in October 2016 and November 2016 respectively, those acquired from Kaya and Alta in March 2018, those acquired from FloraCal in July 2018, and those acquired from River in September 2018. The increase in fiscal 2018 is related to the intangible assets acquired from the above noted acquisitions in fiscal 2018.

Share-based compensation, a non-cash expense, was $1.1 million and $4.2 million for the three and nine months ended September 30, 2018 as compared to $0.7 million and $2.5 million for the same periods last year. Restricted share units ("RSUs") were first issued in April 2016. Since the beginning of fiscal 2018, most Origin House share-based grants have been in the form of share options. In the nine months ended September 30, 2018, 280,500 share options have been issued.

The RSU expenses mostly relate to shares issued under a share unit plan whereby the executive team, the Board of Directors, and new employees were granted RSUs that continue to vest as service conditions are reached. For most RSUs, one-third or one-quarter of the shares vested immediately or within one month upon issuance. On December 29, 2017, the Company granted 1,050,000 RSUs for which one-quarter vested on January 31, 2018, generating an expense of $1.3 million in the first quarter. Due to the grading vesting of RSUs, the expense relating to RSUs granted to date is expected to decrease in future quarters.

Additionally, the Company saw an increase in share-based compensation expense related to accelerated vesting of RSUs upon retirement of an executive team member. These costs have been classified in accordance with the corporate functions of the grantee, the majority of which relate to G&A. The shares options and RSUs are measured at fair value at the date of grant which is based on board approval date.

OTHER INCOME AND EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Gain (loss) on investments	**$ (2,802,373)**	$ -	**$ 12,762,704**	$ -
Gain on the sale of licensed technology	**4,196,477**	-	**4,196,477**	-
Fair value gain on warrants	**104,344**	-	**104,344**	-
Recovery of convertible notes receivable	**379,572**	-	**4,100**	-
Profit (loss) from equity accounted investees, net of tax	**10,106**	(137,093)	**168,664**	706,821
Gain on settlement of interests at acquisition	**1,098,374**	-	**1,098,374**	-
Foreign exchange gain (loss)	**213,941**	(79,631)	**249,056**	(266,911)
Interest expense	**(1,185,257)**	(85,935)	**(1,846,540)**	(122,054)
Penalties for non-completion of share swap transaction	**-**	6,498	**-**	(214,555)
Unrealized loss on embedded derivatives	**-**	(369,036)	**-**	(369,036)
Listing expense	**-**	-	**-**	(38,193)
Gain on disposal of equipment	-	3,000	-	91,674
Total	**$ 2,015,184**	$ (662,197)	**$ 16,737,179**	$ (212,254)

Significant portions of other income are non-recurring or one time in nature and will vary across reporting periods.

During the nine months ended September 30, 2018, the Company recorded a gain on investments of $12.8 million. During August 2018, the Company sold its entire investment in Anandia for total proceeds of $16.8 million which represented a gain of $5.9 million from the fair value of the Anandia investment at December 31, 2017. The proceeds from the sale of the Anandia shares came in the form of Aurora Cannabis shares, as did the $4.5 million proceeds from the sale of Wagner Dimas Technology. Overall, the Company received Aurora Cannabis shares valued at $21.3 million in August 2018. These shares were fully disposed in September 2018 for proceeds of $28.1 million.

During the three months ended September 30, 2018, the Company recorded a loss on investments of $2.8 million. At June 30, 2018, in accordance with IFRS 9, the Anandia shares were fair valued based on the expected Aurora share proceeds at June 30, 2018. Due to significant decline in the share price of Aurora, the value of the investment decreased from $26.4 million at June 30, 2018 to $16.8 million at the close date, resulting in a third quarter loss of $9.6 million.

In the third quarter of fiscal 2018, the Company recorded a gain of $4.3 million on the sale of Canadian Licensed Technology it had obtained from Wagner Dimas. This was obtained in return for the forgiveness of a loan of US$150,000. The total proceeds of $4.5 million were in the form of Aurora shares.

In accordance with the lending facility with 180 Smoke, the Company received warrants which had a value of nil at inception and are valued at $104,344 as at September 30, 2018. This represents a gain of $104,344 in the third quarter of fiscal 2018.

During the first quarter of fiscal 2018, the Company incurred a loss of $375,472 on the impairment of convertible notes receivable related to convertible notes advanced to BAS Research which were deemed uncollectable. The balance due to the Company was ultimately collected in August 2018 and a full recovery of $379,572 was recorded during the three months ended September 30, 2018.

In accordance with IFRS 3 - *Business Combinations*, the Company recorded a $1.1 million gain on acquisition in September 2018. This is further described in note 4 to the condensed interim consolidated financial statements for the period ended September 30, 2018.

The gain from equity accounted investees was $10,106 for the three months ended September 30, 2018 as compared to a loss $137,093 for the three months ended September 30, 2017. In accordance with equity method accounting, the Company revalued the investment in Wagner up to its original cost, based on the pending transaction that would close in October 2018 which significantly surpasses the current cost. This gain was offset by losses incurred by the associate companies who are still in the early stage of development. The gain from equity accounted investees was $168,664 for the nine months ended September 30, 2018 as compared to a gain of $706,821 in the comparable prior year period. The current period gain resulted from a dilution gain of $0.9 million recorded on the Company's investment in Resolve decreasing from 27.7% to 26.4% during the fiscal year (September 30, 2017 – gain of $1.0 million on Resolve dilution from 33.3% to 27.7%).

Management believes both investments have fair values which exceeding their carrying values. The investment in Wagner Dimas which has a value of $1.1 million at September 30, 2018, was subsequently sold for proceeds of $3.0 million during October 2018.

Interest expense was $1.2 million and $1.8 million for the three and nine months ended September 30, 2018 as compared to $85,935 and $122,054 for the three and nine months ended September 30, 2017. The increase in interest expense is largely related to $33.0 million of proceeds raised from 8% Unsecured Convertible Debt in July 2018, which resulted in interest expense of $963,800 in the third quarter of fiscal 2018. A portion of the nine-month increase is also due to the line of credit obtained during the second quarter of fiscal 2017, which resulted in additional interest as well as the amortization of certain deferred charges. During the current year, amortized charges of $479,283 relate to the amortization of warrants issued to obtain the line of credit. The interest on the money drawn on the Sprott line of credit was $40,000 which was paid in cash with the repayment of the outstanding loan. The remainder of the expense mostly pertains to the 5% interest expense and the debt accretion on the $1.5 million convertible debt with Aphria which was converted into equity in April 2018.

A significant portion of the Company's convertible debt issued in July 2018 has been converted into shares during November 2018; consequently, the Company expects interest expense related to the convertible debt to decrease in future quarters.

DEFERRED TAX EXPENSE AND RECOVERY

The Company realized a deferred tax recovery of $439,487 and $446,764 during the three and nine-month period ended September 30, 2018 as compared to recoveries of $73,649 and $230,702 for the comparable periods in fiscal 2017. The increased recovery is primarily due to property, equipment, and intangible assets acquired in the acquisitions of Kaya, Alta, FloraCal, and RVR.

NET LOSS AND LOSS PER SHARE

Net loss for the three and nine months ended September 30, 2018, amounted to $7.5 million and $2.9 million compared to losses of $3.3 million and $7.8 million for the same periods last year. Third quarter losses increased in for the three-month period ended September 30, 2018 primarily due to increased operating expenses in support of the Company's growth in California, as well as expansion of head office activities in Canada. As the Company continues to grow its operational base, these costs have exceeded current gross margins. The decrease in net loss for the nine-month period ended September 30, 2018, is largely due to gains on investments and the sale of licensed technology.

Due to the increase in operating losses in the current quarter, the Company's basic loss per share has increased to $0.12 for the three months ended September 30, 2018 as compared a loss per share of $0.08 for the three months ended September 30, 2017. Despite the additional operating losses, the loss per share has decreased to $0.05 for the nine months ended September 30, 2018 as compared to a loss per shares of $0.19 for the nine months ended September 30, 2017.

OTHER COMPREHENSIVE INCOME

Other comprehensive loss for the three months ended September 30, 2018 was $1.8 million compared to a loss of $323,484 for the same period last year. These gains and losses relate to foreign currency translation adjustments.

ADJUSTED EBITDA

EBITDA and Adjusted EBITDA are non-GAAP financial measures and accordingly they are not earnings measures recognized by IFRS and do not carry standard prescribed significance. Moreover, our method for calculating Adjusted EBITDA may differ from that used by other companies using the same designation. Management defines Adjusted EBITDA as net income (loss) from operations, as reported, before interest, tax, and adjusted for other non-cash items, such as the impacts of biological asset realized and unrealized fair values under IAS 41, share-based compensation expense, amortization, and depreciation. Certain comparative amounts have been reclassified to conform to the current presentation. We caution readers that Adjusted EBITDA should not be substituted for determining net income (loss) as an indicator of operating results or as a substitute for cash flows from operating and investing activities.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Add (Subtract)				
Net loss for the period	**$ (7,502,098)**	$ (3,295,477)	**$ (2,858,083)**	$ (7,816,773)
Depreciation of property and equipment	**174,274**	46,532	**300,072**	137,730
Amortization of intangible assets	**1,446,965**	193,063	**2,151,139**	601,413
Amortization of royalty investments	**180,030**	245,753	**820,553**	411,145
Interest expense	**1,185,257**	85,935	**1,846,540**	122,054
Interest income	**(194,940)**	(18,984)	**(230,045)**	(59,688)
Current income taxes	**191,258**	-	**307,590**	-
Deferred income tax recovery	**(439,487)**	(73,649)	**(446,764)**	(230,702)
EBITDA	**(4,958,741)**	(2,816,827)	**1,891,002**	(6,834,821)
Listing expense	**-**	-	**-**	38,193
Penalties from non-completion of transaction	**-**	(6,498)	**-**	214,555
Gain on sale of equipment	**-**	(3,000)	**-**	(91,674)
Gain on settlement of interests at acquisition	**(1,098,374)**	-	**(1,098,374)**	-
Recovery on Achelois Inventory	**-**	-	**(441,370)**	-
Share based compensation	**1,143,050**	695,144	**4,222,563**	2,499,356
Unrealized loss on embedded derivatives	**-**	369,036	**-**	369,036
Realized fair value amounts included in inventory sold	**1,161,471**	-	**1,161,471**	-
Unrealized fair value gain on growth of biological assets	**(951,694)**	-	**(951,694)**	-
Transaction costs on acquisitions	**254,714**	-	**536,840**	-
TOTAL ADJUSTED EBITDA	**$ (4,449,574)**	$ (1,762,145)	**$ 5,320,438**	$ (4,937,462)

The Company believes that Adjusted EBITDA is a meaningful and useful metric to investors, analysts, and other stakeholders for measuring and predicting the operating performance of Origin House's core business and future cash flows.

For the three months ended September 30, 2018, Origin House had an Adjusted EBITDA loss compared to the same period last year. The increase between the two periods was due largely to an increase in operating expenses of the Company, excluding amortized costs and share based compensation.

For the nine months ended September 30, 2018, Origin House had an Adjusted EBITDA income compared to the same period last year. The increase in income between the two periods was due largely to gains on the disposals of investments and licenced technology of $17.0 million impacting net income, which is partially offset by an increase in operating expenses (excluding share-based compensation and amortization).

FINANCIAL POSITION

The following table sets forth consolidated statement of financial position data at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017	Change
Selected statement of financial position data			
Cash and cash equivalents	**$ 75,282,348**	$ 4,522,644	$ 70,759,704
Working capital	**63,658,301**	5,813,705	57,844,596
Total investments (1)	**10,874,921**	26,674,288	(15,799,367)
Total assets	**220,204,036**	46,139,757	174,064,279
Long term and convertible debt	**28,171,149**	2,258,467	25,912,682
Purchase consideration payable	**2,136,274**	-	2,136,274
Shareholders' equity	**147,220,545**	40,468,344	106,752,201
Dividends, per share	-	-	-

(1) This represents the sum of investments, royalty investments, and interests in equity method investees

- The increase in cash is due to cash from financing activities of $68.8 million, cash from investing activities of $16.5 million, offset by cash used in operations of $14.3 million, for the nine-month period ended September 30, 2018. A significant portion of operating cash flows were used to support the operating and development needs of investee businesses.
- Working Capital increased due to the above noted increased cash position and was partially offset by the $13.3 million of preferred shares issued by the Trichome subsidiary to external shareholders.
- Total investments decreased due to the divestment of Anandia and the winding down of the royalty investment in RVR resulting from gaining control of RVR effective August 31, 2018.
- Total assets increased due largely to the acquisition of the tangible and intangible assets of Kaya, Alta, FloraCal, and RVR as well as the cash increase from convertible debt financing of $33.0 million, an equity placement of $17.3 million, and cash raised from the exercise of warrants.
- Shareholders' equity increased largely due to increase in share capital of $55.8 million, the issuance of contingent shares on acquisitions of $47.8 million, share based compensation of $4.2 million and the portion of equity related to the July 2018 convertible debt issuance of $3.2 million.

In August 2017, the Company closed a financing arrangement with Sprott which provides a secured credit facility of up to $12.0 million. At September 30, 2018, the Company had fully paid down its balance drawn on the facility. The line of credit is reported net of amortized financing fees on the Company's balance sheet.

LIQUIDITY

The Company's objectives in managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition, organic growth, expansion, and contractual requirements. The Company monitors its liquidity primarily by focusing on total liquid assets and working capital, as well as forecasting expected spending and investments.

The table below sets out relevant liquidity related financial information at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Cash and cash equivalents	**$ 75,282,348**	$ 4,522,644
Liquid assets (1)	**77,981,922**	5,951,767
Quick ratio (2)	**2.87**	2.79
Working capital	**63,658,301**	5,813,705
Working capital ratio (3)	**3.34**	3.72
Convertible debt	**27,909,598**	1,431,950
Secured credit facility debt	**-**	3,000,000
Secured credit facility available	**12,000,000**	9,000,000

(1) Liquid assets include cash and amounts receivable
(2) Quick ratio is defined as liquid assets divided by current liabilities
(3) Working capital ratio is defined as current assets divided by current liabilities

The Company's level of liquid assets is relevant to meet its current operating needs and it uses the quick ratio to measure its short-term liquidity.

As of September 30, 2018, the Company had liquid assets of $78.0 million compared to $6.0 million at December 31, 2017. The increase in liquid assets is largely related to:

- Bought deal financing completed in April 2018 which generated gross proceeds of $17.3 million
- Private placement debt transaction was completed in July 2018 which generated gross proceeds of $33.0 million
- Trichome's private placement in September 2018 which generated gross proceeds of $15.0 million. Note that the Company contributed $1.5 million.
- Sales of two non-core investments, Anandia and a Canadian technology license of Wagner Dimas, were sold for Aurora shares and warrants valued at $21.3 million during August 2018. In August and September 2018, all Aurora shares and warrants acquired were subsequently sold for proceeds of $28.1 million.
- Cash generated from exercised warrants of $11.7 million

The quick ratio increased largely due to liquid asset additions noted above, offset partially by accounts payable and accruals from expanded operations, purchase consideration to be paid in 2019 in the FloraCal acquisition, and liability classification of Trichome's preferred share issuance.

If there were to be short term financing requirements, financing is available to Origin House in the form of a line of credit. As at September 30, 2018, while Nil is drawn, Origin House can draw up to $12.0 million secured credit facility with Sprott. The Company has incurred cash losses to date, however, management anticipates that eventual cash profitability will increase its liquid assets. However, at this relatively early stage of Origin House's development, there cannot be absolute assurance that the Company will be able to generate sufficient positive cash flows to reach sustained profitability.

Origin House monitors its level of working capital and working capital ratio to assess its ability to enter into strategic opportunities such as equity investments, royalty financing arrangements, and providing start-up working capital to its existing and future business units.

Through each of the Company's acquisitions, the Company has minimized its working capital needs via the use of share consideration as a significant element of overall purchase consideration. Beyond minimized cash used in purchase consideration, the Company will generally make significant capital investment outlays in its acquirees to increase or accelerate their growth potential.

The Company has historically issued shares as part of purchase consideration for significant acquisitions, however, there can be no assurance that the Company will be able to continue to finance its strategic opportunities via the issuance of shares. Management will continue to monitor and assess its acquisition activities to ensure that operating requirements are met over the next twelve months.

The chart below highlights the Company's cash flows during the three and nine months ended September 30, 2018 and September 30, 2017.

Nine months ended September 30		**2018**		2017
Net cash provided (used) by				
Operating activities	**$**	**(14,253,645)**	$	(6,922,035)
Financing activities		**68,836,068**		14,089,948
Investing activities		**16,477,344**		(7,519,894)
Effect on movements in foreign exchange on cash		**(300,063)**		-
Cash, beginning		**4,522,644**		2,945,895
Cash, end	**$**	**75,282,348**	$	2,593,914

CASH USED IN OPERATING ACTIVITIES

Cash used in operating activities during the nine months ended September 30, 2018 increased due to cash-based operating expenses, which in the current stage of the business, are not offset by gross margins earned from revenues. Due to headcount growth in production, administrative, sales and marketing, as well as compliance roles in anticipation of significant growth, the Company has used more operating cash flows in fiscal 2018 as compared to fiscal 2017.

CASH USED IN INVESTING ACTIVITIES

Cash from investing activities during the nine months ended September 30, 2018 became positive in comparison to cash used in fiscal 2017. The primary driver of the change was significant proceeds earned on the sale of investments. Sale proceeds were offset by cash used for the acquisition of property and equipment, loans advanced for strategic investment purposes, and cash-based purchase consideration in the FloraCal acquisition.

CASH PROVIDED BY FINANCING ACTIVITIES
Cash provided by financing activities during the nine months ended September 30, 2018 increased significantly primarily due to cash raised through bought deal financing in April 2018, proceeds from a convertible debt issuance in July 2018, proceeds from exercised warrants, and proceeds from Trichome's private placement in September 2018.

FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its ability to raise additional funds through debt and/or equity financing to support expansion via acquisition, investment, continued operations, and to meet liabilities and commitments. Specifically, as of September 30, 2018 the Company has a history of losses with an accumulated deficit of $25.1 million, share capital of $105.8 million and working capital of $63.7 million. This compares to an accumulated deficit of $22.4 million, share capital of $50.0 million and working capital of $5.8 million as at December 31, 2017.

CAPITAL ACTIVITIES

The Company manages its capital with the objective of maximizing shareholder value and sustaining future development of the business. The Company defines capital as the Company's equity and any debt it may issue. The Company manages its capital structure based on the funds available to support its activities. Upon approval from the Board, management will undertake to balance its overall capital structure through new share issuances, or by undertaking other activities as deemed appropriate under specific circumstances including the potential divestiture of non-core assets.

The Company's principal capital needs are for funds to use towards its current investments, pipeline projects, upcoming product launches, expansion into new markets and general working capital requirements to support growth. These currently include the March 2018 acquisition of Kaya and Alta, the July 2018 acquisition of FloraCal, the September 2018 acquisition of RVR, and the potential close of the 180 Smoke acquisition in upcoming months. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock and convertible debt.

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed primarily of equity of $147.2 million. The Company's primary uses of capital are to invest in the expansion of its manufacturing and distribution footprint in California, in the commercialization of its brands and the development and acquisition of other branded products. The Company also uses capital to finance operating losses, capital expenditures and increases in non-cash working capital. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity to help build its investments to ultimately generate above market returns.

The Company monitors its capital based on the adequacy of its cash resources to fund its business plan. To maximize flexibility to finance the Company's ongoing growth, Origin House does not currently pay a dividend to holders of its common shares. Other than refocusing efforts on its California expansion and moving away form passive investments which are now considered non-core, the Company did not institute any changes to its capital management strategy during this fiscal year.

Outstanding and potentially dilutive share count information

The Company's authorized share capital is an unlimited number of common shares of which 55,202,247 were issued and outstanding as at September 30, 2018 (December 31, 2017 – 43,898,445 common shares). The Company has issued 3,487,832 RSUs that have not been exercised as at September 30, 2018 including 2,357,837 that have vested (December 31, 2017 – 4,153,150 including 1,933,587 that had vested). As of September 30, 2018, there are share purchase warrants and broker warrants outstanding that can potentially be converted to 3,549,765 shares (December 31, 2017 – 4,112,712). The Company has issued 930,500 share options that have not been exercised as at September 30, 2018 including 320,750 that have vested (December 31, 2017 – 850,000 including 212,500 that had vested).

ACCOUNTING MATTERS

Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the interim financial report and this interim MD&A (the "Interim Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the Interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the filings; and (b) the Interim Filings together with the other financial information included in these Interim Filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the Interim Filings. The Company was a venture issuer as of September 30, 2018. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis Disclosure Controls and Procedures and Internal Controls Over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Adoption of New Accounting Standards

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 is required to be applied for reporting periods beginning on or after January 1, 2018, with retrospective application. The new standard includes a model for the classification and measurement of financial instruments and a single forward-looking expected loss impairment model. The Company's financial performance and financial position is currently not materially affected by the retrospective application of the standard.

The table below outlines the impact of implementing IFRS 9:

	As reported at December 31, 2017	Estimated adjustment due to adoption of IFRS 9	Estimated adjusted opening balance at January 1, 2018
Allowance for doubtful trade receivables	$ (28,026)	$ (109,138)	$ (137,164)
Accumulated deficit	(22,381,817)	(109,138)	(22,490,955)

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 is required to be applied for years beginning on or after January 1, 2018. The International Accounting Standards Board and the Financial Accounting Standards Board of the United States worked on this joint project to clarify the principles for the recognition of revenue. The new standard was released in May 2014 and supersedes existing standards and interpretations including IAS 18, *Revenue*. The Company has applied IFRS 15, subject to permitted and elected practical expedients. The effects of the new standard and the materiality of those effects will vary by industry and entity. The effect on Origin House is not significant, and as such retrospective adjustments were not material.

Future Accounting Pronouncements

IFRS 16, *Leases ("IFRS 16")*

This standard specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company currently has a long-term lease agreement for office space in Ottawa and Toronto as well as manufacturing and distribution spaces in California. Under IFRS 16, these leases would result in an additional right of use asset and lease liability being recorded on the Company's balance sheet. The Company is currently evaluating the impact of adopting this standard; however, it expects the adoption of this standard to increase assets and liabilities as it will be required to record a right-of-use asset and a corresponding lease liability in its financial statements.

Related Party Transactions

The company has had the following related party transactions during the nine months ended September 30, 2018:

a) As part of the acquisition of Kaya and Alta, the Company inherited two loans worth a total of $71,639 (US$ 55,500) to the former majority shareholder of the acquired companies. This individual is now a member of the Company's key management. These loans were fully repaid within the quarter.

b) During the second and third quarters the Company issued 633,924 common shares to a member of key management. These were issued based on Alta and Kaya reaching certain post acquisition performance milestones.

c) The Company has an exclusive distribution rights agreement with a party that is significantly influenced by a member of key management. This agreement guarantees royalty payments of US$3.6 million based on separate quarterly guarantees over a 5-year period ending December 31, 2022. As part of this agreement, Origin House issued 125,022 shares to this distributor for a value of $480,450, of which $419,510 (US$325,000) serve as prepaid royalty payments. During the fiscal year, the distributor has earned royalties of $186,474.

   As part of this agreement, the Company also agreed to spend a minimum of $1.3 million (US$ 1.0 million) on operational infrastructure and sales and marketing prior to the end of February 2020.

d) The Company has a balance owing of $506,841 to an entity owned by a member of key management for inventory that was purchased by Kaya at the beginning of fiscal 2018. This entity is now inactive, and no future purchase transactions are expected.

e) Working capital adjustments related to the Alta acquisitions, totalling $465,386 are owed from a member of key management, and former owner of Alta.

f) Rent expense of $168,531 was paid to a Board member in relation to FloraCal's production facility.

Financial instruments

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk, interest rate risk, liquidity risk and credit risk of non-performance by counter parties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The following table sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below. Unless otherwise noted, carrying values approximate fair values for each financial instrument:

	September 30, 2018	December 31, 2017
Fair value through profit or loss:		
Cash and cash equivalents	**$ 75,282,348**	$ 4,522,644
Investments	**6,852,062**	17,243,342
Loans Receivable	**1,022,454**	-
Convertible notes receivable	**-**	373,127
Financial assets at amortized cost:		
Loans receivable	**353,712**	1,102,168
Amounts receivable	**2,857,100**	1,429,123
Financial liabilities at amortized cost:		
Amounts payable	**12,579,989**	1,606,689
Line of credit	**-**	826,517
Convertible debt	**27,909,598**	1,431,950
Loans payable and other liability	**13,184,582**	425,345

Determination of fair value

The estimated fair values of cash, trade and amounts receivable, loans receivable, loans payable, and trade and amounts payable approximate their carrying values due to the relatively short-term nature of the instruments.

Fair value measurements recognized in the consolidated statements of financial position must be categorized in accordance with the following levels:

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

The Company's financial instruments carried at fair value consist of cash (Level 1), and investments (Level 3). The embedded derivatives are valued using observable market inputs such as prime rate of borrowing and the Company's stock price. Level 2 valuations have been completed for investments using observable share price data from completed financing transactions. The Company has not transferred any financial instruments between Level 1, 2 or 3 of the fair value hierarchy

REGULATORY OVERVIEW

Staff Notice 51-352 is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly and indirectly involved through its subsidiaries and investments. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Summary of U.S. Cannabis Activity

Origin House has exposure to U.S. cannabis-related activities through (i) the manufacture and sale of its cannabis consumer products in the State of California, (ii) material investments in companies it does not control that operate in the States of California, Arizona and Florida and (iii) immaterial investments or ancillary involvement in companies it does not control that operate in Oregon, Washington and Puerto Rico.

Historically, the Company has manufactured its cannabis consumer products in the State of California through licensed third-party contract manufacturers. The finished products have been primarily sold through licensed distributors to licensed retailers, although some direct sales to licensed retailers were completed through a California cannabis collective controlled by the Company. All such activity is recorded through U.S. operating subsidiaries in which the Company has a controlling interest and is also reflected in the Company's financial statements as intangible assets arising from acquisitions.

With the Company's acquisition of Kaya and Alta and the proposed acquisition of RVR, the Company has acquired and agreed to acquire, respectively, licensed manufacturers and distributors in the State of California, and, as a result, will be directly engaged in the licensed manufacture and distribution of the Company's cannabis consumer products.

Resolve is not included as a U.S.-based investment as its assets are predominantly intellectual property and, with the exception of a letter of intent in Florida, it was not directly or indirectly engaged in cannabis-related activity in the U.S. as at December 31, 2017.

The non-controlling investments held by the Company include equity-accounted investments, investments without significant influence, royalty investments and receivables, loans and advances receivable, and convertible notes receivable.

The following table is a summary of Origin House's balance sheet exposure to U.S. cannabis-related activities as of September 30, 2018:

	Operating Subsidiaries	Non-controlling Investments	Total
Current assets	$ 11,814,037	$ 1,739,398	$ 13,553,435
Non-current assets	114,471,316	8,899,510	123,370,826
Total Assets	$ 126,285,353	$ 10,638,908	$ 136,924,261
Current liabilities	(10,708,038)	(873,759)	(11,581,796)
Non-current liabilities	(15,677,617)	-	(15,677,617)
Total Liabilities	$ (26,385,655)	$ (873,759)	$ (27,259,413)

Goodwill and intangibles related to the acquisition of U.S.-based subsidiaries are included within the operating subsidiaries non-current assets balance.

The following is a summary of operating losses from U.S. cannabis-related activities for the three months ended September 30, 2018:

	Operating Subsidiaries	Non-controlling Investments	Total
Revenue	$ 6,256,395	$ 187,125	$ 6,443,520
Cost of sales	(5,943,471)	(172,131)	(6,115,602)
Gross margin			327,918
Less - Operating expenses			(5,822,644)
			$ (5,494,726)
Other Income			
Gain on the sale of licensed technology			4,196,477
Gain fair value of investments			1,277,206
Gain on settlement of acquisition			1,098,374
Recovery of convertible notes receivable			383,460
Gain from equity accounted investees, net of tax			248,755
Net Income			$ 1,709,546

The operating expenses above include expenses directly incurred by U.S. subsidiaries, the Company's U.S. corporate office, and the amortization of intangible assets. These operating expenses do not include any allocation of costs incurred at our Canadian head office and for Canadian employees. They also exclude any share-based compensation, and service charges from the Company's Canadian marketing subsidiary which would be eliminated on consolidation.

During the three and nine months ended September 30, 2018, the Company's Canadian-based subsidiaries have provided services of $50,000 and $701,067, respectively to non-related companies in the U.S. cannabis sector ($194,156 and $546,425, respectively in 2017).

The following represents the portion of certain assets on Origin House's consolidated balance sheet that pertain to U.S. Cannabis activity as at September 30, 2018:

Balance Sheet Line Item	**Percentage which Relates to Investments/Holdings with U.S. marijuana-related activities**
Investments	90%
Royalty investments	100%
Intangible assets and goodwill	98%

The Company has looked at all its holdings that are based in the United States and given that none of these holdings have any Canadian operating activity, the Company's full investment in such entities was included in its assets.

Readers are cautioned that the foregoing financial information, though extracted from the Company's financial systems that support its Annual Financial Statements, has not been audited in its presentation format and accordingly is not in compliance with IFRS based on consolidation principles.

United States Federal Overview

In the United States, thirty states, Washington D.C. and Puerto Rico have legalized medical marijuana, and ten states and Washington D.C. have legalized recreational marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("DOJ"), issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state-regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by former Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, former A.G. Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. Our outside U.S. counsel, Vicente Sederberg LLC, continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential enforcement hawk after stating that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled

Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

It is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum. While initial fears of a nationwide "crackdown" have not yet materialized, considerable uncertainty remains.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a purely legal perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, 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 found guilty of money laundering, aiding and abetting, or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" ("SAR") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memo") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact. Like the (now rescinded) Cole Memorandum, the FinCEN Memorandum is not law, but enforcement guidance, and would not protect a cannabis business if a prosecution were to materialize.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company's existing investments in the United States, and any future investments, 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. See "Risk Factors".

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 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 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. See "Risk Factors".

Further, 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 medical cannabis 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. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matter 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. See "Risk Factors".

U.S. Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has used a rider provision in the FY 2015, 2016, 2017 and 2018 Consolidated Appropriations Acts (currently the "Joyce Amendment") to prevent the Department of Justice from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law.

The Joyce Amendment was renewed on September 28 as part of a short-term spending bill and will remain in effect through December 7, 2018. At such time, there are several possibilities: Congress could pass a FY 2019 budget, in which case it could either include the Leahy Amendment (or a similar amendment), or Congress could fail to pass any kind of a budget, in which case a government shutdown would result and the protections of the Leahy Amendment would end.

Ability to Access Public and Private Capital

The Company has had historically, and continues to have, robust access to equity and debt financing from the public and prospectus exempt (private placement) markets in Canada. While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has: (i) access to equity financing through the public markets in Canada, and (ii) a $12 million credit facility available from Sprott Canna Holdco Corp. The Company's executive team and board also have extensive relationships with sources of private capital (such as funds and high net worth individuals), that could be investigated at a higher cost of capital. Further, the Company is actively pursuing an asset rationalization strategy to divest itself of portfolio assets that do not relate to its core business. Proceeds from the sale of such assets would be used to finance the continued growth of the Company's business.

If such equity and/or debt financing were no longer available in the public markets in Canada due to changes in applicable law, then the Company expects that it would have access to raise equity and/or debt financing privately.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "Risk Factors - Banking" and "Risk Factors – Additional Financing".

State-Level Overview

The following sections present an overview of market and regulatory conditions for the marijuana industry in U.S. states in which Origin House has a substantial operating presence and is presented as of September 30, 2018, unless otherwise indicated. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis would neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company.

<u>California Summary</u>

In 1996, California voters approved Proposition 215, also known as the Compassionate Use Act, allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act" ("MCRSA"). In 2016, California voters passed "The Adult Use of Marijuana Act" ("AUMA"), which legalized adult-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combined California's medicinal and adult-use cannabis regulatory frameworks into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("MAUCRSA").

Pursuant to MAUCRSA: (1) CalCannabis, a division of the California Department of Food and Agriculture, issued licenses to cannabis cultivators: (2) the Manufactured Cannabis Safety Branch (the "MCSB"), issues licenses to cannabis manufacturers, and (3) the California Department of Consumer Affairs, via its agency the Bureau of Cannabis Control (the "BCC"), issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and updated them with revisions in June 2018. The three agencies also released the first draft of their permanent rulemakings in July 2018 and the second draft of their permanent rulemakings in October 2018, which are currently undergoing the rulemaking process. All three agencies began issuing temporary licenses in January 2018 and are currently evaluating annual license applications.

To operate legally under state law, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining state licensure from all three state licensing agencies, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The State has not set a limit on the number of state licenses an entity may hold, unlike other states that have restricted how many cannabis licenses an entity may hold in total or for various types of cannabis activity. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are also no residency requirements for ownership under MAUCRSA.

The Company is "directly" involved in the cultivation and distribution of cannabis in California as a result of the acquisition of Kaya and Alta Supply (the "California Operators"). The California Operators have represented to the Company that their business was conducted in compliance with the regulatory framework enacted by the State of California. The California Operators are in compliance with all applicable California laws, regulations, and guidelines.

While the Company has not produced products pursuant to any A class license, certain of Company's distributors may be transacting in Company's products with A class retailers. California's current cannabis regulations permit licensees to conduct business with other licensees, irrespective of the A-Class or M-Class designation on their licenses.

Below is an overview of some of the principal license types issued in California (each of which can be issued with a Medical (M-Class) or Adult-Use (A-Class) designation):

- Type 6: authorized to manufacture cannabis products using mechanical or non-volatile solvent extractions.
- Type 7: authorized to manufacture cannabis products using volatile solvent extractions.
- Type N: authorized to manufacture cannabis products (other than extracts or concentrates) using infusion processes but does not conduct extractions.
- Type P: authorized to only package or repackage cannabis products or relabel the cannabis product container.
- Type 8: authorized to test the chemical composition of cannabis and cannabis products.
- Type 9: authorized to conduct retail cannabis sales exclusively by delivery.
- Type 10: authorized to sell cannabis goods to customers.
- Type 11: authorized to transport and store cannabis goods purchased from other licensed entities, and sell them to licensed retailers, and is responsible for laboratory testing and quality assurance to ensure packaging and labeling compliance.
- Type 13: authorized to transport cannabis goods between licensed cultivators, manufacturers, and distributors.

The following table outlines the current and pending licences held by the Company's wholly-owned subsidiaries:

Company	Current License Type	Pending License Type
Alta	Temporary - Type 11/A	Annual - Type 11/AM
FloraCal (Cultivation)	Temporary - Medium Indoor	Annual - Medium Indoor
FloraCal (Processing)	Temporary - Processor	None
Kaya	Temporary - Type 6/A	Annual - Type 6/AM
RVR	Temporary - Type 11/AM	Annual - Type 11/AM

Local Licensure, Zoning and Land Use Requirements

To obtain a state license, cannabis operators must first obtain local authorization, which is a prerequisite to obtaining state licensure. All three state regulatory agencies require confirmation from the applicable locality that an applicant is in compliance with local requirements and has either been granted authorization to, upon state licensure, continue previous cannabis activities or commence cannabis operations. One of the basic aspects of obtaining local authorization is compliance with all local zoning and land use requirements. Local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. Some localities have limited the number of authorizations an entity may hold in total or for various types of cannabis activity. Others have tiered the authorization process, granting the initial rounds of local authorization to applicants that previously conducted cannabis activity pursuant to the Compassionate Use Act or those that meet the locality's definition of social equity.

Record-Keeping and Continuous Reporting Requirements

California's state license application process additionally requires comprehensive criminal history, regulatory history and personal disclosures for all owners. Any criminal convictions or civil penalties or judgments occurring after licensure must promptly be reported to the regulatory agency from which the licensee holds a license. State licenses must be renewed annually. Disclosure requirements for local authorization may vary, but generally tend to mirror the State's requirements.

Licensees must also keep detailed records pertaining to various aspects of the business for up to seven years. Such records must be easily accessible by the regulatory agency from which the licensee holds a license. Additionally, licensees must record all business transactions, which must be uploaded to the statewide traceability system, once the system has been implemented by CalCannabis.

Operating Procedure Requirements

Applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

Site-Visits & Inspections

The California Operators will not be able to obtain or maintain state licensure, and thus engage in commercial cannabis activities in the state of California without satisfying and maintaining compliance with state and local law. As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

Compliance Procedures

The California Operators utilize Simplifya, an enterprise compliance platform, which integrates the California Operators' inventory management program and standard operating procedures with the software's compliance checklists and auditing features to facilitate continued compliance with state and local requirements. Simplifya is a comprehensive compliance software solution that was developed specifically for the cannabis industry in collaboration with the nation's premier marijuana law firm, Vicente Sederberg LLC, who has been instrumental in the drafting and implementation of state and local cannabis regulatory programs across the country and in multiple California municipalities. The software features a robust auditing system that allows for both internal as well as third-party compliance auditing, covering all state and municipal, facility and operational requirements. Regulations are monitored in real-time and software updates are timely released to account for any changes. Simplifya offers standard operating procedure building tools to facilitate the implementation and maintenance of compliant operations and tracks all required licensing maintenance criteria, which include countdown features and automatically generated reminders for initiating renewals and required reporting.

The Company's purchase of the California Operators was contingent on both companies' continued ability to operate in compliance with state and local law. The Company has the right to visit and inspect the California Operators' facilities and operations to monitor and ensure continued compliance. The Company has developed a robust Compliance Program designed to ensure operational and regulatory requirements continue to be satisfied, and has retained Vicente Sederberg LLC, as local outside counsel to monitor the Company's compliance with U.S. state law on an ongoing basis. The Company will continue to work closely with Vicente Sederberg LLC to develop and improve its internal Compliance Program and will defer to their legal opinions and risk mitigation guidance regarding California's complex regulatory framework. The internal Compliance Program, including the use of Simplifya, requires continued monitoring by managers and executives of the California Operators' to ensure all operations conform with legally compliant standard operating procedures. The Company further requires its California Operators to report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them.

Arizona Summary

The Arizona Medical Marijuana Program ("AZDHS Program"), is governed by Title 9; Chapter 17 Department of Health Services Medical Marijuana Program (the "AZDHS Rules") and A.R.S. § 36-2801 et seq., as amended from time to time (the "Act") (the AZDHS Rules and the Act collectively referred to herein as the "AMMA"). The Act, which was approved by the Arizona voters in 2010 provides the legal requirements and restrictions and in conjunction with the applicable rules, guidelines and requirements, promulgated by the Arizona Department of Health Services ("AZDHS"). In addition, each local municipality has also implemented various zoning and entitlement rules, regulations and restrictions applicable to the various medical marijuana uses, implementing distance and setback limitations, square footage maximums, security requirements and special use permit obligations among others. All AZDHS applications related to the licensing and operation of a medical marijuana facility requires, in addition to the AZDHS approvals, verification that such property and/or building(s) comply with all local zoning, land use and entitlements. This is accomplished with the execution and submittal of a "Zoning Attestation" in conjunction with the applicable AZDHS application and required documentation.

ARS § 36-2801(11) defines a ''non-profit medical cannabis dispensary'' as not-for-profit entity that acquires, possesses, cultivates, manufactures, delivers, transfers, transports, supplies, sells or dispenses cannabis or related supplies and educational materials to cardholders (a ''Dispensary''). In order for an applicant to receive a Dispensary Registration Certificate (a ''Certificate'') they must: (i) fill out an application on the form proscribed by AZDHS, (ii) submit the applying entity's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer or board member of the applicant for a background check to exclude felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the Dispensary will operate in compliance and (v) designate an Arizona licensed physician as the Medical Director for the Dispensary. Certificates are renewed annually so long as the Dispensary is in good standing with AZDHS and pays the renewal fee and submits an independent third-party financial audit.

Once an applicant has been issued a Certificate, they are required to establish one physical retail dispensary location and they may establish one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning) and one additional off-site cultivation location. None of these sites can be operational, however, until the Dispensary receives an approval to operate from AZDHS for the applicable site. This approval to operate requires: (i) an application on the AZDHS form, (ii) demonstration

of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by AZDHS of the applicable location to ensure compliance with the Rules and consistency with the Dispensary's applicable policies and procedures.

Any Dispensary facility (both retail and cultivation) must abide by an exhaustive list of compliance and security requirements, including, but not limited to the following: (i) ensure that access to the facilities is limited to authorized Dispensary Agents who are in possession of a Dispensary Agent card, (ii) equip the facility with: (a) intrusion alarms and surveillance equipment, (b) exterior and interior lighting to facilitate surveillance, (c) at least one 19-inch monitor for surveillance and a video capable of printing a high resolution still image, (d) high resolution video cameras at all points of sale, entrances, exits, and limited access areas, both in and around the building, (e) 30 days' video storage, (f) failure notifications and battery backups for the security system and (g) panic buttons inside each building.

Dispensaries may transport medical cannabis between their own sites or between their sites and another Dispensary's sites and must comply with the following Rules: (i) prior to transportation, the Dispensary's agent must complete a trip plan showing: (a) the name of the dispensary agent in charge of transporting the cannabis, (b) the date and start time of the trip, (c) a description of the cannabis, cannabis plants, or cannabis paraphernalia being transported; and (d) the anticipated route of transportation, (ii) during transport the Dispensary Agent shall: (a) carry a copy of the trip plan at all times, (b) use a vehicle with no medical cannabis identification, (c) carry a cell phone, and (d) ensure that no cannabis is visible, and (iii) Dispensaries must maintain trip plan records.

AZDHS may inspect a facility at any time upon five days' notice to the Dispensary. However, if someone has alleged that the Dispensary is not in compliance with the AMMA or the Rules, AZDHS may conduct an unannounced inspection. AZDHS will provide written notice to the Dispensary of any deficiencies found during any inspection and the Dispensary then has 20 working days to take corrective action and notify AZDHS.

AZDHS has the right to commence proceedings to withdraw a Certificate if a Dispensary: (i) operates before obtaining approval to operate a dispensary from the Department, (ii) dispenses, delivers, or otherwise transfers cannabis to an entity other than another dispensary with a valid dispensary registration certificate issued by the Department, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, (iii) acquires usable cannabis or mature cannabis plants from any entity other than another dispensary with a valid dispensary registration certificate issued by the Department, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, or (iv) if a principal officer or board member has been convicted of an excluded felony offense; (v) does not: (i) comply with the requirements of the AMMA or the Rules, (ii) does not implement the required policies and procedures or comply with the statements provided to the Department with the dispensary's application.

Florida Summary

The State of Florida Statute 381.986(8)(a) provides a regulatory framework that requires licensees, which are statutorily defined as ''Medical Marijuana Treatment Centers'' (''MMTC''), to cultivate, process and dispense medical cannabis in a vertically integrated marketplace.

Applicants must demonstrate (and licensed MMTC's must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have

the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the 2-year approval cycle, including the provision of certified financial statements to the department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees.

Upon approval of the application by the Department, the applicant must post a performance bond of up to US$5 million, which may be reduced by meeting certain criteria.

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

With respect to security requirements for cultivation, processing and dispensing facilities, an MMTC must maintain a fully operational alarm system that secures all entry points and perimeter windows, and is equipped with motion detectors, pressure switches, and duress, panic and hold-up alarms. The MMTC must also have a 24-hour video surveillance system with specified features. MMTCs must retain video surveillance recordings for at least 45 days, or longer upon the request of law enforcement.

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

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

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

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

Puerto Rico Summary

In May of 2015 the Governor Alejandro Garcia Padilla of Puerto Rico signed an executive order legalizing medical cannabis. The Puerto Rico Health Department ("PRHD") was tasked with developing regulations for the production, manufacturing, and sales of medical cannabis and medical cannabis products. In January of 2016, the PRHD published their initial set of regulations governing the medical program. Puerto Rico permits the use of medical cannabis pills, creams, patches, tinctures, suppositories, and cannabis for vaporization only. Smoking medical cannabis is prohibited in Puerto Rico. The program has a wide range of qualifying conditions including chronic pain, severe nausea, and migraines as well as cancer, HIV, AIDs, Crohn's disease and other conditions often included in state medical marijuana programs. Further regulations were promulgated by the Regulations of Puerto Rico Department of Health No. 8766 in July of 2017 before being amended and then repealed.

Puerto Rico's medical cannabis system is now governed by Ley 42-2017, which will be accompanied by Reglamento 9038, to be implemented July 2, 2018. These changes have created and will create a better-regulated system of medical cannabis for Puerto Rico. Puerto Rico will have five distinct classes of traditional business licenses: cultivation, manufacturing, dispensing, transportation, and laboratory. Occupational licenses are also issued to (and required for) those working in the industry, all of whom are subject to background check. Research institutions are also licensed. PRHD will have the authority to determine the number of licensees in each category within statutory limitations, taking into account the geographic distribution of dispensaries, among other factors.

Dispensaries are limited to dispensing a 30-day supply of medical cannabis to patients and patients may acquire only one ounce per day which will be enforced through the use of a patient database to ensure that one patient does not obtain more than the allowed amount by visiting multiple dispensaries. Patients must have a valid medical card issued by PRHD in order to obtain any medical cannabis from a licensed dispensary.

Medical cannabis licensees in Puerto Rico must comply with strict operating requirements to maintain their licensure. Licensees must implement an inventory tracking system capable of tracking medical cannabis from seed to sale and must also use a required tracking system to protect against the laundering of money. The premises of any licensed business must have appropriate access restrictions, including developments of limited access areas to ensure that only authorized individuals may be present. Licensees must also ensure that their premises meet strict requirements for sanitation and safety, included but not limited to ensuring that adequate first-aid precautions are taken. Premises are subject to inspection by the PRHD to ensure compliance with all of these rules.

Security regulations will be extensive. Ley 42-2017 requires that licensees have a security system capable of continuous 24/7 monitoring and transmitting videos and photos in real time to a central location from which the system is monitored. All licensees must have at least one security guard during all hours of operations or when otherwise open to the public.

Puerto Rico has strict residency requirements for medical cannabis business ownership that stipulate the business entity must be held at least 51% by Puerto Rican residents. The medical marijuana program does not require cultivation and dispensing operations to be vertically integrated, but also does not prohibit a single entity from holding a cultivation, manufacturing, and dispensing license. Puerto Rico has also implemented an online portal to facilitate the registration process for both doctors and patients that will provide easier access to the regulated medical cannabis program.

<u>Oregon Summary</u>

Oregon has both medical and adult-use marijuana programs. In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical marijuana law with an inclusive set of qualifying conditions that include chronic pain. In 2013, the legislature passed, and governor signed, House Bill 3460 to create a regulatory structure for existing unlicensed medical marijuana businesses. However, the original regulations created by the Oregon Health Authority ("OHA") after the passage of House Bill 3460 were minimal and only regulated storefront dispensaries, leaving cultivators and infused-product manufacturers within the unregulated patient/caregiver system.

On June 30, 2015, Gov. Kate Brown signed House Bill 3400 into law, which improved on the existing regulatory structure for medical marijuana businesses and created a licensing process for cultivators and processors. In November of 2014, Oregon voters passed Measure 91, "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act", creating a regulatory system for individuals 21 years of age and older to purchase marijuana for personal use from licensed marijuana businesses.

The Oregon Health Authority licenses and regulates medical marijuana businesses and the Oregon Liquor Control Commission ("OLCC") licenses and regulates adult-use marijuana businesses. There are six distinct types of license types are available for medical and adult-use businesses: cultivation, manufacturing ("processing"), wholesaling, dispensing, testing and research. Vertical integration between cultivation, processing, and sales is permissible, but not required, for both medical and adult-use.

While the law originally did not impose a limit on the number of licenses the state could issue, as of June 15, 2018, the OLCC is currently under a temporary moratorium and at this time is not accepting applications for recreational marijuana business licenses. Local governments may restrict the number of both medical or adult-use marijuana businesses. Laws passed during the 2016 legislative session removed the two-year residency requirement that existed within House Bill 3400.

Washington Summary

Washington State has created a comprehensive regulatory system for the production, processing and retail sale of marijuana to adults 21 and over, which incorporates the production and sale of medical marijuana. The original medical marijuana law, passed by voters in 1998, provided authorized patients and their designated caregiver a defense against criminal charges related to possessing or using medical marijuana and allowed physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The legislation was amended in 2007 and 2010 to identify additional medical conditions for which medical marijuana could be authorized. In 2011, legislation was passed that would have authorized medical dispensaries, but most of the statute was vetoed by the Governor, which left the regulation of medical marijuana businesses in limbo.

When Initiative 502 legalized marijuana for adults 21 years of age and older in 2012, it only regulated adult-use marijuana businesses which continued to leave the unregulated medical marijuana establishments in a precarious situation. The Governor of Washington then signed Senate Bill 5052 in 2015, which forced the closure of existing unregulated medical dispensaries and allowed existing adult-use retail marijuana stores to apply for a "medical marijuana endorsement" to sell medical marijuana tax free to registered qualifying patients and their designated caregivers.

The Washington State Liquor and Cannabis Board ("WSLCB") regulates adult-use marijuana businesses and those with a medical endorsement. The WSLCB licenses cultivation facilities, product manufacturing facilities ("processors"), retail stores, transportation licensees, research licenses and testing facilities. All individuals and entities considered a "true party of interest" in a marijuana business license must have at least six months of Washington residency.

Unlike many other states, Washington prohibits vertical integration between adult-use marijuana retailers and cultivators and processors. Common ownership between cultivation and processors is permitted. A single entity, and/or principals within an entity, are limited to no more than three marijuana producer licenses, and/or three marijuana processor licenses, or five retail marijuana licenses.

The WSLCB re-opens its application process for growers, processors or retail stores at its discretion, taking into consideration factors such as consumption data and population dynamics. The state is currently not accepting new applications for growers, processors or retail stores.

Nevada Summary

Nevada has a medical marijuana program and passed an adult-use legalization through the ballot box 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 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 Nevada Department of Taxation. 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.

Under Nevada's adult-use marijuana law, the Department of Taxation licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the "Marijuana Enforcement Division of the Department of Taxation." For the first eighteen months, applications to the Department for adult-use establishment licenses can only be accepted from existing medical marijuana establishments and existing liquor distributors for the adult-use distribution license.

In February 2017, the Nevada Department of Taxation announced plans to issue "early start" recreational marijuana establishment licenses in the summer of 2017. These licenses, beginning 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. Starting 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 have 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 Marijuana Enforcement Division of the Department of Taxation 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.

The Company has no investments in Nevada; rather, the Company has entered into consulting services arrangement with several parties, which involve brand and advisory services that are primarily performed remotely. The chart of the Company's material assets and investments set out above does not include any of the Company's Nevada-based investments because the Company's involvement in Nevada is limited to the provision of immaterial ancillary consulting services.

Compliance with Applicable State Law in the United States

Each of the Company's investees that is involved in the U.S. marijuana industry (which are identified on the Company's material assets and investments set out above as having "Direct" or "Indirect" involvement in the U.S. marijuana industry) (collectively, the "Licensed Entities") hold licenses that are in good standing to cultivate, possess and/or distribute marijuana in its respective state in the United States. Each of the Company's investees currently classified as having a "Direct" involvement in the U.S. marijuana industry (being the California Operators) is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. With respect to the Company's investees currently classified as having an "Indirect" involvement in the U.S. marijuana industry (being AltMed and RVR), the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Additionally, the Company is not aware of: (i) any non-compliance by any Licensed Entity with respect to its marijuana-related activities, or (ii) any notices of violation with respect to any Licensed Entity's marijuana-related activities by its respective regulatory authority. For a description of the compliance program for the Company's investees currently classified

as having “Direct” involvement in the U.S. marijuana industry (being the California Operators) please see the section entitled “State Level Overview – California Summary – Compliance Procedures”.

Except as otherwise disclosed herein, for each of the Company’s investees that is involved in the U.S. marijuana industry listed in the chart of the Company’s material assets and investments set out above and classified as having anything other than “Direct” or “Indirect” involvement in the U.S. marijuana industry (including, for greater certainty, Rich Extracts and Natural Ventures) (the “Non-Licensed Entities”), to the best of the Company’s knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state for any of such Non-Licensed Entity’s business and the Company is not aware of: (i) any non-compliance by that Non-Licensed Entity with respect to its marijuana-related activities, or (ii) any notices of violation with respect to any Non-Licensed Entity’s marijuana-related activities by its respective regulatory authority.

While the Company’s business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law.

Canada

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force, legalizing the sale of cannabis for adult recreational use. Prior to the Cannabis Act and the Cannabis Regulations coming into force, only the sale of medical cannabis was legal and was regulated by the Access to Cannabis for Medical Purposes Regulations (Canada) (the “ACMPR”) made under the Controlled Drugs and Substances Act (Canada) (the “CDSA”), and the Cannabis Act and the Cannabis Regulations also replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, sale and distribution of medical cannabis and related oil extract.

The Cannabis Act permits the recreational adult use of cannabis and regulates the production, distribution and sale of cannabis and related oil extracts in Canada, for both recreational and medical purposes. Under the Cannabis Act, Canadians who are authorized by their health care practitioner to use medical cannabis have the option of purchasing cannabis from one of the producers licensed by Health Canada and are also able to register with Health Canada to produce a limited amount of cannabis for their own medical purposes or to designate an individual who is registered with Health Canada to produce cannabis on their behalf for personal medical purposes.

Pursuant to the Cannabis Act, subject to provincial regulations, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, and cannabis plants or seeds and are able to possess 30 grams of dried cannabis, or the equivalent amount in fresh cannabis or cannabis oil. The Cannabis Act also permits households to grow a maximum of four plants. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption.

Provincial and territorial governments in Canada have made varying announcements on the proposed regulatory regimes for the distribution and sale of cannabis for adult-use purposes. For example, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Yukon and the Northwest Territories have chosen the government-regulated model for distribution, whereas Saskatchewan and Newfoundland & Labrador have opted for a private sector approach. Alberta, Ontario, Manitoba, Nunavut and British Columbia have announced plans to pursue a hybrid approach of public and private sale and distribution.

In connection with the new framework for regulating cannabis in Canada, the Federal Government has introduced new penalties under the Criminal Code (Canada), including penalties for the illegal sale of cannabis, possession of cannabis over the prescribed limit, production of cannabis beyond personal cultivation limits, taking cannabis across the Canadian border, giving or selling cannabis to a youth and involving a youth to commit a cannabis-related offence.

On July 11, 2018, the Federal Government published regulations in the Canada Gazette to support the Cannabis Act, including the Cannabis Regulations ("Cannabis Regulations"), the new Industrial Hemp Regulations ("IHR", and together with the Cannabis Regulations, collectively, the "Regulations"), along with proposed amendments to the Narcotic Control Regulations and certain regulations under the Food and Drugs Act. The Regulations, among other things, outline the rules for the legal cultivation, processing, research, analytical testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licences that can be granted, and set standards for cannabis and hemp products. The Regulations include strict specifications for the plain packaging and labelling and analytical testing of all cannabis products as well as stringent physical and personnel security requirements for all federally licensed production sites. The Regulations also maintain a distinct system for access to cannabis. With the Cannabis Act now in force, cannabis has ceased to be regulated under the CDSA and is instead regulated under the Cannabis Act, and both the ACMPR and the IHR have been repealed effective October 17, 2018.

RISKS, UNCERTAINTIES AND FORWARD-LOOKING STATEMENTS

The words "plans", "expects", "is expected", "budget", "scheduled", "estimates" "forecasts", "intends", "anticipates", or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or to achieve are all forward-looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "RISKS AND UNCERTAINTIES". Although the Company has attempted to identify key factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. 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 such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company

does not undertake to update any forward-looking statements except as required by applicable securities laws.

The following are certain risk factors relating to the business carried on by the Company that prospective holders of Origin House Shares should carefully consider.

Risks Specifically Related to the United States Regulatory System

The Company's investments operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company's investments incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company's investments and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company's investments and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's investments' earnings and could make future capital investments or the Company's investments' operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company is expected to continue to derive a portion of its revenues 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. Origin House is involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions. Currently, the Company is indirectly and directly engaged in the manufacture and possession of cannabis in the medical and recreational cannabis marketplace in the United States. **The enforcement of relevant laws is a significant risk.**

Thirty of the states in the United States, Washington D.C. and Puerto Rico have enacted comprehensive legislation to regulate the sale and use of medical cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the United States Controlled Substances Act of 1970. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under United States federal law. Strict compliance

with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the United States Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future investments of the Company in the United States. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future investments in the United States.

For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators ("CSA") and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX 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 no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the Common Shares through the facilities of a stock exchange. The Company has obtained eligibility with the Depository Trust Company ("DTC") for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

The activities of Origin House's investments are, and will continue to be, subject to evolving regulation by governmental authorities. The Company's investments are directly or indirectly engaged in the medical and recreational cannabis industry in the United States, where local state law permits such activities, and in the legal medical cannabis industry in Canada, where recreational cannabis is not expected to be legalized until the Cannabis Act comes into force. The legality of the production, extraction, distribution and use of cannabis differs among North American jurisdictions.

Origin House's investments have been focused in states that have legalized the recreational use of cannabis. Currently, the states of Alaska, California, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont, Washington and the District of Columbia have legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, former U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's investments in such businesses would be materially and adversely affected notwithstanding the fact that the Company is not directly engaged in the sale or distribution of cannabis. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its investments.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the CSA published a staff notice (Staff Notice 51-352) setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.

Origin House's funding of the activities of investments involved in the medical and recreational cannabis industry through loans, royalties or other forms of investment, may be illegal under the applicable federal laws of the United States and other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under United States federal law. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States 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 medical cannabis 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. In addition, it is difficult for the Company 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.

There is still uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.

Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail in the annual information form filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- The Company has several investments into businesses that operate in the U.S., where cannabis is federally illegal;
- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;

- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;

- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;

- Under Section 280E of the Internal Revenue Code, normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable, business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced;

- Federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that Company will be able to maintain its existing accounts or obtain new accounts in the future; and

- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations.

The Company is 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 U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as 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), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. Further, under U.S. federal law, 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 found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, FinCEN issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities (the "FinCEN Memorandum"). The FinCEN Memorandum states that banks which provide services to cannabis-related businesses will not be an enforcement priority for FinCEN in connection with the attendant violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the United States Controlled Substances Act on the same day (the "2014 Cole Memo"). The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

The Company's investments, and any proceeds thereof, are considered proceeds of crime due to the fact that cannabis remains illegal federally in the United States. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risk of RICO prosecution or civil liability

The Racketeer Influenced Corrupt Organizations Act ("RICO") criminalizes the use of any profits from certain defined "racketeering" activities in interstate commerce. While intended to provide an additional cause of action against organized crime, due to the fact that cannabis is illegal under U.S. federal law, the production and sale of cannabis qualifies cannabis related businesses as "racketeering" as defined by RICO. As such, all officers, managers and owners in a cannabis related business could be subject to criminal prosecution under RICO, which carries substantial criminal penalties.

RICO can create civil liability as well: persons harmed in their business or property by actions which would constitute racketeering under RICO often have a civil cause of action against such "racketeers," and can claim triple their amount of estimated damages in attendant court proceedings. The Company as well as its officers, managers and owners could all be subject to civil claims under RICO, which would be expected to have a material adverse effect on the operations of the Company.

Notably, in late October 2018, a Colorado cannabis cultivator won a milestone victory in a RICO suit wherein it was alleged he created a noxious odor and other nuisances that depressed neighboring property values. While similar cases have been brought in other US states, this was the first time a suit filed under the RICO Act went to a jury, and it highlighted the high burden of proof a plaintiff must shoulder when filing suit.

Enforceability of Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Notwithstanding that cannabis-related businesses operate pursuant to the laws of states in which such activity is legal under state law, judges have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Company will be able to legally enforce contracts it enters into if necessary. If borrowers fail or refuse to repay loans and the Company is unable to legally enforce its contracts, the Company may suffer substantial losses for which it has no legal remedy, which would be expected to have a material adverse effect on the operations of the Company.

The Company's investments in the United States may be subject to heightened scrutiny by Canadian authorities.

For the reasons set forth above, the Company's existing investments in the United States, and any future investments, 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, in addition to those described herein.

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the Common Shares through the facilities of a stock exchange. The Company has obtained eligibility with DTC for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

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 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 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.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations, investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 46 states, plus the District of Columbia, that have legalized cannabis in some form, including Arizona and Florida as noted above in connection with the investment in AltMed. 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 in the United States and as such, may be in violation of federal law in the United States.

As previously stated, the United States Congress has passed appropriations bills (currently the "Joyce Amendment") each of the last four years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The 2018 Consolidated Appropriations Act was passed by Congress on March 23, 2018 and included the re-authorization of the Joyce Amendment.

The Joyce Amendment was renewed on September 28 as part of a short-term spending bill and will remain in effect through December 7, 2018. At such time, there are several possibilities: Congress could pass a FY 2019 budget, in which case it could either include the Leahy Amendment (or a similar amendment), or Congress could fail to pass any kind of a budget, in which case a government shutdown would result, and the protections of the Leahy Amendment would end.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the U.S. Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in the 2019 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

As previously stated, 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 medical cannabis 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. In addition, it is difficult for the Company 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 approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Change in Laws, Regulations and Guidelines

Each investment's current and proposed operations are subject to a variety of laws, regulations and guidelines, including, but not limited to, those relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operation. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations.

Changes in regulations, more vigorous enforcement thereof, the imposition of restrictions on the Company's ability to operate in the U.S. as a result of the federally illegal nature of cannabis in the U.S. or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Reliance on third-party suppliers, manufacturers and contractors

The Company intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, the Company and its investee's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

Investments May be Pre-Revenue

The Company may make investments in entities that have no significant sources of operating cash flow and no revenue from operations. As such, the Company's investments are subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company's investments will not be able to:

- implement or execute their current business plan, or create a business plan that is sound;
- maintain their anticipated management team; and/or
- raise sufficient funds in the capital markets or otherwise to effectuate their business plan.

If the Company's investments cannot execute any one or more of the foregoing, its businesses may fail, which could have a materially ad*verse impact on the business, financial condition and operating results of the Company.*

Lack of Control Over Operations of Investments

The Company relies on its investments to execute on their business plans and produce medical and/or recreational cannabis products and holds contractual rights and minority equity interest relating to the operation of the Company's investments. The operators of the Company's investments have significant influence over the results of operations of the Company's investments. Further, the interests of the Company and the operators of the Company's investments may not always be aligned. As a result, the cash flows of the Company are dependent upon the activities of third parties which creates the risk that at any time those third parties may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party's ability to perform its obligations. In addition, payments may flow through the Company's investments, and there is a risk of delay and additional expense in receiving such revenues. Failure to receive payments in a timely fashion, or at all, under the agreements to which the Company is entitled may have a material adverse effect on the Company. In addition, the Company must rely, in part, on the accuracy and timeliness of the information it receives from the Company's investments, and uses such information in its analyses, forecasts and assessments relating to its own business. If the information provided by investment entities to the Company contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

Private Companies and Illiquid Securities

The Company may invest in securities of private companies. In some cases, the Company may be restricted by contract or generally by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market, and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate.

Unfavourable Publicity or Consumer Perception

The regulated cannabis industry in the United States and Canada is at an early stage of its development. The Company believes the medical and recreational cannabis industry is highly dependent on consumer perception regarding the safety and efficacy of recreational and medical cannabis. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect on the business of the Company. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consumer such products legally, appropriately or as directed.

Public opinion and support for medical and recreational cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. Legalization of medical and recreational cannabis remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, legalization of medical marijuana as opposed to legalization in general).

Each of Origin House's investments' ability to gain and increase market acceptance of its products may require it, and/or Origin House, to establish and maintain brand names and reputation. Federal protection of trademarks may be difficult or impossible for Origin House to obtain in the United States, given the federal illegality of cannabis and the necessity of making "lawful use" of the trademark in commerce to obtain federal protection. While state-level protection is available, this nevertheless increases the risks in protecting Origin House's brands until such time as the Controlled Substances Act is amended by federal legislation. Furthermore, in order to obtain such protection, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful, and their failure may have an adverse effect on the Company.

Limited Operating History

Origin House and its investments have varying and limited operating histories, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment into the Company.

Origin House has not generated significant profits or revenues in the periods covered by its financial statements included herein, and, as a result, has only a very limited operating history upon which its business and future prospects may be evaluated. Although the Company expects to generate some revenues from its investments, many of the investments will only start generating revenues in future periods and accordingly, the Company is therefore expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Internal Controls Over Financial Reporting

The Company has identified material weaknesses in its internal control over financial reporting and if the Company fails to remediate these weaknesses and maintain proper and effective internal controls, its ability to produce accurate and timely financial statements could be impaired, which could harm the Company's operating results, its ability to operate the business and investors' views of the Company.

Ensuring that the Company has adequate internal financial and accounting controls and procedures in place so that it can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be evaluated frequently. In connection with the audit of the Company's Annual Financial Statements, it has identified material weaknesses in certain internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's consolidated financial statements will not be prevented or detected on a timely basis.

The specifically identified weakness relates to internal control deficiencies in two areas: non-timely impairment assessment of investments and foreign exchange accounting.

Material weaknesses relating to non-timely impairment assessment of our Investments portfolio and for the application of foreign exchange accounting during the year ending December 31, 2017.

<u>Non-timely impairment assessment of our investment's portfolio:</u> The Company's financial investments were not formally assessed for impairment on a timely basis. This area of the Company's business has complexities that require a significant amount of monitoring by management. A certain level of management effort is required for each material investment no matter the relative size, which has not been consistently completed on a timely basis. This prevents the Company from actively tracking the accounting performance of each investment and anticipating, at financial reporting dates, whether a write down (or write up) is necessary.

Foreign exchange accounting: There have been instances where foreign exchange accounting was not appropriately or consistently applied from period to period. The foreign exchange exposure was not correctly classified between net income/ net loss and other comprehensive income/loss. This is in part due to limitations on multicurrency functionality in our existing accounting systems. Not applying foreign exchange accounting correctly could result in the misstatement of the stand-alone and consolidated financial statements.

Adjustments and analysis were completed subsequent to December 31, 2017 to ensure that the consolidated financial statements were not materially misstated as at December 31, 2017. However, the controls and processes over impairment assessment and foreign exchange accounting were not effectively during the year ending December 31, 2017, and accordingly a reasonable possibility exists that material misstatements in the Company's financial statements will not be prevented or detected on a timely basis if not remediated in future periods.

Remediation Plan and Activities

Non-timely impairment assessment of our investment's portfolio:

1. Developing a quarterly impairment assessment review of all investments in the portfolio to assess the risk of impairment on each investment.
2. Perform impairment testing on each asset that has been highlighted as having an indicator of impairment under IAS 36 at each quarterly reporting date. Leverage and customize the impairment models developed for December 31, 2017 reporting date to perform this exercise on a quarterly basis.
3. The Company has hired additional accounting resources with IFRS expertise and experience to augment the Finance function's capacity to perform the work involved on a timely basis.
4. Seeking the input from external advisors and experts to ensure that that conclusions reached by management on the carrying value of assets in the impairments is reasonable and supportable.

Foreign exchange accounting

1. Implementing an accounting system or Enterprise Resource Planning ("ERP"), that will more effectively handle the Company's functionality requirements, including the ability to accurately distinguish between realized and unrealized foreign exchange gains and losses.
2. An enhanced reconciliation process to assess the split of the foreign currency translation and foreign exchange gain (loss) balance.
3. Developing policies and procedures specifically related to foreign exchange translation in order to ensure a better common understanding of the Company's practice and to ensure successful transition in case of staff turnover.

4. The Company has engaged advisors to assess the implementation of an ERP system. In April 2018, the Company began the process of ERP system selection, and will be commencing implementation of the selected ERP in August 2018. The project is a major initiative that is utilizing third party consultants and will expand the depth and breadth of the finance and information technology organizations.
5. The Company has hired new employees in the finance department that have direct practical experience with the implementation of ERP systems.

Senior management has discussed the material weaknesses with the Audit Committee, and the Board will continue to review progress on these remediation activities on a regular and ongoing basis.

The material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Failure to implement actions and remediation efforts that will effectively remediate the material weaknesses described above may have a material adverse effect on the Company.

Competition

The Company competes with other companies for financing and investment opportunities in the cannabis industry. Some of these companies may possess greater financial resources than the Company. Such competition may result in the Company being unable to enter into desirable strategic agreements or similar transactions, to recruit or retain qualified employees or to acquire the capital necessary to fund its investments. Existing or future competition in the cannabis industry, including, without limitation, the entry of large multinational entities into the industry, could materially adversely affect the Company's prospects for entering into additional agreements in the future. In addition, the Company currently competes with other cannabis streaming and royalty companies, some of which may possess greater financial resources than the Company.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors, including competitors to the Company's investments, could materially and adversely affect the business, financial condition and results of operations of the Company.

It is possible that larger competitors could establish price setting and cost controls which would effectively "price out" certain of the Company's investments operating within and in support of the medical and recreational cannabis industry.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. Origin House may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company.

Banking

Since the production and possession of cannabis is currently illegal under U.S. federal law, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. The inability to open bank accounts with certain institutions could materially and adversely affect the business of the Company.

Additional Financing

Origin House may require equity and/or debt financing to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. Origin House's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

The Company has historically, and continues to have, robust access to equity and debt financing from the public and prospectus exempt (private placement) markets in Canada. While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has: (i) access to equity financing through the public markets in Canada, and (ii) a $12 million credit facility available from Sprott Canna Holdco Corp. The Company's executive team and board also have extensive relationships with sources of private capital (such as funds and high net worth individuals), that could be investigated at a higher cost of capital. Further, the Company is actively pursuing an asset rationalization strategy to divest itself of portfolio assets that do not relate to its core business. Proceeds from the sale of such assets would be used to finance the continued growth of the Company's business.

If such equity and/or debt financing was no longer available in the public markets in Canada due to changes in applicable law, then the Company expects that it would have access to raise equity and/or debt financing privately.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. 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.

Currency Fluctuations

Origin House's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition, and operating results.

Management of foreign exchange currency exposure is governed by the Company's foreign exchange policy as approved by its Board. The objective of the policy is to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations and to maintain purchasing power within U.S. operations; however, there can be no assurance that such a program will effectively mitigate all currency risks. When the Company obtains financing, a significant portion is transferred to US based subsidiaries who have upcoming financial commitments, including acquisitions and capital investments.

Risks Associated with Acquisitions

As part of the Company's overall business strategy, the Company intends to pursue select strategic acquisitions, which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. The success of any such acquisitions will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies into the businesses of the Company. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; and (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

While the Company intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Origin House Shares.

The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such strategic acquisition with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Passive Foreign Investment Company

There is a risk that the Company may, in the future, be construed as a passive foreign investment company (“PFIC”). If the Company is a passive foreign investment company, its shareholders in the U.S. are likely subject to adverse U.S. tax consequences. Under U.S. federal income tax laws, if a company is a PFIC for any year, it could have adverse U.S. federal income tax consequences to a U.S. shareholder with respect to its investment in the Company’s shares. The Company earns significant royalty and franchise revenue which may be treated as passive income unless the royalty and franchise revenue is derived in the active conduct of a trade or business. Assessing whether royalty or franchise revenue received by the Company and its subsidiaries is derived in the active conduct of a trade or business involves substantial factual and legal ambiguity. Based on current business plans and financial expectations, the Company expects that it will not be a PFIC for its current tax year. PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question and is determined annually. Furthermore, because PFIC determinations are made annually, it is possible that the Company will meet the requirements to be treated as a PFIC in one or more years, but not meet such requirements in other years. U.S. shareholders should consult their own tax advisors regarding the potential adverse tax consequences to owning PFIC stock, and whether they are able to and should make any elections or take other actions to mitigate such potential adverse tax consequences.

If the Company is deemed to be an investment company under the United States Investment Company Act of 1940, as amended (the “Investment Company Act”), it may be required to institute burdensome compliance requirements and its activities may be restricted.

The Company intends to conduct its operations so that it is not required to register as an investment company under the United States Investment Company Act of 1940, as amended, which we refer to as the Investment Company Act. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40.0% of the value of the issuer’s total assets (exclusive of government securities and cash items) on an unconsolidated basis. However, any issuer primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities is exempt from the requirements of the Investment Company Act under Section 3(b)(1).

The Company’s historical business model consisted of making investments in a broad portfolio of cannabis-related assets and, in some cases, taking minority stakes in business ventures, which may have resembled certain aspects of an investment company within the definition of the Investment Company Act. However, the Company believes that its current mix of controlled holdings and wholly-owned brands, in addition to its current focus on being an operator in the legal cannabis space, is not that of an investment company and it is the Company’s intent that its business continues to evolve in this direction. As a result, the Company believes that it is not “primarily engaged” in the business of investing, reinvesting, owning, holding or trading in securities and thus qualifies for the exemption under Section 3(b)(1) of the Investment Company Act. Nevertheless, the Company’s substantial investments, including those in minority companies, royalty interests and diverse portfolio of other assets may leave it vulnerable to being classified as an investment company in the future should its asset mix change.

If the Company is deemed to be an investment company under the Investment Company Act, its activities may be restricted, including restrictions on the nature of the Company's investments and restrictions on the issuance of securities. In addition, the Company may have imposed upon it burdensome requirements, including:

- registration as an investment company;
- adoption of a specific form of corporate structure; and
- reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

In sum, if the Company were to be characterized as an investment company, the inability of the Company to satisfy such regulatory requirements, whether on a timely basis or at all, could, under certain circumstances, have a material adverse effect on the Company and its ability to continue pursuing its business plan could be limited. Furthermore, if the Company is deemed to be an investment company, its existing contracts may be voided, and it may be unable to continue its existing business.

Bankruptcy or Insolvency of Investments

There is no guarantee that the Company will be able to effectively enforce any interests it may have in the Company's investments. A bankruptcy or other similar event related to an investment of Origin House that precludes a party from performing its obligations under an agreement may have a material adverse effect on the Company. Because cannabis is federally illegal in the United States, bankruptcy proceedings will be unavailable in the event of a plant-touching subsidiary's insolvency. Further, as an equity investor, should an investment have insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities owed to the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

Research and Market Development

Although the Company, itself and through its investments, is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed.

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry domestically in Canada and in other international jurisdictions.

The Company is operating its business in a relatively new medical cannabis industry and market. Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the recreational or medical cannabis industry or market could have a material adverse effect on the Company's business, financial condition and results of operations. Due to the early stage of the regulated cannabis industry, forecasts regarding the size of the industry and the sales of products by the Company's investments are inherently difficult to prepare with a high degree of accuracy and reliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse

effect on the business, results of operations and financial condition of the Company's investments, and consequently, the Company.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the Company's lean management structure may be strained as the Company pursues growth opportunities in the future. The loss of the services of such individuals or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. Furthermore, to the extent that the senior management of the Company is involved with any subsidiary licensed in the United States to do business as a cannabis company, there is a risk that such managers or officers could be disqualified from such operations, particularly if such managers or officers were convicted of certain types of felonies. This would be expected to have a material adverse effect on the operations of the Company.

Origin House's future success depends substantially on the continued services of its executive officers, its key research and development personnel and its key growth and extraction personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away.

Operation Permits and Authorizations

The Company's investments may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate their respective businesses. In addition, the Company's investments may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on an investment's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

Liability, Enforcement Complaints, etc.

Origin House's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company or its investments. Litigation, complaints, and enforcement actions involving either of the Company or its investments could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Product Liability

Certain of the Company's investments manufacture, process and/or distribute products designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against an investment entity of Origin House could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

Reliance on Key Inputs

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company's investments. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the relevant investment entity might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of an investment, and consequently, the Company.

Resale of Shares

Although the Common Shares are listed on the CSE, there can be no assurance that, an active and liquid market for the Company Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's shares would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of Origin House will be subject to market trends generally, notwithstanding any potential success of Origin House in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility. An active public market for the Company's shares might not develop or be sustained. If an active public market for the Company's shares does not develop, the liquidity of a shareholder's investment may be limited, and the share price may decline.

Management of Growth

Origin House may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. Origin House's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Dividends

Origin House has not paid dividends in the past, and the Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Any decision to declare and pay dividends in the future will be made at the discretion of the Company's board of directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Company's board of directors may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their shares of the Company for a price greater than that which such investors paid for them.

Intellectual Property

The success of the Company will depend, in part, on the ability of the Company's investments to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Company's investments. The Company's investments may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company's investments. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. In the United States, federal trademark protections are unavailable to those who cannot make "lawful use" of such trademarks, creating a risk that state-level trademark protections will be insufficient for the Company's needs.

In addition, other parties may claim that an investment's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages.

Insurance Coverage

Origin House will require insurance coverage for a number of risks. Although the management of the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, taking into account the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected.

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE and the OTC require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. Origin House may also elect to devote greater resources than it otherwise would have as a private company on communication and other activities typically considered important by publicly traded companies.

Litigation

Origin House may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for Origin House Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources. Litigation may also create a negative perception of the Company's brand.

Operational Risks

Origin House and its investments may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's investments' properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's investments' operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition on the Company. Also, the Company's investments may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Holding Company

Origin House is a holding company and essentially all of its assets are the capital stock of its material subsidiaries. As a result, investors in Origin House are subject to the risks attributable to its subsidiaries. Consequently, Origin House's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and investments and the distribution of those earnings to Origin House. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of Origin House's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before Origin House.

Risk that we will not succeed in securing or transferring the Rich Extracts license.

After Mr. R. Wilkinson, the principal of Rich Extracts, was arrested, the Oregon Liquor Control Commission (OLCC) suspended the Rich Extracts license. Although Origin House has contacted the OLCC and state authorities to ensure the license is not permanently revoked, there is no certainty that the license suspension will be lifted and/or that Origin House will be successful in acquiring control or direction over the license.

The Company's legal counsel has also recently received notice of a public sale of Rich Extract's equipment and other personal property from Rich Extract's landlord. The Company has retained local legal counsel to discuss and assess potential options to ensure its security interest in certain of Rich Extracts' property may be enforced with priority, however there is no guarantee that the Company will be able to enforce its collateral interest in Rich Extracts without the initiation of litigation against Rich Extracts (or certain of its related parties), if at all.

Risk of criminal charges against Origin House

Mr. Wilkinson, the principal of Rich Extracts, was arrested in Nebraska for possession of marijuana with intent to distribute. The possession and distribution of marijuana are illegal in Nebraska. Although Origin House was unaware of Mr. Wilkinson's criminal activities, there is a risk that Origin House could face allegations, criminally or otherwise, in connection with Mr. Wilkinson's actions.

Difficulty Implementing Business Strategy

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Conflicts of Interest

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in, among other things, corporations, partnerships, joint ventures, that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers, conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who are parties to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the transaction. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Available Talent Pool

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of medical marijuana research and development, growing marijuana and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.