



## **Management's Discussion and Analysis**

**For the Six Months Ended April 30, 2018**

**June 29, 2018**

The following is a Management’s Discussion and Analysis (“MD&A”) of the financial condition and results of operations of Cannabis Growth Opportunity Corporation (the “Corporation” or “CGOC”). This MD&A should be read in conjunction with the Corporation’s unaudited condensed interim financial statements for the six months ended April 30, 2018 (the “Financial Statements”).

Except as otherwise noted, (see “Use of Non-GAAP Measures” elsewhere in the MD&A), all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All dollar figures included therein and in the following MD&A are expressed in Canadian dollars unless otherwise indicated.

## **About CGOC**

CGOC is an investment corporation, which incorporated under the laws of Canada on October 29, 2017. On January 26, 2018 (the “Closing Date”), the Corporation completed its initial public offering (the “Offering”). Pursuant to the Offering, the Corporation issued 15,513,250 Units at a price of \$2.50 per Unit for gross proceeds of \$38,783,125. Each Unit consists of one common share and one warrant in the capital of the Corporation. CGOC’s common shares and warrants trade publicly on the Canadian Securities Exchange (the “Exchange”), under the symbols CGOC and CGOC.WT respectively. The Corporation’s principal business address is 240 Richmond St. W, Suite 4164, Toronto, Ontario, M5V 1V6.

The Corporation’s investment objectives are to provide shareholders long-term total return through capital appreciation by investing in an actively managed portfolio of securities of public and private companies operating in or that derive a significant portion of their revenue or earnings from products or services related to the cannabis industry.

The Corporation plans to invest primarily in publicly traded equity securities (the “Public Portfolio”), but it may also invest up to 40% (determined at the time of investment) of the Corporation’s total assets in private equity investments (the “Private Portfolio”, and together with the Public Portfolio, the “Portfolio”). The Portfolio composition will vary over time depending on the Corporation’s and the Investment Manager’s assessment of overall market conditions, opportunities and outlook including the allocation between the Public Portfolio and the Private Portfolio which will be determined by the Corporation.

Generally, the Corporation will seek to invest approximately 60% of its total assets in the Public Portfolio and approximately 40% of its total assets in the Private Portfolio. CGOC Management Corp (the “Manager”) is the manager and promoter of the Corporation. See *Appendix I* for the management agreement between the Manager and the Corporation. StoneCastle Investment Management Inc. will act as the Corporation’s investment manager (the “Investment Manager”) with respect to the Public Portfolio.

The Corporation is subject to certain restrictions and practices contained in securities legislation. In addition, the Corporation is subject to the following investment restrictions which limit the securities that the Corporation may acquire for the Portfolio:

- (i) purchase securities, other than securities of cannabis issuers, provided that the Corporation may purchase securities of issuers operating in subsectors ancillary to the cannabis industry in an amount up to 25% of the total assets of the Corporation;
- (ii) invest more than 40% of its total assets in securities of private issuers;
- (iii) invest more than 10% of its total assets in securities of any single issuer other than securities issued or guaranteed by the government of Canada or a province or territory thereof or securities issued or guaranteed by the U.S. government or its agencies and instrumentalities;
- (iv) invest in securities of issuers that are in breach of the *Access to Cannabis for Medical Purposes Regulations* and/or the regulatory framework enacted by the applicable U.S. state;
- (v) borrow money or employ any other forms of leverage greater than 25% of the value of the Public Portfolio;
- (vi) have short exposure, other than for purposes of hedging, in excess of 20% of the total assets of the Corporation as determined on a daily marked-to-market basis;
- (vii) conduct any activity that would result in the Corporation failing to qualify as a “public corporation” within the meaning of the *Income Tax Act* (Canada);
- (viii) invest in or hold (a) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Corporation (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the *Income Tax Act* (Canada), (b) an interest in a trust (or a partnership which holds such an interest) which would require the Corporation (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the *Income Tax Act* (Canada), or (c) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of section 94 of the *Income Tax Act* (Canada);
- (ix) invest in any security that is or would be a tax shelter investment within the meaning of the *Income Tax Act* (Canada); and
- (x) enter into any arrangement (including the acquisition of securities for the Portfolio) where the result is a “dividend rental arrangement” for the purposes of the *Income Tax Act* (Canada), or engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the *Income Tax Act* (Canada).

Additional information relevant to the Corporation’s activities, including press releases, can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or [www.cgocorp.com](http://www.cgocorp.com).

## **Risk Factors**

There are certain risks inherent in an investment in the common shares of the Corporation and in the activities of the Corporation. Risks factors are disclosed in the prospectus of the Corporation filed in connection with the Offering under the heading “Risk Factors” that is available at [www.sedar.com](http://www.sedar.com). If any of the risks outlined in such disclosure occur or if others occur the Corporation’s business, operating results, and financial condition could be seriously harmed: investors may lose all of their investment. Other than set out or contemplated herein, management is not aware of any significant changes in risks and risk factors since the date of the prospectus, January 16, 2018.

## **Initial Public Offering**

On January 26, 2018, the Corporation issued 15,513,250 units at a price of \$2.50 per unit for gross proceeds of \$38,783,125. Each unit consists of one common share and one common share purchase warrant which entitles the holder thereof to purchase one common share at a price of \$2.50, subject to adjustment, on or prior to 5:00 p.m. (Toronto time) on the date that is the earlier of (i) 24 months from the Closing Date, and (ii) the date specified in any warrant acceleration notice delivered by the Corporate in accordance with the terms of the indenture governing the warrants (the “Expiry Time”).

Pursuant to the agency agreement dated January 16, 2018, the Corporation engaged a syndicate of agents to offer the units to the public. Agents received a 5.5% commission fee or \$0.1375 for each unit sold for a total commission of \$2,127,572.

The agents also received 851,025 compensation options (the “Agent’s Options”) equal to 5.5% of the total units sold. Each Agent’s Option will entitle the Agent to purchase one Unit, at an exercise price equal to \$2.50 per Unit for a period of 24 months from the Closing Date. If the Agent’s Option is not exercised prior to the Expiry Time, the Agent will only be entitled to receive the Common Shares underlying the Units upon any subsequent exercise of the Agent’s Option. The Warrants underlying the Units issuable upon exercise of the Agent’s Option will be void and of no value at the Expiry Time. These agent options are assigned a cost of \$783,876.

CGOC incurred direct costs of \$115,400 and indirect costs of \$594,654 for the IPO transaction. These costs primarily include professional fees, consulting, marketing, and other expenses.

The allocation of the proceeds raised from and the costs incurred for the IPO follow:

	Common Shares	Warrants	Total
Gross Proceeds from IPO	\$ 30,084,504	\$ 8,698,621	\$ 38,783,125
Agent commission fee	(1,650,381)	(477,191)	(2,127,572)
Agent options	(608,061)	(175,815)	(783,876)
Direct IPO costs	(89,517)	(25,883)	(115,400)
Indirect IPO costs	(467,455)	(127,201)	(594,656)
<b>Total</b>	<b>\$ 27,269,090</b>	<b>\$ 7,892,531</b>	<b>\$ 35,161,621</b>

Note: Amounts may not total due to rounding.

### Selected Quarterly Information

	30-Apr-18	31-Jan-18	31-Oct-17
Investment loss	\$ (2,019,899)	\$ (91,106)	Nil
Net loss and comprehensive loss	(2,309,884)	(1,908,005)	Nil
Loss per Share <sup>(i)</sup>	(0.15)	(1.89)	Nil
Total assets	34,319,990	36,456,066	2.50
Total liabilities	550,277	598,942	Nil
Net asset value (NAV) <sup>(ii)</sup>	33,769,713	35,857,124	2.50
Operating expenses	289,985	1,816,896 <sup>(iii)</sup>	Nil
<b>NAV per basic share<sup>(iv)</sup></b>	<b>\$ 2.16</b>	<b>\$ 2.31</b>	<b>\$ 2.50</b>
Operating expenses per NAV <sup>(v)</sup>	0.86%	5.07%	Nil
Common shares outstanding	15,652,140	15,513,251	1
Warrants outstanding	15,513,250	15,513,250	Nil

Note: Amounts may not total due to rounding.

- (i) Based on weighted average number of common shares outstanding during the quarter.
- (ii) Non-GAAP measure: Total assets – Total liabilities.
- (iii) The operating expenses include stock option expense of \$1,792,100.
- (iv) Non-GAAP measure: Net asset value / Common shares outstanding.
- (v) Non-GAAP measure: Operating expenses / net asset value.

## Investments

The Corporation held the following investments as at April 30, 2018:

<b>Investment Category</b>	<b>Cost</b>	<b>Fair Value</b>
Equities	\$ 21,548,879	\$ 20,895,247
Warrants	3,010,961	1,609,603
Convertible Debentures	4,778,740	4,643,640
Subscription Receipts	1,550,150	1,550,150
<b>Total investments</b>	<b>\$ 30,888,730</b>	<b>\$ 28,698,640</b>
<b>Portfolio Allocation</b>	<b>Percentage</b>	<b>Fair Value</b>
Public	60%	\$ 17,255,783
Private	40%	11,442,857
<b>Total</b>	<b>100%</b>	<b>\$ 28,698,640</b>

Note: Amounts may not total due to rounding.

## Top 10 Holdings

<b>Company</b>	<b>Portfolio</b>	<b>Investment Category</b>	<b>Fair Value</b>	<b>% of total Assets</b>
Valens Groworks Corp.	Public	Equity	\$ 2,978,563	8.68%
Sunniva Inc.	Public	Equity	2,029,600	5.91%
Whistler Medical Marijuana Corporation	Private	Equity	2,009,000	5.85%
Hydrx Farms Ltd.	Private	Equity	2,000,000	6.97%
Indiva Limited	Public	Equity	1,800,000	6.27%
Organigram Holdings Inc.	Public	Convertible Debenture	1,794,900	6.25%
Jushi Inc.	Private	Equity	1,729,009	5.04%
10653918 Canada Inc.	Private	Subscription Receipts	1,250,000	3.64%
C21 Investments Inc.	Public	Convertible Debenture	1,100,000	3.21%
Abcann Global Corporation	Public	Convertible Debenture	1,000,000	2.91%
<b>Total</b>			<b>\$ 17,691,072</b>	<b>54.73%</b>

Note: Amounts may not total due to rounding.

## Private Portfolio

The Corporation's private portfolio investments have all been classified as Level 3 as at April 30, 2018. For more information on the Corporation's accounting policies and valuation techniques for level 3 investments please read note 3 and note 4 of the April 30, 2018 unaudited condensed interim financial statements.

The Corporations private portfolio consisted of the following as at April 30, 2018:

*48North Cannabis Corp ("48North").*

48North is a vertically integrated cannabis company. Its first ACMPR licensed facility is located on 800 acres of owned land near Kirkland Lake, Ontario, and is operated by its wholly-owned subsidiary, DelShen Therapeutics. The company grows unique genetics sourced from MariPharm B.V., a Netherlands based phytopharmaceutical company with over 25 years of experience in the research and cultivation of cannabis for medical purposes. The genetics are grown to exacting standards in DelShen's state-of-the-art, closed box facility, ensuring patients can count on receiving the highest quality cannabis products. 48North's values are rooted in the land they're planted on, and the company has entered into a first of its kind Community Benefits Agreement with certain of its First Nations investors.

On January 31, 2018, CGOC completed a private placement with 48North Cannabis Corp. ("48North") to purchase 400 units at \$1,000 per unit for a total subscription of \$400,000. Each unit contains one senior unsecured convertible debenture with a principal amount of \$1,000 and 556 common share purchase warrants.

Each warrant shall entitle the holder thereof to acquire one common share of the company at a price of \$1.15 for a period of 24 months following the Liquidity Event. Liquidity events refers to a transaction with a company that is listed on a Canadian stock exchange by way of an arrangement, reverse take-over or any other business combination pursuant to which 48North's common shares will be listed on a Stock Exchange.

The debentures are convertible for common shares of the Corporation at a price of \$0.90 per common share for a period of six months. The debentures have a coupon rate of 10% per annum and will accrue interest which becomes payable only when the company fails to complete a liquidity event within 24 months. If the holders of the debentures receive a cash repayment, the expiry date of the warrants will be accelerated to six months after this placement is in effect.

As at April 30, 2018, the Corporation's investment in 48North represented 1.17% of total assets.

On June 5, 2018, 48North announced that it completed a qualifying transaction as defined by the TSX Venture Exchange. For more information about 48North and the acquisition, visit 48North's company profile on [www.sedar.com](http://www.sedar.com).

*HydRx Farms Ltd. (“HydRx”)*

HydRx is a vertically-integrated biopharmaceutical Licensed Dealer under the Narcotics Control Regulations of Canada with a focus on developing and commercializing pharmaceutical-grade cannabinoid derivative products. Being one of a limited number of Licensed Dealers in Canada authorized to handle cannabinoid products, HydRx has the ability to wholesale buy, process and sell cannabinoid derivatives, from and to Licensed Producers, as well as international markets. HydRx also has a Licensed Producer application entering the Pre-License Inspection stage (the final stage in the licensing process before a Cultivation License is granted).

On February 21, 2018, CGOC completed a subscription agreement with HydRx to purchase 500,000 common shares at the purchase price of \$4 per share for total subscription of \$2,000,000.

As at April 30, 2018, the Corporation’s investment in HydRx represented 5.83% of total assets.

*10653918 Canada Inc. (“Finco”)*

Finco is a wholly-owned subsidiary of Carpincho Capital Corp. (“Carpincho”). In connection with the binding letter of intent entered into by Carpincho on February 13, 2018, on April 26, 2018, Carpincho entered into a definitive share exchange agreement with privately held MM Development Company, LLC (doing business as Planet 13 and Medizin) (“MM Development”) and the shareholders of MM Development, which contemplates the acquisition of all shares of MM Development for shares of Carpincho in a previously announced business combination. MM Development is a vertically integrated cannabis company operating in the State of Nevada, USA. The share exchange agreement contemplates that each outstanding share of MM Development would be exchanged for one share of Carpincho following a consolidation of the shares of the. On April 26, 2018, Carpincho also entered into a definitive Master Agreement with Finco, providing for the amalgamation of the subsidiary and Finco to be completed following the completion of the Acquisition.

On April 26, 2018, CGOC completed a subscription agreement with Finco to purchase subscription receipts at the purchase price of \$0.80. The investment was completed in two tranches of 1,375,000 and 187,500 subscription receipts for a total subscription of \$1,250,000. Each subscription receipt upon completion of a qualifying transaction will be converted into 1 unit. Each unit consists of 1 common share and half (1/2) common share purchase warrant. Each warrant entitles the holder to acquire 1 common share at a price of \$1.40 up to July 25, 2020.

As at April 30, 2018, the Corporation’s investment in Finco represented 3.64% of total assets.

On June 11, 2018, Planet 13 Holdings Inc. (formerly Carpincho) completed the aforementioned business combination with MM Development and the related acquisition of Finco. For more information about Planet 13 Holdings Inc. and the business combination, visit Planet 13’s company profile on [www.sedar.com](http://www.sedar.com).



*James E. Wagner Cultivation Ltd. (“JWC”)*

JWC is a licensed producer under ACPMR that helps patients by providing clean, consistent medical cannabis products. JWC has a 15,000 sq. foot state-of-the art facility and has started construction on a second 345,000 sq. foot facility. JWC currently has 7 grow rooms, 7 strains and produces more than 1,500 kg per year.

On April 27, 2018, CGOC completed a subscription agreement with JWC to purchase 261,000 subscription receipts at the purchase price of \$1.15 for total subscription of \$300,150. Each subscription receipt entitles the holder to receive one unit of JWC upon the satisfaction of the Escrow Release Conditions. Each unit will consist of one common share and one-half (1/2) common share purchase warrant. Each warrant entitles the holder for a period of 24 months following the Escrow Release Date to acquire one common share of JWC at a price of \$1.50 per warrant share. Each unit will then be exchanged for one common share and one-half common share purchase warrant in the capital of the resulting issuer.

As at April 30, 2018, the Corporation’s investment in JWC represented 0.87% of total assets.

On June 7, 2018, JWC completed a qualifying transaction (in accordance with the policies of the TSX Venture Exchange). For more information about the qualifying transaction and JWC, visit JWC’s company profile on [www.sedar.com](http://www.sedar.com).

*Jushi Inc. (“Jushi”)*

Jushi is a United States focused company, offering investors the opportunity to gain diversified exposure to top tier U.S. based operators through its majority ownership of TGS National Holdings and strategic partnership with top Colorado cannabis operator The Green Solution. The Company has contractual rights to The Green Solution and Nectar Bee brands outside of Colorado via its ownership of franchisor TGS National and also serves as a strategic lender to TGS Colorado. Furthermore, the company takes direct ownership stakes in state-licensed cannabis operators.

On March 29, 2018, CGOC completed a subscription agreement with Jushi to acquire 1,500,000 units at the purchase price of US \$1 for total subscription of US \$1,500,000. Each unit consists of one share of Jushi’s class B common shares and one warrant to purchase one-half of a share of class B common shares for a purchase price of US \$2 for a period of 24 months following a liquidity event. CGOC allocated US \$1,347,000 of the subscription to the common shares and US \$153,000 to the warrants.

As at April 30, 2018, the Corporation’s investment in Jushi represented 5.60% of total assets.

*SFHB Holdings Corp. (“SFHB”)*

SFHB is a holdings company, which owns 100% of Home Blown Glass (“HBG”). HBG was incorporated in 1995 and has been operating in the cannabis and smoking accessories market, through three Retail locations that operate under the Puff brand (“Puff”) and wholesale distribution through its North American distribution Company, Westone Distribution (“Westone”). Puff specializes in high end artistic

glass and California Cannabis Culture. Puff intends to apply to sell Cannabis through their retail outlets as BC clarifies the provincial regulations. Westone is Canada's largest distributor and services over 500 retail operations in North America.

On April 19, 2018, CGOC completed a subscription agreement with SFHB to acquire 8,200,000 units at the purchase price of \$0.125 for total subscription of \$1,025,000. Each unit consists of one class A common share and one-half (1/2) of one class A share purchase warrant. Each warrant shall entitle the holder to acquire one class A common share at a price of \$0.25 until April 20, 2023. CGOC allocated \$826,560 of the subscription to the common shares and \$198,440 to the warrants.

As at April 30, 2018, the Corporation's investment in SFHB represented 2.98% of total assets.

#### *Herbs Holdings Ltd. ("Herbs")*

Herbs is uniquely positioned in the Caribbean and holds the only large-scale cultivation license in Jamaica, which through a 100 year lease, it has access to 3,700 acres of growing lands. Herbs has a robust domestic retail plan and an experienced operating team poised to drive exports. Herbs will produce licensed, premium sun grown organic cannabis at industry high margins, which will lead to a favourable cost structure for cultivation.

On April 19, 2018 CGOC completed a subscription agreement with Herbs Holdings Ltd. ("Herbs") to acquire 250,000 class A common shares at the purchase price of US \$1 per share for a total subscription of US \$250,000.

As at April 30, 2018, the Corporation's investment in Herbs represented 0.94% of total assets.

#### *Bien Ventures Ltd. ("Bien")*

Bien, is a California based cannabis producer that developed a line of edible cannabis (THC & CBD) quick dissolve products.

On April 4, 2018, CGOC completed a subscription agreement with Bien to acquire 400,000 units at the purchase price of \$0.25 for a total subscription of \$100,000. Each unit consists of one common share and one-half (1/2) common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.35 for a period of 18 months from the closing date. CGOC allocated \$88,800 of the subscription to the common shares and \$11,200 to the warrants.

As at April 30, 2018, the Corporation's investment in Bien represented 0.29% of total assets.

#### *Whistler Medical Marijuana Corporation ("WMMC")*

WMMC is one of Canada's original ten licensed producers (LP) and the country's first organic certified LP with a proven track record in profitably cultivating and selling premium medicinal cannabis. WMMC has built a sustainable and profitable business, developed on a foundation of organic, premium, and award-winning cannabis production, a loyal repeat customer base, an extensive product offering, and

personalized customer service. The company's philosophy is to grow organic medical cannabis in soil without the use of chemicals. The company has developed one of Canada's most iconic brands built on quality, organic, cannabis products grown in Whistler, British Columbia. They are the only LP selling product conforming to International Organic Growing Standards having received certification from the Fraser Valley Organic Producers Association (FVOPA).

On April 4, 2018, CGOC completed a subscription agreement with WMMC to acquire 205 common shares at the purchase price of \$9,800 for a total subscription of \$2,009,000.

As at April 30, 2018, the Corporation's investment in WMMC represented 5.85% of total assets.

*DreamWater Products Canada Inc. ("DreamWater")*

DreamWater is the number one selling natural, 2.5oz, 0-calorie, liquid sleep shot. Along with its sleep powder, Dream Water helps promote relaxation and support restful sleep. Dream Water is sold online and in over 30,000 North American retail outlets. The company currently generates approximately \$6 million per annum in revenue from its current product lines.

On February 28, 2018, CGOC acquired 175,000 class Y common shares of DreamWater from a private shareholder at the purchase price of \$2.75 per share for a total investment of \$450,000.

As at April 30, 2018, the Corporation's investment in DreamWater represented 1.31% of total assets.

On May 30, 2018, Harvest One acquired all of the outstanding shares of DreamWater for US\$12.5 million cash and CDN\$18.5 million in shares at a deemed price of CDN\$1.00 per share. For more information about the acquisition, visit Harvest One's company profile on [www.sedar.com](http://www.sedar.com).

*Green Relief Inc. ("Green Relief")*

Based in Hamilton, Ontario, Green Relief is a licensed producer under Health Canada's Access to Cannabis for Medical Purposes Regulations (ACMPR).

On April 26, 2018, CGOC acquired 400,000 shares of Green Relief from a private shareholder at the purchase price of \$2.50 per share for a total investment of \$1,000,000. The private shareholder was paid \$750,000 in cash and issued 138,889 common shares of CGOC at \$1.80 per common share.

As at April 30, 2018, the Corporation's investment in Green relief represented 2.91% of total assets.

*Bhang Corporation ("Bhang")*

Bhang is an award winning cannabis brand that has developed a line artisan edible cannabis products (chocolate, gum, and sprays), cannabis vape products, and CBD products.

On April 25, 2018, CGOC completed a subscription agreement with Bhang Corporation (“Bhang”) to purchase 2,570 common shares at the purchase price of US \$194.55 for a total subscription of US \$500,000.

As at April 30, 2018, the Corporation’s investment in Bhang represented 1.87% of total assets.

#### *Avalon Bridge Capital Inc. (“Avalon”)*

Avalon is a merchant bank based in Canada whose business is to make active investments in the U.S. legal cannabis market. Avalon will make private placements, predominantly early-stage, in companies that it deems suitable for an eventual stand-alone listing in Canadian public markets. Avalon will invest in equity (public and private), preferred equity, debt, and revenue participation financing. Avalon is managed and advised by experienced banking executives, successful entrepreneurs, and operational managers.

On April 4, 2018, CGOC completed a subscription agreement with Avalon to purchase 500,000 common shares at the purchase price of \$0.05 for the total subscription of \$25,000.

As at April 30, 2018, the Corporation’s investment in Avalon represented 0.07% of total assets.

### **Results of Operations and Cash Flows**

#### *Operations*

For the six months ended April 30, 2018, the Company reported a net loss of \$4,217,887 with a net loss of \$0.52 per weighted average common share on a basic and diluted basis. The net loss was primarily driven by share based compensation awarded officers and directors, unrealized loss on investments and operating expenses.

For the six months ended April 30, 2018, cash outflows used for operating activities were \$32,456,893. Cash flows used for operations resulted primarily from cash outflows for the purchase of investments.

#### *Financing Activities*

For the six months ended April 30, 2018, the company had net cash inflows related to financing activities of \$35,945,497. The company raised gross proceeds of \$38,783,125 from the IPO and incurred issuance cash outflows of \$2,837,628.

### **Related Party Transactions**

During the six months ended April 30, 2018, all transactions with related parties have occurred in the normal course of operations.

### *Stock Based Compensation*

On January 30, 2018, CGOC granted a total of 1,500,000 stock options to its directors and officers and to the Manager. The options are exercisable at \$2.35 per common share and vest immediately upon grant. The options have a term life of five years and will expire on January 30, 2023. The company has valued these options at \$1,792,100 on its statement of loss for the six months ended April 30, 2018.

	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Value</b>
Officers & Directors	1,200,000	\$ 2.35	\$ 1,433,680
Manager	300,000	\$ 2.35	\$ 358,420
Total	1,500,000	\$ 2.35	\$ 1,792,100

Note: Amounts may not total due to rounding.

Other than the stock-based compensation above, the compensation of key management and personnel was \$Nil during the six months ended April 30, 2018.

### *Management Fees*

The Corporation is required to pay the Manager an annual management (the “Management Fee”) fee of 1.0% of the market capitalization of the Corporation based on the daily volume-weighted average price of the Common Shares. The Management Fee is accrued daily and paid by the Corporation to the Manager monthly in arrears. The Manager will pay the Investment Manager and the officers and directors of the Corporation provided by the Manager (other than the independent directors) out of the Management Fee.

The Corporation incurred management fees of \$85,136. As at April 30, 2018, accounts payable and accrued liabilities included \$85,136 of management fees payable to the Manager.

### *Performance Fees*

As soon as practicable following the final Business Day of each calendar quarter (each such date, a “Performance Fee Payment Date” and each such period, a “Performance Fee Period”), the Corporation is required to pay the Manager a quarterly performance fee (the “Performance Fee”) in respect of the outstanding common shares equal to 20% of the amount by which the sum of (i) the “weighted average market price” of the common shares on the Canadian Securities Exchange (or such other principal market on which the Common Shares are quoted for trading) during the 15 trading days preceding the end of the Performance Fee Period, plus (ii) distributions on such common shares during such period, exceeds 101.25% of the Threshold Amount (the “Hurdle Rate”). The Threshold Amount will be the greater of (i) \$2.60; and (ii) the weighted average market price of the common shares on the Performance Fee Payment Date in the last quarter for which a Performance Fee was paid.

For the period from the Closing Date to the end of the quarter, which includes the Closing Date, the Hurdle Rate will be reduced proportionately to reflect the number of days remaining in the quarter from the Closing Date to the end of that quarter. In the event that new common shares are issued, the Hurdle Rate application to the Performance Fee payable with respect to those common shares will be reduced proportionately to reflect the number of days remaining in that quarter and the Threshold Amount in respect of such common shares for that quarter will be the greater of (i) the issue price of the Common Shares; and (ii) the then current Threshold Amount.

During the six months ended April 30, 2018, the Hurdle rate was not reached; therefore, the Corporation did not incur performance fees.

#### *Operating Expenses*

The Corporation reimbursed the Manager operating expenses of \$Nil.

The Corporation incurred accounting and regulatory compliance fees of \$30,510 from Forbes Andersen LLP, the accounting firm in which the Corporation's CFO is a Partner. As at April 30, 2018, accounts payable and accrued liabilities included \$16,950 of fees payable to the accounting firm.

On behalf of the Corporation, the President and COO incurred \$28,285 of reimbursable operating expenses for the six months ended April 30, 2018. As at April 30, 2018, accounts payable and accrued liabilities included \$8,489 of reimbursable expenses payable to the President and COO.

#### *Directors' Fees*

The corporation incurred directors' fees of \$25,000 for the six months ended April 30, 2018. As at April 30, 2018, accounts payable and accrued liabilities included \$25,000 of directors' fees.

#### **Share Capital**

During the six months ended April 30, 2018, the Corporation issued 138,889 common shares at a price of \$1.80 per share as non-cash consideration for the acquisition of certain investments. As at April 30, 2018, the Corporation has 15,652,140 issued and outstanding common shares.

#### **Risk Management**

##### *Financial instrument risks*

The Corporation's financial instruments consist primarily of investments. See the *Investments* section of this MD&A.

The primarily business activities of the Corporation result in financial statements that are primarily comprised by financial instruments. As such, the Corporation is exposed to certain risk related to financial instruments:

a) Liquidity risk

Liquidity risk refers to the risk that the Corporation will have insufficient cash resources to meet its financial obligations when they become due. The Corporation manages liquidity risk by reviewing resources to ensure that it will have sufficient liquidity to meet liabilities as they become due and to support business strategies.

The Corporation generates cash flow from the disposal of investments, financing activities, and dividend and interest income. The Corporation primarily invests in equity and debt instruments of publicly traded cannabis companies. The Corporation is also permitted to invest up to 40% of capital in non-publicly traded cannabis companies. Disposal of investments in non-publicly traded companies could differ from the carrying value since an active-market does not exist.

As at April 30, 2018, the Corporation's contractual cash flows, which were payable under financial liabilities in these financial statements consisted of accounts payable and accrued liabilities with payments due in less than 1 year. All of the Corporation's financial assets as reported on the April 30, 2018 statement of financial position are considered liquid and convertible into cash in less than 1 year.

b) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Corporation is exposed is equity price risk and interest rate risk.

i) Equity price risk

The Corporation is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Corporation's investments are subject to fluctuations in fair value arising from changes in the equity market. As at April 30, 2018, should the equity prices of the Company's holdings increase or decrease by 5%, the impact on net loss would be approximately \$590,209.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents and fixed income securities held.

Fair value of the Corporation's cash and cash equivalents and investments affected by changes of interest rates is minimal.

c) Currency risk

Currency risk is the risk that the fair value of future cash flows from the Company's operations will fluctuate due to changes in foreign exchange rates. The Corporation holds investments denominated in United States dollars, ("U.S. dollar"). A change in the U.S. dollar foreign exchange rate versus the Corporation's functional and presentation currency may have an adverse effect on its investments. As at April 30, 2018, should the U.S. dollar foreign exchange rate increase or decrease by 1%, the impact on net loss and comprehensive loss would approximate \$28,832.

Investments denominated in U.S dollars as at April 30, 2018 totaled \$2,883,190.

d) Concentration risk

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the Corporation's operating results. As at April 30, 2018, the Corporation invested entirely in equities, fixed income securities, and warrants of public and non-publicly listed companies in the Canadian cannabis industry. The allocation of investments between public and non-publicly listed companies is as follows:

	<b>Cost</b>	<b>Fair Value</b>	<b>Percentage</b>
Publicly listed companies	\$ 19,401,190	\$ 17,255,783	60%
Non-publicly listed companies	\$ 11,487,540	\$ 11,442,857	40%
Total	\$ 30,888,730	\$ 28,698,640	100%

**Off-Balance Sheet Arrangements**

The Corporation does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial performance, liquidity, or capital resources of the Corporation.

**Commitments**

As at April 30, 2018, the Corporation has no commitments.

**Subsequent Events**

On June 21, 2018, the Corporation announced that it has entered into a strategic partnership with Battalion Consol Corp. ("Battalion") to accelerate the monetization of mutual private investments and share new investment opportunities. As part of this agreement, Battalion has agreed to subscribe for 200,000 units in the Corporation at a purchase price of \$2.50. Each unit will consist of one common share and one half common share purchase warrant. Battalion will issue \$500,000 of face value senior



convertible notes to the Corporation. The completion of the partnership is subject to the receipt of all necessary regulatory approvals, including the approval of the Canadian Stock Exchange.

### **Cautionary Note Regarding Forward-Looking Information**

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information is provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans related to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Corporation or the cannabis industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, investment opportunities, taxes, and plans and objectives of or involving the Corporation. Particularly, matters described as "Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "plans", "anticipates", "expects", "estimates", "believes", "projected", "will", "plan", "may", "could", "would", "might", "growth", "future", "will".

Forward-looking information necessarily involves known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Corporation's control, affect the operations, performance and results of the Corporation and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: general economic, financial market, regulatory and political conditions in which the Corporation operates will continue to improve; the Corporation will be able to compete in the cannabis industry; the Corporation will be able to make investments on suitable terms; issuers in the Corporation public and private portfolio of investments will be able to meet their objectives and financial estimates.

Although the Corporation believes the expectations reflected in such forward-looking information are reasonable and represent the Corporation's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Corporation's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. The risk factors and uncertainties that could cause our actual results to differ materially from the forward-looking information contained in this presentation include: there is no assurance that the Corporation will be able to achieve its investment objectives; risks relating to the portfolio issuers; risks relating to medical

cannabis; risks relating to risk and timing of legalization of recreational cannabis; regulatory risks; risks relating to the licensing process; risk factors related to U.S. cannabis legislation; changes to the cannabis laws; United States anti-money laundering laws and regulations; investments in U.S. cannabis sector; and risks relating to foreign market exposure. These risk factors are not intended to represent a complete list of the factors that could affect the Corporation you are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as actual results achieved may vary from such forward-looking information and the variations may be material. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian securities law, the Corporation undertakes no obligation to update or revise publicly any forward-looking information, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## APPENDIX I – CGOC Management Corp.

### *Contact Information*

240 Richmond Street West, Suite 4163  
Toronto, ON M5V 1V6  
647-946-2462

### *The Management Agreement*

The Corporation's management services are provided by the Manager pursuant to a management agreement between the Corporation and the Manager dated January 16, 2018 (the "Management Agreement"). Pursuant to the Management Agreement, and subject to various terms and conditions thereof, the Manager agreed to provide the following management services to the Corporation:

- (i) managing the business of the Corporation, including making all decisions regarding the business of the Corporation that are advisable or consistent with accomplishing the business of the Corporation, with all rights, power and authority conferred by the Management Agreement;
- (ii) transacting the business of the Corporation and dealing with and in the assets of the Corporation for the use and benefit of the Corporation, including the power and authority to cause the Corporation to enter into contracts;
- (iii) providing the services of up to three appropriately qualified individuals acceptable to the Board to serve as directors of the Corporation, which nominees may have a material relationship with the Corporation and may not be "independent" within the meaning of National Instrument 52-110 – Audit Committees;
- (iv) providing the services of at least two appropriately qualified individuals to serve as senior officers of the Corporation, including individuals who will serve as the Chief Executive Officer, President, Chief Investment Officer and Chief Financial Officer, or other positions that serve a substantially similar function, as well as providing recommendations for certain appropriately qualified individuals to serve as the remaining officers of the Corporation, if any;
- (v) managing, directing, advising and otherwise carrying out any of the Corporation's activities;
- (vi) advising the Corporation with respect to all investments that are required or recommended to be implemented with respect to any of the assets of the Corporation;

- (vii) operating the head office of the Corporation;
- (viii) borrowing money (on a secured or unsecured basis) on behalf of the Corporation, including pursuant to a loan facility, the issue of debt securities or by purchasing securities on margin, subject to and in accordance with the investment policy and credit policy, if any, of the Corporation;
- (ix) authorizing payment on behalf of the Corporation of expenses incurred on behalf of the Corporation and the negotiation of contracts with third party providers of services (including, without limitation, prime brokers, registrars and transfer agents, legal counsel, auditors, insurance agents and printers);
- (x) preparing or overseeing the preparation of annual budgets for presentation to the Board for approval and monitoring the Corporation's financial performance;
- (xi) providing or causing to be provided any records, financial or legal documentation or any other documentation reasonably required by the Chief Financial Officer of the Corporation in the performance of the internal accounting, auditing and legal obligations of the Chief Financial Officer;
- (xii) advising the Board on strategic matters relating to the business of the Corporation including the Portfolio and any investment opportunities to enhance the value of the Common Shares;
- (xiii) identifying, structuring and negotiating acquisition, disposition, financing and other transactions and managing due diligence in connection therewith;
- (xiv) conducting day-to-day relations on behalf of the Corporation with third parties, including the management teams for each asset, suppliers, joint venturers, lenders, brokers, consultants, advisors, accountants, lawyers, insurers and appraisers;
- (xv) engage a portfolio manager to manage the Public Portfolio in accordance with the investment objectives and restrictions of the Corporation and shall be responsible for paying the fees of such portfolio manager out of the Management Fee;
- (xvi) managing the investor relations activities of the Corporation; (xvii) managing the Corporation's regulatory compliance, including ensuring all required filings are made; and

- (xvii) annually or as otherwise reasonably requested by the board of trustees, making reports to the board of trustees and/or the security holders of the Corporation of the performance of the Corporation and the board of trustees.

In addition to the Management Fee and the Performance Fee, under the Management Agreement, the Corporation is obligated to reimburse the Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Manager in connection with the performance of the services described in the Management Agreement, including certain specified expenses ancillary to the operations of the Manager, including travel on behalf of the Corporation and office space and services.

The term of the Management Agreement will continue, subject to earlier termination in certain circumstances until the winding-up or dissolution of the Corporation. The Management Agreement may be terminated early in certain circumstances, including (i) upon the dissolution, liquidation, bankruptcy, insolvency or winding-up of the Manager; and (ii) material breach by the Manager of the Management Agreement and, if capable of being cured, any such breach has not been cured within 60 days' written notice of such breach to the Manager. The Manager has the right, at any time, upon 180 days' written notice, to terminate the Management Agreement for any reason. In the event that the Management Agreement is terminated, the Manager is entitled to all accrued and unpaid management and success fees. The Manager may not be removed other than by a meeting of the shareholders and only if the Manager is in material breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 60 days' notice of such breach or default to the Manager. Similarly, the Management Fee payable under the Management Agreement may not be modified other than by a meeting of the Shareholders and only if such modification results in an increase in the Management Fee payable to the Manager.

*Directors and Executive Officers of the Manager*

The name and municipality of residence of each of the directors and executive officers of the Manager and their principal occupations are as follows:

<b>Name and Municipality of Residence</b>	<b>Date Individual became a Director</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
Paul Andersen Toronto, ON	November 1, 2017	Director, President, and Secretary	Managing Partner, Forbes Andersen LLP; Chief Financial Officer and Director, Cannabis Growth Opportunity Corporation; Treasurer, Gulf and Pacific Equities Corp.; Chief Financial Officer and Secretary, Minsud Resources Corp.; Chief Financial Officer and Vice President, Pele Mountain Resources Inc.; Director, Canada House Wellness Group Inc.