

EARNY RESOURCES LTD.

(to be renamed Orchid Ventures, Inc.)

**CSE FORM 2A
LISTING STATEMENT**

January 29, 2019

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CAUTIONARY STATEMENTS REGARDING U.S. CANNABIS OPERATIONS

This Listing Statement qualifies the securities of an entity that derives a substantial portion of its revenues from the cannabis industry in the United States. The Resulting Issuer is directly involved (through its subsidiaries Orchid Corp and Orchid LLC dba Orchid Essentials) in the cannabis industry in the States of California and Oregon where local state law permits such activities. Currently, its subsidiaries are engaged in the manufacture, possession, use, sale or distribution of medicinal and recreational cannabis. See Section “Risk Factors” for additional information.

Well over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC, however, the cultivation, possession, distribution, sale and use of cannabis are illegal under federal law pursuant to the U.S. Controlled Substances Act of 1970 (the “Controlled Substances Act”).

Despite the current state of the federal law and the Controlled Substances Act, the states of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado, Vermont and Alaska, and the District of Columbia, have legalized recreational use of cannabis. Under the Controlled Substances Act, the policies and regulations of the U.S. federal government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. The Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution and federal laws made pursuant thereto are paramount and in case of conflict between federal and state law, the federal law shall apply (see “Article VI, Section 2 of the U.S. Constitution”).

The Resulting Issuer’s objective is to capitalize on the opportunities presented from the changing regulatory environment governing the cannabis industry in certain U.S. states where the use of medical and recreational cannabis is permitted. Accordingly, there are a number of significant risks associated with the business of the Resulting Issuer. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to medical and/or recreational use 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, and the business of the Resulting Issuer may be deemed to be producing, processing, distributing, or selling cannabis in violation of federal law in the United States.

For these reasons, the Resulting Issuer’s operations in the U.S. cannabis market may subject the Resulting Issuer to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. There are a number of risks associated with the business of the Resulting Issuer. See section entitled “Risk Factors”, including “Risks Specifically Related to the U.S. Regulatory System”, “The Resulting Issuer’s Operations and potential investments in the United States may be subject to heightened scrutiny by Canadian authorities” and “Change in Laws, Regulations and Guidelines”.

FORWARD-LOOKING STATEMENTS

This Listing Statement contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, be achieved or occur. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Listing Statement. Such forward-looking statements speak only as of the date of this Listing Statement and include, but are not limited to, statements with respect to:

- the ability of the Resulting Issuer to obtain necessary financing;
- the performance of the Resulting Issuer’s business and operations as it relates to its subsidiaries;
- the Resulting Issuer’s expected market and the profitability thereof;
- the regulatory framework for medical and recreational use of cannabis in the United States;
- the ability of the Resulting Issuer’s subsidiaries’ to obtain the necessary licensing and approvals for their proposed cannabis products, facilities and licenses;
- the ability of the Resulting Issuer and/or its Subsidiaries to research and develop marketable products for the medicinal and recreational cannabis markets;
- the expected growth in the number of users of medical and recreational cannabis, once legalized in Canada and, if legalized, in the United States;
- the impact of expected legalization of recreational use of cannabis in Canada;
- the impact of recent federal disclosure concerning its stance on cannabis use in the United States;
- the Resulting Issuer’s future liquidity and financial capacity;
- the grant and impact of any additional licenses to conduct activities with cannabis;
- costs, timing and future plans concerning the business and operations of the Resulting Issuer and its subsidiaries;

- the Resulting Issuer's intention to complete the listing of its securities on the CSE and all transactions related thereto;
- results and expectations concerning various partnerships, strategic alliances, projects and marketing strategies of the Resulting Issuer and its Subsidiaries; and
- the economies of Canada and the United States generally.

The forward-looking statements contained in this Listing Statement are based on a number of assumptions that may prove to be incorrect including, but not limited to:

- the Resulting Issuer's ability to raise capital;
- the Resulting Issuer's ability to satisfy CSE listing requirements;
- the ability of the Resulting Issuer's Subsidiaries' to secure and/or maintain the requisite licenses and governmental approvals to research and develop and sell cannabis by-products and conduct its business;
- the market for and potential revenues to be derived from the products of the Resulting Issuer's Subsidiaries';
- the impact of expected legalization of cannabis for recreational use in Canada and potential legalization in the United States;
- the expected growth in the number of users of medical and recreational cannabis once legalized in Canada and, if legalized, in the United States;
- the market for and potential revenues to be derived from the Resulting Issuer's proposed cannabis extract products, vape pen products and other projects being consistent with the Resulting Issuer's expectations;
- the Resulting Issuer's directors, officers, employees and its investors may face challenges entering the United States;
- the consumer interest in and demand for the Resulting Issuer's products;
- the ability of the Resulting Issuer to successfully compete in the medical and legalized recreational cannabis markets in Canada and potentially legalized recreational cannabis markets in the United States; and
- costs, timing and future plans concerning operations of the Resulting Issuer and/or its subsidiaries being consistent with current expectations.

These forward-looking statements should not be relied upon as representing the Resulting Issuer's views as of any date subsequent to the date of this Listing Statement. Although the Resulting Issuer has attempted to identify important factors that could cause actual events, actions, or results to differ materially from those described in forward-looking statements, there

may be other factors that cause events, actions, or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Resulting Issuer and/or its Subsidiaries. Additional factors are noted under “Risk Factors” in this Listing Statement. The forward-looking statements contained in this Listing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Listing Statement are made as of the date of this Listing Statement and the Resulting Issuer does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable law.

GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Resulting Issuer believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Resulting Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations but are not guaranteed and have not been independently verified.

GLOSSARY

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Listing Statement.

“**A&R LLC Agreement**” means the Amended and Restated Limited Liability Company Agreement of Orchid LLC, entered into by Orchid LLC and each of the members of Orchid LLC on the Closing Date.

“**Affiliate**” means a company that is affiliated with another company as described below. A company is an “**Affiliate**” of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is “controlled” by a Person if (a) voting securities of a company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of a company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

“**Ancillary Agreements**” means, collectively, the A&R LLC Agreement, the Support Agreement, the Voting Trust Agreement, the Voting Support Agreement and the Coattail Agreement.

“**Associate**” has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder.

“**Board**” means the board of directors of a company.

“**Business Combination**” means the business combination under Nevada corporate law among Earny and Orchid pursuant to which Orchid will complete a reverse take-over of Earny.

“**Business Day**” means any day other than a Saturday, Sunday, or a statutory or civic holiday in the City of Vancouver, British Columbia.

“**California Facilities**” has the meaning ascribed thereto under “*Narrative Description of the Business – Production Facilities*” of this Listing Statement.

“**CBD**” means cannabidiol.

“**CDS**” means the CDS Clearing and Depository Services Inc.

“**CEO**” means Chief Executive Officer.

“**CFO**” means Chief Financial Officer.

“**CR CA**” means CR Manufacturing CA, Inc., a California corporation, and wholly-owned subsidiary of Orchid LLC.

“**Closing**” means the completion of the Business Combination.

“**Closing Date**” means date on which the Business Combination is completed.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Cole Memorandum**” has the meaning set out under the heading “*Regulatory Overview – Overview: U.S. Federal Law – General*”.

“**company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Concurrent Offering Share**” has the meaning ascribed thereto under “*Narrative Description of the Business – Equity Financing*” of this Listing Statement.

“**Concurrent Offering**” has the meaning ascribed thereto under “*Narrative Description of the Business – Equity Financing*” of this Listing Statement.

“**Controlled Substances Act**” means the *U.S. Controlled Substances Act*.

“**CR OR**” means CR Manufacturing OR, Inc., an Oregon corporation, and wholly-owned subsidiary of Orchid LLC.

“**CR Products**” means CR Products, LLC, a California limited liability company, and wholly-owned subsidiary of Orchid LLC.

“**CR Property**” means CR Property Management, LLC, a Nevada limited liability company and wholly-owned subsidiary of Orchid LLC.

“**CRULLCA**” means the California Revised Uniform Limited Liability Company Act, codified in the California Corporations Code, Section 17701.01 et. seq., as the act may be amended from time to time.

“**CSA**” means the Canadian Securities Association.

“**CSE**” means the Canadian Securities Exchange.

“**CSE Listing**” means the listing of the Resulting Issuer Subordinate Voting Shares on the CSE.

“**CUP**” means a Conditional Use Permit.

“**DOJ**” means the U.S. Department of Justice.

“**Earny**” means Earny Resources Ltd., a British Columbia corporation which is to be renamed as Orchid Ventures, Inc. in connection with the Business Combination and following the completion of the Business Combination is referred to herein as the Resulting Issuer.

“**Earny Board**” means the board of directors of Earny.

“**Earny Financial Statements**” means the audited financial statements of Earny for the years ended April 30, 2018 2017 and 2016 and the unaudited interim financial statements of Earny for the subsequent three-month period ended July 31, 2018, which are attached to this Listing Statement as Schedule “A”.

“**Earny MD&A**” means Earny’s MD&As for the year ended April 30, 2018 and subsequent three-month period ended July 31, 2018 which are attached to this Listing Statement as Schedule “B”.

“**Earny Shareholders**” means the holders of Earny Shares.

“**Earny Shares**” means the common shares in the capital of Earny, prior to giving effect to the Business Combination.

“**Exchanges**” means the CSE and the TSX-V.

“**Facilities**” means, together, the California Facilities and the Oregon Facility (and “**Facility**” means either one of them).

“**FinCEN Memorandum**” has the meaning ascribed thereto under Section “*U.S. Federal Law Overview – General*” of this Listing Statement.

“**Founders**” means Rene Suarez and Corey Mangold.

“**IFRS**” means the International Financial Reporting Standards, as adopted by the Canadian Accounting Standards Board, effective January 1, 2011.

“**IRS**” means United States Internal Revenue Service.

“**Leahy Amendment**” has the meaning ascribed thereto under Section “*U.S. Federal Law Overview – Enforcement Proceedings*” of this Listing Statement.

“**Licenses**” has the meaning ascribed thereto under Section “*Description of the Business – Licensing*” of this Listing Statement.

“**Listing Date**” means the date of the CSE Listing.

“**Listing Statement**” means this listing statement, as may be amended and/or supplemented from time to time.

“**LOI**” has the meaning ascribed thereto under Section “*General Development of the Business – Earny*” of this Listing Statement.

“**MAUCRSA**” means the *Medicinal and Adult-Use of Cannabis Regulation and Safety Act*.

“**MCRSA**” means the *Medical Marijuana Regulation and Safety Act*.

“**MD&A**” means management’s discussion and analysis.

“**Name Change**” means the name change of Earny to “**Orchid Ventures, Inc.**”

“**OLCC**” means the Oregon Liquor Control Commission.

“**Orchid**” means, collectively, Orchid Corp and Orchid LLC.

“**Orchid Brands**” means Orchid Brands, LLC, a limited liability company existing under the laws of the State of Delaware, and formerly known as Orchid Trading Co, LLC.

“**Orchid Cannabis Products**” has the meaning ascribed thereto under Section “*Narrative Description of the Business – Product Development and Scale of this Listing Statement*”.

“**Orchid Convertible Notes**” means the convertible notes issued to Orchid Corp by Orchid LLC that converted into class A voting units of Orchid LLC upon the Business Combination resulting in Orchid LLC becoming a subsidiary of Orchid Corp.

“**Orchid Corp**” means CR International, Inc., a company existing under the laws of the State of Nevada and a company that will become a wholly-owned subsidiary of the Resulting Issuer as a result of the Business Combination.

“Orchid Exchangeable Units” means the class B nonvoting units of Orchid LLC which are exchangeable into Resulting Issuer Subordinate Voting Shares pursuant to the A&R LLC Agreement and Support Agreement.

“Orchid Financial Statements” means the audited financial statements of Orchid for the years ended May 31, 2018 and 2017 and the unaudited interim financial statements of Orchid for the subsequent three-month period ended August 31, 2018 which are attached to this Listing Statement as Schedule “C”.

“Orchid LLC” means CR Companies, LLC, a limited liability company existing under the laws of the State of California that became a subsidiary of Orchid Corp as a result of the Business Combination.

“Orchid MD&A” means Orchid’s MD&A for the year ended May 31, 2018 and subsequent three-month period ended August 31, 2018, which are attached to this Listing Statement as Schedule “D”.

“Orchid Members” means the holders of Orchid Exchangeable Units.

“Orchid Products” means CR Products, LLC, a limited liability company existing under the laws of the State of California and a wholly-owned Subsidiary of Orchid LLC.

“Orchid Share Exchange” means the exchange of shares of common stock of Orchid Corp for Resulting Issuer Subordinate Voting Shares pursuant to the Securities Exchange Agreement.

“Oregon Facility” has the meaning ascribed thereto under Section “Narrative Description of the Business – Production Facilities” of this Listing Statement.

“Person” means a company or an individual.

“Plan” has the meaning ascribed thereto under Section “*Options to Purchase Securities – Description of Stock Option Plan*” of this Listing Statement.

“Prior Operating Agreement” means the original operating agreement of Orchid LLC dated November 9, 2017.

“Pro-Forma Financial Statements” means the unaudited pro forma statement of financial position for the Resulting Issuer as at July 31, 2018, to give effect to the Business Combination as if it had taken place as of July 31, 2018, which is attached to this Listing Statement as Schedule “E”.

“Resulting Issuer” means Earny after giving effect to the Business Combination, at which time Earny is expected to be renamed “Orchid Ventures, Inc.”.

“Resulting Issuer Board” means the board of directors of the Resulting Issuer.

“Resulting Issuer Options” means outstanding incentive stock options of the Resulting Issuer.

“**Resulting Issuer Shareholders**” means holders of Resulting Issuer Subordinate Voting Shares.

“**Resulting Issuer Subordinate Voting Shares**” means the subordinate voting shares in the capital of the Resulting Issuer.

“**Resulting Issuer Warrants**” means outstanding purchase warrants of the Resulting Issuer.

“**Securities Exchange Agreement**” means the securities exchange agreement dated September 12, 2018, as amended, among Earny, Orchid Corp and Orchid LLC pursuant to which the parties will complete the Business Combination.

“**Sessions Memorandum**” has the meaning ascribed thereto under Section “U.S. Federal Law Overview – General” of this Listing Statement.

“**SOPs**” has the meaning ascribed thereto under Section “*Overview of California Law - Operating Procedure Requirements*” of this Listing Statement.

“**Special Voting Share**” has the meaning ascribed under Section “*Description of Securities – Special Voting Share*” of this Listing Statement.

“**Staff Notice 51-352**” means Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities issued by the CSA on February 8, 2018.

“**Subsidiary**” means a company that is controlled by another company where the controlling company is the beneficial or registered owner of, or otherwise controls, more than 50% of the voting securities of the controlled company or is otherwise able to control the board of directors (or similar body) of the controlled company.

“**Support Agreement**” has the meaning ascribed thereto under Section “*General Development of the Business - Business Combination among Orchid and Earny*” of this Listing Statement.

“**THC**” means tetrahydrocannabinol.

“**TMX MOU**” has the meaning ascribed thereto under Section “*Risk Factors - Risks Specifically Related to the U.S. Regulatory System*” of this Listing Statement.

“**Transaction**” means the completion of the (i) Concurrent Offering, (ii) the Business Combination, and (iii) the CSE Listing.

“**TSX-V**” means the TSX Venture Exchange.

“**U.S.**” or “**United States**” means the United States of America.

“**Voting Support Agreement**” has the meaning ascribed thereto under Section “*Description of Capital of Orchid LLC – Voting Support Agreement*” of this Listing Statement.

“**Voting Trust**” has the meaning ascribed in Section “*General Development of the Business - Business Combination among Orchid and Earny*” of this Listing Statement.

“**Voting Trust Agreement**” has the meaning ascribed thereto under Section “*Description of Securities – Special Voting Share*” of this Listing Statement.

“**2014 Cole Memo**” has the meaning ascribed thereto under Section “*U.S. Federal Law Overview - General*” of this Listing Statement.

Words importing the masculine shall be interpreted to include the feminine or neuter and the singular to include the plural and vice versa where the context so requires.

In this Listing Statement, other words and phrases that are capitalized have the meanings assigned in this Listing Statement.

All references to “\$”, “CDN\$” or “dollars” in this Circular are to lawful currency of Canada unless otherwise expressly stated. References to “US\$” are to United States dollars.

CORPORATE STRUCTURE

Earny

Earny was incorporated under the name Earny Resources Ltd. on February 9, 2011 under the BCBCA.

In connection with the Business Combination, it is expected that Earny will file a notice of alteration to change its name to “Orchid Ventures, Inc.”

The head office of Earny is located at Suite 2050 – 1055 West Georgia Street, Vancouver, British Columbia V6E3P3 and its registered office address is 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

Earny Shares were listed on the TSX-V on September 26, 2011 for trading under the trading symbol “**ERN**”. On June 2, 2016, Earny’s share listing was transferred from the TSX-V to NEX and Earny Shares now trade under the trading symbol “**ERN.H**”.

Orchid

CR International, Inc. (Orchid Corp.)

Orchid Corp was formed as a corporation under the laws of the State of Nevada on June 18, 2018 in furtherance of affecting the Business Combination. Pursuant to the Business Combination, a series of transactions will be completed resulting in the reorganization of Orchid and Earny whereby the Resulting Issuer will become the sole owner of Orchid Corp and the indirect parent and sole voting unitholder of Orchid LLC, and eventually, after the exchange of all Orchid Exchangeable Units, the sole owner of Orchid LLC.

A Voting Trust will be established at the closing of the Business Transaction, pursuant to which the co-trustees of the Voting Trust will be issued a Special Voting Share entitling them to vote a total of 62,142,857 shares, the total number of shares to be issued by the Resulting Issuer in exchange for the Orchid Exchangeable Units. As Orchid Exchangeable Units are replaced with

Resulting Issuer Subordinate Voting Shares, the number of voting rights attaching to the Special Voting Share will be decreased proportionately to the number of Resulting Issuer Subordinate Voting Shares being issued. As a result, and at the end of the four-year period allowed for exchanges, the Special Voting Share will be cancelled.

CR Companies, LLC

CR Companies, LLC (“**Orchid LLC**”) was organized on November 9, 2017 in California as the holding company for all businesses previously conducted through Orchid Brands. The business activities of Orchid Brands are not conducted through subsidiaries. Management decided on this structure to segregate the liabilities and intellectual property of Orchid Brands from its operations in order to insulate the brand from the business activities of the cannabis industry and taxes under U.S. Internal Revenue Code Section 280E. Federal, state and local governments have enacted laws that treat cannabis-related activities differently in each applicable jurisdiction and subject these activities to various different regulations. Subsidiaries of Orchid LLC may obtain local licenses.

As of January 1, 2018, Orchid Brands became the first subsidiary of Orchid LLC. Currently, Orchid LLC has six subsidiaries which are more fully described below.

Orchid Brands, LLC (formerly Orchid Trading Co, LLC)

Orchid Brands, LLC (“**Orchid Brands**”) was formed as a limited liability company under the laws of the State of Delaware on February 1, 2017, and the members entered into a Limited Liability Company Agreement dated March 15, 2017, as amended and restated on January 1, 2018. On January 1, 2018, Orchid Brands was reorganized as a wholly-owned subsidiary of Orchid LLC, and the members of Orchid Brands became Orchid Members. The Orchid Members became parties to the original operating agreement of Orchid LLC, dated November 9, 2017 (“**Prior Operating Agreement**”). The Prior Operating Agreement will be further amended and restated in connection with the completion of the Business Combination. Please see Section “*Description of Capital of Orchid LLC- A&R LLC Agreement*” below for further details in respect of the A&R LLC Agreement.

CR Property Management, LLC

CR Property Management, LLC (“**CR Property**”) was formed as a limited liability company under the laws of the state of Nevada on July 31, 2018 and is a wholly owned subsidiary of Orchid LLC. The Operating Agreement for CR Property was executed between Orchid LLC and CR Property on August 14, 2018. While CR Property may carry on any lawful business, purpose or activity for which limited liability companies may be formed under Nevada law, CR Property was created by Orchid LLC to acquire or lease the Facilities in Oregon and California and equipment for the other subsidiaries to use in their businesses.

CR Manufacturing OR, Inc.

CR Manufacturing OR, Inc. (“**CR OR**”) was formed as a corporation under the laws of the State of Oregon on June 12, 2018 and is a wholly-owned subsidiary of Orchid LLC. CR OR has

applied for a wholesale and processing license with the OLCC and plans to operate out of the Oregon Facility.

CR Manufacturing CA, Inc.

CR Manufacturing CA, Inc. (“**CR CA**”) was originally formed under the laws of the State of California as CR International, Corp. on May 31, 2018, and subsequently changed its name to CR Manufacturing CA, Inc. on August 15, 2018. CR CA is a wholly-owned subsidiary of Orchid LLC. CR CA is applying for cannabis licenses in California with plans to operate out of the Costa Mesa Facility.

CR Products, LLC

CR Products, LLC (“**CR Products**”) was formed under the laws of the State of California on November 9, 2017. CR Products manufactures, imports, distributes and sells vape pen hardware and accessories and will continue to manufacture, import, distribute and sell non-cannabis products.

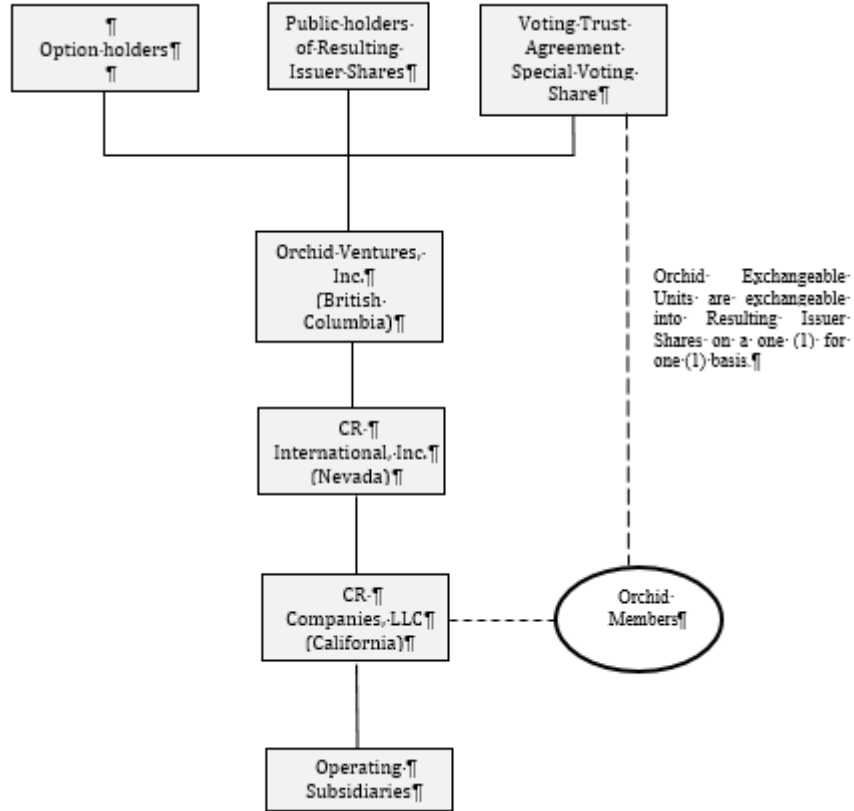
CA Forrest Green Distribution, LLC

Orchid LLC acquired all the issued and outstanding membership interests of CA Forrest Green Distribution, LLC (“**CA Forrest Green**”) on December 31, 2018. CA Forrest Green currently has a temporary Type 11 Distribution License to distribute Cannabis in California, and CA Forrest Green has applied for an annual Type 11 Distribution License (License No. C11-18-0000788-TEMP).

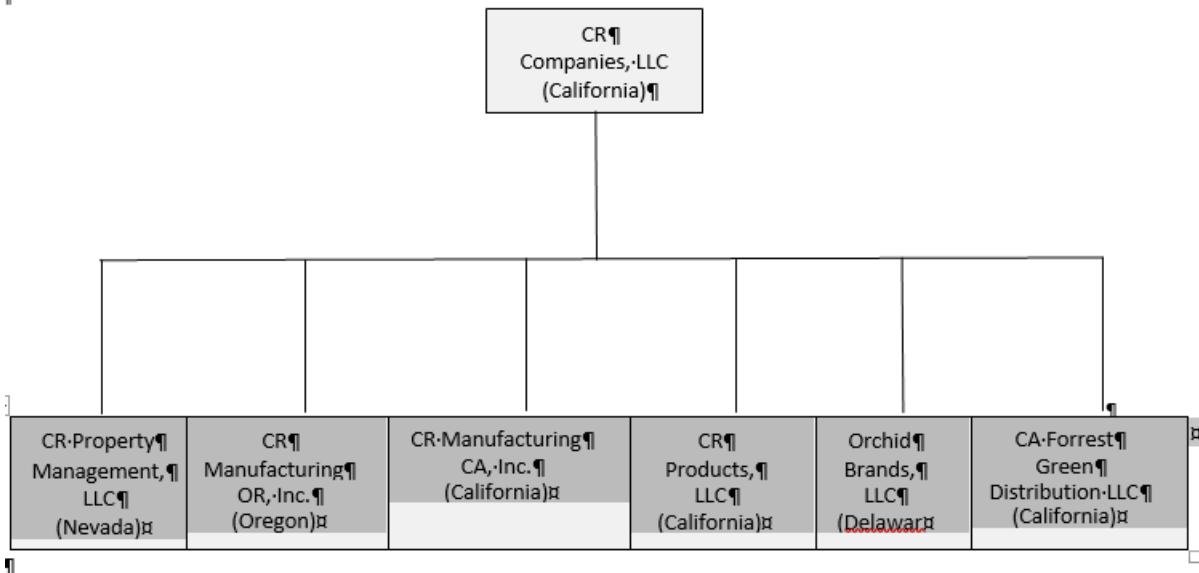
Resulting Issuer

The Resulting Issuer’s head office will be located at 17865 Sky Park Circle, Suite H, Irvine, California 92614 and its registered office address will be 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

The Resulting Issuer will carry on the business currently carried on by Orchid. Set forth below is the organizational chart for the Resulting Issuer. The subsidiaries of Orchid LLC will not change in connection with the Business Combination.



The current organizational chart of Orchid LLC, setting out material subsidiaries of Orchid, is set forth below. Unless otherwise noted, all lines represent 100% ownership of outstanding securities of the applicable subsidiary.



GENERAL DEVELOPMENT OF THE BUSINESS

Earny

Earny's principal business activity was the identification and evaluation of companies, assets or businesses with a view to completing a business combination. On August 27, 2012, the Issuer completed its Qualifying Transaction on the TSX-V and had a 100% interest in certain mineral claims (the "**PC Property**") located in the Spences Bridge Gold Belt of British Columbia.

During the year ended April 30, 2017, Earny wrote down the carrying value of the PC Property to \$1.00, due to a lack of exploration activity and management's intention to pursue other business opportunities.

On July 14, 2017, Earny consolidated the Earny Shares on a basis of one post-consolidated Earny Share for three pre-consolidated Earny Shares.

On December 5, 2017, Earny completed a non-brokered private placement of 4,000,000 Earny Shares at a price of \$0.15 per Earny Share, for total proceeds of \$600,000.

On January 25, 2018, two directors of Earny exercised an aggregate of 66,666 stock options at a price of \$0.30 per share, and 66,666 Earny Shares were issued for total gross proceeds of \$20,000.

On June 15, 2018, Earny changed its auditors from Davidson & Company, LLP to Dale Matheson Carr-Hilton Labonte LLP.

On June 15, 2018, Earny entered into a letter of intent (the "**LOI**") with Orchid LLC pursuant to which Orchid LLC proposed to complete a Business Combination with Earny by way of share exchange, merger, amalgamation, arrangement or similar form of transaction whereby the members of Orchid LLC will become shareholders of the Resulting Issuer.

Additional information pertaining to Earny, including financial information, is contained in the various disclosure documents of Earny filed with applicable securities commissions, the NEX, TSV-V and the CSE and made available through the Internet on the SEDAR website at www.sedar.com.

Other than the transactions detailed herein, Earny has not completed any significant acquisitions or dispositions during the most recently completed financial year ended April 30, 2018 or the current financial year.

Orchid

Orchid is a cannabis product development, branding, and hardware manufacturing company. Orchid's award-winning premium THC and CBD product lines are sold in almost 300 dispensaries across California and Oregon.¹ Orchid is focused on developing, hardware manufacturing, branding and distributing premium cannabis products within the States of

¹ 2018 American Advertising Awards: (1) Gold - Integrated Brand Identity Campaign; (2) Gold - On-line Interactive: Website Consumer; (3) Silver - Sales & Marketing: Packaging Campaign; and (4) Silver - Element of Advertising: Logo Design. .

California and Oregon, with plans to expand to new markets in the United States, as regulations permit. With a continued focus on brand and intellectual property development, Orchid will execute strategic acquisitions to solidify an integrated cannabis manufacturing and distribution infrastructure with the goal of becoming a dominant premium cannabis brand in the United States. Orchid's management brings significant branding, product development, manufacturing, and distribution experience with a proven track record of scaling revenues, building value generating partnerships, and creating enterprise value.

On February 1, 2017, Orchid Brands was formed to manufacture, produce, develop and distribute cannabis and cannabis related products under the "Orchid Essentials" brand in jurisdictions where such production, distribution and sale is authorized under applicable state and local law. The original founders of Orchid Brands were Rene Suarez and Corey Mangold (the "**Founders**"). The Founders organized Orchid Brands in the State of Delaware as Orchid Trading Co., LLC and entered into an operating agreement on March 15, 2017. Orchid Brands filed a Certificate of Amendment with the Secretary of State of Delaware on December 21, 2017, to amend its Certificate of Formation originally filed with the Secretary of State of Delaware on February 1, 2017 to change its name from Orchid Trading Co., LLC to "Orchid Brands, LLC". On January 1, 2018, Orchid Brands amended and restated its operating agreement. Orchid Brands conducted a private placement financing funding round from April 22, 2017 until May 18, 2017, pursuant to which the Company sold 1,350,000 class B units.

Orchid LLC was formed in the State of California on November 9, 2017 to be a holding company for operating multiple Subsidiaries for the different lines of businesses, of which Orchid Brands would be the branding and licensing subsidiary. The original operating agreement for Orchid LLC was adopted on November 9, 2017. Orchid Products was organized in the State of California on November 9, 2017 to operate as the subsidiary for vape hardware line of business.

On January 1, 2018, a reorganization resulted in Orchid LLC becoming the parent company and Orchid Brands and Orchid Products becoming its wholly-owned Subsidiaries. Since the entities were under common control, they have been accounted for as a business combination between entities under common control and treated like a pooling of interest transaction. The Operating Agreement of Orchid LLC was amended to include the Orchid Members on January 1, 2018.

On June 15, 2018, Orchid LLC entered into the LOI with Earny.

On June 18, 2018, Orchid Corp was formed for purposes of completing the Business Combination and conducting further financings. Orchid Corp issued two shares of Series Z Preferred Stock to the Founders which gave the Founders management and control over Orchid Corp. The two shares of Series Z Preferred Stock will be returned to treasury shares of Orchid Corp at the Closing of the Business Combination. To date, Orchid Corp has completed three financings to raise \$3,273,563 by the issuance of 39,364,852 shares of common stock in Orchid Corp.

Business Combination Between Orchid and Earny.

Orchid and Earny entered into a securities exchange agreement dated September 12, 2018 (the “**Securities Exchange Agreement**”). Pursuant to the terms of the Securities Exchange Agreement, the parties will complete a Business Combination pursuant to a plan of share exchange under Nevada corporate law in which Earny will acquire all of the issued and outstanding securities of Orchid Corp and Orchid Corp will become a wholly-owned subsidiary of the Resulting Issuer. Additionally, in furtherance of the Business Combination, Orchid Corp will become the sole voting member and managing member of Orchid LLC, and, eventually, the sole owner of Orchid LLC.

Upon completion of the Business Combination (the “**Closing**”) the Resulting Issuer will continue to carry on the business of Orchid as currently constituted, under the new name “Orchid Ventures, Inc.” or such other name as may be approved by the Resulting Issuer Board. The Business Combination is an arm’s length transaction and constitutes a reverse takeover of Earny by Orchid, pursuant to the policies of the TSXV. In connection with the Business Combination, the Resulting Issuer will voluntarily delist from the TSXV and will apply to list its common shares on the CSE.

Pursuant to the terms of the Securities Exchange Agreement, the existing security holders of Orchid Corp will receive Resulting Issuer Subordinate Voting Shares in exchange for their shares of common stock of Orchid Corp. It is currently expected that an aggregate of 39,364,854 Resulting Issuer Subordinate Voting Shares will be issued pro rata to the shareholders of Orchid Corp as consideration for 100% of the issued and outstanding shares of common stock of Orchid Corp. The Resulting Issuer Subordinate Voting Shares are being issued at a deemed value of \$0.33 per Resulting Issuer Share.

Each Orchid Corp warrant issued and outstanding will be exchanged for one common share purchase warrant of the Resulting Issuer (“**Resulting Issuer Warrants**”). It is currently expected that an aggregate of 559,200 Resulting Issuer Warrants will be issued pro rata to the Orchid warrant holders. Each Resulting Issuer Warrant will entitle the warrant holder to purchase one Resulting Issuer Share at a price of \$0.33 per Resulting Issuer Share for a period of 12 months from the issuance date.

In addition, the holders of Orchid Exchangeable Units will have the right to exchange such exchangeable units for Resulting Issuer Subordinate Voting Shares at any time until the date that is four years from the Closing Date. It is currently expected that an aggregate of 62,142,857 Resulting Issuer Subordinate Voting Shares will be issued in connection with the exchange of Exchangeable Units. A voting trust (“**Voting Trust**”) will be established on Closing, pursuant to which the co-trustees of such Voting Trust will be issued a special voting share (“**Special Voting Share**”) entitling them to vote a total of 62,142,857 Resulting Issuer Subordinate Voting Shares, which represents the total number of Resulting Issuer Subordinate Voting Shares to be issued by the Resulting Issuer in exchange for the Orchid Exchangeable Units. As Orchid Exchangeable Units are exchanged for Resulting Issuer Subordinate Voting Shares, the number of voting rights attaching to the Special Voting Share will be decreased proportionately to the number of Resulting Issuer Subordinate Voting Shares being issued. As a result, and at the end of the four-year period allowed for exchanges, the Special Voting Share will be cancelled.

The Resulting Issuer Subordinate Voting Shares issued in connection with the Business Combination (including the Resulting Issuer Subordinate Voting Shares issued in exchange for Orchid Exchangeable Units, if applicable) will be subject to escrow conditions and/or resale restrictions as required by applicable securities laws and the policies of the CSE.

Earny has agreed to undertake a non-brokered private placement offering (the “**Concurrent Offering**”) of 15,151,515 Earny Shares at a price of \$0.33 per share for gross proceeds of \$5,000,000. The Earny Shares issued pursuant to the Concurrent Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws. The net proceeds will be used to pay transaction costs and for working capital of the Resulting Issuer. Trading of the common shares of Earny has been halted and will remain halted in accordance with TSX-V policies until all required documentation with respect to the Business Combination has been received and the TSX-V and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

A finder’s fee of 2,000,000 Resulting Issuer Subordinate Voting Shares will be paid to an arm’s length third party upon the Closing of the Business Combination.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

Overview of Business

The business of the Resulting Issuer will effectively be the business of Orchid. “Orchid Essentials” is an award-winning² cannabis brand based in Irvine, CA with operations in both California and Oregon. With a keen focus on developing best-in-class products, Orchid has proven its ability to not only develop superior products, but also to expand quickly into almost 300 stores total in California and Oregon. With strategic relationships with cultivators, manufacturers, and distributors, Orchid has established a business model that allows it to expand into other states and countries by licensing the Orchid brand, acquiring cannabis businesses and forming strategic partnerships. Orchid launched in August 2017 with a line of proprietary vaporizer products in two states that quickly rose to be viewed as one of the premium vaporizer products on the market and has established a very loyal consumer base.

Orchid has built an executive team with decades of experience in business management, consumable goods, brand development, sales and marketing, and risk management. The experience of the Orchid management team has allowed Orchid to develop best-practices, quality control standards, and global scale within the organization. Orchid has focused on building relationships with partners, retail stores, and building best-in-class customer service practices.

Orchid LLC has five wholly owned subsidiaries. The subsidiaries were incorporated or otherwise organized under the laws of California, Delaware, Nevada, and Oregon (see “**Corporate Structure - Orchid**”).

² 2018 American Advertising Awards: (1) Gold - Integrated Brand Identity Campaign; (2) Gold - On-line Interactive: Website Consumer; (3) Silver - Sales & Marketing: Packaging Campaign; and (4) Silver - Element of Advertising: Logo Design.

Growth Strategy

Orchid believes that the size of the U.S. cannabis market could surpass US\$45 billion over the next ten years with the continued expansion of legalization of cannabis in new states throughout the United States. On the recreational side, there are currently nine states in which the recreational sale of cannabis has been approved. These states are Alaska, Oregon, Washington, Nevada, California, Colorado, Massachusetts, Maine, and Vermont. In these markets, recreational sales will continue to grow as new population groups, like baby boomers, realize the magnitude of cannabis applications and cannabis is accepted by more demographics. Orchid plans on capitalizing on the significant increase in cannabis consumption in these recreational markets through an expansion of its distribution and product lines in key markets such as California and Oregon. Orchid will also seek opportunities to expand its brand in recreational markets through expansions of its existing facilities or through acquisitions of additional licenses or processing and wholesaling operators. Orchid plans to make strategic acquisitions to expand its brand as well as its supply chain. Orchid will look to leverage its branding, marketing, operational, and manufacturing expertise to create opportunities to license its brand in other states as well as internationally.

Production Facilities

Orchid is developing three cannabis production facilities totaling 17,940 square feet: (1) a 4,800 square foot production facility located in Clackamas County, Oregon (the “**Oregon Facility**”); (2) a 12,200 square foot facility in Costa Mesa, California (the “**Costa Mesa Facility**”; and (3) a 940 square foot facility in Long Beach, California (the “**Long Beach Facility**”) (the Costa Mesa Facility and the Long Beach Facility shall be referred to herein as the “**California Facilities**” and, together with the Oregon Facility, the “**Facilities**”). The Costa Mesa Facility will support light manufacturing and wholesale distribution and Orchid is in the process of applying for the requisite licenses to complete the same (see below “*Licensing*”). The Oregon Facility currently supports almost full vertical integration with the capacity to do any type of manufacturing, full scale processing, co-packing and distribution and Orchid is in the process of applying for the requisite licenses to complete the same (see below “*Licensing*”).

The Facilities will be in full compliance with local and state laws and have adequate controls in place against any diversion, theft, and loss of cannabis products. The Facilities will have a fully operational security alarm system; continuous 24-hour a day video surveillance; proper lighting, commercial grade locked doors; cannabis products and money secured in an on-site vault; and other protective security and safety requirements required by applicable law and industry standards.

Branding and Marketing

Orchid implements and utilizes consistent branding and messaging of its cannabis products using the “Orchid Essentials” name. Orchid has branding guidelines and monitors use of the Orchid Essentials name across all forms of media to ensure the highest brand integrity. Formal guidelines have been implemented with respect to Orchid’s primary logo, secondary marks, the feelings icons, the activities icons, logo usage, typography, color palette, packaging and photo styling.

Orchid only partners with other companies that have a proven and trusted track record to protect the brand. Prospective relationships are vetted by conducting legal due diligence, market research, and financial due diligence by Orchid's management team, consultants, and partners. Orchid has a dedicated marketing team and brand managers that engage customers through social media and other promotions. Orchid consults its General Counsel and/or outside counsel on a case-by-case basis when advertising and marketing cannabis products in California or Oregon. Orchid is in the process of developing formal internal advertising and marketing policies and procedures for its cannabis products; however, given that the industry is constantly changing and evolving, Orchid consults its compliance team regularly before initiating a marketing or advertising campaign.

Licensing

Currently, Orchid is applying for cannabis licenses in California and Oregon so that it may conduct light manufacturing, manufacturing, processing and wholesale distribution (the "**Licenses**"). If Orchid obtains the Licenses, Orchid anticipates increased manufacturing and sales capacity as well as efficiencies and cost reductions in its supply chains in both states.

CR OR has applied for a recreational processing license (#10129101ABF) with the OLCC at its Oregon Facility. CR OR has secured the Oregon Facility in Clackamas County, Oregon. The Oregon Facility is fully equipped for manufacturing and is in industrial zoning which enables CR OR to do co-packing, manufacturing, processing and distribution. CR OR has obtained its Land Use Compatibility Statement from the Clackamas County Planning Department for cultivation, processing and wholesaling.

CR OR is in the process of acquiring a wholesale license (#10136614016) for its Oregon Facility. This license is in the final review process and is currently expected to be issued within the next 30 days.

CR CA is applying for a recreational Type-6 license with the California Department of Public Health. Prior to applying for the Type-6 license, CR CA must obtain a Conditional Use Permit ("**CUP**") from the City of Costa Mesa. CR Property has secured the lease for the Costa Mesa Facility and is in the process of obtaining the CUP.

CA Forrest Green currently has a Temporary Type 11 cannabis distribution license (license no. C11-18-0000788-TEMP) and has applied for an annual license.

The Licenses must be renewed every year. Each year, licensees are required to submit a renewal application per the state cannabis regulatory guidelines. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Provided renewal applications are submitted in a timely manner, Orchid can expect the renewals to be granted in the ordinary course of business.

Product Development and Scale

Orchid Management has extensive knowledge about the cannabis industry, its customers and its markets. Orchid Management strategically bases product development decisions on innovation,

margin, potential, market trends, and quality. Orchid leverages its brand expertise and marketing team to select products that will expand its shelf space and customer reach.

Orchid develops, brands, and sells cannabis vapor devices consisting of kits and cartridges (the “**Orchid Cannabis Products**”). Orchid licenses its brand and proprietary hardware to licensed manufacturers and distributors in Oregon and California with plans to expand to additional states that have legalized medical and recreational cannabis. Orchid’s partners manufacture, produce, package, sell and deliver the Orchid Cannabis Products to state-authorized cannabis dispensaries and distribution channels on cash on delivery terms. Limited terms are available with an emphasis on cash on delivery.

Equity Financing

Prior to the Listing Date, Earny intends to complete a non-brokered private placement of 15,151,515 Earny Shares (each a “**Concurrent Offering Share**”) at a price of \$0.33 per Concurrent Offering Share for gross proceeds of \$5,000,000 (the “**Concurrent Offering**”).

Business Objectives

In the 12 months following the completion of the Transaction, the Resulting Issuer intends to accomplish the following business objectives:

Sales & Marketing

Develop, execute, and monitor sales and marketing campaigns to increase overall return on investment creating increased distribution of Orchid products through existing and new sales channels. Orchid plans to identify additional recreationally legal states in which Orchid can expand the Orchid brand. Upon identification of those states, Orchid will assess the potential relationships and infrastructure needed for expansion. Additionally, Orchid will continue developing new flavors and terpene profiles in order to increase its brand presence and market share.

Operations

Focus on vertical integration, development and optimized production of Orchid’s products in existing states and expansion into additional states. Orchid plans to commence production at two Facilities with approximately 17,000 combined square feet of production area and seek acquisitions, licensing, and permits to accomplish vertical integration. Currently, Orchid is in the process of securing leases for a facility in California and another facility in Oregon. Additionally, Orchid will increase production capabilities by utilizing technology, supply chain capital expenditures, and training of our production and operations personnel. Orchid will continue to leverage its OEM relationships to increase profit margins.

Finance

Secure inventory financing in order to meet increased demand for production and reduce upfront cash required by suppliers. Structure and implement internal controls and processes for the

growing number of entities under the Orchid veil and financial oversight over the use of funds, performance measurement, and effective financial reporting.

Licenses

Complete Orchid's applications for cannabis licenses in Oregon and California markets to secure the Licenses. Identify other recreationally legal markets to enter and apply for or acquire existing licenses.

Strategic Acquisitions

Seek strategic acquisitions to leverage Orchid's branding and marketing expertise to build and expand product lines and add additional brands that will expand Orchid's target market and shelf space at current retail outlets.

Significant Events and Milestones

The following table outlines how the Resulting Issuer will achieve the objectives enumerated above.

Milestone	Anticipated Cost (US\$)	Timeline from date of Listing Statement
Commence extraction at new facilities	\$1,000,000	6 – 12 months
Completion licensing and permitting at new facilities	\$1,000,000	6 – 12 months
Recruit and implement sales team	\$500,000	3 – 6 months
Execute marketing and branding campaigns	\$500,000	3 – 6 months
Secure inventory	\$800,000	3 – 6 months

Total Funds Available

General

Earny has historically relied upon equity and debt financings to satisfy its capital requirements and may require further equity and debt capital to finance its development, expansion and acquisition activities moving forward.

The working capital position of Earny as at July 31, 2018 was CDN\$126,352 (US\$94,764). The working capital deficiency of Orchid as at August 31, 2018 was US\$(519,760). Upon closing of the Business Combination and the Concurrent Offering (pursuant to the Pro Forma Financial Statements), Earny will have a working capital position and available funds of approximately CDN\$6,953,635 (US\$5,215,226). The Resulting Issuer expects minimum revenue of US\$3,264,360 in the next 12 months of operations for total available funds of US\$8,479,586.

Principal Purposes

The available funds will be used to fund, in order of priority, the Issuer's estimated expenditures during the next 12 months of operations, which are budgeted for as follows:

Use of Available Funds	Amount (US\$)
Available Funds of the Resulting Issuer	\$8,479,586
Expenses Related to completion of the Transaction	\$200,000
Acquisition and Capital Expenditures	\$1,000,000
Business Development and Marketing	\$1,000,000
Investor Relations	\$500,000
Licenses & Permits	\$1,000,000
Inventory	\$1,632,180
General and Administrative Expenses	\$2,751,500 ⁽¹⁾
Total Unallocated	\$395,906
TOTAL	\$8,479,586

Note:

- (1) This amount includes: \$2,601,500 for the management team and support staff and \$150,000 for public company compliance costs, including audit and tax.

The Resulting Issuer anticipates using the above funds within a period of 12 months. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may require additional funds in order to fulfill all of its expenditure requirements to meet its business objectives and may either issue additional securities or incur debt. There can be no assurance that additional funding that may be required by the Resulting Issuer would be available.

Principal Products or Services

Vaporizers

Orchid's vaporizer pen is an e-cigarette redesigned to be used with cannabis extracts. This device is comprised of a cartridge containing the cannabis extract and a replaceable battery, to which the cartridge attaches. Cartridges are available for purchase in one gram and half gram sizes. Each cartridge size is interchangeable with the existing battery. Upon user activation of the battery, the extract is heated providing an inhalable extract vapor for consumption. Batteries have three power-settings providing the consumer the choice of temperature at which the extract is heated.

Orchid's vape pens come packaged with an assortment of popular and innovative flavored cannabis extracts and Orchid continues to focus on developing and releasing new flavors for its customers. Current flavor options include the following:

- Bubba²
- Apple Cookies
- Jack Bubba
- Afghan
- Tropical Trainwreck
- Dutch Treat

- Sour Diesel
- Strawberry Cough
- Blue Dream
- Granddaddy Purple
- Tahoe OG

Cultivation

Orchid currently does not have cultivation activities, however, it is currently in the process of applying for the Licenses (see above “*Licensing*”). Orchid’s licensing plans are discussed below under “*Business Objectives*”.

Intellectual Property

Orchid has invested significant resources towards developing a recognizable and unique brand consistent with premium, high-end products in other industries. To date, Orchid has one registered federal trademark with the United States Patent and Trademark Office as well as several registered marks in the states of Oregon and California. All current trademarks are further described below.

In addition to its trademarks, Orchid owns 22 website domains, including www.orchidessentials.com, numerous social media accounts across all major platforms and various phone and web application platforms.

Orchid’s in-house and outside legal counsel vigorously monitor and swiftly respond to potential intellectual property infringement. Additionally, Orchid maintains strict standards and operating procedures regarding its intellectual property, including the regular use of nondisclosure, confidentiality, and intellectual property assignment agreements.

Trademarks

Orchid Brands has a registered U.S. federal trademark for the stylized “Orchid Essentials” logo (produced here). The trademark was registered on August 21, 2018 (registration number: 5543845) and is subject to renewal ten years from the date of registration. This mark was registered for use associated with “oral vaporizers for smokers, not containing cannabis or for use with cannabis.”



As of the date hereof, Orchid Brands has the following eight pending applications for federal trademarks in the United States, including the “Orchid Essentials” name, related logos, related taglines, and design marks distinctive to the Orchid brand:



- “***Orchid Essentials***” (application serial number: 87847641; application date: March 23, 2018) – trademark use associated with the following products and services: “[h]emp oil from industrial hemp, not containing cannabis or for use with cannabis products”; “dietary and nutritional supplements, herbal extracts for nutritional purposes, dietary and nutritional supplements in capsule form”; “clothing, such as a graphic t-shirt and embroidered shirt”; “confectioneries, namely, chocolate and candy”; “electronic cigarettes and their cartridges; oral vaporizers for smoking purposes and their cartridges

([t]he foregoing not containing cannabis or for use with cannabis products)”; “providing information in the field of physical fitness”; and “providing information in the field of health, nutrition, and diet.”

- “***The Feel Good is Here***” (application serial number: 87594246; application date: September 1, 2017) – trademark use associated with the following products: “[g]raphic T-shirts” and “oral vaporizers for smokers.”
- “***The Feel Good is Here***” (application serial number 87847773; application date: March 23, 2018) – trademark use associated with the following products: “[h]emp oil derived from industrial hemp” and “confectioneries, namely chocolate and candy.”
- “***The Feel Good is Near***” (application serial number: 87847716; application date: March 23, 2018) – trademark use associated with the following products: “[h]emp oil derived from industrial hemp”; “clothing, such as graphic t-shirts and embroidered shirts”; “confectioneries, namely chocolate and candy”; and “electronic cigarettes and their cartridges; oral vaporizers for smoking purposes and their cartridges ([t]he foregoing not containing cannabis or for us[e] with cannabis products)”.
- “***The High is the Limit***” (application serial number: 87859125; application date: April 2, 2018) – trademark use associated with the following products: “[h]emp oil derived from industrial hemp”; “clothing, such as graphic t-shirts and embroidered shirts”; “confectioneries, namely chocolate and candy”; and “electronic cigarettes and their cartridges; oral vaporizers for smoking purposes and their cartridges ([t]he foregoing not containing cannabis or for use with cannabis products)”.
- “***My Dose Technology***” (application serial number: 87859192l; application date: April 2, 2018) – trademark use associated with the following products: “[h]emp oil from industrial hemp”; “clothing, such as graphic t-shirts and embroidered shirts”; and “electronic cigarettes and their cartridges; oral vaporizers for smoking purposes and their cartridges ([t]he foregoing not containing cannabis or for use with cannabis products.”
- “***My Dose Tech.***” (application serial number: 87860057; application date: April 2, 2018) – trademark use associated with the following products: “[h]emp oil from industrial hemp”; “clothing, such as graphic t-shirts and embroidered shirts”; and “electronic cigarettes and their cartridges; oral vaporizers for smoking purposes and their cartridges ([t]he foregoing not containing cannabis or for use with cannabis products)”.
- “***M.D. Technology***” (application serial number: 87860817; application date: April 3, 2018) – trademark use associated with the following products: “[h]emp oil from industrial hemp”; “clothing, such as graphic t-shirts and embroidered shirts”; and “electronic cigarettes and their cartridges; oral vaporizers for smoking purposes and their cartridges [t]he foregoing not containing cannabis or for use with cannabis products”.

In the event Orchid is granted any or all of the above federal registered trademarks in the United States, each trademark will be subject to renewal ten years from the date of registration.

As of the date hereof, Orchid Brands has registered the following four (4) state trademarks in the State of Oregon, including the “Orchid Essentials” brand name, related taglines, related logos, and design marks distinctive to the Orchid brand:

- **“Orchid Essentials”** (registration number: 47242; registration date: April 19, 2018) – trademark use associated with the following products: “[c]annabis & CBD products, such as flower, extracts, edibles, nutritional supplements, etc.; electronic cigarettes & oral smoking vaporizers (vape pens) & their cartridges; clothing.”
- **“Orchid Essentials” stylized logo, produced here** (registration number: 47243; registration date: April 19, 2018) – trademark use associated with the following products: “[c]annabis & CBD products, such as flower, extracts, edibles, nutritional supplements, etc.; electronic cigarettes & oral smoking vaporizers (vape pens) & their cartridges; clothing.” 
- **“The Feel Good is Near”** (registration number: 47241; registration date: April 19, 2018) – trademark use associated with the following products: “[c]annabis & CBD products, such as flower, extracts, edibles, etc.; electronic cigarettes & oral smoking vaporizers (vape pens) & their cartridges; clothing.”
- **“The Feel Good is Near” stylized logo in turquoise blue, produced here** (registration number: 47244; registration date: April 19, 2018) – trademark use associated with the following products: “[c]annabis & CBD products, such as flower, extracts, edibles, etc.; electronic cigarettes & oral smoking vaporizers (vape pens) & their cartridges; clothing.” 

All state registered trademarks in the State of Oregon described above are subject to renewal five years from the date of registration.

As of the date hereof, Orchid Brands has registered the following two state trademarks in the State of California, including the “Orchid Essentials” brand name, related taglines, related logos, and design marks distinctive to the Orchid brand:

- **“Orchid Essentials”** (registration numbers: 301322, 301325, 301326, and 301327; registration date: May 14, 2018) – trademark use associated with the following products: “[c]annabis oils and CBD oils”; “[c]annabis and CBD-based nutraceuticals; cannabis and CBD-based dietary and nutritional supplements; cannabis and CBD extracts”; “clothing, such as graphic t-shirt and embroidered shirt”; and “electronic cigarettes and their cartridges; oral vaporizers for smoking purposes and their cartridges.”
- **“The Feel Good is Near”** (registration date: May 14, 2018 – registration number 301330; and registration date: March 23, 2018) – registration numbers: 301331 and 301332) – trademark use associated with the following products: “[c]annabis oils and CBD oils”; “clothing, such as a graphic t-shirt and embroidered shirt”; and “electronic cigarettes and their cartridges; oral vaporizers for smoking purposes and their cartridges.”

All state registered trademarks in the State of California described above are subject to renewal five years from the date of registration.

Employees

Following the Closing, the Resulting Issuer is expected to have 17 full-time employees and five consultants. For more information on the Resulting Issuer's executive officers see "*Directors and Officers*".

Competition

There is potential that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing than the Resulting Issuer.

Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer also expects to face additional competition from new entrants. If the number of users of medical and recreational cannabis in California, Oregon, and other states (as applicable) increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

To remain competitive, the Resulting Issuer will require a continued high level of investment in its Facilities, licenses, branding, products and technologies, distribution, research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to complete the construction of its Facilities, licenses, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Resulting Issuer.

Lending and Investment Policies and Restrictions

This section is not applicable to the Resulting Issuer.

Bankruptcy and Receivership

Neither the Resulting Issuer, nor any of its subsidiaries, has been the subject of any bankruptcy or any receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings, within any of the three most recently completed financial years (as applicable) or the current financial year.

Material Restructuring

See "*General Development of the Business – Business Combination Between Orchid and Earny*".

Asset Backed Securities

The Resulting Issuer does not have any asset backed securities.

Companies with Mineral Projects

The Resulting Issuer does not have any mineral projects.

Companies with Oil and Gas Operations

The Resulting Issuer does not have any oil and gas operations.

MARKET OVERVIEW

U.S. Cannabis Market

Development of the U.S. Cannabis Market

In the United States, the possession, use, cultivation, and transfer of cannabis remains illegal under U.S. federal laws. Federal law enforcement authorities have frequently closed down retail dispensaries, growers, and producers of cannabis products and have investigated or closed physician offices that provide medicinal cannabis recommendations. However, certain states in the United States have legalized cannabis for medicinal use while others have done so for adult recreational use.

The emergence of the legal cannabis sector in the United States, both for medical and recreational use, has been rapid as more states adopt regulations for its production and sale. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter of the population lives in states where it is fully legalized for adult use.³

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of research, published in 2015 in the Journal of the American Medical Association, found evidence supporting the use of cannabis to treat pain and muscle spasms.⁴ The pain component is particularly important because other studies have suggested that cannabis may serve as an alternative to opiates, which are highly addictive and potentially deadly.⁵

Polls throughout the United States consistently show overwhelming support for the legalization of medical cannabis. There is also strong support for full legalization of recreational adult-use cannabis. It is estimated that 94% of U.S. voters support legalizing cannabis for medical use.⁶ In addition, 64% of the U.S. public supports legalizing cannabis for adult recreational use.⁷ These values represent a strong shift in public support towards favoring legal cannabis use.

³ Ripley, Eve. (2016 November 30). Nearly 60 percent of US. Population now lives in states with marijuana legalization". Retrieved from <https://news.medicalmarijuana.com/nearly-60-percent-u-s-population-now-lives-states-marijuana-legalization/>.

⁴ Grant, Igor MD (2015). Medical Use of Cannabinoids. Journal of American Medical Association, 314: 16, 1750-1751. doi: 0.1001/jama.2015.11429.

⁵ Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the United States, 1999-2010. JAMA Intern Med. 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.

⁶ Quinnipiac University. (2017 April 20). U.S. Voter Support For Marijuana Hits New High; Quinnipiac University National Poll Finds; 76 Percent Say Their Finances Are Excellent Or Good. Retrieved from <https://poll.qu.edu/national/release-detail?ReleaseID=2453>.

⁷ Gallup. (2017 October 25). Record-High Support for Legalizing Marijuana Use in U.S. Retrieved from <http://news.gallup.com/poll/221018/record-high-support-legalizing-marijuana.aspx>.

Notwithstanding that 29 states have now legalized adult-use and/or medical cannabis, cannabis remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the Controlled Substances Act.

Currently the Resulting Issuer operates in the states of California and Oregon and intends to expand into other states within the U.S. that have legalized cannabis use either medically or recreationally. The Resulting Issuer also plans to expand into Canada and internationally in countries that have legalized cannabis use either medically or recreationally.

While certain regulatory changes have paved the way for wide-ranging entrepreneurship in the cannabis industry, the possession, use, cultivation, and transfer of cannabis remains illegal under U.S. federal law and represents a significant risk factor to the Resulting Issuer to the extent it seeks to carry on business in or otherwise distribute products to the United States (see “*Risk Factors*”).

Current U.S. Cannabis Market

According to Arcview Market Research, the leading industry data researcher for the burgeoning regulated cannabis market in the United States, the cannabis industry in the United States is growing faster than the dot-com era. Legal cannabis sales in the United States and Canada grew by a meteoric 30% in 2016 to US\$6.7 billion, 33% in 2017 and are projected to top US\$24 billion by 2021 - in just five years (see below diagram).⁸ To put that in perspective, the entire United States GDP grew by 22% during the dot-com era⁹, which was considered unprecedented economic growth at the time.

The number of medical cannabis patients in states with existing comprehensive medical cannabis programs was approximately 1.5 million by the end of 2017, served by approximately 1,500-2,000 medical dispensaries nationwide, a disproportionate number of those in California. It is currently estimated that each patient spends about US\$2,000 annually¹⁰, and that the total number of medical cannabis patients nationwide is expected to grow to 2.5 million by 2021.¹¹

⁸ Messamore, W.E. (January 6, 2017). Forbes: Legal Marijuana Sales In US Bigger Than Dot-Com Boom. Retrieved from <https://ivn.us/2017/01/06/legal-marijuana-sales-bigger-dot-com-boom/>.

⁹ Berke, Jeremy (December 8, 2017). Business Insider, The legal marijuana market is exploding - it'll hit almost \$10 billion sales in this year. Retrieved from <https://nordic.businessinsider.com/legal-weed-market-to-hit-10-billion-in-sales-report-says-2017-12>.

¹⁰ Marijuana Business Daily. (2017). *Marijuana Business Factbook, 2017*. Available from <https://mjbizdaily.com/factbook/>.

¹¹ New Frontier Financial. (2015). Modeling of State Patient Counts. *Cannabis Weekly*.

MARKET RESEARCH



Sources: -The Arcview Group, -Medical Marijuana Inc., -Forbes



California Cannabis Market

With nearly 40 million residents and more than a million medical cannabis patients, California's market represents about a third of the North American cannabis market.¹² The California cannabis market is expected to be one of the fastest growing industries in California over the next five years. Months after California legalized recreational cannabis, sales were estimated to hit US\$3.7 billion by the end of 2018 and BDS Analytics predicts that number will reach \$5.1 billion by 2019. According to CFN Media Group, analysts at Cowen & Co. believe the nation's legal cannabis industry could reach US\$50 billion by 2026, with California accounting for about US\$25 billion of that market.

In 2016, California recorded approximately US\$850 million in medical cannabis retail sales from operated dispensaries state wide; however, it is estimated approximately 85% of total transactions are unrecorded for revenue and are carried out through illegal transactions. The University of California Agricultural Issues Center predicts the illegal market to shrink to less than 30%, legal adult recreational sales to increase to approximately 62%, and legal medical sales to decrease from approximately 15% to less than 10% as patients gain an alternative to obtaining medical cannabis physician recommendations for a fee.¹³

Oregon Cannabis Market

Oregonians are expected to spend more than US\$1 billion on cannabis products in 2020, according to a new forecast.¹⁴ New Frontier Data projects US\$1.04 billion in combined adult

¹² MarketNewsUpdates.com (June 19, 2018). California Cannabis Market Expected to Reach \$5.1 Billion Market Value. Retrieved from <https://www.prnewswire.com/news-releases/california-cannabis-market-expected-to-reach-51-billion-market-value-685917412.html>.

¹³ McGreevy, Patrick. (2017 June 11). Legal marijuana could be a \$5-billion boon to California's economy. Retrieved from <http://www.latimes.com/politics/la-pol-ca-pot-economic-study-20170611-story.html>.

¹⁴ Danko, Pete (Aug 10, 2018). Staff Reporter, Portland Business Journal Oregon cannabis sales expected to top \$1B by 2020.

recreational use and medical sales in 2020 in Oregon - US\$856 million on the recreational side and an additional US\$187 million on medical. That will rank the state fifth behind California (US\$3.1 billion), Washington (US\$2.28 billion), Colorado (US\$1.83 billion) and Massachusetts (US\$1.05 billion).

Brand Surge

BDS Analytics article, “BDS Analytics Top Ten Cannabis Market Trends for 2018”, cites ‘brand surge’ as the third cannabis market trend demonstrating the importance of developing brand identity in the cannabis industry. For example, in Colorado in 2014, brands captured 19% of the market. By November of 2017, however, the brand share of the cannabis market had doubled, to 38%. Notably, in Colorado, Washington, Oregon and California, the top five edibles brands in each state own more than 40% of the market, and in Colorado and Washington the top five concentrates brands capture more than 70% of the market. Individual brands have the potential to achieve explosive growth. Management’s strength is in branding and marketing and Orchid expects to continue to acquire more market share as it markets and advertises its brand.

Trend Towards Oil and Vaping

As the cannabis industry matures, the types of products available has expanded. In each recreationally legal state, there has been exponential growth in cannabis oil sales. In fact, cannabis oil was the number one product on the rise in The Street’s recent article entitled, “5 Cannabis Products on the Rise in 2018.” In 2017, concentrate sales rose more than 50%.¹⁵ Unlike the decline of cannabis flower sales in most markets, the concentrates marketplace has been exploding as vaping has become socially acceptable. Today, vape cartridges are one of the cannabis market’s most popular items. In California, the cannabis delivery service Eaze reported a 400% increase in oil cartridge purchases between 2015 and 2016 – totaling 25% of the company’s total sales.¹⁶

¹⁵ Ward, Andrew (Nov 2, 2017) "Are Cannabis Concentrates Becoming More Popular than Flower?"

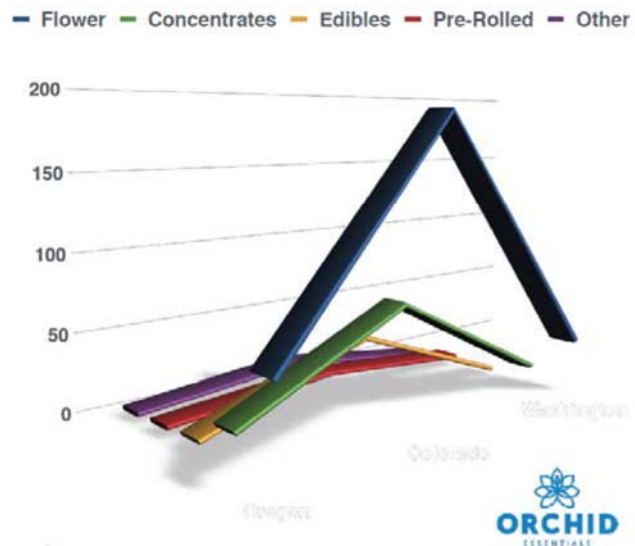
¹⁶ Ward, Andrew (Nov 2, 2017) "Are Cannabis Concentrates Becoming More Popular than Flower?"

MARKET RESEARCH - VAPE CARTRIDGES

• Vape cartridges increased from 6% of the CA home delivery market in 2015 to 24% in 2016 (400% increase)¹

• Concentrates (extracts) are the 2nd largest category with the 2nd highest growth rate in OR, CO & WA.

• More than 20% of states' fastest growing products were vaporizer carts.



Trends in the North American Cannabis Market

The Resulting Issuer estimates that the global size of the cannabis industry could reach US\$180 billion over the next 10 to 15 years as recreational cannabis use is legalized and as a result of standard market growth. Although the current regulatory market in the United States remains challenging, the U.S. cannabis market has the potential to be significantly larger than the Canadian market and is expected to drive growth in the industry.

Support for cannabis legalization reached new highs in 2017.¹⁷ According to a report from Arcview Market Research and BDS Analytics, legal marijuana sales increased to \$9.7 billion in North America in 2017. This value represents a 33% increase from 2016, shattering previous expectations about how quickly the cannabis industry could grow in the face of federal prohibition.¹⁸ The Arcview report also predicted the legal cannabis market to reach \$24.5 billion in sales - a 28% annual compound growth rate - by 2021, as more state-legal markets come online.

Notwithstanding the foregoing, with the impending legalization of cannabis for recreational use in Canada and the growing number of states in the United States allowing cannabis for medical and/or recreational use, the potential market for cannabis products is only expected to grow. However, the market and regulatory framework within which the Resulting Issuer is seeking to operate continues to evolve and remains subject to change and there are no assurances that such market and framework will develop in a manner consistent with the Resulting Issuer's current expectations or at all.

¹⁷ A Gallup Poll showed that 64% of Americans favor legalization.

¹⁸ Robinson, Melia and Jeremy Berke (June 28, 2018). This map shows every state that has legalized marijuana. Retrieved from <https://www.businessinsider.com/legal-marijuana-states-2018-1>.

REGULATORY OVERVIEW

In accordance with the CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Resulting Issuer is currently directly and indirectly involved through its operations and potential investments. In accordance with Staff Notice 51-352, the Issuer 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 cannabis regulation.

Table of Concordance

Below is a table of concordance that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<i>Section 3 – General Development of the Business</i> <i>Section 4 – Narrative Description of the Business</i> <i>Section 5 – Market Overview</i> <i>Section 6 – Regulatory Overview – Summary of the Resulting Issuer’s U.S. Cannabis Activity</i>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<i>Cover Page (disclosure in bold typeface)</i>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	<i>Section 6 Regulatory Overview – U.S. Federal Law Overview</i> <i>Section 6 – Regulatory Overview – Enforcement of Federal Laws</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		<p><i>Section 6 – Regulatory Overview – U.S. Federal Law Overview</i></p> <p><i>Section 6 – Regulatory Overview – Compliance Procedures</i></p> <p><i>Section 18 – Risk Factors – Risks Specifically Related to the U.S. Regulatory System</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer’s activities and operations in the United States are, and will continue to be, subject to evolving regulation by governmental authorities. The Resulting Issuer will be directly engaged in the medical and recreational cannabis industry in the State of California, where local state law permits such activities. federal law</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer’s activities and operations in the United States are, and will continue to be, subject to evolving regulation by governmental authorities. The Resulting Issuer will be directly engaged in the medical and recreational cannabis industry in California and Oregon, where local state law permits such activities.</i></p> <p><i>Section 18 – Risk Factors – U.S. border officials could deny entry into the United</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		<p><i>States to management, employees and/or investors in companies with U.S. cannabis operations</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer’s Operations and potential investments in the United States are subject to applicable anti-money laundering laws and regulations</i></p>
	<p>Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.</p>	<p><i>Section 18 – Risk Factors – The Resulting Issuer expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations</i></p> <p><i>Section 18 – Risk Factors – The medical cannabis industry and market are relatively new in California and Oregon and this industry and these market may not continue to exist or grow as anticipated or the Resulting Issuer may be ultimately unable to succeed in this new industry and market</i></p> <p><i>Section 18 – Risk Factors – There are factors which may prevent the Resulting Issuer from the realization of growth targets</i></p> <p><i>Section 18 – Risk Factors – Construction Risk Factors</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		<p><i>Section 18 – Risk Factors – Facilities</i></p> <p><i>Section 18 – Risk Factors – Change in Laws, Regulations and Guidelines</i></p> <p><i>Section 18 – Risk Factors – Reliance on Third-Party Suppliers, Manufacturers and Contractors</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer’s Operations and potential investments in the United States may be subject to heightened scrutiny by Canadian authorities</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer’s operations are subject to environmental regulation in the jurisdiction in which it operates</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer currently has insurance coverage; however, because the Resulting Issuer operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer may be subject to product recalls for product defects self-imposed or imposed by regulators</i></p> <p><i>Section 18 – Risk Factors – The expansion of the medical</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		<p><i>cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the United States</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer is subject to uncertainty regarding legal and regulatory status and changes</i></p>
	<p>Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.</p>	<p><i>Section 4 – Narrative Description of the Business – Equity Financing</i></p> <p><i>Section 4 – Narrative Description of the Business – Total Funds Available</i></p> <p><i>Section 6 – Regulatory Overview – Ability to Access Public and Private Capital</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer’s actual financial position and results of operations may differ materially from the expectations of the Resulting Issuer’s management</i></p> <p><i>Section 18 – Risk Factors – U.S. border officials could deny entry into the United States to management, employees and/or investors in companies with U.S. cannabis operations</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer continues to sell shares for</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		<p><i>cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders</i></p> <p><i>Section 18 – Risk Factors – Liquidity and Additional Financing</i></p>
	<p>Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.</p>	<p><i>Section 6 – Regulatory Overview – Summary of the Resulting Issuer’s U.S. Cannabis Activity</i></p> <p><i>Schedules “A”, “B”, “C”, “D” and “E” to the Listing Statement</i></p>
	<p>Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.</p>	<p>Legal advice has been obtained.</p>
<p>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</p>	<p>Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.</p>	<p><i>Section 6 – Regulatory Overview – Overview of California Law</i></p> <p><i>Section 6 – Regulatory Overview – Overview of Oregon Law</i></p>
	<p>Discuss the issuer’s program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating</p>	<p><i>Section 6 – Regulatory Overview – Compliance Procedures</i></p> <p><i>Section 18 – Risk Factors – The Resulting Issuer’s activities and operations in the United States are, and</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer’s license, business activities or operations.	<i>will continue to be, subject to evolving regulation by governmental authorities. The Resulting Issuer will be directly engaged in the medical and recreational cannabis industry in California and Oregon, where local state law permits such activities.</i>
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer’s investee(s) operate.	N/A
	Provide reasonable assurance, through either positive or negative statements, that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee’s license, business activities or operations.	N/A
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A

Summary of the Resulting Issuer's U.S. Cannabis Activity

The Resulting Issuer, through Orchid LLC's subsidiaries, is directly engaged in the licensed manufacture and distribution of Orchid Cannabis Products in the States of California and Oregon. All such activity is recorded through Orchid and is also reflected in the Resulting Issuer's Pro Forma Financial Statements. As of the date hereof, the Resulting Issuer has no further direct, indirect or ancillary cannabis-related activity elsewhere in the United States.

The following table is a summary of the Resulting Issuer's balance sheet exposure to U.S. cannabis-related activities, expressed in US dollars as of August 31, 2018:

	Operating subsidiary (US\$)
Current assets	\$1,325,696
Non-current assets	\$144,329
Total assets	\$1,470,025
Current liabilities	\$1,845,456
Non-current liabilities⁽¹⁾	\$408,887
Total liabilities	\$2,254,343
Members' equity (deficiency)	\$(784,318)
Total liabilities and Members' equity	\$1,470,025

The following is a summary of the operating losses from U.S. cannabis-related activities for the 12 months ended May 31, 2018:

	Operating subsidiary
Revenue	\$2,473,000
Cost of sales	\$1,139,317
Gross margin	\$1,333,683
Less – Operating expenses	\$2,870,979

The operating expenses above include expenses directly incurred by the Resulting Issuer's subsidiary. These operating expenses do not include any allocation of costs incurred at the Resulting Issuer's Canadian head office and for Canadian employees. They also exclude any share-based compensation.

The following represents the portion of certain assets on the Resulting Issuer's consolidated statement of financial position sheet that pertain to U.S. Cannabis activity as of August 31, 2018:

Balance Sheet Line Item	Percentage which Relates to Holdings with U.S. Cannabis -Related Activities
Cash	\$123,332 (100%)
Trade receivables	\$303,676(100%)
Prepays and deposits	\$100,000 (100%)
Inventory	\$798,688 (100%)
Furniture and equipment	\$53,937 (100%)
Trademarks	\$15,392 (100%)
Deposit	\$75,000 (100%)

The Resulting Issuer 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, all holdings in such entities was included in the Resulting Issuer's assets.

Readers are cautioned that the foregoing financial information was drawn from the Resulting Issuer's Consolidated Condensed Interim Financial Statements that have been reviewed by the Auditor.

U.S. Federal Law Overview

General

In the United States, thirty states, Washington D.C. and Puerto Rico have legalized medical cannabis, and nine states and Washington D.C. have legalized recreational Cannabis. At the federal level, however, cannabis currently remains a Schedule I drug under the Controlled Substances Act. Under U.S. 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 cannabis 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 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 substantially in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, Attorney General 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 enforcement priorities set out in the manual, 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 cannabis 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. The Resulting Issuer intends to retain outside U.S. counsel in the states where it, through its Subsidiaries and investments, operates to continuously monitors all U.S. Attorney comments related to regulated medical and recreational-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction.

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, cannabis 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 regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a regulatory and enforcement 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 cannabis 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 or conspiracy. Despite these laws,

the U.S. Department of the Treasury issued a memorandum in February 2014 (the “**FinCEN Memorandum**”) outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses. Under these guidelines, financial institutions must submit a “suspicious activity report” (“**SAR**”) as required by federal money laundering laws. These cannabis related SARs are divided into three categories: marijuana limited, cannabis priority, and marijuana terminated, based on the financial institution’s belief that the cannabis 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 the guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, 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. 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.

Enforcement of Federal Laws

For the reasons set forth above, any of the Resulting Issuer’s current and future operations and investments in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Resulting Issuer 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 Resulting Issuer’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 Resulting Issuer and/or its investments could expand. Any inability to fully implement the Resulting Issuer’s expansion strategy may have a material adverse effect on the Issuer’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 Resulting Issuer and/or its Investments, including their respective reputations and ability to conduct business, their holding (directly or indirectly) of cannabis licenses in the United States, the listing of their securities on various stock exchanges, their financial positions, operating results, profitability or liquidity or the market price of their publicly traded shares. In addition, it is difficult for the Resulting Issuer 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. See “*Risk Factors*”.

Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical cannabis industry remains in place: Congress has used a rider provision in the fiscal year 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the “**Leahy Amendment**”) to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical cannabis actors operating in compliance with state and local law. The Leahy Amendment was included in the fiscal year 2018 budget passed on March 23, 2018, meaning that, the Leahy Amendment is still in effect as of today’s date and will remain in effect until September 30, 2018, when fiscal year 2019 begins.

Ability to Access Public and Private Capital

The Resulting Issuer has historically, and continues to have, robust access to equity from prospectus exempt (private placement) markets globally. While the Resulting Issuer is not able to obtain bank financing in the U.S. or financing from other United States federally regulated entities, it plans to (i) continue to access equity financing through private markets, and (ii) access equity financing through public markets globally. Further, the Resulting Issuer’s executive team and board also have extensive relationships with sources of private capital (such as high net worth individuals), that could be investigated at a higher cost of capital. Current proceeds from the Resulting Issuer’s financings will be used to finance the continued growth of the Resulting Issuer’s business. Further development of the Resulting Issuer’s business may be financed wholly or partially with debt, which may increase the Resulting Issuer’s debt levels above industry standards, or through the issuance of shares which will be dilutive to the current shareholders.

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 families that have made meaningful investments in companies and projects similar to the Resulting Issuer’s projects and investments. 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 Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer’s inability to raise

financing to fund capital expenditures or acquisitions could limit growth and may have a material adverse effect upon future profitability. See “*Risk Factors – Additional Financing*”.

Overview of California Law

General Legislative and Regulatory Requirements

Although the Resulting Issuer’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 Resulting Issuer of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Resulting Issuer.

In 1996, California voters passed a medical marijuana law 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 2015, the California legislature passed three bills, collectively known as the “*Medical cannabis Regulation and Safety Act*”. In 2016, California voters passed “*The Adult Use of Marijuana Act*”, which legalized recreational-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Jerry Brown signed SB-94 Cannabis: Medicinal and Adult Use into law. SB-94 combines California’s medicinal and recreational-use cannabis regulatory frameworks into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act (“**MAUCRSA**”).

Pursuant to MAUCRSA: (i) the California Department of Food and Agriculture, via CalCannabis, issues licenses to cannabis cultivators, (ii) the California Department of Public Health, via the Manufactured Cannabis Safety Branch, issues licenses to cannabis manufacturers and (iii) the California Department of Consumer Affairs, via the Bureau of Cannabis Control, 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 have begun issuing licenses.

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, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. 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. However, a licensee is not prohibited from performing testing on the licensee’s premises for the purposes of quality assurance of a cannabis product in conjunction with reasonable business operations (testing conducted on the licensee’s premises by the licensee does not meet the testing requirements required under MAUCRSA). There are also no residency requirements for ownership under MAUCRSA.

California has implemented a robust regulatory system designed to ensure, monitor, and enforce compliance with all aspects of a cannabis operator’s licensed operations. Compliance with local

law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality's jurisdiction.

Under California state law, all state-licensed cannabis businesses were entitled to rely on certain transitional provisions until June 30, 2018. These provisions were included to ease the transition of businesses into the new regulatory regime introduced on January 1, 2018 in California. The provisions grandfather the sale of certain products compliantly produced prior to January 1, 2018, and, among other things, allowed state licensees to transact with other state licensees regardless of the parties' adult-use (A-Class) or medical (M-Class) license until July 1, 2018. As of the date hereof, the Resulting Issuer has not produced any products pursuant to any A Class license or M Class license. Below is an overview of some of the principal license types issued in California (each of which can be issued with an M-Class or an A-Class designation):

- Type 3A: authorized to cultivate cannabis indoors in a medium sized facility.
- Type 4: authorized to cultivate cannabis and operate a nursery.
- 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 not extractions.
- Type P: authorized to only package or repackage cannabis products or re-label 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, while being responsible for laboratory testing and quality assurance to ensure packaging and labeling compliance.
- Type 12: authorized to cultivate cannabis on an area less than 10,000 square feet and to act as a licensed distributor, manufacturer and retailer under this category of license.
- Type 13: authorized to transport cannabis goods between licensed cultivators, manufacturers, and distributors.

Orchid is currently applying for a Type 6 License at its Costa Mesa Facility. Orchid is in the process of submitting its application for the business license in the City of Costa Mesa. Upon

receipt of its business license, it can then submit its CUP. Once the CUP is final, it can complete its applications with the State.

Orchid acquired CA Forrest Green. CA Forrest Green has a Temporary Type 11 License and has applied for an annual license with the State of California. CA Forrest Green has a medicinal distribution license with the City of Long Beach and is currently applying for a recreational distribution license.

Zoning and Land Use Requirements

Applicants are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must state that the applicant has the property owner's authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

Record-Keeping and Continuous Reporting Requirements

California's state license application process additionally requires comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the State regulatory program.

Operating Procedure Requirements

Applicants must submit standard operating procedures ("SOPs") 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 SOPs 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 and Inspections

The Resulting Issuer 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, the Resulting Issuer must consent to random and unannounced inspections of the commercial cannabis facility as well as all of 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.

Overview of Oregon Law

General

Oregon has both medical and recreational marijuana programs. In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical marijuana law with an inclusive set of qualifying conditions that included chronic pain. In 2013, the legislature passed, and the 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 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, Governor 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 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 (the “**OLCC**”) licenses and regulates recreational marijuana businesses. There are six distinct types of license types available for medical and recreational businesses: cultivation/production, manufacturing (“**processing**”), wholesaling, dispensing, testing and research and a hemp certificate. Vertical integration between cultivation, processing, and sales is permissible, but not required, for both medical and recreational.

The law does not impose a limit on the number of licenses and applications are currently being accepted for both medical and recreational businesses on a rolling basis. Local governments may restrict the number of medical or recreational marijuana businesses. Laws passed during the 2016 legislative session removed the two-year residency requirement that existed within House Bill 3400.

On May 30, 2018 the OLCC announced it would temporarily pause the processing of recreational marijuana license applications. The OLCC would accept and process license applications received by Friday June 15, 2018. Thereafter, the OLCC would continue to accept, but will not immediately process license applications received beginning June 16, 2018. Currently, all licenses filed right before the June 15, 2018 deadline have an estimated wait time for 12 to 14 months. There are only two employees assigned to processing applications with the OLCC with thousands of licenses in the queue. The OLCC has allocated most of its resources to enforcement.

Even though a license cannot technically be transferred from one company to another, the OLCC does have a process that allows licensees to implement a “change of control” process when the licensee’s ownership is changing by more than 51%. The change a control process allows purchasers to apply for a license and jump to the front of the queue to acquire the assets or the business of the licensee.

Life of a License Application

The below diagram, taken from Oregon's Government website, outlines a flowchart of the various stages of the cannabis license application process:



Compliance Procedures

Orchid's activities are compliant with applicable U.S. state and local law. The Resulting Issuer will develop a robust compliance program designed to ensure operational and regulatory requirements continue to be satisfied. Orchid has hired General Counsel, who is a licensed attorney in both California and Oregon with extensive experience in the cannabis industry to implement and monitor regulatory compliance. The General Counsel and Chief Operating Officer worked together to implement best standard SOPs for all Facilities. Management also employs compliance operators to assist with monitoring products through the state-wide track-and-trace programs in Oregon and California. In addition, the Chief Compliance Officer has retained local outside counsel as well to advise the Resulting Issuer in connection with compliance with California law, Oregon law, U.S. federal laws and Canadian laws on an ongoing basis. Management will continue to work closely with outside counsel and internal legal counsel to develop and improve its internal compliance program. The Resulting Issuer has developed and will continue to develop best-practice SOPs and management will ensure all operations conform with legally compliant SOPs. The Resulting Issuer further requires its employees and management undergo ongoing training and to report and disclose all instances of non-compliance or regulatory, administrative, or legal proceedings that may be initiated against them.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian or U.S. cannabis companies could face detention, denial of entry or lifetime bans from the United States. for their business associations with U.S. and Canadian cannabis businesses, irrespective of the Resulting Issuer's compliance with U.S. state and local law (see "**Risk Factors**"). The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the United States. The Resulting Issuer also intends to include in all its material disclosure documents forward-looking statements and risk factors that specifically address the issues associated with business or financial involvement in the legal cannabis industry in Canada or in the United States and how this involvement could be reason enough for U.S. border guards to deny entry.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Annual Information

Earny

The following table summarizes financial information of Earny for the last three completed financial years ended April 30, 2018, 2017 and 2016 and the six-month period ended October 31, 2018. This summary financial information should only be read in conjunction with the Earny Audited Annual Financial Statements and the Earny Unaudited Interim Financial Statements, including the notes thereto. See Schedule "A".

	For the six-month period ended October 31, 2018 (unaudited) (CDN\$)	For the Year Ended April 30, (audited) (CDN\$)		
		2018	2017	2016
Operating Data:				
Total revenues	\$nil	\$nil	\$nil	\$nil
Total G&A expenses	\$77,859	\$177,344	\$108,756	\$93,593
Net loss for the period	\$(77,859)	\$(175,808)	\$(307,878)	\$(93,593)
Basic and diluted loss per share (1)	\$(0.01)	\$(0.04)	\$(0.13)	\$(0.01)
Dividends	\$N/A	N/A	N/A	N/A
Balance Sheet Data:				
Total assets	\$138,788	\$184,517	\$8,033	\$204,028
Total liabilities	\$11,722	\$14,492	\$281,547	\$177,477

Note:

- (1) Basic and diluted loss per share has been calculated using the weighted average number of shares outstanding.

Orchid

The following table summarizes financial information of Orchid for the financial years ended May 31, 2018 and 2017 and the three-month period ended August 31, 2018. This summary financial information should only be read in conjunction with the Orchid Audited Annual Financial Statements and the Orchid Unaudited Interim Financial Statements, including the notes thereto. See Schedule “C”.

	For the three-month period ended August 31, (US\$)	For the Year Ended, May 31 (US\$)		
		2018	2017	2016
Operating Data:				
Total revenues	\$934,212	\$2,473,000	\$0	N/A
Total G&A expenses	\$820,085	\$2,870,974	\$287,385	N/A
Net loss for the period	\$(150,410)	\$(1,696,494)	\$(287,453)	N/A
Basic and diluted loss per share (1)	\$0.04	\$(0.02)	\$0.00	N/A
Dividends	\$0	\$0	\$0	N/A
Balance Sheet Data:				
Total assets	\$1,470,025	\$439,770	\$789,238	N/A
Total long-term liabilities	\$408,887	\$0	\$0	N/A

Quarterly Information

Earny

The following is a summary of Earny’s quarterly results for each of the eight most recently completed quarters preceding the date of this Listing Statement:

Summary of quarterly results	Q2 2019 \$	Q1 2019 \$	Q4 2018 \$	Q3 2018 \$	Q2 2018 \$	Q1 2018 \$	Q4 2017 \$	Q3 2017 \$
Total assets	\$138,788	\$141,332	\$184,517	\$238,650	\$8,783	\$5,845	\$8,033	\$201,412
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	(34,186)	(43,673)	(175,808)	(51,358)	(41,149)	(32,471)	(240,328)	(24,476)
Loss per share (1)(2)	(0.00)	(0.01)	(0.04)	(0.01)	(0.02)	(0.01)	(0.10)	(0.01)

Copies of the respective unaudited interim financial statements for the periods listed above for Earny are available on Earny’s SEDAR profile at www.sedar.com

Orchid

The following is a summary of Orchid’s quarterly results for each of the eight most recently completed quarters preceding the date of this Listing Statement:

Summary of quarterly results	Q1 2019 \$	Q4 2018 \$	Q3 2018 \$	Q2 2018 \$	Q1 2018 \$	Q4 2017 \$	Q3 2017 \$	Q2 2017 \$
Total assets	1,470,025	439,770	673,594	769,346	754,360	1,012,298	N/A	N/A
Revenues	934,212	963,213	675,976	661,712	172,099	0	N/A	N/A
Net loss and comprehensive loss	(150,410)	(693,338)	(275,254)	(224,937)	(502,965)	(287,452)	N/A	N/A
Loss per share (1)(2)	(0.04)	(0.04)	(0.20)	(0.03)	(0.06)	(0)	N/A	N/A

Financial Information

See attached Schedule “E” for the pro forma consolidated statement of financial position of the Resulting Issuer as at October 31, 2018.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis

Earny’s annual MD&A for the year ended April 30, 2018 and interim MD&A for the six-month period ended October 31, 2018 are attached to this Listing Statement as Schedule “B”.

Orchid’s annual MD&A for the year ended May 31, 2018 and interim MD&A for the three-month period ended August 31, 2018 are attached to this Listing Statement as Schedule “D”.

MARKET FOR SECURITIES

Earny Shares are presently listed on the NEX under the stock symbol “ERN.H”. See “*Description of Securities – Stock Exchange Price - Earny*” below.

The securities of Orchid are not listed on any securities exchange. The Resulting Issuer Subordinate Voting Shares are expected to be listed for trading on the CSE under the symbol “ORCD”.

CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following table summarizes the Resulting Issuer’s pro forma common shares, on a consolidated basis, after giving effect to the Transaction as described in the pro forma financial statements of the Resulting Issuer, a copy of which is attached at Schedule “E” hereto.

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as of the date of this Listing Statement	Amount Outstanding upon closing of the Transaction
Resulting Issuer Subordinate Voting Shares	Unlimited	6,444,998	62,961,367

Notes:

- (1) The Resulting Issuer is authorized to issue an unlimited number of Resulting Issuer Subordinate Voting Shares without a par value. Each Resulting Issuer Share entitles the holder thereof to one vote.

Fully Diluted Share Capital

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Transaction:

	Anticipated Resulting Issuer Subordinate Voting Shares Outstanding (as of the effective date of the Transaction)
Earny Shares issued and outstanding prior to completion of Transaction	6,444,998 (10.2%)
Resulting Issuer Subordinate Voting Shares issued to Orchid Shareholders pursuant to the Business Combination	39,364,854 (62.5%)
Resulting Issuer Subordinate Voting Shares issued pursuant to the Concurrent Offering	15,151,515 (24.1%)
Finder’s Fee Shares	2,000,000 (3.2%)
Total Number of Resulting Issuer Subordinate Voting Shares (non-diluted)	62,961,367 (100%)

Reserved for issuance pursuant to Resulting Issuer Warrants	559,200
Reserved for issuance pursuant to Resulting Issuer Options proposed to be granted upon CSE Listing	11,400,000
Reserved for issuance pursuant to broker warrants issued in connection with the Concurrent Offering	1,212,121
Reserved for issuance pursuant to Orchid Exchangeable Units	62,142,857
Total Number of Resulting Issuer Subordinate Voting Shares Reserved for Issuance	75,314,178
Total Number of Resulting Issuer Subordinate Voting Shares (fully-diluted)	138,275,545

OPTIONS TO PURCHASE SECURITIES

Options Outstanding

As of the date of this Listing Statement, the Resulting Issuer has a total of nil stock options outstanding.

The following table sets forth all options to purchase securities of the Resulting Issuer that are anticipated to be issued prior to or concurrently with CSE Listing:

Optionee	Number of the Resulting Issuer Subordinate Voting Shares to be Optioned⁽¹⁾	Purchase Price	Expiry Date	Market Value of Resulting Issuer Subordinate Voting Shares under Option on the date of grant \$	Market Value of Resulting Issuer Subordinate Voting Shares under Option on the date of this Listing Statement \$
Rene Suarez	1,000,000	\$0.33	5 years from CSE Listing	\$330,000	\$330,000
Corey Mangold	1,000,000	\$0.33	5 years from CSE Listing	\$330,000	\$330,000
Jennifer Clifton	2,000,000	\$0.33	5 years from CSE Listing	\$660,000	\$660,000
Tom Soto	1,600,000	\$0.33	5 years from CSE Listing	\$528,000	\$528,000
Luke Hemphill	1,000,000	\$0.33	5 years from CSE Listing	\$330,000	\$330,000

Optionee	Number of the Resulting Issuer Subordinate Voting Shares to be Optioned⁽¹⁾	Purchase Price	Expiry Date	Market Value of Resulting Issuer Subordinate Voting Shares under Option on the date of grant \$	Market Value of Resulting Issuer Subordinate Voting Shares under Option on the date of this Listing Statement \$
Eric Vaughan	1,000,000	\$0.33	5 years from CSE Listing	\$330,000	\$330,000
Adam Mirkovich	1,000,000	\$0.33	5 years from CSE Listing	\$330,000	\$330,000
Robert MacDonald	900,000	\$0.33	5 years from CSE Listing	\$297,000	\$297,000
Rahul Gandhi	650,000	\$0.33	5 years from CSE Listing	\$214,500	\$214,500
Matthew Lee	350,000	\$0.33	5 years from CSE Listing	\$115,500	\$115,500
Jarod Duggins	250,000	\$0.33	5 years from CSE Listing	\$82,500	\$82,500
Katelyn Mangold	100,000	\$0.33	5 years from CSE Listing	\$33,000	\$33,000
Scott Waggener	100,000	\$0.33	5 years from CSE Listing	\$33,000	\$33,000
Steve Brusell	100,000	\$0.33	5 years from CSE Listing	\$33,000	\$33,000
Michael Allison	100,000	\$0.33	5 years from CSE Listing	\$33,000	\$33,000
Johanna Williamson	100,000	\$0.33	5 years from CSE Listing	\$33,000	\$33,000
Alyson Ben-Yehuda	50,000	\$0.33	5 years from CSE Listing	\$16,500	\$16,500
Tomas Ramirez	50,000	\$0.33	5 years from CSE Listing	\$16,500	\$16,500
Jerry Steinhaus	50,000	\$0.33	5 years from CSE Listing	\$16,500	\$16,500
Total	11,400,000			\$3,762,000	\$3,762,000

Notes:

(1) Resulting Issuer Stock Options anticipated to be granted.

Description of Stock Option Plan

The Resulting Issuer will have a fixed stock option plan (the “**Plan**”), which provides for a total of 20% of the issued and outstanding Common Shares of the Resulting Issuer available for

issuance thereunder. The Plan will be adopted by the Earny shareholders and Earny Board in connection with the closing of the Business Combination.

The purpose of the Plan is to allow the Resulting Issuer to grant stock options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Resulting Issuer. The granting of such Stock Options is intended to align the interests of such persons with that of the Resulting Issuer's shareholders.

Terms of the Plan

The full text of the Plan is available upon written request made directly to the Resulting Issuer at its registered head office located at 17865 Sky Park Circle, Suite H, Irvine, California 92614, Attention: President and CEO.

Administration

The Plan shall be administered by the Board, a special committee of the Board (the "**Committee**") or by an administrator appointed by the Board or the Committee (the "**Administrator**") either of which will have full and final authority with respect to the granting of all Stock Options thereunder. Stock Options may be granted under the Plan to such directors, officers, employees or consultants of the Resulting Issuer, as the Board, the Committee or the Administrator may from time to time designate.

Number of Common Shares Reserved

Subject to adjustment as provided for in the Plan, the aggregate number of Common Shares which will be available for purchase pursuant to Stock Options granted under to the Plan will not exceed 12,592,273. If any Stock Option expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares in respect of such expired or terminated Stock Option shall again be available for the purposes of granting Stock Options pursuant to this Plan.

Exercise Price

The exercise price at which a Stock Option holder may purchase a Common Share upon the exercise of a Stock Option shall be determined by the Committee and shall be set out in the Stock Option Certificate issued in respect of the Stock Option. The exercise price shall not be less than the price determined in accordance with CSE policies while the Company's Common Shares are listed on the CSE.

Maximum Term of Stock Options

The term of any Stock Option granted under the Plan (the "**Term**") shall be determined by the Board, the Committee or the Administrator, as applicable, at the time the Stock Option is granted but, subject to earlier termination in the event of termination, or in the event of death or disability of the Stock Option holder. In the event of death or disability, the Stock Option shall expire on the earlier of the date which is six months following the date of disability or death and the applicable expiry date of the Stock Option. Stock Option granted under the Plan are not to be

transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Termination

Subject to such other terms or conditions that may be attached to Stock Options granted under the Plan, a Stock Option holder may exercise a Stock Option in whole or in part at any time and from time to time during the Term. Any Stock Option or part thereof not exercised within the Term shall terminate and become null, void and of no effect as of the date of expiry of the Stock Option. The expiry date of a Stock Option shall be the date so fixed by the Committee at the time the Option is granted as set out in the Stock Option Certificate or, if no such date is set out in for the Stock Option certificate the applicable circumstances, the date established, if applicable, in paragraphs (a) or (b) below or in the event of death or disability (as discussed above under “*Maximum Term of stock Options*”) or in the event of certain triggering events occurring, as provided for under the Plan:

- (a) Ceasing to Hold Office - In the event that the Stock Option holder holds his or her Stock Option as an executive and such Stock Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Stock Option shall be, unless otherwise expressly provided for in the Stock Option certificate, the 90th day following the date the Stock Option holder ceases to hold such position unless the Stock Option holder ceases to hold such position as a result of:
 - (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Resulting Issuer;
 - (ii) a special resolution having been passed by the shareholders of the Resulting Issuer removing the Stock Option holder as a director of the Resulting Issuer or any subsidiary; or
 - (iii) an order made by any regulatory authority having jurisdiction to so order;in which case the expiry date shall be the date the Stock Option holder ceases to hold such position; or
- (b) Ceasing to be Employed or Engaged - In the event that the Stock Option holder holds his or her Stock Option as an employee or consultant, other than a Stock Option holder who is engaged in investor relations activities, and such Stock Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Stock Option shall be, unless otherwise expressly provided for in the Stock Option certificate, the 90th day following the date the Stock Option holder ceases to hold such position, or, in the case of a Stock Option holder that is engaged in investor relations activities, the 30th day after the date such Stock Option holder ceases to hold such position, unless the Stock Option holder ceases to hold such position as a result of:
 - (i) termination for cause;
 - (ii) resigning or terminating his or her position; or

(iii) an order made by any regulatory authority having jurisdiction to so order;

in which case the expiry date shall be the date the Stock Option holder ceases to hold such position.

In the event that the Stock Option holder ceases to hold the position of executive, employee or consultant for which the Stock Option was originally granted, but comes to hold a different position as an executive, employee or consultant prior to the expiry of the Stock Option, the Committee, the Board or the Administrator, as applicable, may, in its sole discretion, choose to permit the Stock Option to stay in place for that Stock Option holder with such Stock Option then to be treated as being held by that Stock Option Holder in his or her new position and such will not be considered to be an amendment to the Stock Option in question requiring the consent of the Stock Option Holder. Notwithstanding anything else contained in the Plan, in no case will a Stock Option be exercisable later than the expiry date of the Stock Option.

DESCRIPTION OF SECURITIES

Provisions as to the modification, amendment or variation of the rights attached to the capital of the Resulting Issuer are contained in the Resulting Issuer's articles and the BCBCA. Generally speaking, substantive changes to the share capital require the approval of the shareholders by either an ordinary (50% +1 of the votes cast) or special resolution (at least 66 2/3% of the votes cast). However, in certain cases, the directors of the Resulting Issuer may, subject to the BCBCA, be able to alter the Resulting Issuer's authorized and issued share capital to, inter alia, create one or more classes of shares or, if none of the shares of a class are allotted or issued, eliminate that class of shares; increase, reduce or eliminate the maximum number of shares that the Resulting Issuer is authorized to issue out of any class of shares; subdivide or consolidate all or any of its unissued, or fully paid issued, shares; or alter the identifying name of any of its shares.

As at the date of this Listing Statement, there are a total of 6,444,998 Earny Shares and nil stock options issued and outstanding. See "*Consolidated Capitalization*" and "*Options to Purchase Securities*" above.

Resulting Issuer Subordinate Voting Shares

The Resulting Issuer is authorized to issue an unlimited number of common shares without par value, of which 6,444,998 Resulting Issuer Subordinate Voting Shares are issued and outstanding and one Special Voting Share will be issued and outstanding upon completion of the Transaction. See "*Consolidated Capitalization*" above.

The Resulting Issuer Subordinate Voting Shares are "restricted securities" within the meaning of such term under applicable securities laws in Canada.

All issued and outstanding Resulting Issuer Subordinate Voting Shares will be fully paid and not subject to any future call or assessment. In addition, all Resulting Issuer Subordinate Voting Shares will rank equally as to voting rights, participation in a distribution of the assets of the Resulting Issuer on a liquidation, dissolution or winding-up of the Resulting Issuer and the entitlement to dividends as and when declared by the directors of the Resulting Issuer. The

holders of Resulting Issuer Subordinate Voting Shares will be entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each Resulting Issuer Share will carry with it the right to one vote. The Resulting Issuer Subordinate Voting Shares have no pre-emptive, conversion, exchange, redemption, retraction, purchase for cancellation or surrender provisions.

In the event of the liquidation, dissolution or winding-up of the Resulting Issuer or other distribution of its assets, the holders of the Resulting Issuer Subordinate Voting Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the Resulting Issuer has paid out its liabilities. Distribution in the form of dividends, if any, will be paid wholly or partly by the distribution of specific assets or of fully paid Resulting Issuer Subordinate Voting Shares or of bonds, debentures or other securities of the Resulting Issuer, or in any one or more of those ways, as determined by the directors of the Resulting Issuer. See “*Dividend Policy*” below for particulars of the Resulting Issuer’s anticipated dividend policy.

In accordance with applicable regulatory requirement designed to ensure that, in the event of a take-over bid, the holders of Resulting Issuer Subordinate Voting Shares will be entitled to participate on an equal footing with the holders of record of the Special Voting Share, the Company has entered into a coattail agreement with the co-trustees of the Special Voting Share. The coattail agreement will contain provisions customary for dual-class publicly-listed corporations, designed to prevent transactions that otherwise would deprive the holders of Resulting Issuer Subordinate Voting Shares of rights under applicable take-over bid legislation in Canada to which they would have been entitled if the Special Voting Shares had been Resulting Issuer Subordinate Voting Shares. See “*Description of the Securities – Take-Over Bid Protection.*”

Special Voting Share

Special Voting Share means the one special voting share in the capital of the Resulting Issuer, having the rights set forth in the articles of the Resulting Issuer. The holder of record of the Special Voting Share will be entitled to vote a number of votes at meetings of holders of Resulting Issuer Subordinate Voting Shares equal to the number of Orchid Exchangeable Units outstanding from time to time, which share is to be issued to, deposited with, and voted by, the co-trustees appointed under the terms of a voting trust agreement (the “**Voting Trust Agreement**”), initially being Rene Suarez and Corey Mangold. The beneficiaries of the Voting Trust are the holders of the Orchid Exchangeable Units that have not yet exchanged their units for Resulting Issuer Subordinate Voting Shares.

The co-trustees, as the holder of record of the Special Voting Share, shall be entitled to all of the voting rights, including the right to vote the Special Voting Share in person or by proxy on any matters, questions, proposals or propositions whatsoever that may properly come before the shareholders of Resulting Issuer. The voting rights shall be and remain vested in and exercised by the co-trustees in accordance with the Voting Trust Agreement.

In the event that under applicable law any matter requires the approval of the holder of record of the Special Voting Share, voting separately as a class (but for greater certainty, excluding any matter upon which only the Resulting Issuer Subordinate Voting Shares are entitled to vote as a separate class under applicable law), the co-trustee shall, in respect of such vote, exercise all

voting rights: (a) in favor of the relevant matter where the result of the vote of holders of Resulting Issuer Subordinate Voting Shares and the Special Voting Share, voting together as if they were a single class on such matter (a “**Combined Vote**”), would be the approval of such matter, and (b) against the relevant matter where the result of the Combined Vote would be against the relevant matter; provided that, in the event of a vote on a proposal to amend the articles of the Resulting Issuer or to take any other action that would: (A) effect an exchange, reclassification, cancellation or other modification which could adversely affect the Special Voting Share or the rights thereunder or (B) add, change, amend, modify or remove in any respect the rights, privileges, restrictions or conditions attached to the Special Voting Share (any of the foregoing actions described in clauses (A) or (B), a “Class Vote Proposal”), in each case, then the Special Voting Share shall be entitled to vote separately as a class and the co-trustees shall exercise all voting rights for or against the Class Vote Proposal as the Trustee determines is in the best interests of the beneficiaries.

As of the Closing Date, the Resulting Issuer will have issued to and deposited with the co-trustees the Special Voting Share, and the co-trustees will have acknowledged the delivery of the certificate representing such share, to be thereafter held of record by the co-trustees as trustee for and on behalf of, and for the use and benefit of, the beneficiaries in accordance with the provisions of the Voting Trust Agreement. During the term of the voting trust and subject to the terms and conditions of the Voting Trust Agreement, the co-trustees shall have control and the exclusive administration of the Special Voting Share and shall be entitled to exercise all of the rights and powers of an owner with respect to the Special Voting Share provided that the co-trustees shall:

- (a) hold the Special Voting Share and all the rights related thereto solely for the use and benefit of the beneficiaries in accordance with the provisions of the Voting Trust Agreement; and
- (b) except as specifically authorized by this Agreement, have no power or authority to sell, transfer, vote or otherwise deal in or with the Special Voting Share, and the Special Voting Share shall not be used or disposed of by the co-trustees for any purpose other than the purposes for which the Trust is created pursuant to the Voting Trust Agreement.

With respect to all meetings of shareholders of the Resulting Issuer at which holders of Resulting Issuer Subordinate Voting Shares are entitled to vote (each, a “**Resulting Issuer Meeting**”) and with respect to all written consents sought from the holders of Resulting Issuer Subordinate Voting Shares (to the extent allowable under applicable law, each, a “**Resulting Issuer Consent**”), the co-trustees shall be entitled to cast and exercise that number of votes comprised in the voting rights for the Special Voting Share which is equal to that number of votes which would attach to the Resulting Issuer Subordinate Voting Shares receivable upon the exchange of the Orchid Exchangeable Units owned of record by the beneficiaries on the record date (the “**Record Date**”) established by the Resulting Issuer or by applicable law for such Resulting Issuer Meeting or Resulting Issuer Consent, as the case may be (the “**Beneficiary Votes**”), in respect of each matter, question, proposal or proposition to be voted on at such Resulting Issuer Meeting or in connection with such Resulting Issuer Consent.

All of the rights of a beneficiary with respect to its beneficiary votes for an Exchangeable Unit, shall be deemed to be surrendered by such beneficiary, and such Beneficiary Votes and the voting rights represented thereby shall cease to exist immediately, upon the exchange of such Orchid Exchangeable Unit pursuant to Article VII of the A&R LLC Agreement or the dissolution of Orchid LLC pursuant to the A&R LLC Agreement or the California Revised Uniform Limited Liability Company Act, codified in the California Corporations Code.

At all times after the occurrence of any event contemplated pursuant to Article VII of the A&R LLC Agreement or otherwise, as a result of which Resulting Issuer Subordinate Voting Shares or the Orchid Exchangeable Units or both are in any way changed, the Voting Trust Agreement shall forthwith be amended and modified as necessary in order that it shall apply with full force and effect, mutatis mutandis, to all new securities into which Resulting Issuer Subordinate Voting Shares or the Orchid Exchangeable Units or both are so changed and the parties hereto shall execute and deliver a supplemental trust agreement giving effect to and evidencing such necessary amendments and modifications.

The Voting Trust Agreement and the Voting Trust created shall continue until the earliest to occur of the following events:

- (a) no outstanding Orchid Exchangeable Units are held by any Beneficiary; and
- (b) such date as Earny, Orchid LLC and the Trustee agree to terminate the Voting Trust Agreement.

The Special Voting Share shall have no other rights, preferences or privileges than otherwise stated above.

Take-Over Bid Protection

Under applicable securities laws in Canada, an offer to purchase the Special Voting Share would not necessarily require that an offer be made to purchase Resulting Issuer Subordinate Voting Shares. In accordance with the rules of the CSE designed to ensure that, in the event of a take-over bid, the holders of Resulting Issuer Subordinate Voting Shares will be entitled to participate on an equal footing with the holder of the Special Voting Share, the holder of record of the Special Voting Share have entered into a customary coattail agreement with us and a trustee (the “**Coattail Agreement**”). The Coattail Agreement contains provisions customary for dual-class, publicly-traded corporations designed to prevent transactions that otherwise would deprive the holders of Resulting Issuer Subordinate Voting Shares of rights under applicable securities laws in Canada to which they would have been entitled if the Special Voting Share had been Resulting Issuer Subordinate Voting Shares.

The undertakings in the Coattail Agreement do not apply to prevent a sale by the holder of the Special Voting Share (or an exchange of the Orchid Exchangeable Units) if concurrently an offer is made to purchase Resulting Issuer Subordinate Voting Shares that:

- (a) offers a price per Resulting Issuer Share at least as high as the highest price per share to be paid pursuant to the take-over bid for the Special Voting Share;

- (b) provides that all outstanding Resulting Issuer Subordinate Voting Shares are to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror);
- (c) has no condition attached; and
- (d) is in all other material respects identical to the offer for the Special Voting Share.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Resulting Issuer Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on us or holders of the Resulting Issuer Subordinate Voting Shares providing such funds and indemnity as the trustee may reasonably require. No holder of Resulting Issuer Subordinate Voting Shares will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Resulting Issuer Subordinate Voting Shares and reasonable funds and indemnity have been provided to the trustee.

The Coattail Agreement may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the CSE and any other applicable securities regulatory authority in Canada and (b) the approval of at least 66^{2/3}% of the votes cast by holders of Resulting Issuer Subordinate Voting Shares represented at a meeting duly called for the purpose of considering such amendment or waiver, excluding votes attached to Resulting Issuer Subordinate Voting Shares held directly or indirectly by the holder of record of the Special Voting Share, their affiliates and related parties and any persons who have an agreement to purchase the Special Voting Share on terms which would constitute a sale for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Resulting Issuer Subordinate Voting Shares under applicable law.

Dividend Policy

The Resulting Issuer will retain any future earnings for use in its business and does not expect to pay dividends on the Resulting Issuer Subordinate Voting Shares in the foreseeable future. Any decision to pay dividends on Resulting Issuer Subordinate Voting Shares will be made by the Resulting Issuer Board on the basis of the earnings, financial requirements and other conditions existing at such time.

Prior Sales of Resulting Issuer

The following table summarizes all securities issued by Earny within the 12 months prior to the date of this Listing Statement:

Date of Issue	Description	Number of Securities	Price per Security
January 25, 2018	Common Shares	(1)	\$0.30

Closing of the Business Combination	Common Shares	38,464,852(2)	\$0.33
Closing of the Business Combination	Finder's Shares	2,000,000(2)	\$0.33

Notes:

- (1) Issued pursuant to the exercise by two directors of the Resulting Issuer of an aggregate of stock options at a price of \$0.30 per stock option.
- (2) To be issued pursuant to the Business Combination.

Stock Exchange Price

As at the date of this Listing Statement, the Resulting Issuer Subordinate Voting Shares are listed on the NEX under the symbol "ERN.H". The following table sets out the high and low trading price and volume of trading of Shares on the NEX for the 12-month period prior to the date of this Listing Statement.

Period	High (\$)	Low (\$)	Volume
January 1 - 29, 2019	Trading Halted pending completion of Business Combination		
December, 2018	Trading Halted pending completion of Business Combination		
November, 2018	Trading Halted pending completion of Business Combination		
October, 2018	Trading Halted pending completion of Business Combination		
September, 2018	Trading Halted pending completion of Business Combination		
August, 2018	Trading Halted pending completion of Business Combination		
July, 2018	Trading Halted pending completion of Change of Business		
June 15-30, 2018	Trading Halted pending completion of Change of Business		
June 1-14, 2018	0.33	0.28	13,833
May, 2018	0.35	0.33	50,600
April, 2018	0.46	0.30	230,633
March, 2018	0.62	0.50	59,033
February, 2018	0.70	0.59	17,985
January, 2018	0.59	0.49	115,700
December, 2017	0.49	0.18	26,667
November, 2017	0.18	0.18	Nil
October, 2017	0.18	0.18	Nil
September, 2017	0.18	0.18	Nil
August, 2017	0.18	0.18	Nil

Description of Capital of Orchid LLC

Upon the Closing of the Business Combination, the capital structure of Orchid LLC shall consist of two classes of units: Class A Voting Units and Class B Nonvoting Units. Orchid LLC is authorized to issue two classes of Units to be designated, respectively, "Class A Voting Units" and "Class B Nonvoting Units" and collectively, the "Units." The total number of Units which Orchid LLC is authorized to issue is 250,000,000 Units, consisting of 125,000,000 Class A Voting Units and 125,000,000 Class B Nonvoting Units. The number of authorized Units of any of the Class A Voting Units or Class B Nonvoting Units may be increased or decreased (but not below the number of Units then outstanding) by the manager.

Each holder of Class A Voting Units shall be entitled to the number of votes equal to the number of Class A Voting Units held. Holders of Class A Voting Units shall vote together with all other classes entitled to vote at any annual or special meeting of the members and not as a separate class except as otherwise provided by law and may act by written consent. Any action required or permitted by the Act to be taken at a members' meeting may be taken without a meeting, if members holding Units having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all of the Units entitled to vote thereon were present and voted consent to such action in writing. Class A Voting Units are not subject to exchange into Resulting Issuer Subordinate Voting Shares. Orchid Corp shall be the sole owner of all the outstanding and issued Class A Voting Units and, as such, shall have full voting control over Orchid LLC.

Except with respect to mandatory voting rights or as otherwise specifically provided by law, the holders of Class B Nonvoting Units shall have no voting rights with respect to their Class B Nonvoting Units and may not act by written consent. Class B Nonvoting Units shall be the Orchid Exchangeable Units. See exchange terms below.

Management of Orchid LLC

Following consummation of the Business Combination, Orchid Corp will be the sole manager of Orchid LLC and will have the exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Orchid LLC, subject to the terms of the A&R LLC Agreement and applicable laws.

A&R LLC Agreement

The following is a summary of the material provisions set forth in the A&R LLC Agreement to be entered into between Orchid LLC and each of the Orchid members in accordance with the provisions of the Prior LLC Agreement, which A&R LLC Agreement will amend and restate the Prior LLC Agreement and come into effect on the Closing Date.

Duration

Orchid LLC has perpetual existence and will continue as a limited liability company until and unless Orchid LLC is terminated or dissolved in accordance with the A&R LLC Agreement and CRULLCA.

Purpose of Orchid LLC

The principal purpose and business of Orchid LLC is to engage in any lawful act or activity for which a limited liability company may be organized under the CRULLCA and to conduct such other activities as may be necessary, advisable, convenient or appropriate to promote or conduct the business of Orchid LLC.

Management: Manager

Orchid Corp is the sole manager of Orchid LLC and will manage all of Orchid LLC's operations and activities in accordance with the A&R LLC Agreement. Orchid Corp has the capacity and authority to act as the manager of Orchid LLC.

Subject to the terms of the A&R LLC Agreement and the CRULLCA, Orchid Corp has the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Orchid LLC. Among other things, Orchid Corp is empowered to negotiate, execute and perform all agreements, conveyances or other instruments on behalf of Orchid LLC, and to mortgage, charge or otherwise create a security interest over any or all of the property of Orchid LLC or its subsidiaries, and to sell property subject to such a security interest.

The A&R LLC Agreement provides that, where Orchid Corp is permitted or required to take any action or to make a decision in its "sole discretion", "discretion", with "complete discretion" or any other grant of similar authority and latitude under the A&R LLC Agreement in managing Orchid LLC's operations and activities, Orchid Corp shall be entitled to consider only such interests and factors as it desires, including its own interests and shall, to the fullest extent permitted by the CRULLCA, have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of, or factors affecting, Orchid LLC or the other Orchid Members.

Despite the foregoing, Orchid Corp will only be able to take certain types of actions (as set forth in the A&R LLC Agreement) if the same are approved by, consented to or directed by a majority of the Orchid Members.

Exchange Rights of the Orchid Exchangeable Units

Each Orchid Member holding Class B Nonvoting Units shall be entitled to cause an exchange of its Class B Nonvoting Units on a one for one basis into Resulting Issuer Subordinate Voting Shares in accordance with the A&R LLC Agreement.

Any Orchid member holding Orchid Exchangeable Units is required to exchange such units on or prior to the date that is four years from the Closing Date (the "**Termination Date**"). If a Member has not exchanged such units on or prior to the Termination Date, the units will be deemed to have been transferred and surrendered to Orchid LLC (or the Resulting Issuer's transfer agent, as applicable) for exchange into Resulting Shares at the close of business on the Termination Date without further action from the Orchid member.

Each Orchid member holding Orchid Exchangeable Units gives the co-trustees under the Voting Trust Agreement the authority to exercise each member's "voting rights", if any, in the co-trustees' sole discretion.

In the event of a reclassification or other similar transaction as a result of which the shares of Resulting Shares are converted into another security, then in exercising its exchange right an Orchid Member shall be entitled to receive the amount of such security that the Orchid Member would have received if such exchange right had been exercised and the date of the exchange had occurred immediately prior to the record date (or effective date in the event that there is no associated record date) of such reclassification or other similar transaction.

Transfer of Units

No holder of Orchid Exchangeable Units may transfer any interest in any Orchid Exchangeable Units, except pursuant to the terms of the A&R LLC Agreement and upon the approval of the manager. However, Orchid members may transfer Orchid Exchangeable Units as follows (each, a “**Permitted Transfer**”): pursuant to (i) Exchange Rights contemplated in Article VI of the A&R LLC Agreement; (ii) a transfer by any Orchid member to such Orchid member’s spouse, any lineal ascendants or descendants or trusts or other entities in which such Orchid member or Orchid member’s spouse, lineal ascendants or descendants hold (and continue to hold while such trusts or other entities hold Orchid Exchangeable Units) 50% or more of such entity’s beneficial interests; (iii) the laws of descent and distribution and (iv) a transfer to a partner, shareholder, unitholder, member or Affiliated investment fund of such Orchid member; provided, however, that (A) the restrictions contained in the A&R LLC Agreement will continue to apply to Orchid Exchangeable Units after any Permitted Transfer of such Orchid Exchangeable Units, and (B) in the case of the foregoing clauses (ii), (iii) and (iv), the transferees of the Orchid Exchangeable Units so transferred shall agree in writing to be bound by the provisions of the A&R LLC Agreement and, the transferor will deliver a written notice to Orchid LLC, which notice will disclose in reasonable detail the identity of the proposed transferee.

Books and Records

Orchid LLC’s books and records must be kept, and Orchid LLC’s financial position and the results of Orchid LLC’s operations recorded, in accordance with the accounting methods followed for U.S. federal income tax purposes. Orchid LLC’s books and records must accurately reflect in all material respects all of Orchid LLC transactions and must be appropriate and adequate for the Orchid LLC’s business. Orchid LLC must maintain at its principal office in California all of the books and records required by the A&R LLC Agreement and CRULLCA.

Indemnification

Orchid LLC shall indemnify any organizer, manager, officer, or employee of Orchid LLC who was or is a party or is threatened to be made a party to, or otherwise becomes involved in, any proceeding (other than a proceeding by or in the right of the Orchid LLC), by reason of the fact that such organizer, manager, officer, or employee of Orchid LLC is or was an agent of Orchid LLC, against all expenses, amounts paid in settlement, judgments, fines, penalties and U.S. Employee Retirement Income Security Act excise taxes actually and reasonably incurred by or levied against such organizer, manager, officer, or employee in connection with such proceeding if it is determined as provided in A&R LLC Agreement or by a court of competent jurisdiction that such organizer, manager, officer, or employee acted in good faith and in a manner he, she, or it reasonably believed to be in or not opposed to the best interests of Orchid LLC and, with

respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any proceeding, whether by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, will not, of itself create a presumption that an organizer, manager, officer, or employee of Orchid LLC did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of Orchid LLC or, with respect to any criminal proceeding, that an organizer, manager, officer, or employee had reasonable cause to believe that his or her conduct was unlawful.

Orchid LLC must indemnify any organizer, manager, officer, or employee of Orchid LLC who was or is a party or is threatened to be made a party to, or otherwise becomes involved in, any proceeding by or in the right of Orchid LLC to procure a judgment in its favor by reason of the fact that such organizer, manager, officer, or employee is or was an agent of Orchid LLC only against expenses actually and reasonably incurred by such organizer, manager, officer, or employee in connection with such proceeding if it is determined as provided A&R LLC Agreement or by a court of competent jurisdiction that such organizer, manager, officer, or employee acted in good faith and in a manner he, she, or it reasonably believed to be in or not opposed to the best interests of Orchid LLC, except that no indemnification may be made with respect to any claim, issue or matter as to which that organizer, manager, officer, or employee has been adjudged liable to Orchid LLC unless and only to the extent that the court in which such proceeding was brought or other court of competent jurisdiction determined upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the organizer, manager officer, or employee is fairly and reasonably entitled to indemnification for expenses that the court may deem proper.

Amendment

Except as otherwise required by applicable law, the A&R LLC Agreement is subject to amendment only with the written consent of the manager. The power of attorney granted by the Orchid members in the A&R LLC Agreement may be used by the manager to execute on behalf of an Orchid member any document evidencing or effecting an amendment adopted in accordance with the A&R LLC Agreement and CRULLCA.

Dissolution

Orchid LLC must be dissolved, its property disposed of, and its affairs wound up upon the happening of any event of dissolution specified in its Articles; upon the entry of a decree of judicial dissolution pursuant to Section 17707.03 of the Corporations Code, although the non-moving Orchid Members may avoid dissolution prior to the entry of a decree in the method described in Section 17707.03(c) of Corporations Code; or upon the consent of the majority vote of the Class A Voting Units.

Upon the occurrence of any event specified in the A&R LLC Agreement, Orchid LLC will continue solely for the purpose of winding up its affairs in an orderly manner, prosecuting and defending actions by or against it in order to collect and discharge obligations, disposing of and conveying its property, liquidating its property, and satisfying the claims of its creditors. The manager will be responsible for overseeing the winding up and liquidation of Orchid LLC, will take full account of the liabilities and property of Orchid LLC, will either cause its property to be

sold or distributed, and if sold, as promptly as is consistent with obtaining the fair market value thereof, will cause the proceeds therefrom, to the extent sufficient therefore, to be applied and distributed as provided in the A&R LLC Agreement.

Power of Attorney

Under the A&R LLC Agreement, each Orchid member irrevocably constituted and appointed Orchid Corp as such Orchid Member's true and lawful attorney-in-fact and agent, with full power and authority in such Orchid member's name, place, and stead to execute, acknowledge, and deliver, and to file or record in any appropriate public office any and all counterparts of the A&R LLC Agreement and any and all amendments hereto; any certificate or other instrument that may be necessary, desirable, or appropriate to qualify Orchid LLC as a limited liability company or to transact business as such in any jurisdiction in which Orchid LLC conducts business; any certificate or amendment to Orchid LLC's Articles of Organization or to any certificate or other instrument that may be necessary, desirable, or appropriate to reflect an amendment approved by the members in accordance with the provisions of the A&R LLC Agreement; and any certificates or instruments that may be necessary, desirable, or appropriate to reflect the dissolution and winding up of Orchid LLC. Each Orchid member irrevocably constituted and appointed Orchid Corp as such Orchid member's true and lawful attorney-in-fact and agent, with full power and authority in such Orchid member's name, place, and stead to act as its proxy in respect to any vote or approval of Orchid members required to give effect to the amendment to the A&R LLC Agreement, any exchange rights of the Orchid member or any other act by manager, including any vote required under applicable law. The power of attorney granted was coupled with an interest and will survive the transfer of the Orchid member's interest.

Limited Liability of the Orchid Members

Except as required under the CRULLCA, no Orchid member will be personally liable for any debt, obligation, or liability of Orchid LLC, whether it arises in contract, tort, or otherwise, unless expressly agreed by such Orchid member in writing.

Limitation on Authority of the Orchid Members and Limited Liability

The A&R LLC Agreement states that an Orchid member (in its capacity as an Orchid member) does not have the authority or power to act on behalf of Orchid LLC; to do any act that would be binding upon Orchid LLC; make any expenditure on behalf of Orchid LLC; seek or obtain partition by court decree or operation of law of any Orchid property; and own or use particular or individual assets of Orchid LLC.

Support Agreement

Pursuant to the support agreement entered into by and among Resulting Issuer, Orchid Corp and Orchid LLC (the "**Support Agreement**"), so long as any Orchid Exchangeable Units are outstanding, the Resulting Issuer will:

- (a) upon the election of the holder of the Orchid Exchangeable Units of Orchid LLC ("**Unitholder**"), effect an exchange directly with a Unitholder, take all such actions and

do all things as are reasonably necessary or desirable to effect the exchange of Orchid Exchangeable Units directly with the holder thereof, in accordance with applicable law, including, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to cause to be delivered directly to the Unitholder Resulting Issuer Subordinate Voting Shares in accordance with the provisions of the Securities Exchange Agreement and the A&R LLC Agreement; and

- (b) ensure that Orchid Corp does not exercise its vote as the manager of Orchid LLC to initiate the voluntary liquidation, dissolution or winding up of Orchid LLC nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of Orchid LLC.

The Resulting Issuer will, at all times while any Orchid Exchangeable Units are outstanding, authorize for issuance such number of Resulting Issuer Subordinate Voting Shares (or other shares or securities into which Resulting Issuer Subordinate Voting Shares may be reclassified or changed) without duplication: (a) as is equal to the sum of (i) the number of Orchid Exchangeable Units issued and outstanding from time to time; (ii) the number of Orchid Exchangeable Units issuable upon the exercise, conversion or exchange of all rights to acquire Orchid Exchangeable Units outstanding from time to time; and (b) as are now and may hereafter be required to enable and permit the Resulting Issuer or its affiliates to meet their respective obligations under the Securities Exchange Agreement and the A&R LLC Agreement, and to enable and permit Orchid LLC to meet its obligations under the A&R LLC Agreement. All Resulting Issuer Subordinate Voting Shares issued upon such an exchange will, upon issuance, be validly issued, fully paid and non-assessable.

The Resulting Issuer will notify Orchid LLC and Orchid Corp of each of the following events at the time set forth below:

- (a) promptly, upon the earlier of receipt by Resulting Issuer of notice of and Resulting Issuer otherwise becoming aware of any threatened or instituted claim, suit, petition or other proceedings; and
- (b) as soon as practicable upon the split, consolidation, reclassification, recapitalization or other change in the outstanding securities of the Resulting Issuer and the issuance by the Resulting Issuer of any Resulting Issuer Subordinate Voting Shares or rights to acquire Resulting Issuer Subordinate Voting Shares.

Orchid LLC will notify Resulting Issuer and Orchid Corp of each of the following events at the time set forth below:

- (a) promptly, upon the earlier of receipt by Orchid LLC of notice of and Orchid LLC otherwise becoming aware of any threatened or instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Orchid LLC or to effect any other distribution of the assets of Orchid LLC among its members for the purpose of winding up its affairs;

- (b) immediately, upon receipt by Orchid LLC of a request by a Unitholder to exchange such Unitholder's Orchid Exchangeable Units, as contemplated in the Securities Exchange Agreement and the A&R LLC Agreement; and
- (c) as soon as practicable upon the split, consolidation, reclassification, recapitalization or other change in the outstanding securities of Orchid LLC and the issuance by the Orchid LLC of any Orchid Exchangeable Units or rights to acquire Orchid Exchangeable Units.

The Resulting Issuer shall forthwith deliver, or cause to be delivered through its transfer agent or otherwise, as Orchid LLC may direct, the requisite number of Resulting Issuer Subordinate Voting Shares to be received by, or to the order of, the former holder of the surrendered Orchid Exchangeable Units, as applicable, as Orchid LLC shall direct, and shall if necessary, and subject to obtaining all necessary shareholder approvals (if any), issue new Resulting Issuer Subordinate Voting Shares for such purpose. All such Resulting Issuer Subordinate Voting Shares shall be duly authorized and validly issued as fully paid and non-assessable and shall be free and clear of any lien, claim and encumbrance. Notwithstanding the above, any Resulting Issuer Subordinate Voting Shares issued in exchange for Orchid Exchangeable Units subject to escrow requirements in accordance with the policies of the CSE shall be delivered to the escrow agent to be released in accordance with the terms of an escrow agreement to be entered into among the Resulting Issuer, the escrow agent and any such former holder of Orchid Exchangeable Units.

The Resulting Issuer will in good faith take all such reasonable actions and do all such things as are reasonably necessary or desirable to cause all Resulting Issuer Subordinate Voting Shares to be delivered hereunder to be listed, quoted or posted for trading on the CSE and any other stock exchanges and quotation systems on which outstanding Resulting Issuer Subordinate Voting Shares have been listed by the Resulting Issuer and remain listed and are quoted or posted for trading at such time (it being understood that any such Resulting Issuer Subordinate Voting Shares may be subject to transfer restrictions under applicable securities laws). Nothing in the Support Agreement shall require the Resulting Issuer to register any securities pursuant to the United States Securities Exchange Act of 1933, as amended, or the United States Securities Exchange Act of 1934, as amended, or to register or qualify any securities for distribution under a prospectus pursuant to any applicable Canadian securities laws or United States federal securities or state "blue sky" laws.

So long as any Orchid Exchangeable Units are outstanding, in the event that a tender offer, Securities Exchange Agreement offer, issuer bid, take-over bid, arrangement, business combination or similar transaction with respect to the Resulting Issuer Subordinate Voting Shares (an "**Offer**") is proposed by the Resulting Issuer or is proposed to the Resulting Issuer or its shareholders and is recommended by the Resulting Issuer Board, or is otherwise effected or to be effected with the consent or approval of the Resulting Issuer Board, the Resulting Issuer will use its best efforts in good faith to take all such actions and do all such things as are necessary or desirable to enable and permit holders of Orchid Exchangeable Units to participate in such Offer to the same extent and on an economically equivalent basis as the holders of the Resulting Issuer Subordinate Voting Shares, without discrimination. Without limiting the generality of the foregoing, the Resulting Issuer will use its best efforts in good faith to ensure that holders of Orchid Exchangeable Units may participate in each such Offer without being required to exchange Orchid Exchangeable Units of Orchid LLC (or, if so required, to ensure that any such

exchange, shall be effective only upon, and shall be conditional upon, the closing of such Offer and only to the extent necessary to tender or deposit to the Offer).

As long as any outstanding Orchid Exchangeable Units are owned by any Person or any of its affiliates, the Resulting Issuer shall not consummate any transaction (whether by way of reconstruction, recapitalization, reorganization, consolidation, arrangement, merger, amalgamation, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other Person or of the continuing corporation resulting therefrom unless:

- (a) such other Person or continuing corporation (the “**Resulting Issuer Successor**”) by operation of law, becomes bound by the terms and provisions of the Support Agreement or, if not so bound, executes, before or contemporaneously with the consummation of such transaction, an agreement supplemental hereto and such other instruments (if any) as are reasonably necessary or advisable to evidence the assumption by the Resulting Issuer Successor of liability for all moneys payable and property deliverable hereunder and the covenant of such Resulting Issuer Successor to pay and deliver or cause to be paid and delivered the same and its agreement to observe and perform all the covenants and obligations of the Resulting Issuer under the Support Agreement; and
- (b) such transaction shall be upon such terms and conditions as to substantially preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the other parties hereunder or the holders of the Orchid Exchangeable Units.

Voting Support Agreement

Pursuant to the voting support agreement entered into by and among the Resulting Issuer and certain shareholders of the Resulting Issuer (the “**Voting Support Agreement**”), have agreed to vote (or cause to be voted) 9,665,000 Resulting Issuer Subordinate Voting Shares in favour of the directors proposed to be elected at every meeting of the shareholders (or written consent in lieu thereof) of the Resulting Issuer called for such purpose. The Voting Support Agreement has a term of 18 months and does not restrict such shareholders from selling, transferring or otherwise disposing of such shares during such term.

ESCROWED SECURITIES

As required under the policies of the CSE, the Resulting Issuer will enter into an escrow agreement as if the company was subject to the requirements of NP 46-201. Escrow releases will be scheduled at periods specified in NP 46-201 for emerging issuers, that is, 10% will be released upon completion of the Listing Date followed by six subsequent releases of 15% each every six months thereafter. The form of the escrow agreement must be as provided in NP 46-201.

The table below includes the details of escrowed securities that are held by Principals of the Resulting Issuer as at the date of this Listing Statement:

Designation of class	Number of Shares held in escrow	Percentage of class
-----------------------------	--	----------------------------

Common Shares	Nil ⁽¹⁾	-
Orchid Exchangeable Units	62,142,857	49.67% ⁽²⁾

Notes:

- Does not include 9,665,000 Resulting Issuer Subordinate Voting Shares which are subject to the terms and conditions of the Voting Support Agreement or the 15,151,515 Resulting Issuer Subordinate Voting Shares issued in connection with the Concurrent Financing which are subject to a 4-month statutory hold period.
- Based on 125,104,222 Resulting Issuer Subordinate Voting Shares issued and outstanding after giving effect to the Transaction and assuming the exchange of Orchid Exchangeable Units.

PRINCIPAL SHAREHOLDERS

To the knowledge of the Resulting Issuer’s directors and senior officers, the following are the only persons who beneficially own, directly or indirectly, or exercise control or direction over, Resulting Issuer Subordinate Voting Shares carrying more than 10% of all voting rights attached to all outstanding shares of the Resulting Issuer as of the date hereof:

Name	Resulting Issuer Subordinate Voting Shares (and % of Outstanding Resulting Issuer Subordinate Voting Shares) Owned, Controlled or Directed
Rene Suarez ⁽²⁾	Nil ⁽²⁾
Corey Mangold ⁽¹⁾	Nil ⁽³⁾

Notes:

- Based on 62,961,367 Resulting Issuer Subordinate Voting Shares issued and outstanding after giving effect to the Transaction.
- Mr. Suarez will beneficially own or control 17,476,741 Orchid Exchangeable Units which are exchangeable for 17,476,741 Resulting Issuer Subordinate Voting Shares which would represent 21.72% of the Resulting Issuer Subordinate Voting Shares based on 80,438,106 Resulting Issuer Subordinate Voting Shares issued and outstanding on a partly-diluted basis.
- Mr. Mangold will beneficially own or control 10,045,319 Orchid Exchangeable Units which are exchangeable for 10,045,319 Resulting Issuer Subordinate Voting Shares which would represent 13.76% of the Resulting Issuer Subordinate Voting Shares based on 73,006,684 Resulting Issuer Subordinate Voting Shares issued and outstanding on a partly-diluted basis.

DIRECTORS AND OFFICERS OF THE RESULTING ISSUER

Directors and Officers

The following table sets out information regarding each of the Resulting Issuer’s directors and executive officers, including the name, municipality of residence, position or office held with the Resulting Issuer and principal occupation of each proposed director and executive officer of the Resulting Issuer, as well as the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, excluding common shares issued on the exercise of convertible securities, are as follows:

Name, place of the residence and proposed position with Resulting Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Resulting Issuer Subordinate Voting Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Transaction ⁽¹⁾
Corey Mangold, Ladera Ranch, California Chief Executive Officer and Director	President and Co-Founder of Orchid since ; Principal and Co-Founder of Gigasavvy from December 2008 to present	Proposed	Nil ⁽³⁾
Rene Suarez, Costa Mesa, California President, Corporate Secretary and Director	Co-Founder and President of Orchid since February 2017; CEO and Co-Founder of BV&Co from November 2015 to February 2017: CEO and Co-Founder of Verdict Vapors: CSO/Partner at Space Jam Juice LLC from 2013 to 2015.	Proposed	Nil ⁽⁴⁾
Tom Soto ⁽²⁾ , Santa Monica, California Director	Founder and Managing Partner of Latimer Partners, LLC from 2012 to present: Senior Advisor to Reverence Capital Partners from 2014 to present; Managing Partner at Frontier Impact Latimer Management from 2016 to 2017: Managing Director at Trust Company of the West from 2013 to 2016.	Proposed	Nil ⁽⁵⁾
Robert MacDonald (2), Beverly Hills, California Director	Co-Founder and Managing Partner of Craton Equity Partners from 2013-2018: Senior Advisor art Frontier Impact Capital, LLC from 2016-2017: Managing Director at TCW Group from 2013 to 2015	Proposed	Nil ⁽⁶⁾
Mathew Lee Vancouver, B.C. Chief Financial Officer	CFO for Metallic Group of Companies from September 2018 – present: CFO for Juva Life, Inc. from August 2018 – present: CFO of Mirasol Resources Ltd. From May 2018 - present; Senior Financial Consultant for Cannabis Compliance Inc. from June 2017 to present: CFO for Chemosis International, Inc. from January 2018 to September 2018: Financial Controller at	Proposed	Nil ⁽⁷⁾

Name, place of the residence and proposed position with Resulting Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Resulting Issuer Subordinate Voting Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Transaction ⁽¹⁾
	AP Capital Management from 2016 to 2017: Manager of Operations at Raymond James Ltd. From 2014 to 2016.		
Luke Hemphill ⁽²⁾ , Ladera Ranch, California Chief Revenue Officer	VP of Sales of Orchid since April 2017: Surgical Territory Manager for Straumann Dental Implants from 2016 to 2017: Regional Sales Manager for Kendal Floral LLC from 2013 to 2016	Proposed	Nil ⁽⁸⁾
Eric Vaughan, Irvine, California Chief Strategy Officer	VP Strategy of Orchid since May 2017: VP of Agency Operations at Gigasavvy from 2010 to 2017	Proposed	Nil ⁽⁹⁾
Jennifer Clifton, Bend, Oregon General Counsel	General Counsel of Orchid since June 2017: Founder and CEO of Clifton Cannabis Law LLC from 2015 to June 2017: Co-founder and President of Lava Love, LLC from 2014 to 2016: Tax Attorney at Fortress Financial Services from 2009 to 2015.	Proposed	Nil ⁽¹⁰⁾
Adam Mirkovich, Orange, California Chief Operating Officer	COO at Orchid since September 2018: Self employed supply chain consultant from 2013 to present: Director of Supply Chain and Operations at Space Jam Juice LLC from 2014 to 2016: PLM Program Manager at Niagara Bottling, LLC from 2011 to 2013.	Proposed	Nil ⁽¹¹⁾

Notes:

- (1) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of management of the Resulting Issuer and has been furnished by the respective individuals.
- (2) Proposed member of audit committee.
- (3) Mr. Mangold will beneficially own or control 10,045,319 Orchid Exchangeable Units which are exchangeable for 10,045,319 Resulting Issuer Subordinate Voting Shares. In addition, the Resulting Issuer expects to grant Mr. Mangold 1,000,000 Resulting Issuer Options upon CSE Listing.
- (4) Mr. Suarez will beneficially own or control 17,476,741 Orchid Exchangeable Units which are exchangeable for 17,476,741 Resulting Issuer Subordinate Voting Shares. In addition, the Resulting Issuer expects to grant Mr. Suarez 1,000,000 Resulting Issuer Options upon CSE Listing.
- (5) The Resulting Issuer expects to grant Mr. Soto 1,600,000 Resulting Issuer Options upon CSE Listing.

- (6) The Resulting Issuer expects to grant Mr. MacDonald 1,600,000 Resulting Issuer Options upon CSE Listing.
- (7) The Resulting Issuer expects to grant Mr. Lee 350,000 Resulting Issuer Options upon CSE Listing.
- (8) Mr. Hemphill will beneficially own or control 1,521,431 Orchid Exchangeable Units which are exchangeable for 1,521,431 Resulting Issuer Subordinate Voting Shares. In addition, the Resulting Issuer expects to grant Mr. Hemphill 1,000,000 Resulting Issuer Options upon CSE Listing.
- (9) Mr. Vaughan will beneficially own or control 1,521,431 Orchid Exchangeable Units which are exchangeable for 1,521,431 Resulting Issuer Subordinate Voting Shares. In addition, the Resulting Issuer expects to grant Mr. Vaughan 1,000,000 Resulting Issuer Options upon CSE Listing.
- (10) The Resulting Issuer expects to grant Ms. Clifton 2,000,000 Resulting Issuer Options upon CSE Listing.
- (11) The Resulting Issuer expects to grant Mr. Mirkovich 1,000,000 Resulting Issuer Options upon CSE Listing.

Pursuant to the provisions of the BCBCA, the Resulting Issuer will be required to have an audit committee whose proposed members are indicated above.

Management Details

The following are brief profiles of the Resulting Issuer's executive officers and directors.

Corey Mangold, Chief Executive Officer and Director

Mr. Mangold is the Principal and Co-Founder of Gigasavvy, a leading southern California creative marketing agency. He has established a thriving agency that has launched and managed campaigns for Toshiba, Knott's Berry Farm, Johnny Rockets, Hi-Chew Candy, Tenet Healthcare and Northgate Markets. Mr. Mangold has also worked tirelessly to create a thriving culture at Gigasavvy that has been recognized, 3 years running, as a "Top 10 Places" to work in Orange County. As the President and Co-Founder of Orchid, Mr. Mangold brings 18 years of start-up experience and a knack for developing successful companies. Mr. Mangold's vision and extensive experience in marketing/advertising, branding, design, sales and product development has already established Orchid as the new brand to beat in the market.

Mr Mangold will devote 100% of his time to the Resulting Issuer.

Rene Matthew Suarez, President and Director

Mr. Suarez was the former CSO/Partner at Space Jam, a leader in the nicotine/vape juice industry. Through Mr. Suarez's vision and strategic execution, he streamlined sales operations and implemented new growth and distribution strategies; increasing monthly sales to over US\$1.6MM. Mr. Suarez was ultimately responsible for driving over US\$15MM in sales revenue in 2014 which catapulted Space Jam to the forefront of the industry. As the President and Co-Founder of Orchid, Mr. Suarez brings his years of experience and a proven track record of developing consumer goods startups into profitable businesses. Mr. Suarez has vast experience in supply chain operations, fulfillment, sales management and has a keen eye for financial planning and oversight.

Mr Suarez will devote 100% of his time to the Resulting Issuer.

Tom Soto, Director

Mr. Soto is a long-time investor in the impact sector. He is the founder and Managing Partner of Diverse Communities Impact Fund (DCIF). His leadership, voice and investments have stood at the dovetail of energy, Tech, cloud based and IoT efficiency programs in renewables, and many Fourth Industrial Revolution driven platforms where technology contributes to improving the human condition. This ranges from Fintech, to electric vehicle technology and policy, to political process and regulatory frameworks needed to promote the new economics driving the planet into a future of prosperity and abundance. Having sold his fund Craton Equity Partners to TCW in 2013, Mr. Soto became Managing Director of Alternatives at the US\$198B fund, and was an Investment Committee Member of TCW/Craton Alternatives. Post transaction, Mr. Soto played a considerable role in TCW across all products, helping to lead in the development of new and innovative alternatives products; a public-equities trading platform, the first of its kind at TCW focused on ESG/SRI, and the development of a woman owned, emerging manager, distressed hedge fund, all among many other successful efforts while at TCW.

Mr. Soto received a BA in Political Science from the University of California, Los Angeles.

Mr Soto will devote 10% of his time to the Resulting Issuer.

Robert MacDonald, Director

Mr. MacDonald is an influential, trusted advisor with extensive board and corporate governance expertise in energy, clean technology, banking, and manufacturing industries. He has had success in raising billions of dollars in capital to catapult startups and growth companies into thriving, profitable entities. He has positioned businesses for successful IPO or sale and restructured underperforming operations. Mr. MacDonald has served on 23 Board of Directors for 16 private and 7 public companies. Most recently, Mr. MacDonald co-founded Craton Equity Partners, one of the industry's first clean technology funds to invest in companies contributing substantially to carbon reduction. In addition, Mr. MacDonald co-launched Catalyst Energy where he played a major role in spearheading a successful IPO, growing the company from \$0 to \$400M in revenues and enabling development and expansion of 30 power plants, and generated 34 times return on initial invested capital.

Mr. MacDonald will devote 10% of his time to the Resulting Issuer.

Mathew Lee, Chief Financial Officer

Mr. Lee has extensive experience acting as Chief Financial Officer for Canadian public companies. Mr. Lee is presently serving as Chief Financial Officer for Metallic Group of Companies, Juva Life, Inc., Mirasol Resources, Ltd., and as a senior financial consultant for Cannabis Compliance Inc. Mr. Lee has a deep understanding for the capital markets, and the financial reporting requirements of the Exchanges.

Mr. Lee holds a Chartered Accountant designation with a Bachelor of Commerce Degree from the University of British Columbia.

Mr. Lee will devote 50% of his time to the Resulting Issuer or such other amount of time as is necessary to fulfill his duties.

Luke Hemphill, *Chief Revenue Officer*

Mr. Hemphill brings an extensive background in sales management and leadership from large enterprise companies including Straumann Dental Implants, and Kendal Floral, both leaders in their industries. While at Kendal Floral, Mr. Hemphill managed sales and distribution operations for the West Coast, including a sales team of over 40 sales reps, and was responsible for driving \$100MM in sales while overseeing the Costco account. As the Chief Revenue Officer, Mr. Hemphill manages Orchid's sales and distribution management including developing distribution channels, implementing and driving sales growth strategies, and overseeing a sales team responsible for supporting Orchid's brand within the community. Mr. Hemphill's creative approach to sales management and his intuitive understanding of their customers' needs makes Mr. Hemphill an invaluable asset for Orchid.

Mr Hemphill will devote 100% of his time to the Resulting Issuer or such other amount of time as is necessary to fulfill his duties.

Eric Vaughan, *Chief Strategy Officer*

Mr. Vaughan joined Orchid with over twenty years of diverse experience in corporate strategy, finance and administration management, and digital marketing. Mr. Vaughan worked eight years at Gigasavvy where he oversaw financial management of annual budgets, scaled & trained agency headcount (recruited, hired, managed teams, and created interdepartmental synergies to optimize output) and built in-house departments from the ground up including Production, Client Services and Account Management, to transform Gigasavvy into a truly client-centric agency. As the VP of Corporate Strategy, Mr. Vaughan manages strategic planning, administrative operations, and financial oversight to aid in Orchid's foundational development. Mr. Vaughan has already implemented high-level financial tracking and analysis to closely monitor sales, profitability, and cash flows to drive Orchid's business objectives.

Mr Vaughan will devote 100% of his time to the Resulting Issuer or such other amount of time as is necessary to fulfill his duties.

Jennifer Clifton, *General Counsel*

Ms. Clifton has over two decades in experience in corporate transactional law spanning several industries, including, most recently, the cannabis industry. Ms. Clifton founded Clifton Cannabis Law in Oregon which was one of the first boutique law firms in Oregon to serve the emerging cannabis and hemp industries. Prior to founding Clifton Cannabis Law, Ms. Clifton started two other businesses, served as in-house counsel and worked at large national law firms, including Kirkpatrick & Lockhart, an international law firm. She is a legal expert in cannabis law in Oregon and California and holds a Juris Doctorate from University of San Diego School of Law where she graduated cum laude and was a member of the Order of the Coif and the San Diego Law Review.

Ms Clifton will devote 100% of her time to the Resulting Issuer or such other amount of time as is necessary to fulfill her duties.

Adam Mirkovich, Chief Operating Officer

Mr. Mirkovich has over a decade of experience with managing supply chains for consumer products. Prior to joining Orchid as its Chief Operating Officer, Mr. Mirkovich was an independent management consultant specializing in building and optimizing value chains for startups and growth stage companies in the beverage, nicotine vape, and nutritional supplements industries. Most of Mr. Mirkovich supply chain experience came with from his tenure at Niagara Bottling where he lead the product revision, introduction, and discontinuance practices for customers' private labeled water, flavored, and carbonated beverages and where he was a member of the Supply Chain Logistics team at Niagara Bottling, providing strategic support of company expansion activities and tactical support of purchasing, production planning, and multi-region logistics in North American operations. At Orchid, Mr. Mirkovich oversees Orchid's entire supply chain in current markets and will lead the expansion into new markets.

Mr Mirkovich will devote 100% of his time to the Resulting Issuer or such other amount of time as is necessary to fulfill his duties.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below, no director or officer of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
or
- (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director or executive officer of the Resulting Issuer, or a shareholder holding a sufficient number of the Resulting Issuer's securities to affect materially the control of the Resulting Issuer, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

Other than disclosed below, no director or executive officer of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

In August 2018, Rene Suarez, a proposed director and President of the Resulting Issuer, entered into a direct debit installment agreement with the Internal Revenue Service in connection with taxes owing from the tax years of 2006, 2008, 2011, 2012, 2014, 2016 and 2017.

Conflicts of Interest

Certain of the directors and officers of the Resulting Issuer are currently, or may in the future become, involved in managerial or director positions with other issuers, both reporting and non-reporting, whose operations may, from time to time, be in direct competition with those of the Resulting Issuer or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Resulting Issuer.

In such event, the directors and officers of the Resulting Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests that they may have in any project or opportunity of the Resulting Issuer and abstain from voting thereon. In determining whether or not the Resulting Issuer will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Resulting Issuer may be exposed and its financial position at that time.

The directors and officers of the Resulting Issuer also have either other employment or other business or time restrictions placed on them and accordingly, these directors and officers will only be able to devote part of their time to the affairs of the Resulting Issuer, unless otherwise specified above.

Conflicts, if any, will be subject to the procedures and remedies prescribed by the BCBCA, the CSE and applicable securities law, regulations and policies.

See “*Risk Factors*”.

CAPITALIZATION OF THE RESULTING ISSUER

Issued Capital	Number of Securities (non- diluted)	Number of Securities (fully-diluted)	%of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	62,961,367	125,104,222	100%	100%
Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held) (B)	10,027,500	40,592,422	15.93%	32.45%
Total Public Float (A-B)	52,933,865	84,511,800	84.07%	67.55%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	26,816,515	57,381,437	42.59%	50.33%
Total Tradeable Float (A-C)	36,144,850	62,961,367	57.41%	49.67%

Public Securityholders (Registered)

Class of Security

Size of Holding

Number of holders

Total number of securities

1 – 99 securities

0

0

100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	2	6,666
4,000 – 4,999 securities	0	0
5,000 or more securities	16	6,438,332
TOTAL	18	6,444,998

Public Securityholders (Registered)

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	1	66
100 – 499 securities	10	2,847
500 – 999 securities	7	4,765
1,000 – 1,999 securities	42	68,500
2,000 – 2,999 securities	18	43,998
3,000 – 3,999 securities	25	81,971
4,000 – 4,999 securities	3	14,331
5,000 or more securities	80	4,903,892
Unable to confirm	N/A	1,324,628
TOTAL	186	6,444,998

Non-Public Securityholders (Registered)

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		

5,000 or more securities

TOTAL

Convertible Securities

The following are details for any securities convertible or exchangeable into Resulting Issuer Subordinate Voting Shares:

Description of Security (include conversion/exercise terms, including conversion/exercise price)			Number of convertible/exchangeable securities outstanding	Number of listed securities issuable upon conversion/exercise
Exercise Price	Expiry Date	Type of Security		
\$0.33	SEPTEMBER 12, 2019	Resulting Issuer Warrants ⁽¹⁾	559,200	559,200
\$0.33	12 months from closing of Concurrent Offering	Finder's Warrants ⁽²⁾	1,212,121	1,212,121
\$Nil	4 Years from the Closing Date	Orchid Exchangeable Units	62,142,857	62,142,857

Notes:

- (1) These Resulting Issuer Warrants are expected to be issued in connection with the Business Combination
- (2) These Finder's Warrants are expected to be issued in connection with the Concurrent Offering.

See also "*Options to Purchase Securities*" above for details of the proposed outstanding stock options to purchase Resulting Issuer Subordinate Voting Shares.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Resulting Issuer's policies on compensation for its executive officers are intended to provide appropriate compensation for executives that is internally equitable, externally competitive and reflects individual achievements in the context of the Resulting Issuer. The overriding principles in establishing executive compensation provide that compensation should:

- (a) reflect fair and competitive compensation commensurate with an individual's experience and expertise to attract and retain highly qualified executives;
- (b) reflect recognition and encouragement of leadership, entrepreneurial spirit and team work;

- (c) reflect an alignment of the financial interests of the executives with the financial interest of the Resulting Issuer's shareholders;
- (d) include stock options and, in certain circumstances, bonuses to reward individual performance and contribution to the achievement of corporate performance and objectives;
- (e) reflect a contribution to enhancement of shareholder value; and
- (f) provide incentive to the executives to continuously improve operations and execute on corporate strategy.

Goals and Objectives

The Resulting Issuer's compensation philosophy is aimed at attracting and retaining quality and experienced people, which is critical to the success of the Resulting Issuer. Executive compensation is comprised of three elements: base fee or salary, short-term incentive compensation (discretionary cash bonuses) and long-term incentive compensation (stock options). The Resulting Issuer's Board reviews all three components in assessing the compensation of individual executive officers and of Resulting Issuer as a whole.

Base fees or salaries and bonuses (discretionary) are intended to provide current compensation and a short-term incentive for executive officers to meet the Resulting Issuer's goals, as well as to remain competitive with the industry. Base fees or salaries are compensation for job responsibilities and reflect the level of skills, expertise and capabilities demonstrated by the executive officers. Executive officers will also be eligible to receive discretionary bonuses as determined by the Resulting Issuer's Board from time to time based on each officer's responsibilities, his or her achievement of individual and corporate objectives and Resulting Issuer's financial performance. Cash bonuses are intended to reward the executive officers for meeting or exceeding the individual and corporate performance objectives set by the Resulting Issuer's Board.

Stock options are an important part of the Resulting Issuer's long-term incentive strategy for its officers, permitting them to participate in any appreciation of the market value of Resulting Issuer Subordinate Voting Shares over a stated period of time, and are intended to reinforce commitment to long-term growth and shareholder value. Stock options reward overall corporate performance, as measured through the price of the Resulting Issuer Subordinate Voting Shares and enable executives to acquire and maintain a significant ownership position in the Resulting Issuer. Stock options also represent an additional form of compensation to Resulting Issuer's executive officers without directly impacting the Resulting Issuer's cash resources.

Earny Summary Compensation Table

The following table (presented in accordance with National Instrument Form 51-102F6 – Statement of Executive Compensation) sets forth all annual and long term compensation for services paid by Earny to each individual who was a Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) or one of the three most highly compensated executive officers (in addition to the CEO and CFO) of Earny whose total compensation exceeded \$150,000

(collectively the “Named Executive Officers” or “NEOs”) during Resulting Issuer’s three most recently completed financial years ended April 30, 2018, April, 2017 and April, 2016, as applicable:

SUMMARY COMPENSATION TABLE								
Name and Principal Position of Named Executive Officer	Year Ended April 30 (as applicable)	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation	Pension Value	All Other Compensation (\$)	Total Compensation(\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)		
Navin Varshney, CEO, President and Director	2018	Nil	Nil	Nil	Nil	Nil	\$24,000	\$24,000
	2017	Nil	Nil	Nil	Nil	Nil	\$48,000	\$48,000
	2016	Nil	Nil	Nil	Nil	Nil	\$48,000	\$48,000
Brian Moore, CFO, Corporate Secretary and Director	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

As of April 30, 2018, there were no option-based or share-based awards outstanding to the Named Executive Officers.

Incentive Plan Awards – Value Vested or Earned During the Year

No option-based awards or share-based awards were vested in, and no non-equity incentive plan compensation was earned by, the Named Executive Officers during the year ended April 30, 2018.

Pension Plan Benefits

The Resulting Issuer does not have any pension, retirement or deferred compensation plans, including defined contribution plans.

Termination and Change of Control Benefits

The Resulting Issuer has not entered into any compensatory plans, contracts or arrangements with any of its Named Executive Officers whereby such officers are entitled to receive compensation as a result of the resignation, retirement or any other termination of employment of the Named Executive Officer with the Resulting Issuer or from a change in control of the Resulting Issuer or a change in the Named Executive Officer’s responsibilities following a change in control.

Management / Employment Contracts

The Resulting Issuer does not currently have any management/employment agreements in place with its Named Executive Officers.

Earny Director Compensation Table

No compensation was paid to Earny's directors, other than directors who are also Named Executive Officers listed in the "*Summary Compensation Table*" above, during the fiscal year ended April 30, 2018.

Share-based awards, option-based awards and non-equity incentive plan compensation

Outstanding Share-Based Awards and Option-Based Awards

As of April 30, 2018, there were no option-based or share-based awards outstanding to the non-executive directors of Earny.

Incentive Plan Awards – Value Vested or Earned During the Year

No option-based awards or share-based awards were vested in, and no non-equity incentive plan compensation was earned by, the non-executive directors of Earny during the year ended April 30, 2018.

Compensation Discussion and Analysis of the Resulting Issuer

It is anticipated that the objectives, criteria and analysis of the compensation of the executive officers of the Resulting Issuer will be, in all material respects, the same as Earny's current philosophy and policies on executive compensation. See "*Executive Compensation – Resulting Issuer*" above. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, the board of directors determines that another compensation strategy is in the best interests of the Resulting Issuer.

Summary Compensation Table of the Resulting Issuer

The following table summarizes the proposed compensation to be paid by the Resulting Issuer to its CEO and CFO, and each other executive officer whose total compensation is anticipated to exceed \$150,000 (collectively, the "**Proposed NEOs**") during the 12-month period following the Listing Date.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Salary (US\$)	Share based Awards	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation (\$)	Total Compensation (US\$)
				Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
Corey Mangold	\$240,000	-	(2)	-	-	-	-	\$240,000
Rene Suarez	\$240,000	-	(2)	-	-	-	-	\$240,000
Luke Hemhill	\$200,000	-	(2)	-	-	-	-	\$200,000
Eric Vaughan	\$200,000	-	(2)	-	-	-	-	\$200,000
Jennifer Clifton	\$180,000	-	(2)	-	-	-	-	\$180,000
Adam Mirkovich	\$180,000	-	(2)	-	-	-	-	\$180,000

Notes:

1. The Resulting Issuer does not currently intend to issue the executive officers of the Resulting Issuer or the directors of the Resulting Issuer any share-based awards during the 12 months following completion of the Change of Business. In addition, no benefits are proposed to be paid to any of the executive officers of the Resulting Issuer or director of the Resulting Issuer under any pension or retirement plan or under any deferred compensation plan during the 12 months following completion of the Change of Business.
2. The Resulting Issuer intends to grant Resulting Issuer Options to certain officers. Please see “*Options to Purchase Securities – Option Outstanding.*”

Incentive Plan awards

As of the date of this Listing Statement, the Resulting Issuer does not propose to grant any additional share-based awards to its Proposed NEOs during the first year following completion of the Change of Business. Any future grants of incentive stock options will be as determined by the Resulting Issuer’s Board from time to time.

See also “*Options to Purchase Securities*” above.

Pension Plan Benefits

As of the date of this Listing Statement, the Resulting Issuer does not expect to establish any pension, retirement or deferred compensation plans, including defined contribution plans, for its Proposed NEOs in the first year following the Listing Date.

Termination and Change of Control Benefits

Earny does not currently have any compensatory plan, contract or agreement with any NEO.

Orchid LLC has entered into employment agreements with all of the officers listed above.

Compensation of Directors

Following the Listing Date, it is anticipated that the non-executive directors of the Resulting Issuer will not receive cash compensation in their capacities as directors of the Resulting Issuer.

The directors of the Resulting Issuer will be entitled to reimbursement for transportation and other out-of-pocket expenses incurred for attendance at Board of Directors meetings and in connection with discharging their director functions.

Non-executive directors of the Resulting Issuer will also be entitled to receive incentive stock options as determined by the Resulting Issuer's Board from time to time. Other than as disclosed in this Listing Statement, the Resulting Issuer does not intend to grant any stock options to non-executive directors in the first year following the Listing Date.

See also "*Options to Purchase Securities*" above.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Resulting Issuer or person who acted in such capacity in the last financial year of Earny, or proposed director or officer of the Resulting Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of Earny, indebted to Earny nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Earny or the Resulting Issuer.

RISK FACTORS

The Resulting Issuer's business and stated business objectives are the business and stated business objectives of Orchid (see "*Narrative Description of the Business*"). All references to the Resulting Issuer's business and stated business objectives include the business and stated business objectives of Orchid. To the extent that the Resulting Issuer's business and stated business objectives differ from that of Orchid, further information is provided.

An investment in the Resulting Issuer Subordinate Voting Shares involves a high degree of risk and should be considered highly speculative due to the nature of the Resulting Issuer's business and its present stage of development. An investment in the Resulting Issuer's securities is suitable only for those knowledgeable and sophisticated investors who are willing to risk loss of their entire investment. Readers should consult with their professional advisors to assess an investment in the Resulting Issuer's securities. In evaluating the Resulting Issuer and its business, investors should carefully consider, in addition to the other information contained in this Listing Statement, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Resulting Issuer or in connection with the Resulting Issuer's operations.

Risks Relating to the Resulting Issuer's Business

Limited Operating History

We have a very limited history of operations and are considered a start-up company. As such, we are subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that we will be successful in achieving a return on our

shareholders' investments and the likelihood of our success must be considered in light of our early stage of operations.

The Resulting Issuer's actual financial position and results of operations may differ materially from the expectations of the Resulting Issuer's management

The Resulting Issuer's actual financial position and results of operations may differ materially from management's expectations. The Resulting Issuer has experienced some changes in its operating plans and certain delays in its plans. As a result, the Resulting Issuer's revenue, net income and cash flow may differ materially from the Resulting Issuer's projected revenue, net income and cash flow. The process for estimating the Resulting Issuer's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Resulting Issuer's financial condition or results of operations.

The Resulting Issuer expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations

The Resulting Issuer expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Resulting Issuer's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer'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 Resulting Issuer. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this Listing Statement, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the market price of the Resulting Issuer Subordinate Voting Shares may significantly decrease.

The medical cannabis industry and market are relatively new in California and Oregon and this industry and these market may not continue to exist or grow as anticipated or the Resulting Issuer may be ultimately unable to succeed in this new industry and market

The Resulting Issuer is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Resulting Issuer must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Resulting Issuer's business, financial conditions and results of operations.

There are factors which may prevent the Resulting Issuer from the realization of growth targets

The Resulting Issuer is currently in the expansion from early development stage. The Resulting Issuer's growth plan contemplates building out the Facilities (see "*Description of Business – Facilities; Objectives*"). There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "i" and the following:

- risks associated with the Resulting Issuer's ability to secure the Licenses at the Facilities (the Oregon Facility is ready to commence operations provided that the Resulting Issuer obtains the requisite licensing; however, due to delays of 12 to 14 month in the Oregon licensing application process (see "*Regulatory Overview*") the Resulting Issuer may not be able to obtain licensing at the Oregon Facility in a timely manner or at all.
- The Resulting Issuer is currently evaluating several potential acquisitions in order to expedite the licensing at the Oregon Facility);
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, storms, or physical attacks.

Construction Risk Factors

The Resulting Issuer is subject to a number of risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants, the receipt of required governmental approvals and permits for the build-out/renovation of the California Facilities. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Resulting Issuer is dependent for its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the build-out/renovation of the California Facilities as planned. There can be no assurance as to the following material events and actions: that current or future construction plans implemented by the Resulting Issuer will be successfully completed on time, within budget and without design defect; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Resulting Issuer will be able to obtain all necessary governmental approvals and permits; or that the completion of the construction, the start-up costs and the ongoing operating costs will not be

significantly higher than anticipated by the Resulting Issuer. Any of the foregoing factors could adversely impact the operations and financial condition of the Resulting Issuer.

Facilities

The Facilities are expected to become integral to the Resulting Issuer's business and adverse changes or developments affecting any of the Facilities may impact the Resulting Issuer's business, financial condition and results of its operations. Adverse changes or developments affecting the Facilities, including but not limited to a force majeure event or a breach of security, could have a material adverse effect on the Resulting Issuer's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements of MAUCRSA or the City of Costa Mesa or the City of Long Beach, could also have an impact on the Resulting Issuer's ability to secure local and State licensure at the California Facility.

The Resulting Issuer anticipates that the addition of the Oregon Facility and the California Facility will have the potential to significantly increase the Resulting Issuer's manufacturing, processing and distribution capacity. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold (see "*Overview of California Law – General Legislative and Regulatory Requirements*"). However, the licensing approval process in Oregon is currently delayed 12 to 14 months for license applications that were submitted prior to June 15, 2018. No assurance can be given that the Resulting Issuer will receive the requisite state and local jurisdictional approvals. If the Resulting Issuer is unable to secure the appropriate licenses, the expectations of management with respect to the increased future cultivation and growing capacity may not be borne out, which could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations. Further, construction delays or cost over-runs in respect of the build-out/renovation of the California Facilities, howsoever caused, could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Risks Specifically Related to the U.S. Regulatory System

The Resulting Issuer operates 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 Resulting Issuer incurs 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 Resulting Issuer and, therefore, on the Resulting Issuer's prospective returns. Further, the Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer's earnings and could make future capital investments or the Resulting Issuer's 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.

This Listing Statement involves an entity that is expected to continue to derive a portion of its revenues from the cannabis industry in certain U.S. States, which industry is illegal under U.S. federal law. While the Resulting Issuer's business activities are compliant with applicable state and local law, such activities remain illegal under U.S. federal law. The Resulting Issuer 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. The Resulting Issuer is directly engaged in the manufacture and possession of cannabis in the U.S. medical and recreational cannabis marketplace. The enforcement of relevant laws is a significant risk.

Twenty-nine of the U.S. states 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 1 controlled substance under the Controlled Substance Act. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Resulting Issuer of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Resulting Issuer. Any such proceedings brought against the Resulting Issuer may adversely affect the Resulting Issuer's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, cannabis-related operations and investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the 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 Resulting Issuer's U.S. operations along with any future investments of the Resulting Issuer in the United States. As a result of the tension between state and federal law, there are a number of risks associated with the Resulting Issuer's operations and potential future investments in the United States.

For the reasons set forth above, the Resulting Issuer's existing interests in the U.S. 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, refuse to settle trades for cannabis companies that have cannabis-related operations and/or 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 companies 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 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 companies 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 Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of a stock exchange.

The Resulting Issuer's activities and operations in the United States are, and will continue to be, subject to evolving regulation by governmental authorities. The Resulting Issuer will be directly engaged in the medical and recreational cannabis industry in California and Oregon, where local state law permits such activities.

The Resulting Issuer's operations are exclusively focused in California and Oregon, states that have legalized the recreational use of cannabis. Currently, the states of Alaska, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia have also 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, U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. DOJ federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memorandums and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal cannabis 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 cannabis 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 Resulting Issuer's current and future operations along with any future investments in such businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of cannabis related legislation could adversely affect the Resulting Issuer, its business and its potential 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 Resulting Issuer 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 Resulting Issuer's ability to pursue future investment and opportunities in the United States.

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. 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 U.S. federal law. Although the Resulting Issuer's activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Resulting Issuer of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Resulting Issuer.

Any such proceedings brought against the Resulting Issuer may adversely affect the Resulting Issuer's operations and financial performance.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. 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 Resulting Issuer, including its reputation and ability to conduct business, its holding (directly or indirectly) of 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 Resulting Issuer 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 Resulting Issuer'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:

- The Resulting Issuer operates in the cannabis sector in the United States, where cannabis is federally illegal;
- The activities of the Resulting Issuer are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Resulting Issuer does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Resulting Issuer's cannabis business activities;
- The Resulting Issuer's ability to repatriate returns generated from investments in the United States may be limited by anti-money laundering laws;
- Under Section 280E of the U.S. Internal Revenue Code, normal business expenses incurred in the business of selling cannabis and its derivatives are not deductible in calculating income tax liability. Therefore, the Resulting Issuer 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. It is uncertain whether a time will come when the Resulting Issuer is no longer subject to 280E, and accordingly, there is no certainty that the impact that 280E has on the Resulting Issuer's margins will ever be reduced;
- Federal prohibitions result in cannabis businesses being potentially restricted from accessing the U.S. federal banking system, and the Resulting Issuer and its Subsidiary 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 Resulting Issuer's accounts and risks associated with uninsured deposit accounts. There is no certainty that the Resulting Issuer 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 U.S. cannabis-related activities, there can be no guarantee that this approach to regulation will continue in the future.

U.S. border officials could deny entry into the United States to management, employees and/or investors in companies with U.S. cannabis operations

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the United States. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry.

The Resulting Issuer's Operations and potential investments in the United States are subject to applicable anti-money laundering laws and regulations

The Resulting Issuer 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, the FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued in 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. 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 Resulting Issuer's operations, and any proceeds thereof, are considered proceeds of crime because cannabis remains illegal federally in the United States. This restricts the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Resulting Issuer has no current intention to declare or pay dividends on its shares in the foreseeable future, the Resulting Issuer may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Resulting Issuer's Operations and potential investments in the United States may be subject to heightened scrutiny by Canadian authorities

For the reasons set forth above, the Resulting Issuer's existing U.S. operations, and any potential future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Resulting Issuer 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 Resulting Issuer's ability to operate and 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 Resulting 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 Shares to make and settle trades. In particular, the Shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the United States or elsewhere. A negative shift in the public's perception of 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 cannabis, thereby limiting the number of new state jurisdictions into which the Resulting Issuer could expand, should it decide to do so. The Resulting Issuer's inability to expand its operations into other jurisdictions may have a material adverse effect on the Resulting Issuer'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. Notwithstanding the permissive regulatory environment of medical and recreational cannabis at the state level in certain states, 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 U.S. law.

As previously stated, the U.S. Congress has passed the Leahy 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 cannabis 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 Leahy Amendment. It will continue in effect until September 30, 2018, the last day of fiscal year 2018.

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 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 federal 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 Resulting Issuer, including its reputation and ability to conduct business, its holding (directly or indirectly) of 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 Resulting Issuer 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

The Resulting Issuer’s 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 Resulting Issuer, the Resulting Issuer 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 Resulting Issuer'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 Resulting Issuer'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 Resulting Issuer's ability to operate in the United States as a result of the federally illegal nature of cannabis in the United States or other unanticipated events could require extensive changes to the Resulting Issuer'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 Resulting Issuer.

Reliance on Third-Party Suppliers, Manufacturers and Contractors

The Resulting Issuer 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 the United States, the Resulting Issuer and its third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Resulting Issuer's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Resulting Issuer's business and operational results.

The Resulting Issuer may not be able to develop its products, which could prevent it from ever becoming profitable

If the Resulting Issuer cannot successfully develop, manufacture and distribute its products, or if the Resulting Issuer experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Resulting Issuer may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Resulting Issuer's ability to effectively enter the market. A failure by the Resulting Issuer to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Resulting Issuer's commercialization plans and the Resulting Issuer's business, prospects, results of operations and financial condition.

The Resulting Issuer's officers and directors control a large percentage of the Resulting Issuer's issued and outstanding Shares and such officers and directors may have the ability to control matters affecting the Resulting Issuer and its business

The officers and directors of the Resulting Issuer will own approximately 32.67% of the issued and outstanding Resulting Issuer Subordinate Voting Shares (including Resulting Issuer Subordinate Voting Shares to be issued upon exchange of Orchid Exchangeable Units) upon closing of the Transaction. The Resulting Issuer's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Resulting Issuer's assets, and the future issuance of its Shares or other securities. Accordingly, for any matters with

respect to which a majority vote of the Shares may be required by law, the Resulting Issuer's directors and officers may have the ability to control such matters. Because the directors and officers control a substantial portion of such Shares, investors may find it difficult or impossible to replace the Resulting Issuer's directors if they disagree with the way the Resulting Issuer's business is being operated.

There is no assurance that the Resulting Issuer will turn a profit or generate immediate revenues

There is no assurance as to whether the Resulting Issuer will be profitable, earn revenues or pay dividends. The Resulting Issuer has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Resulting Issuer's results of operations, cash flow, financial condition and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The Resulting Issuer's operations are subject to environmental regulation in the jurisdiction in which it operates

These regulations mandate, among other thing, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Resulting Issuer's operations.

Government environmental approvals and permits are currently required, and may in the future be required in connection with the Resulting Issuer's operations. To the extent such approvals are required and not obtained, the Resulting Issuer may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirement may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or to be curtailed, and may include corrective measure requiring capital expenditures, installation of additional equipment, or remedial actions. The Resulting Issuer may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Resulting Issuer faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business

An increase in the companies competing in this industry could limit the ability of the Resulting Issuer to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and the ability to develop higher quality equipment or products, at an equal or a lower cost. The Resulting Issuer cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Resulting Issuer could have a material adverse effect on its business, operating results and financial condition. In addition, despite certain state-level legalization of marijuana in California and Oregon, cannabis remains illegal federally and in certain other states. Illicit or “black-market” operations therefore remain abundant and present substantial competition to the Resulting Issuer. In particular, illicit operations, by being largely clandestine, are not required to comply with the extensive regulations that the Resulting Issuer must comply with to conduct business, and accordingly may have significantly lower costs of operation.

If the Resulting Issuer is unable to develop and market new products, it may not be able to keep pace with market developments

The cannabis industry is in its early stages and it is likely that the Resulting Issuer and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Resulting Issuer will need to expend significant amounts of capital to successfully develop and generate revenues from, new products. The Resulting Issuer may also be required to obtain additional regulatory approvals from applicable authorities which may take significant time. The Resulting Issuer may not succeed in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Resulting Issuer’s business, financial condition and results of operations.

If the Resulting Issuer is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market

The Resulting Issuer’s success has depended and continues to depend upon its ability to attract and retain key management, including the Resulting Issuer’s and Subsidiaries CEOs, technical experts and sales personnel. The Resulting Issuer will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Resulting Issuer’s inability to retain existing employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Resulting Issuer’s business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Resulting Issuer, results of operations of the business and could limit the Resulting Issuer’s ability to develop and market its cannabis-related products. The loss of any of the Resulting Issuer’s senior management or key employees could materially adversely affect the Resulting Issuer’s ability to execute our business plan and strategy, and the Resulting Issuer may not be able to find adequate replacements on a timely basis, or at all. The Resulting Issuer does not maintain key person life insurance policies on any of its employees.

The size of the Resulting Issuer's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Resulting Issuer and, few, if any, established companies whose business model the Resulting Issuer can follow or upon whose success the Resulting Issuer can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Resulting Issuer. There can be no assurance that the Resulting Issuer's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Resulting Issuer regularly purchases and follows market research.

The Resulting Issuer's industry is experiencing rapid growth and consolidation that may cause the Resulting Issuer to lose key relationships and may intensify competition

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Resulting Issuer in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share or forcing the Resulting Issuer to expend greater resources to meet new or additional competitive threats, all of which could harm the Resulting Issuer's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Resulting Issuer's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact the Resulting Issuer's profitability.

The Resulting Issuer continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders

There is no guarantee that the Resulting Issuer will be able to achieve its business objectives. The continued development of the Resulting Issuer will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Resulting Issuer going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Resulting Issuer.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Shares. The Resulting Issuer's articles permit the issuance of an unlimited number of Shares, and shareholders will have no preemptive rights in connection with such further issuance. The directors of the Resulting Issuer have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Shares will be issued by the Resulting Issuer on the exercise of options under the Plan and upon the exercise of outstanding warrants. In addition, from time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the

Resulting Issuer's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Resulting Issuer may require additional financing to fund its operations to maintain positive cash flows. Negative cash flows may restrict the Resulting Issuer's ability to pursue its business objectives.

The Resulting Issuer currently has insurance coverage; however, because the Resulting Issuer operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage

The Resulting Issuer believes that Orchid currently has sufficient insurance coverage with respect to its operations as of the date hereof, including the ongoing stages of construction and development of the Resulting Issuer's Facilities. As the Resulting Issuer continues to execute its business plan and further grow its operations, the Resulting Issuer will increase insurance coverage to insure sufficient coverage for workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate. However, because the Resulting Issuer is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Resulting Issuer to suffer uninsured losses, which could adversely affect the Resulting Issuer's business, results of operations, and profitability. There is no assurance that the Resulting Issuer will be able to fully utilize such insurance coverage, if necessary.

The Resulting Issuer may be subject to product recalls for product defects self-imposed or imposed by regulators

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Resulting Issuer's products are recalled due to an alleged product defect or for any other reason, the Resulting Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Resulting Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Resulting Issuer has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Additionally, if one of the Resulting Issuer's significant brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Resulting Issuer's products and could have a material adverse effect on the business results of operations and financial condition of the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of the Resulting Issuer's

operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Resulting Issuer is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Resulting Issuer's business, finances and operation results. The Resulting Issuer is also dependent on access to skilled labour, equipment and parts

The Resulting Issuer's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as 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 Resulting Issuer. 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 the Resulting Issuer.

The ability of the Resulting Issuer to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Resulting Issuer will be successful in maintaining the required supply of skilled labour, equipment, parts and components. It is also possible that the expansion and construction plans for the Facilities contemplated by the Resulting Issuer may cost more than anticipated, in which circumstance the Resulting Issuer may curtail, or extend timeframes for completing its growth plan. This could have a material adverse effect on the financial results and operations of the Resulting Issuer.

The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the United States

Research in the United States and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Resulting Issuer believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this Listing Statement or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Resulting Issuer's products with the potential to lead to a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

The Resulting Issuer could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Resulting Issuer

The Resulting Issuer is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure or unauthorized activities to the Resulting Issuer that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and state healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Resulting Issuer to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Resulting Issuer to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Resulting Issuer from governmental investigations or other actions or lawsuits stemming from a failure to be comply with such laws or regulations. If any such actions are instituted against the Resulting Issuer, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Resulting Issuer's operations, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

The Resulting Issuer will be reliant on information technology systems and may be subject to damaging cyber-attacks

The Resulting Issuer has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Resulting Issuer's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Resulting Issuer's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Resulting Issuer's reputation and results of operations.

The Resulting Issuer has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Resulting Issuer will not incur such losses in the future. The Resulting Issuer's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Resulting Issuer may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Resulting Issuer may be subject to breaches of security at its Facilities

Given the nature of the Resulting Issuer's product and its lack of legal availability outside of channels approved by the Governments of California and Oregon, as well as the concentration of inventory in its facilities, despite meeting or exceeding the security requirements under MAUCRSA, there remains a risk of shrinkage as well as theft. A security breach at one of the Resulting Issuer's Facilities could expose the Resulting Issuer to additional liability and to potentially costly litigation, increased expenses relating to the resolution and future prevention of these breaches and may deter potential patients or recreational users from choosing the Resulting Issuer's products.

The Resulting Issuer's officers and directors may be engaged in a range of business activities resulting in conflicts of interest

The Resulting Issuer may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Resulting Issuer's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Resulting Issuer. In some cases, the Resulting Issuer's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Resulting Issuer's business and affairs and that could adversely affect the Resulting Issuer's operations. These business interests could require significant time and attention of the Resulting Issuer's executive officers and directors.

In addition, the Resulting Issuer may also become involved in other transactions that conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Resulting Issuer may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Resulting Issuer. In addition, from time to time, these persons may be competing with the Resulting Issuer for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers

Certain proposed directors and officers of the Resulting Issuer are expected to reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Resulting Issuer shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Resulting Issuer shareholders to effect service of process within Canada upon such persons. Courts in the United States may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a United States court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process.

In certain circumstances, the Resulting Issuer's reputation could be damaged

Damage to the Resulting Issuer's reputation could result from the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Resulting Issuer and its activities, whether true or not. Although the Resulting Issuer believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Resulting Issuer does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Resulting Issuer's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Liquidity and Additional Financing

Currently, the Resulting Issuer has limited financial resources and limited operating cash flow but expects that it will have sufficient capital to operate its business for at least 12 months from the date of this Listing Statement. However, it is possible that costs associated with the operation of our business will exceed our projections depending on the timing of future operating and capital expenses. Assuming the proceeds from our existing funds sustain our operations for this period, we believe we may thereafter require additional capital for additional product development, sales and marketing operations, other operating expenses and for general corporate purposes to fund growth in our markets. We do not know how much additional funding we may require. The Resulting Issuer may therefore be required to seek other sources of financing in the future, which sources (assuming we are able to locate such alternative sources of financing) may be on terms less favourable than desired. Any additional equity financing may be dilutive to shareholders, and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Resulting Issuer will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the Shares. If adequate funds are not available on acceptable terms, we may be unable to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and operating results, or we may be forced to cease operations.

Uncertainty of Use of Proceeds

Although the Resulting Issuer has set out its intended use of proceeds, these intended uses are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. The failure by the Resulting Issuer to apply these funds effectively could have a material adverse effect on the Resulting Issuer's business, including the Resulting Issuer's ability to achieve its stated business objectives.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Resulting Issuer faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Resulting Issuer's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions, including illness or injury, resulting from human consumption of the Resulting Issuer's products alone or in combination with products that are not produced by the Resulting Issuer, may result from inadequate instructions for use or inadequate warnings concerning possible side effects or interactions with those other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally and could have a material adverse effect on its results of operations and financial condition of the Resulting Issuer.

There can be no assurances that the Resulting Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products. As of the current date, the Resulting Issuer has a minimal amount of insurance coverage for construction and general liabilities.

If the Resulting Issuer has a material weakness in our internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities

One or more material weaknesses in the Resulting Issuer's internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, our internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, we may not be able to provide reasonable assurance as to our financial results or meet our reporting obligations and there could be a material adverse effect on the price of our securities. (See "Selected Financial Information and Management's Discussion and Analysis").

Vulnerability to Rising Energy Costs

The company's operations will consume considerable energy, making the Resulting Issuer vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Resulting Issuer and its ability to operate profitably.

Publicity or Consumer Perception

The Resulting Issuer believes the recreational and medical cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Resulting Issuer's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana 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 generally or, any particular product specifically, or be 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 the Resulting Issuer's products and the business, results of operations, financial condition and the Resulting Issuer's cash flows. The Resulting Issuer's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Resulting Issuer, the demand for the Resulting Issuer's products, and the business, results of operations, financial condition and cash flows of the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Resulting Issuer's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Difficulties with Forecasts

The Resulting Issuer 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 recreational and medical marijuana industries in California and Oregon. A failure in the demand for its 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 Resulting Issuer.

Risks Relating to the Resulting Issuer Subordinate Voting Shares

It may be difficult, if not impossible, for U.S. holders of the Resulting Issuer Subordinate Voting Shares to resell them on the CSE

It has recently come to management's attention that all major securities clearing firms in the United States have ceased participating in transactions related to securities of Canadian public companies involved in the medical cannabis industry. This appears to be because cannabis continues to be listed as a controlled substance under U.S. federal law, with the result that cannabis-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. Accordingly, U.S. residents who acquire Shares as

“restricted securities” (including any Warrant Shares pursuant to the exercise of Resulting Issuer Warrants) may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the Resulting Issuer Subordinate Voting Shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the United States will have on the ability of U.S. residents to resell any Shares that they may acquire in open market transactions. Our understanding is that all U.S. brokers must use a clearing service to facilitate resale transactions over Canadian securities exchanges. Some U.S. brokers have self-clearing capabilities; those that do not must use third-party clearing firms. This issue does not apply to the Depositary Trust Company.

Dividends

The Resulting Issuer intends to retain earnings, if any, to finance the growth and development of our business and do not intend to pay cash dividends on the Shares in the foreseeable future. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

The Resulting Issuer is subject to uncertainty regarding legal and regulatory status and changes

Achievement of the Resulting Issuer’s business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in the United States is currently undergoing significant changes and the Resulting Issuer cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Resulting Issuer cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer. The Resulting Issuer will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Resulting Issuer’s operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer’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 Resulting Issuer.

The Resulting Issuer will be subject to additional regulatory burden resulting from its public listing on the CSE

Prior to the filing of this Listing Statement, the Resulting Issuer has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE or other stock exchange. We are working with our legal,

accounting and financial advisors to identify those areas in which changes should be made to our financial management control systems to manage our obligations as a public company. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas, including our internal controls over financial reporting. However, we cannot assure purchasers of Shares that these and other measures that we might take will be sufficient to allow us to satisfy our obligations as a public company on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies will create additional costs for us and will require the time and attention of management. We cannot predict the amount of the additional costs that we might incur, the timing of such costs or the impact that management's attention to these matters will have on our business.

Dilution

Future sales or issuances of equity securities could decrease the value of the Resulting Issuer Subordinate Voting Shares, dilute shareholders' voting power and reduce future potential earnings per Resulting Issuer Share. The Resulting Issuer intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Resulting Issuer Subordinate Voting Shares) and may issue additional equity securities to finance our operations, development, exploration, acquisitions or other projects. We cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Resulting Issuer Subordinate Voting Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Resulting Issuer Subordinate Voting Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in earnings per share.

Transactions Engaged in by our Largest Shareholders, our Directors or Officers

As of the date of this Listing Statement, our officers, directors and principal shareholders (greater than 10% shareholders) collectively control approximately 39.2% of the Resulting Issuer (on a partially diluted basis including Resulting Issuer Subordinate Voting Shares to be issued upon the exchange of Orchid Exchangeable Units). Subsequent sales of our Resulting Issuer Subordinate Voting Shares by these shareholders could have the effect of lowering the market price of the Resulting Issuer Subordinate Voting Shares. The perceived risk associated with the possible sale of a large number of Resulting Issuer Subordinate Voting Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of the shareholders to sell their Resulting Issuer Subordinate Voting Shares, thus causing the market price of the Resulting Issuer Subordinate Voting Shares to decline. In addition, actual or anticipated downward pressure on the stock price due to actual or anticipated sales of Resulting Issuer Subordinate Voting Shares by our directors or officers could cause other institutions or individuals to engage in short sales of the Resulting Issuer Subordinate Voting Shares, which may further cause the market price of our Resulting Issuer Subordinate Voting Shares to decline.

From time to time our directors and executive officers may sell Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, our directors and executive officers may sell a significant number of Resulting Issuer Subordinate Voting Shares for a variety of reasons unrelated to the performance of our business. Our shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Resulting Issuer Subordinate Voting Shares. These sales could cause the market price of the Resulting Issuer Subordinate Voting Shares to drop.

PROMOTERS

This is not applicable to the Resulting Issuer.

LEGAL PROCEEDINGS

As of the date of this Listing Statement, there are no legal proceedings to which Earny, Orchid or the Resulting Issuer is a party or of which any of their property is the subject matter. Additionally, to the reasonable knowledge of the management of the Resulting Issuer, there are no such proceedings contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Resulting Issuer, principal shareholders, or any Associate or Affiliate of such persons, has or has had any material interest, direct or indirect, in any material transaction within the three years before the date of this Listing Statement or in any proposed transaction that has materially affected or may affect the Resulting Issuer.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The current auditors of the Resulting Issuer are Dale Matheson Carr-Hilton Labonte, LLP (“DMCL”) Chartered Professional Accountants LLP, located at 1500 – 1140 West Pender Street, B.C., V6E 4G1.

Earny's registrar and transfer agent, Odyssey Trust of 323 – 409 Granville St., Vancouver BC V6C 1T2, will be the registrar and transfer agent of the Resulting Issuer.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Resulting Issuer in the previous two years are the following:

1. Securities Exchange Agreement
2. A&R LLC Agreement
3. Voting Trust Agreement
4. Voting Support Agreement
5. Support Agreement
6. Coattail Agreement

INTEREST OF EXPERTS

The auditor of Earny, DMCL, audited the financial statements of the Resulting Issuer for the years ended May 31, 2018 and 2017 and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia. Based on information provided by DMCL, DMCL has not received nor will receive any direct or indirect interests in the property of the Resulting Issuer. Neither DMCL nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of Earny or the Resulting Issuer or its Associates and Affiliates.

OTHER MATERIAL FACTS

The Resulting Issuer is not aware of any other material facts relating to the Resulting Issuer that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer.

CERTIFICATE OF THE RESULTING ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Earny Resources Ltd. hereby applies for the listing of the above-mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to Earny Resources Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 29th day of January, 2019.

“Navin Varshney”

Navin Varshney
Chief Executive Officer

“Brian Moore”

Brian Moore
Chief Financial Officer

“Navin Varshney”

Navin Varshney
Director

“Leif Smither”

Leif Smither
Director

SCHEDULE "A" – EARLY FINANCIAL STATEMENTS

[Please see attached]

EARNY RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

OCTOBER 31, 2018

(UNAUDITED)

EARNY RESOURCES LTD.

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EARNY RESOURCES LTD.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditors.

December 24, 2018

EARNY RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

	OCTOBER 31, 2018	APRIL 30, 2018
ASSETS		
Current		
Cash	\$ 136,973	\$ 159,347
Receivables	1,815	5,587
Prepaid expenses	-	19,583
	<u>\$ 138,788</u>	<u>\$ 184,517</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 11,722	\$ 14,492
Shareholders' equity		
Capital stock (Note 4)	1,252,042	1,252,042
Reserve (Note 4)	45,709	45,709
Subscription Receipts	34,900	-
Deficit	<u>(1,205,585)</u>	<u>(1,127,726)</u>
	<u>127,066</u>	<u>170,025</u>
	<u>\$ 138,788</u>	<u>\$ 184,517</u>

Nature and continuance of operations (Note 1)
Commitments (Note 6)
Proposed Transaction (Note 9)

Approved and authorized for issue by the Board of Directors on December 24, 2018:

“Navin Varshney” Director “Brian Moore” Director

The accompanying notes are an integral part of these condensed interim financial statements.

EARNY RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended October 31,		Six months ended October 31,	
	2018	2017	2018	2017
EXPENSES				
Administration fees (Note 5)	\$ 10,500	\$ 12,000	\$ 21,000	\$ 24,000
Consulting fees	-	18,750	18,750	18,750
Investor communication	661	-	661	450
Office and miscellaneous	3,371	577	4,019	922
Professional fees	446	6,165	1,441	17,745
Regulatory and filing fees	3,862	1,250	5,237	4,279
Rent	6,000	1,500	12,000	3,000
Transfer agent fees	784	907	1,646	4,474
Travel and Entertainment	8,562	-	13,105	-
Loss and comprehensive loss	\$ (34,186)	\$ (41,149)	\$ (77,859)	\$ (73,620)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding				
-basic and diluted	6,444,998	2,378,333	6,444,998	2,378,333

The accompanying notes are an integral part of these condensed interim financial statements.

EARNY RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Capital Stock (Note 4)		Reserves	Share Subscriptions	Deficit	Total Shareholders' Equity (Deficiency)
	Shares	Amount				
Balance, April 30, 2017	2,378,333	\$ 628,789	\$ 49,615	\$ -	\$ (951,918)	\$ (273,514)
Loss and comprehensive loss for the period	-	-	-	-	(73,620)	(73,620)
Balance, October 31, 2017	2,378,333	\$ 628,789	\$ 49,615	\$ -	\$ (1,025,538)	\$ (347,134)
Balance, April 30, 2018	6,444,998	\$ 1,252,042	\$ 45,709	\$ -	\$ (1,127,726)	\$ 170,025
Share subscriptions	-	-	-	34,900	-	34,900
Loss and comprehensive loss for the period	-	-	-	-	(77,859)	(77,859)
Balance, October 31, 2018	6,444,998	\$ 1,252,042	\$ 45,709	\$ 34,900	\$ (1,205,585)	\$ 127,066

The accompanying notes are an integral part of these condensed interim financial statements.

EARNY RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Six months ended October 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (77,859)	\$ (73,620)
Changes in non-cash working capital items:		
Receivable	3,772	(1,729)
Prepaid expenses	19,583	-
Accounts payable and accruals	(2,770)	49,370
Net cash used in operating activities	(57,274)	(25,979)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscription received	34,900	-
Short-term related party loan	-	25,000
Net cash provided by financing activities	34,900	25,000
Change in cash for the period	(22,374)	(979)
Cash, beginning of period	159,347	6,130
Cash, end of period	\$ 136,973	\$ 5,151
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

The accompanying notes are an integral part of these condensed interim financial statements.

EARNY RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Earny Resources Ltd. (the “Company” or “Earny”) was incorporated under the *British Columbia Business Corporations Act* on February 9, 2011. The shares of the Company were listed on the TSX Venture Exchange (“TSX-V”) on September 26, 2011. The Company’s share listing was transferred from the TSX-V to NEX on June 2, 2016. The Company’s head office address is Suite 2050-1055 West Georgia Street, Vancouver, BC V6E 3P3. The registered and records office address is 1500-1055 West Georgia Street, Vancouver BC, V6E 3P3, Canada.

On July 14, 2017, the Company consolidated its shares on a basis of one (1) post-consolidated share for three (3) pre-consolidated shares.

The continuing operations of the Company are dependent upon its ability to identify, evaluate and negotiate a viable business opportunity. To date, the Company has not generated any significant revenues and has incurred losses since inception. These uncertainties cast significant doubt about the Company’s ability to continue as a going concern.

Management is aware that material uncertainties exist, which could cast doubt upon the Company’s ability to finance current and future activities. Accordingly, management will pursue additional sources of financing through equity offerings as required. Further discussion of liquidity risk has been disclosed in Note 7.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PREPARATION

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company’s annual financial statements for the year ended April 30, 2018. It is therefore recommended that these interim financial statements be read in conjunction with the Company’s audited financial statements for the year ended April 30, 2018.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

2. BASIS OF PREPARATION (cont'd)

Use of estimates (cont'd)

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the financial statements include:

Fair value of shares, stock options and warrants

The valuation of shares issued in non-cash transactions is determined using fair value inputs from available market sources. Determining the fair value of stock options and warrants requires judgements related to the pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Critical judgments

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined as the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements. The Company has adopted these standards:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9, on May 1, 2018, has not had an effect on the Company's accounting policies related to the financial assets and financial liabilities.
- IFRS 15: New standard that replaces existing revenue requirements IAS 11, IAS 18, IFRIC 13, IFRIC 18 and SIC 31 for measurement, recognition, and disclosure of revenues; effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15, on May 1, 2018, is not expected to have an effect on the Company's accounting policies on revenue recognition.

The following has not yet been adopted by the Company and is being evaluated to determine its impact:

- IFRS 16: Leases - this standard specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

EARNY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

4. CAPITAL STOCK AND RESERVES

a) Authorized:

Unlimited common shares with no par value.

b) Issued and outstanding:

No shares were issued during the period ended October 31, 2018.

During the year ended April 30, 2018:

- i) On July 14, 2017, the Company consolidated its shares on a basis of one (1) post-consolidated share for three (3) pre-consolidated shares.
- ii) On December 5, 2017, the Company completed a non-brokered private placement of 4,000,000 common shares at a price of \$0.15 per share for gross proceeds of \$600,000. The Company incurred regulatory filing fees of \$653 in connection with this private placement.
- iii) On January 25, 2018, two directors of the Company exercised an aggregate of 66,666 stock options at a price of \$0.30 per share, and 66,666 common shares were issued for total gross proceeds of \$20,000. In addition, a reallocation of \$3,906 from reserves to capital stock was recorded on the exercise of these options.

c) Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

During the period ended October 31, 2018, there were no stock options granted.

Stock options outstanding and exercisable are as follows:

	Number	Weighted Average Exercise Price
Outstanding and exercisable at April 30, 2017	133,333	\$ 0.30
Forfeited	(33,334)	0.30
Exercised (Note 5(b)(iii))	(66,666)	0.30
Expired	(33,333)	0.30
Outstanding and exercisable at April 30, 2018 and October 31, 2018	-	\$ -

EARNY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

4. CAPITAL STOCK AND RESERVES (cont'd)

d) Share purchase warrants

During the period ended October 31, 2018, there were no share purchase warrants outstanding.

Share purchase warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at April 30, 2017 and 2016	399,167	\$ 0.54
Expired	(399,167)	0.54
Outstanding as at April 30, 2018 and October 31, 2018	-	\$ -

e) Reserve

The reserve consist of share-based payment reserve. The share-based payment reserve includes stock-based compensation expense related to fair value of stock options granted and also the fair value of warrants issued for services. The warrant reserve includes the relative fair value of attachable warrants issued as a part of units in conjunction with private placements of common shares. The gross proceeds of private placements is allocated between share capital and the warrant reserve using the relative fair value method which allocates a pro-rata amount based on the fair value of the common shares and the warrants issued. The investment revaluation reserve includes unrealized gains and losses on marketable securities which is reclassified to comprehensive loss on disposal or impairment of the securities.

5. RELATED PARTY TRANSACATIONS

Related party transactions are with key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Compensation of the Company's key management for the period ended October 31, 2018 and 2017 is comprised of the following:

	2018	2017
Administrative and rent (i)	\$ -	\$ 27,000

- i) During the period ended October 31, 2018, the Company paid \$nil (2017 - \$27,000) in administrative services and rent to a company controlled by the CEO of the Company.

EARNY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

6. COMMITMENTS

- a) On December 1, 2017, the Company entered into an agreement with a private company to provide administrative services to the Company for a period of three years in exchange for a monthly fee of \$3,500 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.
- b) On December 1, 2017, the Company entered into a sublease agreement with a company (the "Sublandlord") for a portion of the office premises for a period of 3 years, expiring November 30, 2020, in exchange for \$2,045 per month plus applicable taxes.

The Company has the following rent commitments on its subleased premises:

Fiscal Year	Amount
2019	\$ 24,540
2020	24,540
2021	14,315
	<u>\$ 63,395</u>

7. FINANCIAL INSTRUMENTS

Fair value

Cash is carried at fair value using a level 1 fair value measurement. The recorded value of receivables and accounts payable and accrued liabilities approximate their fair values due to their demand nature and their short term to maturity.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Receivables comprised primarily of GST receivable from the Canadian Government are a low credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2018, the Company had cash on hand of \$136,973 (April 30, 2018 - \$159,347), which is sufficient to settle its current liabilities of \$11,722 (April 30, 2018 - \$14,492) and to fund its administrative costs for the current year.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions in the future. Under current market conditions, both liquidity and funding risk are assessed as high.

EARNY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

7. FINANCIAL INSTRUMENTS (cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and market prices.

a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at October 31, 2018, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

8. CAPITAL MANAGEMENT

Capital is comprised of all the components of the Company's shareholders' equity. As at October 31, 2018 and April 30, 2018, the Company's shareholders' equity was \$127,066 and \$170,025, respectively, and there was no long term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

9. PROPOSED TRANSACTION

On September 12, 2018, the Company has entered into a securities exchange agreement dated September 12, 2018 (the "Definitive Agreement") with CR International Inc. ("CRI"), a Nevada corporation, and CR Companies, LLC., a limited liability company existing under the laws of the state of California, doing business as Orchid Essentials ("CRC" and together with CRI, "Orchid").

Pursuant to the terms of the Definitive Agreement, the parties will complete a business combination pursuant to a plan of share exchange under Nevada corporate law in which Earny will acquire all of the issued and outstanding securities of CRI (the "Acquisition") and CRI will become a wholly-owned subsidiary of the Company. Additionally, in furtherance of the Acquisition, CRI will become the sole voting member and managing member of CRC, and, eventually, the sole owner of CRC.

EARNY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

9. PROPOSED TRANSACTION (cont'd)

Upon completion of the Acquisition (the "Closing") Earny will continue to carry on the business of Orchid as currently constituted, under the new name "Orchid Ventures, Inc." or such other name as may be approved by the board of directors (the "Resulting Issuer"). The Acquisition is an arm's length transaction and constitutes a reverse takeover of Earny by Orchid, pursuant to the policies of the TSX Venture Exchange (the "TSXV"). In connection with the Acquisition, the Resulting Issuer will voluntarily delist from the TSXV and will apply to list its common shares on the Canadian Securities Exchange (the "CSE" and together with the TSXV, the "Exchange").

Pursuant to the terms of the Definitive Agreement, the existing security holders of CRI will receive common shares of the Resulting Issuer ("Resulting Issuer Shares") in exchange for their common shares of CRI. It is currently expected that an aggregate of 38,285,852 Resulting Issuer Shares will be issued pro rata to the shareholders of CRI as consideration for 100% of the issued and outstanding common shares of CRI. The Resulting Issuer Shares are being issued at a deemed value of \$0.33 per Resulting Issuer Share.

Each CRI warrant issued and outstanding will be exchanged for one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). It is currently expected that an aggregate of 479,200 Resulting Issuer Warrants will be issued pro rata to the Orchid warrant holders. Each Resulting Issuer Warrant will entitle the warrant holder to purchase one Resulting Issuer Share at a price of \$0.33 per Resulting Issuer Share for a period of 12 months from the date of listing on the CSE.

In addition, existing members of CRC who hold exchangeable units ("Exchangeable Units") will have the right to exchange such Exchangeable Units for Resulting Issuer Shares at any time until the date that is four years from the Closing. It is currently expected that an aggregate of 62,142,857 Resulting Issuer Shares will be issued in connection with the exchange of Exchangeable Units. A voting trust ("Voting Trust") will be established on Closing, pursuant to which the trustees of such Voting Trust will be issued a special voting share ("Special Voting Share") entitling them to vote a total of 62,142,857 Resulting Issuer Shares, which represents the total number of Resulting Issuer Shares to be issued by the Resulting Issuer in exchange for the Exchangeable Units. As Exchangeable Units are exchanged for Resulting Issuer Shares, the voting rights attaching to the Special Voting Share will be cancelled proportionately to the number of Resulting Issuer Shares being issued. As a result, and at the end of the four year period allowed for exchanges, the Special Voting Share will be cancelled.

The Resulting Issuer Shares issued in connection with the Acquisition (including the Resulting Issuer Shares issued in exchange for Exchangeable Units, if applicable) will be subject to escrow conditions and/or resale restrictions as required by applicable securities laws and the policies of the CSE.

Earny has agreed to undertake a non-brokered private placement offering (the "Concurrent Offering") of 15,151,515 shares at a price of \$0.33 per common share for gross proceeds of \$5,000,000. The shares issued pursuant to the Concurrent Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws. The net proceeds will be used to pay transaction costs and for working capital of the Resulting Issuer. Completion of the Acquisition is subject to a number of conditions, including, but not limited to, completion of the Concurrent Offering, approval of the Exchange, and shareholder approval if required pursuant to policies of the Exchange, securities regulatory or corporate law requirements. There can be no assurance that the Acquisition will be completed as proposed or at all. Trading of the common shares of the Company has been halted and will remain halted in accordance with Exchange policies until all required documentation with respect to the Acquisition has been received and the Exchange and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

A finder's fee of 2,000,000 Resulting Issuer Shares will be paid to an arm's length third party upon the successful completion of the Acquisition.

EARNY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

9. PROPOSED TRANSACTION (cont'd)

None of the securities to be issued pursuant to the Acquisition or Concurrent Offering have been or will be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and any securities issued pursuant to the Acquisition and Concurrent Offering are anticipated to be issued in reliance upon available exemptions from such registration requirements pursuant to Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act and applicable exemptions under state securities laws. In addition, the securities issued under an exemption from the registration requirements of the U.S. Securities Act will be "restricted securities" as defined under Rule 144(a)(3) of the U.S. Securities Act and will contain the appropriate restrictive legend as required under the U.S. Securities Act.

EARNY RESOURCES LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

APRIL 30, 2018

EARNY RESOURCES LTD.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Earny Resources Ltd.

We have audited the accompanying financial statements of Earny Resources Ltd., which comprise the statement of financial position as at April 30, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Earny Resources Ltd. as at April 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Earny Resources Ltd.'s ability to continue as a going concern.

Other Matter

The financial statements of Earny Resources Ltd. for the year ended April 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on August 28, 2017.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
August 28, 2018

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

EARNY RESOURCES LTD.

STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT APRIL 30

	2018	2017
ASSETS		
Current		
Cash	\$ 159,347	\$ 6,130
Receivables	5,587	1,069
Prepaid expenses	<u>19,583</u>	<u>833</u>
	184,517	8,032
Exploration and evaluation assets (Note 4)	<u>—</u>	<u>1</u>
	<u>\$ 184,517</u>	<u>\$ 8,033</u>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current		
Accounts payable and accrued liabilities	\$ 14,492	\$ 263,547
Short-term related party loan (Note 7)	<u>—</u>	<u>18,000</u>
	14,492	281,547
Shareholders' equity (deficiency)		
Capital stock (Note 5)	1,252,042	628,789
Reserve (Note 5)	45,709	49,615
Deficit	<u>(1,127,726)</u>	<u>(951,918)</u>
	170,025	(273,514)
	<u>\$ 184,517</u>	<u>\$ 8,033</u>

Nature and continuance of operations (Note 1)

Commitments (Note 8)

Proposed Transaction (Note 11)

Approved and authorized for issue by the Board of Directors on August 28, 2018:

Navin Varshney Director _____
Brian Moore Director

The accompanying notes are an integral part of these financial statements.

EARNY RESOURCES LTD.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED APRIL 30

	2018	2017
EXPENSES		
Administration fees (Note 7, 8(a))	\$ 41,500	\$ 48,000
Consulting services	59,750	—
Investor communications	450	629
Office and miscellaneous	2,371	3,940
Professional fees	43,061	31,240
Regulatory fees	6,778	6,212
Rent (Note 7, 8(b))	13,000	6,000
Share-based payments (Note 5)	—	7,813
Transfer agent fees	9,383	4,922
Travel and entertainment	<u>1,051</u>	<u>—</u>
Loss before other items	(177,344)	(108,756)
Other items:		
Gain on debt settlement	1,537	—
Write-down of exploration and evaluation assets (Note 4)	<u>(1)</u>	<u>(199,122)</u>
	<u>1,536</u>	<u>(199,122)</u>
Loss and comprehensive loss	\$ (175,808)	\$ (307,878)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.13)
Weighted average number of common shares outstanding	3,995,683	2,378,333

The accompanying notes are an integral part of these financial statements.

EARNY RESOURCES LTD.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

	Capital Stock (Note 5)		Reserves	Deficit	Total Shareholders' Equity (Deficiency)
	Shares	Amount			
Balance, April 30, 2016	2,378,332	\$ 628,789	\$ 41,802	\$ (644,040)	\$ 26,551
Share-based payments (Note 5)	—	—	7,813	—	7,813
Loss and comprehensive loss for the year	—	—	—	(307,878)	(307,878)
Balance, April 30, 2017	2,378,332	628,789	49,615	(951,918)	(273,514)
Private placement (Note 5)	4,000,000	600,000	—	—	600,000
Exercise of options (Note 5)	66,666	23,906	(3,906)	—	20,000
Share issuance costs (Note 5)	—	(653)	—	—	(653)
Loss and comprehensive loss for the year	—	—	—	(175,808)	(175,808)
Balance, April 30, 2018	6,444,998	\$ 1,252,042	\$ 45,709	(1,127,726)	\$ 170,025

The accompanying notes are an integral part of these financial statements.

EARNY RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED APRIL 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (175,808)	\$ (307,878)
Adjustments for items not involving cash:		
Share-based payments	–	7,813
Write-down of exploration and evaluation assets	–	199,122
Gain on debt settlement	(1,537)	–
Changes in non-cash working capital items:		
Receivable	(4,518)	155
Prepaid expenses	(18,750)	2,634
Accounts payable and accrued liabilities	(247,517)	86,070
Net cash used in operating activities	<u>(448,130)</u>	<u>(12,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term related party loan (repayment)	(18,000)	18,000
Common shares issued for cash, net	<u>619,347</u>	<u>–</u>
Net cash provided by financing activities	<u>601,347</u>	<u>18,000</u>
Change in cash for the year	153,217	5,916
Cash, beginning of year	<u>6,130</u>	<u>214</u>
Cash, end of year	\$ 159,347	\$ 6,130
Cash paid during the year for interest	\$ –	\$ –
Cash paid during the year for income taxes	\$ –	\$ –

Supplement cash flow information:

Significant non-cash transactions for the year ended April 30, 2018 included an allocation of \$3,906 from reserves to capital stock upon the exercise of stock options (Note 5(b)).

There were no significant non-cash investing or financing transactions during the year ended April 30, 2017.

The accompanying notes are an integral part of these financial statements.

EARNY RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

APRIL 30, 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

Earny Resources Ltd. (the “Company” or “Earny”) was incorporated under the *British Columbia Business Corporations Act* on February 9, 2011. The shares of the Company were listed on the TSX Venture Exchange (“TSX-V”) on September 26, 2011. The Company’s share listing was transferred from the TSX-V to NEX on June 2, 2016. The Company’s head office address is Suite 2050-1055 West Georgia Street, Vancouver, BC V6E 3P3. The registered and records office address is 1500-1055 West Georgia Street, Vancouver BC, V6E 3P3, Canada.

On July 14, 2017, the Company consolidated its shares on a basis of one (1) post-consolidated share for three (3) pre-consolidated shares. In these financial statements, reference to common shares and per share amounts was retroactively restated at April 30, 2017.

The Company’s principal business activity is the identification and evaluation of companies, assets or businesses with a view to completing a business combination. The Company’s previous business activity was in the exploration of mineral properties. During the year ended April 30, 2017, the Company wrote down its mineral property assets due to the lack of exploration activities. Management had decided to pursue other business opportunities.

The continuing operations of the Company are dependent upon its ability to identify, evaluate and negotiate a viable business opportunity. To date, the Company has not generated any significant revenues and has incurred losses since inception. These uncertainties cast significant doubt about the Company’s ability to continue as a going concern.

Management is aware that material uncertainties exist, which could cast doubt upon the Company’s ability to finance current and future activities. Accordingly, management will pursue additional sources of financing through equity offerings as required. Further discussion of liquidity risk has been disclosed in Note 9.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PREPARATION

These financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise stated.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

2. BASIS OF PREPARATION (cont'd...)

Use of estimates (cont'd...)

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the financial statements include:

Fair value of shares, stock options and warrants

The valuation of shares issued in non-cash transactions is determined using fair value inputs from available market sources. Determining the fair value of stock options and warrants requires judgements related to the pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Critical judgments

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined as the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits or any option payments received are recorded as a reduction to the cumulative costs incurred and capitalized to the related property. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received.

Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned or management deems there to be an impairment in value, the property is written down to its net realizable value

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment

At each financial position reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Future reclamation costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of evaluation and exploration assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

For the years presented, the Company does not have any significant future reclamation costs.

Share-based payments

The Company grants stock options to directors, officers, employees and consultants. The fair value of options and other share-based awards issued or altered in the period are determined using the Black-Scholes Option Pricing Model. Share-based payments are accrued and charged to the statement of loss and comprehensive loss, with an offsetting credit to reserves, using the graded vesting method. This includes a forfeiture estimate which is revised for actual forfeitures in subsequent periods. The fair value of stock options granted to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Options granted to non-employees are re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. Upon the exercise of stock options or agents warrants, the fair value of the share based award is allocated to capital stock.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Basic and diluted loss per common share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. For diluted loss per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations and comprehensive loss. Financial assets available-for-sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss) ("OCI"), net of tax.

Financial assets and liabilities held-to-maturity, loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

The Company has classified its cash as fair value through profit and loss. Receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- 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).

See Note 9 for relevant disclosures.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements. The Company has adopted these standards:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9, on May 1, 2018, has not had an effect on the Company's accounting policies related to the financial assets and financial liabilities.
- IFRS 15: New standard that replaces existing revenue requirements IAS 11, IAS 18, IFRIC 13, IFRIC 18 and SIC 31 for measurement, recognition, and disclosure of revenues; effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15, on May 1, 2018, is not expected to have an effect on the Company's accounting policies on revenue recognition.

The following has not yet been adopted by the Company and is being evaluated to determine its impact:

- IFRS 16: Leases - this standard specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

4. EXPLORATION AND EVALUATION ASSETS

The Company entered into an option agreement dated February 27, 2012 (the “Option Agreement”) with Qualitas Holdings Corp. and Novus Gold Corp. (collectively the “Optionors”) and has earned a 100% interest in certain mining claims (the “PC Property”), located in the Spences Bridge Gold Belt of British Columbia. The Optionors have retained a 2.0% net smelter return royalty on the production from the Property. The Company has the option of purchasing the royalty from the Optionors for \$500,000 for each 0.5%.

During the year ended April 30, 2017 the Company wrote down the carrying value of the assets to \$1 (\$199,122), due to a lack of exploration activity and as a result of management’s intention to pursue other business opportunities.

5. CAPITAL STOCK AND RESERVES

a) **Authorized:**

Unlimited common shares with no par value.

(b) **Issued and outstanding:**

No shares were issued during the year ended April 30, 2017.

During the year ended April 30, 2018:

- i) On July 14, 2017, the Company consolidated its shares on a basis of one (1) post-consolidated share for three (3) pre-consolidated shares.
- ii) On December 5, 2017, the Company completed a non-brokered private placement of 4,000,000 common shares at a price of \$0.15 per share for gross proceeds of \$600,000. The Company incurred regulatory filing fees of \$653 in connection with this private placement.
- iii) On January 25, 2018, two directors of the Company exercised an aggregate of 66,666 stock options at a price of \$0.30 per share, and 66,666 common shares were issued for total gross proceeds of \$20,000. In addition, a reallocation of \$3,906 from reserves to capital stock was recorded on the exercise of these options.

c) **Stock options**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company’s stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

On April 26, 2017, the Company granted 133,333 stock options to its directors at an exercise price of \$0.30 per share, for a period of one year until April 26, 2018. Using the Black-Scholes Option Pricing Model, the stock options were recorded at fair value in the statements of loss and comprehensive loss for the year ended April 30, 2017 in the amount of \$7,813.

EARNY RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
APRIL 30, 2018

5. CAPITAL STOCK AND RESERVES (cont'd...)

c) Stock options (cont'd...)

Stock options outstanding and exercisable are as follows:

	Number		Weighted Average Exercise Price
Outstanding and exercisable at April 30, 2017	133,333	\$	0.30
Forfeited	(33,334)		0.30
Exercised (Note 5(b)(iii))	(66,666)		0.30
Expired	(33,333)		0.30
Outstanding and exercisable at April 30, 2018	—	\$	—

The following weighted average assumptions (using the Black Scholes Option Pricing Model) were used for the valuation of the stock options granted during the year ended April 30, 2017.

Forfeiture rate	0%
Risk-free interest rate	0.64%
Expected life	1 year
Annualized volatility	100%
Dividend rate	0%

d) Share purchase warrants

Share purchase warrants were outstanding at April 30, 2017 to purchase up to 399,167 shares of the Company at an exercise price of \$0.54 per share. These share purchase warrants expired on August 12, 2017 without being exercised.

Share purchase warrants outstanding are as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding as at April 30, 2017 and 2016	399,167	\$	0.54
Expired	(399,167)		0.54
Outstanding as at April 30, 2018	—	\$	—

EARNY RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

APRIL 30, 2018

5. CAPITAL STOCK AND RESERVES (cont'd...)**d) Reserve**

The reserve consist of share-based payment reserve. The share-based payment reserve includes stock-based compensation expense related to fair value of stock options granted and also the fair value of warrants issued for services. The warrant reserve includes the relative fair value of attachable warrants issued as a part of units in conjunction with private placements of common shares. The gross proceeds of private placements is allocated between share capital and the warrant reserve using the relative fair value method which allocates a pro-rata amount based on the fair value of the common shares and the warrants issued. The investment revaluation reserve includes unrealized gains and losses on marketable securities which is reclassified to comprehensive loss on disposal or impairment of the securities.

6. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2018	2017
Loss before income taxes	\$ (175,808)	\$ (307,878)
Expected income tax recovery	\$ 45,710	\$ 80,000
Non-deductible and other items	(137)	(2,000)
Unrecognized benefit of non-capital losses	(45,573)	(78,000)
Net income tax recovery	\$ –	\$ –

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2018	2017
Deferred tax assets (liabilities):		
Non-capital loss carry forwards	\$ 315,000	\$ 216,000
Exploration and evaluation assets	21,000	21,000
Total unrecognized deferred tax assets	\$ 336,000	\$ 237,000

The Company's deferred tax assets (liabilities) expire as follows:

	2018	Expiry Date Range	2017
Non-capital losses – Canada	\$ 1,213,313	2031 – 2037	\$ 830,000
Exploration and evaluation assets	\$ 79,000	Not Applicable	\$ 79,000

EARNY RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
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7. RELATED PART TRANSACTIONS

Related party transactions are with key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Compensation of the Company's key management for the year ended April 30, 2018 is comprised of the following:

	2018	2017
Administrative and rent	\$ 27,000	\$ 54,000
Consulting services	<u>7,500</u>	<u>—</u>
	<u>\$ 34,500</u>	<u>\$ 54,000</u>

- i) Included in accounts payable and accrued liabilities as at April 30, 2018 is \$nil (2017 - \$205,028) due to related parties, of which \$nil was payable for administrative services and rent (2017 - \$160,650).
- ii) During the year ended April 30, 2018, the Company paid \$27,000 (2017 - \$40,500) in administrative services and rent to a company controlled by a director of the Company.
- iii) During the year ended April 30, 2018, the Company paid \$7,500 (2017 - \$nil) in consulting fees to a director of the Company to assist in corporate promotion and advertising.
- iv) As at April 30, 2018, \$nil was due to a company controlled by a director of the Company for short-term loans (2017 - \$18,000). The loans are non-interest bearing and due on demand.

8. COMMITMENTS

- a) On December 1, 2017, the Company entered into an agreement with a private company to provide administrative services to the Company for a period of three years in exchange for a monthly fee of \$3,500 plus applicable taxes. At the end of the service term, the terms of the agreement are automatically renewed on an annual basis until either party provides notice of termination.
- b) On December 1, 2017, the Company entered into a sublease agreement with a company (the "Sublandlord") for a portion of the office premises for a period of 3 years, expiring November 30, 2020, in exchange for \$2,045 per month plus applicable taxes.

The Company has the following rent commitments on its subleased premises:

Fiscal Year	Amount
2018	\$ 10,225
2019	24,540
2020	24,540
2021	<u>14,315</u>
	<u>\$ 73,620</u>

9. FINANCIAL INSTRUMENTS

Fair value

Cash is carried at fair value using a level 1 fair value measurement. The recorded value of receivables and accounts payable and accrued liabilities approximate their fair values due to their demand nature and their short term to maturity.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Receivables comprised primarily of GST receivable from the Canadian Government are a low credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2018, the Company had cash on hand of \$159,347 (April 30, 2017 - \$6,130), which is sufficient to settle its current liabilities of \$14,492 (April 30, 2017 - \$281,547) and to fund its administrative costs for the current year.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions in the future. Under current market conditions, both liquidity and funding risk are assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at April 30, 2018, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

10. CAPITAL MANAGEMENT

Capital is comprised of all the components of the Company's shareholders' equity. As at April 30, 2018 and 2017, the Company's shareholders' equity (deficiency) was \$170,025 and \$(273,514) respectively and there was no long term debt outstanding. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

11. PROPOSED TRANSACTION

On June 15, 2018, the Company entered into a Letter of Intent (the "LOI") with CR International Inc., doing business as Orchid Essentials ("Orchid"), a U.S. corporation headquartered in Southern California. Orchid is a leading cannabis product development, branding, and manufacturing company. Pursuant to the LOI, the company is proposing to complete a business combination with Orchid by way of share exchange, merger, amalgamation, arrangement or similar form of transaction (the "Proposed Transaction"), whereby the security holders of Orchid will become security holders of the combined entity (the "Resulting Issuer"). Upon completion of the Proposed Transaction the Resulting Issuer will continue to carry on the business of Orchid as currently constituted, under the new name "Orchid Essentials" or such other name as may be approved by the board of directors of the Resulting Issuer. The Proposed Transaction is an arm's length transaction and will constitute a reverse takeover of the company by Orchid pursuant to policies of the TSX Venture Exchange (the "Exchange"). In connection with the Proposed Transaction, the Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the "CSE").

Transaction Summary

Pursuant to the LOI, the existing security holders of Orchid will receive common shares of the Resulting Issuer in exchange for their securities of Orchid. The exchange ratio is currently expected to be one Earny common share for each one share of Orchid. The final form of the transaction will be set forth in a definitive agreement to be entered into among the parties that will replace and supersede the LOI (the "Definitive Agreement").

An aggregate of 6,444,998 common shares of the company is issued and outstanding as at the date of signing the LOI. Assuming the completion of certain contemplated financings by Orchid, it is expected that 95,197,859 shares of the company will be issued to the shareholders of Orchid as consideration for 100% of the issued and outstanding shares of Orchid. Orchid may issue up to 9% of the issued stock as employee stock options in connection with this transaction. Upon completion of the Proposed Transaction there will be 101,197,857 common shares issued and outstanding in the Resulting Issuer (excluding securities issued pursuant to the Concurrent Private Placement described below), of which security holders of Orchid will own 95,197,859 (94%) and security holders of the company (excluding securities issued pursuant to the Concurrent Private Placement described below) will own 6,444,998 (6%) of the shares.

Completion of the Proposed Transaction is subject to a number of conditions, including, but not limited to, Exchange and shareholder approval of the delisting of the company's common shares, and shareholder approval of the Proposed Transaction, if required pursuant to Exchange, securities regulatory or corporate law requirements. In addition, completion of the Proposed Transaction is subject to certain standard closing conditions, including the completion of due diligence investigations to the satisfaction of each of company and Orchid, execution of a Definitive Agreement, the conditional approval of the CSE to the listing of the common shares of the Resulting Issuer, and there being no material adverse change in the business of company or Orchid prior to completion of the Proposed Transaction.

No advances have been made by the company nor are any planned before the completion of the transaction.

EARNY RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

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APRIL 30, 2018

11. PROPOSED TRANSACTION (cont'd...)

The Company has agreed to undertake a private placement offering (the "Concurrent Private Placement") of 15,151,515 shares at a price of \$0.33 per subscription receipt for gross proceeds of \$5,000,000. Closing of the Proposed Transaction is subject to completion of the offering under the Concurrent Private Placement.

Prior to the closing of the transaction Orchid will complete a private placement raising a minimum of \$1,500,000 at \$0.25 per share through the issuance of 6,000,000 common shares

The Company intends to hold a special meeting of its shareholders or obtain shareholder approval by consent with respect to the Proposed Transaction if required under securities laws, corporate laws or Exchange requirements.

Trading of the common shares of the Company has been halted and will remain halted in accordance with Exchange policies until all required documentation with respect to the Proposed Transaction has been received and the CSE and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

A finder's fee of 2,000,000 shares will be issued at the completion of the Proposed Transaction.

SCHEDULE “B” – EARLY’S MANAGEMENT’S DISCUSSION & ANALYSIS

[Please see attached]

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018

Management Discussion & Analysis:

Management's discussion and analysis ("MD&A") provides a detailed analysis of the results and financial condition of Earny Resources Ltd. (the "Company" or "Earny") for the six months ended October 31, 2018. The following management discussion and analysis, prepared as of December 24, 2018, should be read together with the unaudited condensed interim financial statements for the six months ended October 31, 2018 with the related notes attached thereto and the audited financial statements for the year ended April 30, 2018 with the related notes attached thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A supplements, but does not form part of the financial statements. Management is responsible for the preparation of the financial statements and the MD&A for the six months ended October 31, 2018. News releases and previous filings may be found on SEDAR at www.sedar.com.

Forward Looking Statements:

This Management Discussion and Analysis contains certain forward-looking statements and information relating to Earny that is based on the beliefs of the Company, or management, as well as assumptions made by and information currently available to the Company or management. When used in this document, the words "anticipate", "believe", "estimate", "expect", "implied", "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted. Should one or more of these risks materialize, or should under-lying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, implied, expected or intended. In each instance, forward-looking information should be considered in the light of the accompanying meaningful cautionary statements herein. Earny cautions that forward-looking statements involve risk and uncertainty.

Overall Performance

On June 15, 2018, the Company entered into a Letter of Intent (the "LOI") with CR International Inc., doing business as Orchid Essentials ("Orchid"), a U.S. corporation headquartered in Southern California. Orchid is a leading cannabis product development, branding, and manufacturing company. Pursuant to the LOI, the company is proposing to complete a business combination with Orchid by way of share exchange, merger, amalgamation, arrangement or similar form of transaction (the "Proposed Transaction"), whereby the security holders of Orchid will become security holders of the combined entity (the "Resulting Issuer"). Upon completion of the Proposed Transaction the Resulting Issuer will continue to carry on the business of Orchid as currently constituted, under the new name "Orchid Essentials" or such other name as may be approved by the board of directors of the Resulting Issuer. The Proposed Transaction is an arm's length transaction and will constitute a reverse takeover of the company by Orchid pursuant to policies of the TSX Venture Exchange (the "Exchange"). In connection with the Proposed Transaction, the Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the "CSE").

Transaction Summary

On September 12, 2018, the Company has entered into a securities exchange agreement dated September 12, 2018 (the "Definitive Agreement") with CR International Inc. ("CRI"), a Nevada corporation, and CR Companies, LLC., a limited liability company existing under the laws of the state of California, doing business as Orchid Essentials ("CRC" and together with CRI, "Orchid").

Pursuant to the terms of the Definitive Agreement, the parties will complete a business combination pursuant to a plan of share exchange under Nevada corporate law in which Earny will acquire all of the issued and outstanding securities of CRI (the "Acquisition") and CRI will become a wholly-owned subsidiary of the Company. Additionally, in furtherance of the Acquisition, CRI will become the sole voting member and managing member of CRC, and, eventually, the sole owner of CRC.

Upon completion of the Acquisition (the "Closing") Earny will continue to carry on the business of Orchid as currently constituted, under the new name "Orchid Ventures, Inc." or such other name as may be approved by

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
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the board of directors (the "Resulting Issuer"). The Acquisition is an arm's length transaction and constitutes a reverse takeover of Earny by Orchid, pursuant to the policies of the TSX Venture Exchange (the "TSXV"). In connection with the Acquisition, the Resulting Issuer will voluntarily delist from the TSXV and will apply to list its common shares on the Canadian Securities Exchange (the "CSE" and together with the TSXV, the "Exchange").

Pursuant to the terms of the Definitive Agreement, the existing security holders of CRI will receive common shares of the Resulting Issuer ("Resulting Issuer Shares") in exchange for their common shares of CRI. It is currently expected that an aggregate of 38,285,852 Resulting Issuer Shares will be issued pro rata to the shareholders of CRI as consideration for 100% of the issued and outstanding common shares of CRI. The Resulting Issuer Shares are being issued at a deemed value of \$0.33 per Resulting Issuer Share.

Each CRI warrant issued and outstanding will be exchanged for one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). It is currently expected that an aggregate of 479,200 Resulting Issuer Warrants will be issued pro rata to the Orchid warrant holders. Each Resulting Issuer Warrant will entitle the warrant holder to purchase one Resulting Issuer Share at a price of \$0.33 per Resulting Issuer Share for a period of 12 months from the date of listing on the CSE.

In addition, existing members of CRC who hold exchangeable units ("Exchangeable Units") will have the right to exchange such Exchangeable Units for Resulting Issuer Shares at any time until the date that is four years from the Closing. It is currently expected that an aggregate of 62,142,857 Resulting Issuer Shares will be issued in connection with the exchange of Exchangeable Units. A voting trust ("Voting Trust") will be established on Closing, pursuant to which the trustees of such Voting Trust will be issued a special voting share ("Special Voting Share") entitling them to vote a total of 62,142,857 Resulting Issuer Shares, which represents the total number of Resulting Issuer Shares to be issued by the Resulting Issuer in exchange for the Exchangeable Units. As Exchangeable Units are exchanged for Resulting Issuer Shares, the voting rights attaching to the Special Voting Share will be cancelled proportionately to the number of Resulting Issuer Shares being issued. As a result, and at the end of the four year period allowed for exchanges, the Special Voting Share will be cancelled.

The Resulting Issuer Shares issued in connection with the Acquisition (including the Resulting Issuer Shares issued in exchange for Exchangeable Units, if applicable) will be subject to escrow conditions and/or resale restrictions as required by applicable securities laws and the policies of the CSE.

Earny has agreed to undertake a non-brokered private placement offering (the "Concurrent Offering") of 15,151,515 shares at a price of \$0.33 per common share for gross proceeds of \$5,000,000. The shares issued pursuant to the Concurrent Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws. The net proceeds will be used to pay transaction costs and for working capital of the Resulting Issuer. Completion of the Acquisition is subject to a number of conditions, including, but not limited to, completion of the Concurrent Offering, approval of the Exchange, and shareholder approval if required pursuant to policies of the Exchange, securities regulatory or corporate law requirements. There can be no assurance that the Acquisition will be completed as proposed or at all. Trading of the common shares of the Company has been halted and will remain halted in accordance with Exchange policies until all required documentation with respect to the Acquisition has been received and the Exchange and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

A finder's fee of 2,000,000 Resulting Issuer Shares will be paid to an arm's length third party upon the successful completion of the Acquisition.

None of the securities to be issued pursuant to the Acquisition or Concurrent Offering have been or will be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and any securities issued pursuant to the Acquisition and Concurrent Offering are anticipated to be issued in reliance upon available exemptions from such registration requirements pursuant to Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act and applicable exemptions under state securities laws. In addition, the securities issued under an exemption from the registration requirements of the U.S. Securities Act will be "restricted securities" as defined under Rule 144(a)(3) of the U.S. Securities Act and will contain the appropriate restrictive legend as required under the U.S. Securities Act.

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018

Change of Auditors

Effective June 15, 2018, the Company changed its auditors from Davidson & Company, LLP to Dale Matheson Carr-Hilton Labonte, LLP.

Critical accounting policies and estimates

The preparation of the annual financial statements in accordance with International Financial Reporting Standards requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements. The Company has adopted these standards:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9, on May 1, 2018, has not had an effect on the Company's accounting policies related to the financial assets and financial liabilities.
- IFRS 15: New standard that replaces existing revenue requirements IAS 11, IAS 18, IFRIC 13, IFRIC 18 and SIC 31 for measurement, recognition, and disclosure of revenues; effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15, on May 1, 2018, is not expected to have an effect on the Company's accounting policies on revenue recognition.

The following has not yet been adopted by the Company and is being evaluated to determine its impact:

- IFRS 16: Leases - this standard specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

Summary of Quarterly Results & Results of Operations

The table below provides, for each of the last eight quarterly periods, a summary of both property acquisition and exploration costs and of corporate expenses and is derived from unaudited quarterly financial statements prepared by management. The Company's condensed interim financial statements are prepared in accordance with IFRS applicable to interim financial statements and are expressed in Canadian dollars.

Quarter ended	Loss per quarter	Fully diluted loss per share	General and administrative expenses
January 31, 2017	(24,476)	(0.01)	24,476
April 30, 2017	(240,328)	(0.10)	240,328
July 31, 2017	(32,471)	(0.01)	32,471
October. 31, 2017	(41,149)	(0.02)	41,149
January 31, 2018	(51,358)	(0.01)	51,358
April 30, 2018	(50,828)	(0.00)	50,828
July 31, 2018	(43,673)	(0.01)	43,673
October 31 ,2018	(34,186)	(0.00)	34,186

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
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Discussion of Operations for the three and six months ended October 31, 2018

Loss and comprehensive loss for the six months ended October 31, 2018 was \$77,859 compared to \$73,620 for the same period in 2017, an increase in loss of \$4,239.

The increase in net loss was due to an increase in rent by \$9,000 as the Company entered into an office sublease, travel expenses by \$13,105 to meet with the partners of Orchid, investor communication by \$211 and office and miscellaneous by \$3,097. Offsetting the increases were decreases in:

- Administrative fees by \$3,000. The Company engaged a private company to provide administrative services at a reduced monthly rate.
- Professional fees by \$16,304. During the six months ending October 31, 2017, the Company retained legal services to effect the Company's shares consolidation and other corporate matters. There were no such services for the current fiscal period.
- Transfer agent fees by \$2,828. The first half ended October 31, 2017 included transfer agent services to effect the share consolidation of the Company. There were no similar transactions in the current fiscal period.

Loss and comprehensive loss for the three months ended October 31, 2018 was \$34,186 compared to \$41,149 for Q2 in 2017 a decrease in loss of \$6,963. There were no extraordinary expenses incurred during the period.

Liquidity, Capital Resources and Capital Expenditures

The Company reported a working capital of \$127,066 at October 31, 2018 compared to a working capital of \$170,025 at April 30, 2018, representing a decrease in working capital of \$42,959 which was utilized in operating activities.

As at October 31, 2018, the Company had cash on hand of \$136,973 (April 30, 2018 - \$159,347). Current liabilities as at October 31, 2018 of \$11,722 (April 30, 2018 - \$14,492) consisted of trade payables and accrued liabilities.

As at October 31, 2018, the Company received \$34,900 in share subscriptions in connection to the Company's Concurrent Offering.

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Financial instruments

The Company's financial instruments consist of cash, receivables, and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted, due to their demand nature and their short term to maturity.

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Receivables comprised primarily of GST receivable from the Canadian Government are a low credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2018, the Company had cash on hand of \$136,973 (April 30, 2018 - \$159,347), which is sufficient to settle its current liabilities of \$11,722 (April 30, 2018 - \$14,492) and to funds its administrative costs for the current year.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions in the future. Under current market conditions, both liquidity and funding risk are assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at October 31, 2018, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

Transactions with Related Parties

Related party transactions are with key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Compensation of the Company's key management for the period ended October 31, 2018 and 2017 is comprised of the following:

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FOR THE SIX MONTHS ENDED OCTOBER 31, 2018

	2018	2017
Administrative and rent (i)	\$ -	\$ 27,000

- i) During the period ended October 31, 2018, the Company paid \$nil (2017 - \$27,000) in administrative services and rent to a company controlled by the CEO of the Company.

Summary of Outstanding Share Data as of December 24, 2018:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 6,444,998

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018

The effective date of this report is August 28, 2018

Management Discussion & Analysis:

Management's discussion and analysis ("MD&A") provides a detailed analysis of the results and financial condition of Earny Resources Ltd. (the "Company" or "Earny") for the year ended April 30, 2018. The following management discussion and analysis, prepared as of August 28, 2018, should be read together with the audited financial statements for the year ended April 30, 2018 and 2017 with the related notes attached thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A supplements, but does not form part of the financial statements. Management is responsible for the preparation of the financial statements and the MD&A for the year ended April 30, 2018. News releases and previous filings may be found on SEDAR at www.sedar.com.

Forward Looking Statements:

This Management Discussion and Analysis contains certain forward-looking statements and information relating to Earny that is based on the beliefs of the Company, or management, as well as assumptions made by and information currently available to the Company or management. When used in this document, the words "anticipate", "believe", "estimate", "expect", "implied", "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted. Should one or more of these risks materialize, or should under-lying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, implied, expected or intended. In each instance, forward-looking information should be considered in the light of the accompanying meaningful cautionary statements herein. Earny cautions that forward-looking statements involve risk and uncertainty.

Overall Performance

On June 15, 2018, the Company entered into a Letter of Intent (the "LOI") with CR International Inc., doing business as Orchid Essentials ("Orchid"), a U.S. corporation headquartered in Southern California. Orchid is a leading cannabis product development, branding, and manufacturing company. Pursuant to the LOI, the company is proposing to complete a business combination with Orchid by way of share exchange, merger, amalgamation, arrangement or similar form of transaction (the "Proposed Transaction"), whereby the security holders of Orchid will become security holders of the combined entity (the "Resulting Issuer"). Upon completion of the Proposed Transaction the Resulting Issuer will continue to carry on the business of Orchid as currently constituted, under the new name "Orchid Essentials" or such other name as may be approved by the board of directors of the Resulting Issuer. The Proposed Transaction is an arm's length transaction and will constitute a reverse takeover of the company by Orchid pursuant to policies of the TSX Venture Exchange (the "Exchange"). In connection with the Proposed Transaction, the Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the "CSE").

Transaction Summary

Pursuant to the LOI, the existing security holders of Orchid will receive common shares of the Resulting Issuer in exchange for their securities of Orchid. The exchange ratio is currently expected to be one Earny common share for each one share of Orchid. The final form of the transaction will be set forth in a definitive agreement to be entered into among the parties that will replace and supersede the LOI (the "Definitive Agreement").

An aggregate of 6,444,998 common shares of the Company is issued and outstanding as at the date of signing the LOI. Assuming the completion of certain contemplated financings by Orchid, it is expected that 95,197,859 shares of the company will be issued to the shareholders of Orchid as consideration for 100% of the issued and outstanding shares of Orchid. Orchid may issue up to 9% of the issued stock as employee stock options in connection with this transaction. Upon completion of the Proposed Transaction there will be 101,197,857 common shares issued and outstanding in the Resulting Issuer (excluding securities issued pursuant to the Concurrent Private Placement described below), of which security holders of Orchid will own 95,197,859 (94%) and security holders of the company (excluding securities issued pursuant to the Concurrent Private Placement described below) will own 6,444,998 (6%) of the shares.

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018

Completion of the Proposed Transaction is subject to a number of conditions, including, but not limited to, Exchange and shareholder approval of the delisting of the company's common shares, and shareholder approval of the Proposed Transaction, if required pursuant to Exchange, securities regulatory or corporate law requirements. In addition, completion of the Proposed Transaction is subject to certain standard closing conditions, including the completion of due diligence investigations to the satisfaction of each of company and Orchid, execution of a Definitive Agreement, the conditional approval of the CSE to the listing of the common shares of the Resulting Issuer, and there being no material adverse change in the business of company or Orchid prior to completion of the Proposed Transaction.

No advances have been made by the company nor are any planned before the completion of the transaction.

The Company has agreed to undertake a private placement offering (the "Concurrent Private Placement") of 15,151,515 shares at a price of \$0.33 per subscription receipt for gross proceeds of \$5,000,000. Closing of the Proposed Transaction is subject to completion of the offering under the Concurrent Private Placement.

Prior to the closing of the transaction Orchid will complete a private placement raising a minimum of \$1,500,000 at \$0.25 per share through the issuance of 6,000,000 common shares

The Company intends to hold a special meeting of its shareholders or obtain shareholder approval by consent with respect to the Proposed Transaction if required under securities laws, corporate laws or Exchange requirements.

Trading of the common shares of the Company has been halted and will remain halted in accordance with Exchange policies until all required documentation with respect to the Proposed Transaction has been received and the CSE and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

A finder's fee of 2,000,000 shares will be issued at the completion of the Proposed Transaction.

A press release setting out further particulars relating to the Proposed Transaction will follow in accordance with the policies of the Exchange, which will include a summary of the Definitive Agreement and transaction consideration, summary financial information of Orchid, biographical information on the proposed directors and officers of the Resulting Issuer, and other relevant information regarding the Proposed Transaction and related financings.

Sponsorship of a reverse takeover may be required by the Exchange unless a waiver from the sponsorship requirement is available. Earny intends to apply for a waiver from sponsorship for the Proposed Transaction.

Change of Auditors

Effective June 15, 2018, the Company changed its auditors from Davidson & Company, LLP to Dale Matheson Carr-Hilton Labonte, LLP.

Exploration and evaluation assets

On August 27, 2012, the Company completed its Qualifying Transaction and has a 100% interest in certain mineral claims (the "PC Property") located in the Spences Bridge Gold Belt of British Columbia. The Optionors have retained a 2.0% net smelter return royalty on the production from the PC Property. The Company has the option of purchasing the royalty from the Optionors for \$500,000 for each 0.5%.

During the year ended April 30, 2017, the Company wrote down the carrying value of the PC Property to \$1, due to a lack of exploration activity and as a result of management's intention to pursue other business opportunities.

Private Placements

On December 5, 2017, the Company completed a non-brokered private placement of 4,000,000 common shares of the Company at a price of \$0.15 per common share, for total proceeds of \$600,000. The Company incurred regulatory filing fees of \$635 in connection with this private placement.

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018

Critical accounting policies and estimates

The preparation of the annual financial statements in accordance with International Financial Reporting Standards requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements. The Company has adopted these standards:

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9, on May 1, 2018, has not had an effect on the Company's accounting policies related to the financial assets and financial liabilities.
- IFRS 15: New standard that replaces existing revenue requirements IAS 11, IAS 18, IFRIC 13, IFRIC 18 and SIC 31 for measurement, recognition, and disclosure of revenues; effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15, on May 1, 2018, is not expected to have an effect on the Company's accounting policies on revenue recognition.

The following has not yet been adopted by the Company and is being evaluated to determine its impact:

- IFRS 16: Leases - this standard specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

Summary of Quarterly Results & Results of Operations

The table below provides, for each of the last eight quarterly periods, a summary of both property acquisition and exploration costs and of corporate expenses and is derived from unaudited quarterly financial statements prepared by management. The Company's condensed interim financial statements are prepared in accordance with IFRS applicable to interim financial statements and are expressed in Canadian dollars.

Quarter ended	Loss per quarter	Fully diluted loss per share	General and administrative expenses	Property costs
July 31, 2016	(20,082)	(0.01)	20,082	-
October 31, 2016	(22,992)	(0.01)	22,992	-
January 31, 2017	(24,476)	(0.01)	24,476	-
April 30, 2017	(240,328)	(0.10)	240,328	-
July 31, 2017	(32,471)	(0.01)	32,471	-
October. 31, 2017	(41,149)	(0.02)	41,149	-
January 31, 2018	(124,979)	(0.01)	126,516	-
April 30, 2018	50,829	0.00	(50,828)	-

Discussion of Operations for the year ended April 30, 2018

Loss and comprehensive loss for the period was \$175,808 compared to \$307,878 for the comparative year ended April 30, 2017, a decrease in loss of \$132,070.

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018

The decrease in net loss was due to decreases in:

- Administrative fees by \$6,500 as the Company retained administrative services from a new service provider at a lower cost.
- Share based payments by \$7,813 as there were no options granted or vested in the year.
- Write down of exploration and evaluation assets by \$199,121. The Company wrote off its exploration property in fiscal 2017 due to a lack of exploration activities on the property.

Offsetting the decreases was increases in:

- Consulting services by \$59,750 (2017: \$nil) for strategic advisory and general business development services. Included in this amount is \$7,500 paid to Leif Smither, a director of the Company, for consulting services.
- Professional fees (legal, audit and accounting) by \$11,821 for legal services rendered in connection to the Company's share consolidation, private placement and AGM, and for tax advice on a potential business opportunity.
- Rent by \$7,000 as the Company entered into a sublease for new office space.
- Transfer agent fees by \$4,461 as a result of the Company's share consolidation.
- Travel by \$1,051 for meetings with the partners of Orchid.

The Company settled its debt with a former accountant for past services at a discounted rate resulting in a gain on debt settlement of \$1,537.

Discussion of Operations for the three months ended April 30, 2018

Loss and comprehensive loss for the fourth quarter was \$50,829 compared to \$240,328 for the comparative quarter ended April 30, 2017, a decrease in loss of \$189,499.

Variances to the fourth quarter include:

- A decrease in administration fees by \$4,500. The Company contracted a third party company to provide administrative services to the Company for a monthly fee of \$3,500 commencing December 1, 2017. In the comparative quarter ended April 30, 2017, \$12,000 was paid by the Company to N.K.V. Engineering and Consulting Ltd, a company controlled by Navin Varshney, for administrative services.
- Consulting fees increased by \$18,750 for strategic advisory and general business development services.
- Professional fees decreased by \$6,275 as the Company retained less services from its lawyer.
- Rent increased by \$7,500 as the Company entered into a new rental agreement for office premises.
- Transfer agent fees increased by \$1,609 due to costs incurred in connection to the Company's AGM held on January 31, 2018.
- Write down of exploration and evaluation assets by \$199,121. The Company wrote off its exploration property in fiscal 2017 due to a lack of exploration activities on the property.

Liquidity, Capital Resources and Capital Expenditures

The Company reported a working capital of \$170,025 at April 30, 2018 compared to a working capital deficiency of \$273,515 at April 30, 2017, representing an increase in working capital of \$443,540. The increase in working capital was a result of the Company raising \$600,000 through a non-brokered private placement by issuing 4,000,000 post-consolidated common shares at a price of \$0.15 on December 5, 2017. The Company also received \$20,000 from the exercise of directors' stock options by issuing 66,666 common shares at a price of \$0.30 per share. The proceeds of the financings were used to fund working capital.

As at April 30, 2018, the Company had cash on hand of \$159,347 (2017 - \$6,130).

Current liabilities as at April 30, 2018 of \$14,492 (2017 - \$281,547) consisted of trade payables and accrued liabilities of \$14,492 (April 30, 2017 - \$263,547) and due to related parties of \$nil (April 30, 2017 - \$18,000).

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018

can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Financial instruments

The Company's financial instruments consist of cash, receivables, and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted, due to their demand nature and their short term to maturity.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Receivables comprised primarily of GST receivable from the Canadian Government are a low credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2018, the Company had cash on hand of \$159,347 (April 30, 2017 - \$6,130), which is sufficient to settle its current liabilities of \$14,492 (April 30, 2017 - \$281,547) and to fund its administrative costs for the current year.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions in the future. Under current market conditions, both liquidity and funding risk are assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at April 30, 2018, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

EARNY RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018

Summary of Outstanding Share Data as of August 28, 2018:

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 6,444,998

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Compensation of the Company's key management for the year ended April 30, 2018 is comprised of the following:

	2018	2017
Administrative and rent	\$ 27,000	\$ 54,000
Consulting services	<u>7,500</u>	<u>-</u>
	<u>\$ 34,500</u>	<u>\$ 54,000</u>

- i) Included in accounts payable and accrued liabilities as at April 30, 2018 is \$nil (2017 - \$205,028) due to related parties, of which \$nil was payable for administrative services and rent (2017 - \$160,650).
- ii) During the year ended April 30, 2018, the Company paid \$27,000 (2017 - \$40,500) in administrative services and rent to a company controlled by a director of the Company.
- iii) During the year ended April 30, 2018, the Company paid \$7,500 (2017 - \$nil) in consulting fees to a director of the Company to assist in corporate promotion and advertising.
- iv) As at April 30, 2018, \$nil was due to a company controlled by a director of the Company for short-term loans (2017 - \$18,000). The loans are non-interest bearing and due on demand.

Additional Disclosure for Venture Issuers without Significant Revenue

Significant components of general and administrative expenses are shown separately on the *Statements of Operations and Comprehensive Loss*, part of the audited financial statements for the year ended April 30, 2018.

SCHEDULE “C” – ORCHID FINANCIAL STATEMENTS

[Please see attached]



**CR COMPANIES, LLC
(DBA "ORCHID ESSENTIALS")**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2018**

**CR COMPANIES, LLC (DBA "ORCHID ESSENTIALS")
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED – PREPARED BY MANAGEMENT**

(Expressed in US dollars)

	Note	August 31, 2018	May 31, 2018 (Audited)
Current assets			
Cash		\$ 123,332	\$ 73,409
Trade receivables		303,676	185,102
Prepays and deposits	6	100,000	-
Inventory	6	798,688	124,741
Total current assets		<u>1,325,696</u>	<u>383,252</u>
Non-current assets			
Equipment	7	53,937	46,896
Trademarks	8	15,392	9,622
Deposit	5	75,000	-
		<u>144,329</u>	<u>56,518</u>
Total assets		<u>\$ 1,470,025</u>	<u>\$ 439,770</u>
Current liabilities			
Trade payables	5	\$ 1,323,769	\$ 392,415
Accrued liabilities		-	406,000
Wages payable	5	137,715	145,806
Due to related party	5	383,972	-
Loans payable	13	-	129,457
Total current liabilities		<u>1,845,456</u>	<u>1,073,678</u>
Non-current liability			
Convertible note payable – related party	17	408,887	-
Total liabilities		<u>2,254,343</u>	<u>1,073,678</u>
Members' deficiency			
Members' capital	12	1,350,000	1,350,000
Deficit		(2,134,318)	(1,983,947)
Total members' deficiency		<u>(784,318)</u>	<u>(633,947)</u>
Total liabilities and members' deficiency		<u>\$ 1,470,025</u>	<u>\$ 439,770</u>

Note 1 - Nature of Operations and Going Concern

Note 14 - Commitment

Note 18 – Subsequent Events

On behalf of the Members on January 18, 2019

/s/ Corey Mangold

/s/ Rene Suarez

Mr. Corey Mangold, CEO

Mr. Rene Suarez, President

The accompanying notes are an integral part of these interim consolidated financial statements.

**CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
UNAUDITED – PREPARED BY MANAGEMENT**

(Expressed in US dollars)

	Note	For the 3-month period ended August 31, 2018	For the 3-month period ended August 31, 2017
Sales		\$ 934,212	\$ 172,099
Cost of goods sold	6	261,424	103,519
Gross profit		<u>672,788</u>	<u>68,580</u>
Operating expenses			
Administrative	9	39,171	23,040
Depreciation and amortization	7	2,664	1,230
Legal and professional fees		184,433	17,765
Management fees	11	108,000	108,000
Product testing		750	1,529
Rent and utilities	5	13,548	11,581
Sales, marketing, and advertising	5, 10	50,621	124,233
Software and information technology		8,495	10,631
Shipping and packaging		8,886	3,083
Travel		31,244	16,361
Wages and benefits	11	358,008	244,399
Inventory write-off	6	14,265	9,693
Total operating expense		<u>820,085</u>	<u>571,545</u>
Loss before other expenses		<u>(147,297)</u>	<u>(502,965)</u>
Other expense			
Interest expense	17	3,113	-
Net loss and comprehensive loss for the period		<u>\$ (150,410)</u>	<u>\$ (502,965)</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

**CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
 INTERIM CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS’ EQUITY (DEFICIENCY)
 UNAUDITED – PREPARED BY MANAGEMENT**

(Expressed in US dollars)

	Note	Members’ Capital	Members’ Contributions receivable	Deficit	Total
Balance at May 31, 2017		\$ 1,300,000	\$ (280,000)	\$ (287,453)	\$ 732,547
Contributions	12	50,000	280,000	-	330,000
Net loss and comprehensive loss		-	-	(502,965)	(502,965)
Balance at August 31, 2017		1,350,000	-	(790,418)	559,582
Net loss and comprehensive loss		-	-	(1,193,529)	(1,193,529)
Balance May 31, 2018		1,350,000	-	(1,983,947)	(633,947)
Net loss and comprehensive loss		-	-	(150,410)	(150,410)
Balance at August 31, 2018		<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ (2,134,318)</u>	<u>\$ (784,318)</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

**CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED – PREPARED BY MANAGEMENT**

(Expressed in US dollars)

	For the 3-month period ended August 31, 2018	For the 3-month period ended August 31, 2017
OPERATING ACTIVITIES		
Loss for the period	\$ (150,410)	\$ (502,964)
Adjustments for:		
Depreciation and amortization	2,664	1,230
Inventory write-off	14,265	9,693
Accrued interest	3,113	-
Changes in non-cash working capital items:		
Trade receivables	(118,574)	(44,499)
Prepays and deposits	(100,000)	(56,941)
Inventory	(688,212)	(442,148)
Trade payables and accrued liabilities	525,354	38,086
Wages payable	(8,091)	-
Cash used in operating activities	(519,891)	(883,661)
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(9,705)	(19,021)
Trademark expenses	(5,770)	-
Deposits paid	(75,000)	-
Cash used in investing activities	(90,475)	(19,021)
FINANCING ACTIVITIES		
Cash received from (paid to) related party	383,972	(40,000)
Proceeds received from (paid to) loans	(129,457)	100,000
Cash received from convertible note – related party	405,774	-
Proceeds received from issuance of units	-	330,000
Cash provided by financing activities	663,402	390,000
Change in cash during the period	49,923	(512,682)
Cash at beginning of period	73,409	701,408
Cash, end of period	\$ 123,332	\$ 188,726

The accompanying notes are an integral part of these interim consolidated financial statements.

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE-MONTHS ENDED AUGUST 31, 2018
UNAUDITED – PREPARED BY MANAGEMENT

(Expressed in US dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

CR Companies, LLC was organized in the State of California on November 9, 2017 for the purpose of reorganizing Orchid Brands, LLC (DBA “Orchid Essentials”), (the “Company” or “Orchid”). The Company is in the business of product development, branding, manufacturing and distribution of vape products containing cannabis.

Orchid was originally organized in the State of Delaware as Orchid Trading Co., LLC on February 1, 2017. The Company filed that certain Certificate of Amendment with the Secretary of State of Delaware on December 21, 2017, to amend its Certificate of Formation originally filed with the Secretary of State of Delaware on February 1, 2017 to amend its name from Orchid Trading Co., LLC to Orchid Brands, LLC.

CR Products, LLC was organized in the State of California on November 9, 2017, also for the purpose of reorganizing Orchid.

On January 1, 2018, a reorganization was performed resulting in CR Companies, LLC becoming the parent company and Orchid Brands, LLC and CR Products, LLC becoming its wholly-owned subsidiaries. Since the entities were under common control, they have been accounted for as a business combination between entities under common control and treated similar to a pooling of interest transaction.

The Company entered into a securities exchange agreement dated September 12, 2018 (the “Definitive Agreement”) with CR International, Inc. (“CRI”) and Earny Resources Ltd. (“Earny”), a company listed in the TSX Venture Exchange (“TSX-V”). Pursuant to the terms of the Definitive Agreement, the parties will complete a business combination pursuant to a plan of share exchange under Nevada corporate law in which Earny will acquire all of the issued and outstanding securities of CRI (the “Acquisition”) and CRI will become a wholly-owned subsidiary of the Company. Additionally, in furtherance of the Acquisition, CRI will become the sole voting member and managing member of CR Companies, LLC (“CRC”), and, eventually, the sole owner of CRC.

Upon completion of the Acquisition (the “Closing”) Earny will continue to carry on the business of Orchid as currently constituted, under the new name “Orchid Ventures, Inc.” or such other name as may be approved by the board of directors (the “Resulting Issuer”). The Acquisition is an arm’s length transaction and constitutes a reverse takeover of Earny by Orchid, pursuant to the policies of the TSX-V. In connection with the Acquisition, the Resulting Issuer will voluntarily delist from the TSX-V and will apply to list its common shares on the Canadian Securities Exchange (the “CSE” and together with the TSX-V, the “Exchange”). (Note 18 (a)).

Upon completion of the Proposed Transaction the Resulting Issuer will continue to carry on the business of Orchid as currently constituted, under the new name “Orchid Essentials” or such other name as may be approved by the board of directors of the Resulting Issuer. The Proposed Transaction is an arm’s length transaction and will constitute a reverse takeover of Earny by Orchid pursuant to policies of the TSX-V. In connection with the Proposed Transaction, the Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the “CSE”).

To date, the Company has incurred losses and further losses are anticipated as the Company further develops its business. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing. There can be no assurance that the Company will be successful in its efforts to raise additional financing or if financing is available that it will be on terms that are acceptable to the Company. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE-MONTHS ENDED AUGUST 31, 2018
UNAUDITED – PREPARED BY MANAGEMENT

(Expressed in US dollars)

2. BASIS OF PRESENTATION

These interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual consolidated financial statements for the year ended May 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The Company’s board of directors approved the release of these financial statements on January 18, 2019.

These interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 3. The financial statements are presented in US dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company is the US dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

The Company’s functional currency is the United States dollar. The reporting currency is the United States dollar.

(a) Basis of Consolidation

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and the following subsidiaries:

Entity	Registered	Holding
Orchid Brands, LLC	Nevada, USA	100% owned
CR Products, LLC	California, USA	100% owned
CR Manufacturing OR, Inc.	Oregon, USA	100% owned
CR Property Management, LLC	Nevada, USA	100% owned
CR Manufacturing CA, Inc.	California, USA	100% owned

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE-MONTHS ENDED AUGUST 31, 2018
UNAUDITED – PREPARED BY MANAGEMENT

(Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Inventory

Inventory consists of finished goods and consumables. The Company periodically reviews its consumables for obsolete and potentially impaired items. The Company values finished goods at the lower of average cost, which is net of vendor rebates, and net realizable value. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less any estimated selling costs. Cost of inventory includes expenditures in acquiring the inventories, production costs and other cost incurred in bringing them to their existing location.

(c) Revenue recognition

The Company derives revenue primarily from sale of finished goods (vape products) and consumables, and is recognized when the risks and rewards of ownership have transferred to the buyer, which normally occurs at delivery. Revenue is recognized only to the extent that the amount of revenue can be measured reliably and collection is reasonably assured.

(d) Cost of sales

Cost of sales includes manufacturing costs and other costs incurred in bringing inventory to its present condition and location.

(e) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The useful lives applicable to each category of equipment is as follows:

Class	Useful Lives
Computers	3 years
Equipment	10 years
Furniture	7 years

(f) Trademarks

Trademarks are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of trademarks represents the initial cost of direct registration and legal fees incurred by the Company. Amortization is calculated using the straight-line method to write off the cost of the trademarks over the term of the exclusive right to use the trademark. The useful life for the trademarks is five years.

(g) Financial instruments

Financial assets and liabilities are classified into one of five categories: fair value through profit and loss (“FVTPL”), held-to-maturity, loans and receivables, available-for-sale (“AFS”) financial assets or financial liabilities at amortized cost. All financial instruments, including derivatives, are measured at the statement of financial position date at fair value except for loans and receivables, held-to-maturity investments and financial liabilities, which are measured at amortized cost. The Company has made the following classifications:

- Cash and trade receivables are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- Trade payables, wages payable, and loans payable are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

CR COMPANIES, LLC (DBA "ORCHID ESSENTIALS")
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE-MONTHS ENDED AUGUST 31, 2018
UNAUDITED – PREPARED BY MANAGEMENT

(Expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

(h) Income Taxes

The Company is a limited liability company taxed as a partnership in which all elements of income and deductions are passed through and included in the tax returns of the members of the Company. Therefore, no income tax provision is recorded by the Company. Limited liability company taxes and franchise taxes imposed by state law are expensed in the period incurred. The Company expensed \$nil in state franchise tax for the period ended August 31, 2018.

(i) Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

For assets that generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit ('CGU') to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(j) Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Share-based Payments (continued)

measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or exploration and evaluation properties, with the offsetting credit to contributed surplus. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in contributed surplus are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in contributed surplus.

(l) New Standards, Interpretations and Amendments Issued But Not Yet Effective

(i) IFRS 9, “Financial Instruments: Recognition and Measurement” replaces the requirements of IAS39, “Financial Instruments: Recognition and Measurement”. This final version of IFRS 9 brings together the classification and measurements as well as impairment and hedge accounting phases of the project to replace IAS 39. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. These changes are applicable for annual periods beginning on or after January 1, 2018. The Company does not believe IFRS 9 will have a material effect on its financial statements.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these interim consolidated financial statements, the Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below:

Use of Estimates

(a) Inventory Valuation

The Company records a write-down to reflect management’s best estimate of the net realizable value of inventory which includes assumptions and estimates for future sell-through of units, selling prices as well as disposal costs, where appropriate, based on historical experience. Management continually reviews the carrying value of its inventory, to assess whether the write-down is adequate, based on current economic conditions and an assessment of sales trends.

(b) Stock-based Compensation

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

(c) Equipment

The Company calculates depreciation using an estimate of the useful life of equipment.

Use of Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements applying to the Company’s financial statements include the assessment of the Company’s going concern.

5. RELATED PARTY TRANSACTIONS

During the period ended August 31, 2018 the Company incurred:

- (a) \$10,245 (2017 - \$9,222) in rent expense to Verdict Vapors, LLC, an entity related by a common director and officer.
- (b) \$27,000 (2017 - \$68,958) in marketing expense to Gigasavvy, an entity related by a common director and officer.
- (c) See note 11.
- (d) See note 18.

As of August 31, 2018, the Company prepaid \$Nil (May 31, 2018 - \$12,336), which is netted against accounts payable, to a credit card of an entity related by a common director and office for the purpose of anticipated inventory purchases, which were made during the period ended August 31, 2018.

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5. RELATED PARTY TRANSACTIONS (Continued)

A total amount of \$137,715 (May 31, 2018 - \$174,306) was recorded as due to related parties as at August 31, 2018 to directors and officers of the Company. Of this amount, \$137,715 (May 31, 2018 - \$142,806) was included in the wages payable balance and \$nil (2017 - \$9,000) was included in the trade payables balance.

A total amount of \$383,972 (2017 - \$nil) is owed to CR International Inc., a company with common officers and directors of the Company.

The deposit on property of \$75,000 is due from International Inc. in relation to a convertible note.

6. INVENTORY

Inventory consists of vape products and cannabidiol (“CBD”) soft gel tablets purchased from third-party manufacturers. As at August 31, 2018, the Company held finished goods of \$798,688 (May 31, 2018 - \$124,741).

Inventory expensed in net loss and included in cost of sales for the period ended August 31, 2018 was \$261,424 (2017 - \$103,519). The inventory obsolescence amount recognized in the statement of comprehensive loss as inventory write-off was \$14,265 (2017 - \$9,693).

As at August 31, 2018 a deposit of \$100,000 was included in prepaids for inventory purchase.

7. EQUIPMENT

	Computers	Equipment	Furniture	Total
<u>Cost</u>				
Balance, February 1, 2017 (date of incorporation)	\$ -	\$ -	\$ -	\$ -
Additions	21,672	7,300	1,198	30,170
Balance, May 31, 2017	21,672	7,300	1,198	30,170
Additions	-	25,169	2,269	27,438
Balance, May 31, 2018	21,672	32,469	3,467	57,608
Additions	-	9,705	-	9,705
Balance, August 31, 2018	\$ 21,672	\$ 42,174	\$ 3,467	\$ 67,313
<u>Accumulated Amortization</u>				
Balance, May 31, 2017	\$ 69	\$ -	\$ -	\$ 69
Amortization	7,155	2,992	496	10,643
Balance, May 31, 2018	7,224	2,992	496	10,712
Amortization	836	893	935	2,664
Balance, August 31, 2018	\$ 8,060	\$ 3,885	\$ 1,431	\$ 13,376
<u>Net Book Value</u>				
As at May 31, 2018	\$ 14,448	\$ 29,477	\$ 2,971	\$ 46,896
As at August 31, 2018	\$ 13,611	\$ 38,289	\$ 2,036	\$ 53,937

8. TRADEMARKS

During the period ended August 31, 2018, the Company incurred \$5,770 (May 31, 2018 - \$9,622) in direct registration costs of its trademarks.

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9. ADMINISTRATIVE

	For the 3-months ended August 31, 2018	For the 3-months ended August 31, 2017
Meals and entertainment	\$ 3,955	\$ 4,155
Office and general	30,004	10,919
Payroll administrative fees	5,212	7,967
	\$ 39,171	\$ 23,040

10. SALES, MARKETING, AND ADVERTISING

	For the 3-months ended August 31, 2018	For the 3-months ended August 31, 2017
Account management	\$ 4,050	\$ 8,100
Advertising	-	26,033
Brand and design	7,887	24,018
Digital	2,250	-
Events	2,211	5,317
Molds and dies	-	4,096
Printing	1,115	6,613
Promotions and samples	14,890	19,916
Search	1,908	15
Social	13,500	9,000
Strategy	2,700	3,600
Traditional marketing	37	3,251
Web and software	73	14,274
	\$ 50,621	\$ 124,233

11. EXECUTIVE AND EMPLOYEE COMPENSATION

Key Management Compensation:

	For the 3-months ended August 31, 2018	For the 3-months ended August 31, 2017
Management fees	\$ 108,000	\$ 108,000
	\$ 108,000	\$ 108,000

Management fees were charged by the Company’s founders, Corey Mangold and Rene Suarez.

CR COMPANIES, LLC (DBA "ORCHID ESSENTIALS")
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12. MEMBERS' EQUITY

The Members' Equity consists of Class A Units, Class B Units, and Class C Units, which were initially authorized in Orchid Brands, LLC and transferred into CR Companies, LLC as part of the reorganization on January 1, 2018.

(a) Authorized

Class A Units

The Company has authorized 9,000,000 Class A Units for the purpose of issuing equity to founders.

Class B Units

The Company has authorized 5,000,000 Class B Units of its equity for the purpose of issuing equity to investors.

Class C Units

The Company has authorized 1,000,000 Class C Units of its equity for the purpose of issuing equity to incentivize its Members, Managers, officers, employees, consultants or other service providers of the Company.

(b) Issued and Outstanding

Class A Units

As of August 31, 2018 and May 31, 2018, the Company had issued and outstanding, a total of 2,034,620 Class A units with nominal value. No Class A units were issued during the period ended August 31, 2018.

Class B Units

As of August 31, 2018 and May 31, 2018, the Company has received a total of \$1,350,000 for its Class B Units of members' equity. No Class B units were issued during the period ended August 31, 2018.

Class C Units

As of August 31, 2018, the Company has not issued any units of its Class C Units of members' equity.

13. LOANS PAYABLE

On December 1, 2017, the Company received financing under an unsecured promissory note payable in the amount of \$100,000 bearing interest at a rate of 10% simple interest per 90-day term. The balance of the note including interest payable and late fees was due and payable on March 1, 2018. As of May 31, 2018, there was a total balance of \$27,917 payable. The balance was repaid in full during the period ended August 31, 2018.

On February 1, 2018, the Company received financing under an unsecured promissory note payable in the amount of \$100,000 bearing interest at a rate of 10% simple interest per 90-day term. The balance of the note including interest payable and late fees was due and payable on May 2, 2018. As of May 31, 2018, there was a total balance of \$101,540 payable. The balance was repaid in full during the period ended August 31, 2018.

CR COMPANIES, LLC (DBA "ORCHID ESSENTIALS")
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14. COMMITMENT

The Company has entered into the following agreements:

The commercial premises from which the Company carries out its operations are leased from multiple groups, one of which is a related party (see note 5). These lease agreements are classified as operating leases since there is no transfer of risks and rewards inherent to ownership. The minimum rent payable under the leases are as follows:

	Total
Within one year	\$ 320,859
Between one and five years	1,196,928
After five years	-
	\$ 1,517,787

15. FINANCIAL INSTRUMENTS

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the prior year. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign exchange risk and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and trade receivables. The Company limits its exposure to credit risk with respect to cash by investing available cash with major banks in the United States of America. Management's assessment of the Company's exposure to credit risk is low.

The Company's cash is not subject to any external restrictions.

Liquidity Risk

As of August 31, 2018, the Company had a cash balance of \$123,332 available to settle current liabilities of \$1,845,456. The Company expects to finance its inventory purchases and administrative expenditures through cash flows from operations, debt, as well as equity financing. Liquidity risk is assessed as high.

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at August 31, 2018:

	Within one year	After one but not more than five years	After five years	Total
Trade payables	\$ 1,323,769	\$ -	\$ -	\$ 1,323,769
Wages payable	137,715	-	-	137,715
Due to related party	383,972	-	-	383,972
	\$ 1,845,456	\$ -	\$ -	\$ 1,845,456

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Market Risk

The Company is exposed to market risk with respect to foreign currency risk.

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As of August 31, 2018, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant. Management’s assessment of the Company’s exposure to market risk is low.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to interest rate risk is minimal.

Fair Values

At August 31, 2018, the Company’s financial assets and liabilities approximate fair value due to their short-term to maturity or because they bear interest at market rates.

16. CAPITAL MANAGEMENT

As at August 31, 2018, the Company’s capital is composed of interest bearing debt and members’ equity. The Company’s primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of the issued members’ equity units. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and short-term debt. There can be no assurances that the Company will be able to continue raising equity capital and short-term debt in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company’s approach to capital management during the period ended August 31, 2018.

17. CONVERTIBLE PROMISSORY NOTE – RELATED PARTY

On July 6, 2018, the Company entered into a convertible promissory note (“Note”) with CR International Inc. (“CRI”) for \$405,774, bearing a simple interest rate of 5% per annum. All outstanding principal, together with accrued and unpaid interest under this Note, shall automatically mandatorily convert into 1,692,744 units of the Company (“Units”), in such class or classes as the Company shall determine in good faith (with such rights, preferences and privileges of any such class or classes of units as the Company shall define at the time of such conversion by amending and restating the Company’s Operating Agreement immediately prior to the transaction contemplated in Note 18. To August 31, 2018, the Company has recorded \$3,113 in accrued interest.

CR COMPANIES, LLC (DBA "ORCHID ESSENTIALS")
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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18. SUBSEQUENT EVENTS

Pursuant to the terms of the Definitive Agreement (Note 1), the existing security holders of CRI will receive common shares of the Resulting Issuer ("Resulting Issuer Shares") in exchange for their common shares of CRI. It is currently expected that an aggregate of 38,285,852 Resulting Issuer Shares will be issued pro rata to the shareholders of CRI as consideration for 100% of the issued and outstanding common shares of CRI. The Resulting Issuer Shares are being issued at a deemed value of \$0.33 per Resulting Issuer Share.

Each CRI warrant issued and outstanding will be exchanged for one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). It is currently expected that an aggregate of 479,200 Resulting Issuer Warrants will be issued pro rata to the Orchid warrant holders. Each Resulting Issuer Warrant will entitle the warrant holder to purchase one Resulting Issuer Share at a price of \$0.33 per Resulting Issuer Share for a period of 12 months from the date of listing on the CSE.

In addition, existing members of CRC who hold units will have the right to exchange such Units ("Exchangeable Units") for Resulting Issuer Shares at any time until the date that is four years from the Closing. It is currently expected that an aggregate of 62,142,857 Resulting Issuer Shares will be issued in connection with the exchange of Exchangeable Units. A voting trust ("Voting Trust") will be established on Closing, pursuant to which the trustees of such Voting Trust will be issued a special voting share ("Special Voting Share") entitling them to vote a total of 62,142,857 Resulting Issuer Shares, which represents the total number of Resulting Issuer Shares to be issued by the Resulting Issuer in exchange for the Exchangeable Units. As Exchangeable Units are exchanged for Resulting Issuer Shares, the voting rights attaching to the Special Voting Share will be cancelled proportionately to the number of Resulting Issuer Shares being issued. As a result, and at the end of the four-year period allowed for exchanges, the Special Voting Share will be cancelled.

The Resulting Issuer Shares issued in connection with the Acquisition (including the Resulting Issuer Shares issued in exchange for Exchangeable Units, if applicable) will be subject to escrow conditions and/or resale restrictions as required by applicable securities laws and the policies of the CSE. Earny has agreed to undertake a non-brokered private placement offering (the "Concurrent Offering") of 15,151,515 shares at a price of \$0.33 per common share for gross proceeds of \$5,000,000. The shares issued pursuant to the Concurrent Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws. The net proceeds will be used to pay transaction costs and for working capital of the Resulting Issuer. Completion of the Acquisition is subject to a number of conditions, including, but not limited to, completion of the Concurrent Offering, approval of the Exchange, and shareholder approval if required pursuant to policies of the Exchange, securities regulatory or corporate law requirements. There can be no assurance that the Acquisition will be completed as proposed or at all. Trading of the common shares of the Company has been halted and will remain halted in accordance with Exchange policies until all required documentation with respect to the Acquisition has been received and the Exchange and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

A finder's fee of 2,000,000 Resulting Issuer Shares will be paid to an arm's length third party upon the successful completion of the Acquisition.

(b) Issuance of Class C Equity Units

The Company issued 503,457 units of its Class C Equity to various employees, consultants, and professional service providers for proceeds of \$503.

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
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(Expressed in US dollars)

18. SUBSEQUENT EVENTS (continued)

(c) Convertible Promissory Note

The Company issued a second convertible promissory note for \$2,199,490. The convertible promissory note bears a simple interest rate of 5% per annum. All outstanding principal, together with accrued and unpaid interest under the convertible note, shall automatically mandatorily convert into 770,188 Units in accordance with the same terms as the aforementioned convertible note, as disclosed in Note 17.



**CR COMPANIES, LLC
(DBA "ORCHID ESSENTIALS")**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM FEBRUARY 1, 2017 (DATE OF INCORPORATION) TO MAY 31, 2017
AND FOR THE YEAR ENDED MAY 31, 2018**



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of CR Companies, LLC:

We have audited the accompanying consolidated financial statements of CR Companies, LLC, which comprise the consolidated statements of financial position as at May 31, 2017 and 2018 and the consolidated statements of comprehensive loss, changes in members' equity (deficiency), and cash flows for the period from February 1, 2017 (date of incorporation) to May 31, 2017 and for the year ended May 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of CR Companies, LLC as at May 31, 2017 and 2018, and its financial performance and its cash flows for the period from February 1, 2017 (date of incorporation) to May 31, 2017 and for the year ended May 31, 2018, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about CR Companies, LLC's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 22, 2018

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

CR COMPANIES, LLC (DBA "ORCHID ESSENTIALS")
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US dollars)

	Note	May 31, 2018	May 31, 2017
Current assets			
Cash		\$ 73,409	\$ 701,408
Trade receivables		185,102	-
Prepays and deposits		-	56,941
Inventory	6	124,741	788
Total current assets		383,252	759,137
Non-current assets			
Equipment	7	46,896	30,101
Trademarks	8	9,622	-
		56,518	30,101
Total assets		\$ 439,770	\$ 789,238
Current liabilities			
Trade payables	5	\$ 392,454	\$ 56,691
Accrued liabilities		406,000	-
Wages payable	5	145,806	-
Loans payable	13	129,457	-
Total liabilities		1,073,717	56,691
Members' equity (deficiency)			
Members' capital	12	1,350,000	1,020,000
Deficit		(1,983,947)	(287,453)
Total members' equity (deficiency)		(633,947)	732,547
Total liabilities and members' equity (deficiency)		\$ 439,770	\$ 789,238

Note 1 - Nature of Operations and Going Concern

Note 14 - Commitment

Note 17 - Subsequent Events

On behalf of the Members on November 22, 2018

/s/ Corey Mangold

/s/ Rene Suarez

Ms. Corey Mangold, CEO

Mr. Rene Suarez, President

The accompanying notes are an integral part of these consolidated financial statements.

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in US dollars)

	Note	For the year ended May 31, 2018	For the period from February 1, 2017 (date of incorporation) to May 31, 2017
Sales		\$ 2,473,000	\$ -
Cost of goods sold	6	1,139,317	-
Gross profit		<u>1,333,683</u>	<u>-</u>
Operating expenses			
Administrative	9	67,262	9,209
Bad debt		152,519	-
Depreciation and amortization	7, 8	10,747	-
Legal and professional fees		624,345	2,640
Management fees	11	432,000	72,000
Product testing		24,501	-
Rent and utilities	5	40,213	3,165
Sales, marketing, and advertising	5, 10	357,903	111,089
Software and information technology		24,100	5,002
Shipping and packaging		16,380	391
Travel		72,888	10,413
Wages and benefits	11	1,048,116	73,544
Total operating expenses		<u>2,870,974</u>	<u>287,453</u>
Loss before other expenses		<u>(1,537,291)</u>	<u>(287,453)</u>
Other expenses			
Franchise taxes	3(h)	14,328	-
Interest expense		68,110	-
Inventory write-off	6	76,765	-
Total other expenses		<u>159,203</u>	<u>-</u>
Net loss and comprehensive loss for the year		<u>\$ (1,696,494)</u>	<u>\$ (287,453)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS’ EQUITY (DEFICIENCY)**

(Expressed in US dollars)

	Note	Members’ Capital	Members’ Contributions receivable	Deficit	Total
Balance at February 1, 2017 (date of incorporation)		\$ -	\$ -	\$ -	\$ -
Contributions	12	1,300,000	(280,000)	-	1,020,000
Net loss and comprehensive loss		-	-	(287,453)	(287,453)
Balance at May 31, 2017		1,300,000	(280,000)	(287,453)	732,547
Contributions	12	50,000	280,000	-	330,000
Net loss and comprehensive loss		-	-	(1,696,494)	(1,696,494)
Balance at May 31, 2018		<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ (1,983,947)</u>	<u>\$ (633,947)</u>

The accompanying notes are an integral part of these consolidated financial statements.

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US dollars)

	For the year ended May 31, 2018	For the period from February 1, 2017 (date of incorporation) to May 31, 2017
OPERATING ACTIVITIES		
Loss for the year	\$ (1,696,494)	\$ (287,453)
Adjustments for:		
Depreciation and amortization	10,747	-
Bad debt	152,519	-
Accrued interest	59,570	-
Changes in non-cash working capital items:		
Trade receivables	(337,621)	-
Prepays and deposits	56,941	(56,941)
Inventory	(123,953)	(788)
Trade payables and accrued liabilities	741,763	56,691
Wages payable	145,806	-
Cash used in operating activities	<u>(990,723)</u>	<u>(288,491)</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(27,438)	(30,101)
Trademark expenses	(9,725)	-
Cash used in investing activities	<u>(37,163)</u>	<u>(30,101)</u>
FINANCING ACTIVITIES		
Loan advances	69,887	-
Members' contributions	330,000	1,020,000
Cash provided by financing activities	<u>399,887</u>	<u>1,020,000</u>
Change in cash during the year	(627,999)	701,408
Cash at beginning of year	<u>701,408</u>	-
Cash, end of year	<u>\$ 73,409</u>	<u>\$ 701,408</u>

The accompanying notes are an integral part of these consolidated financial statements.

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM FEBRUARY 1, 2017 (DATE OF INCORPORATION) TO MAY 31, 2017

AND FOR THE YEAR ENDED MAY 31, 2018

(Expressed in US dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

CR Companies, LLC was organized in the State of California on November 9, 2017 for the purpose of reorganizing Orchid Brands, LLC (DBA “Orchid Essentials”), (the “Company” or “Orchid”). The Company is in the business of product development, branding, manufacturing and distribution of vape products containing cannabis.

Orchid was originally organized in the State of Delaware as Orchid Trading Co., LLC on February 1, 2017. The Company filed that certain Certificate of Amendment with the Secretary of State of Delaware on December 21, 2017, to amend its Certificate of Formation originally filed with the Secretary of State of Delaware on February 1, 2017 to amend its name from Orchid Trading Co., LLC to Orchid Brands, LLC.

CR Products, LLC was organized in the State of California on November 9, 2017, also for the purpose of reorganizing Orchid.

On January 1, 2018, a reorganization was performed resulting in CR Companies, LLC becoming the parent company and Orchid Brands, LLC and CR Products, LLC becoming its wholly-owned subsidiaries. Since the entities were under common control, they have been accounted for as a business combination between entities under common control and treated similar to a pooling of interest transaction.

On June 15, 2018, the Company entered into a Letter of Intent with Earny Resources Ltd. (“Earny”) pursuant to which the Company is proposing to complete a business combination with Earny by way of share exchange, merger, amalgamation, arrangement or similar form of transaction (the “Proposed Transaction”), whereby the members of Orchid will become shareholders of the combined entity (the “Resulting Issuer”). Earny is listed on the TSX Venture Exchange (“TSX-V”). Earny’s principal business activity is the identification and evaluation of companies, assets or businesses with a view to completing a business combination.

Upon completion of the Proposed Transaction the Resulting Issuer will continue to carry on the business of Orchid as currently constituted, under the new name “Orchid Essentials” or such other name as may be approved by the board of directors of the Resulting Issuer. The Proposed Transaction is an arm’s length transaction and will constitute a reverse takeover of Earny by Orchid pursuant to policies of the TSX-V. In connection with the Proposed Transaction, the Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the “CSE”).

To date, the Company has incurred losses and further losses are anticipated as the Company further develops its business. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing. There can be no assurance that the Company will be successful in its efforts to raise additional financing or if financing is available that it will be on terms that are acceptable to the Company. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

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2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s board of directors approved the release of these consolidated financial statements on November 22, 2018.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 3. The financial statements are presented in US dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company is the US dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements unless otherwise indicated.

The Company’s functional currency is the United States dollar. The reporting currency is the United States dollar.

(a) Basis of Consolidation

These financial statements have been prepared on a consolidated basis and include the accounts of the Company and the following subsidiaries:

Entity	Registered	Holding
Orchid Brands, LLC	Nevada, USA	100% owned
CR Products, LLC	California, USA	100% owned

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Inventory

Inventory consists of finished goods and consumables. The Company periodically reviews its consumables for obsolete and potentially impaired items. The Company values finished goods at the lower of average cost, which is net of vendor rebates, and net realizable value. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less any estimated selling costs. Cost of inventory includes expenditures in acquiring the inventories, production costs and other cost incurred in bringing them to their existing location.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

The Company derives revenue primarily from sale of finished goods (vape products) and consumables, and is recognized when the risks and rewards of ownership have transferred to the buyer, which normally occurs at delivery. Revenue is recognized only to the extent that the amount of revenue can be measured reliably and collection is reasonably assured.

(d) Cost of sales

Cost of sales includes manufacturing costs and other costs incurred in bringing inventory to its present condition and location.

(e) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The useful lives applicable to each category of equipment is as follows:

Class	Useful Lives
Computers	3 years
Equipment	10 years
Furniture	7 years

(f) Trademarks

Trademarks are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of trademarks represents the initial cost of direct registration and legal fees incurred by the Company. Amortization is calculated using the straight-line method to write off the cost of the trademarks over the term of the exclusive right to use the trademark. The useful life for the trademarks is five years.

(g) Financial instruments

Financial assets and liabilities are classified into one of five categories: fair value through profit and loss (“FVTPL”), held-to-maturity, loans and receivables, available-for-sale (“AFS”) financial assets or financial liabilities at amortized cost. All financial instruments, including derivatives, are measured at the statement of financial position date at fair value except for loans and receivables, held-to-maturity investments and financial liabilities, which are measured at amortized cost. The Company has made the following classifications:

- Cash and trade receivables are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- Trade payables, wages payable, and loans payable are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Taxes

The Company is a limited liability company taxed as a partnership in which all elements of income and deductions are passed through and included in the tax returns of the members of the Company. Therefore, no income tax provision is recorded by the Company. Limited liability company taxes and franchise taxes imposed by state law are expensed in the period incurred. The Company expensed \$14,328 in state franchise tax for the year ended May 31, 2018.

(i) Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

For assets that generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit (‘CGU’) to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(j) Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or exploration and evaluation properties, with the offsetting credit to contributed surplus. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in contributed surplus are transferred to share capital.

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In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in contributed surplus.

(k) Earnings (Loss) per Unit

Basic earnings (loss) per unit is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding units for the period (denominator). In computing diluted earnings per unit, an adjustment is made for the dilutive effect of outstanding unit options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of units under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per unit are the same. When diluted earnings per unit is calculated, only those unit options and other convertible instruments with exercise prices below the average trading price of the Company’s units for the period will be dilutive.

(l) New Standards, Interpretations and Amendments Issued But Not Yet Effective

(i) IFRS 9, “Financial Instruments: Recognition and Measurement” replaces the requirements of IAS39, “Financial Instruments: Recognition and Measurement”. This final version of IFRS 9 brings together the classification and measurements as well as impairment and hedge accounting phases of the project to replace IAS 39. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. These changes are applicable for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the future impact of this new standard on its financial statements.

(ii) IFRS 15, “Revenue from contracts with customers” replaces the requirements of IAS 11, “Construction Contracts”, and IAS 18, “Revenue and related interpretations”. This standard specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. These changes are applicable for annual periods beginning on or after January 1, 2017, with earlier application permitted. The standard is effective for the Company’s fiscal year beginning October 1, 2017. The Company does not expect this standard to have an effect on its financial statements.

(iii) IFRS 16 “Leases” replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, the Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below:

Use of Estimates

(a) Inventory Valuation

The Company records a write-down to reflect management’s best estimate of the net realizable value of inventory which includes assumptions and estimates for future sell-through of units, selling prices as well as disposal costs, where appropriate, based on historical experience. Management continually reviews the carrying value of its inventory, to assess whether the write-down is adequate, based on current economic conditions and an assessment of sales trends.

(b) Stock-based Compensation

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

(c) Equipment

The Company calculates depreciation using an estimate of the useful life of equipment.

Use of Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements applying to the Company’s financial statements include the assessment of the Company’s going concern.

5. RELATED PARTY TRANSACTIONS

During the year ended May 31, 2018 the Company incurred:

- (a) \$38,919 (2017 - \$3,075) in rent expense to Verdict Vapors, LLC, an entity related by a common director and officer.
- (b) \$165,458 (2017 - \$21,621) in marketing expense to Gigasavvy, an entity related by a common director and officer.
- (c) See note 11.

As of May 31, 2018, the Company prepaid \$12,336 (2017 - \$nil), which is netted against accounts payable, to a credit card of an entity related by a common director and office for the purpose of anticipated inventory purchases, which were made subsequent to May 31, 2018.

A total amount of \$174,306 (2017 - \$nil) was recorded as due to related parties as at May 31, 2018 to directors and officers of the Company. Of this amount, \$142,806 was included in the wages payable balance and \$31,500 (2017 - \$33,750) was included in the trade payables balance.

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6. INVENTORY

Inventory consists of vape products and cannabidiol (“CBD”) soft gel tablets purchased from third-party manufacturers. As at May 31, 2018, the Company held finished goods of \$129,902 (2017 - \$788).

Inventory expensed in net loss and included in cost of sales for the year ended May 31, 2018 was \$1,134,156 (2017 - \$nil). The inventory obsolescence amount recognized in the statement of comprehensive loss as inventory write-off was \$76,765 (2017 - \$nil).

7. EQUIPMENT

	Computers	Equipment	Furniture	Total
<u>Cost</u>				
Balance, February 1, 2017	\$ -	\$ -	\$ -	\$ -
Additions	21,672	7,300	1,198	30,170
Balance, May 31, 2017	21,672	7,300	1,198	30,170
Additions	-	25,169	2,269	27,438
Balance, May 31, 2018	\$ 21,672	\$ 32,469	\$ 3,467	\$ 57,608
<u>Accumulated Amortization</u>				
Balance, May 31, 2017	\$ 69	\$ -	\$ -	\$ 69
Amortization	7,155	2,992	496	10,643
Balance, May 31, 2018	\$ 7,224	\$ 2,992	\$ 496	\$ 10,712
<u>Net Book Value</u>				
As at May 31, 2017	\$ 21,603	\$ 7,300	\$ 1,198	\$ 30,101
As at May 31, 2018	\$ 14,448	\$ 29,477	\$ 2,971	\$ 46,896

8. TRADEMARKS

During the year ended May 31, 2018, the Company incurred \$9,726 in direct registration costs of its trademarks and recorded amortization of \$104 resulting in a net balance of trademarks at May 31, 2018 in the amount of \$9,622.

9. ADMINISTRATIVE

	2018	2017
Meals and entertainment	\$ 17,087	\$ 815
Office and general	30,044	6,688
Payroll administrative fees	20,131	1,706
	\$ 67,262	\$ 9,209

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10. SALES, MARKETING, AND ADVERTISING

	2018	2017
Account management	\$ 25,651	\$ 12,621
Advertising	36,032	25,669
Brand and design	56,304	50,784
Digital	4,596	-
Events	15,277	-
Molds and dies	4,696	6,000
Printing	21,434	2,468
Promotions and samples	104,719	-
Search	3,976	3,600
Social	49,500	5,400
Strategy	15,300	-
Traditional marketing	5,496	-
Web and software	14,922	4,548
	\$ 357,903	\$ 111,089

11. EXECUTIVE AND EMPLOYEE COMPENSATION

Key Management Compensation:

	2018	2017
Management fees	\$ 432,000	\$ 72,000
Employee salaries and benefits	1,048,116	73,544
	\$ 1,480,116	\$ 145,544

Management fees were charged by the Company’s founders, Corey Mangold and Rene Suarez. A total of \$446,492 was charged by other officers of the Company and included in the employee salaries and benefits amount.

12. MEMBERS’ EQUITY

The Members’ Equity consists of Class A Units, Class B Units, and Class C Units, which were initially authorized in Orchid Brands, LLC and transferred into CR Companies, LLC as part of the reorganization on January 1, 2018.

(a) Authorized

Class A Units

The Company has authorized 9,000,000 Class A Units for the purpose of issuing equity to founders.

Class B Units

The Company has authorized 5,000,000 Class B Units of its equity for the purpose of issuing equity to investors.

Class C Units

The Company has authorized 1,000,000 Class C Units of its equity for the purpose of issuing equity to incentivize its Members, Managers, officers, employees, consultants or other service providers of the Company.

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12. MEMBERS’ EQUITY (continued)

(b) Issued and Outstanding

Class A Units

On incorporation, the Company issued 1,250,000 Class A units to each of the founding members, Mr. Corey Mangold and Mr. Rene Suarez for a nominal value. On March 15, 2017 Mr. Mangold transferred 861,193 Class A units to Mangold Holdings, LLC and 388,807 Class A units to Bean Factory, LLC. As of May 31, 2017, the Company had issued and outstanding, a total of 2,500,000 Class A units.

On January 1, 2018, Mangold Holdings, LLC and Mr. Suarez each entered into a Forfeiture, Transfer, and Assignment Agreement, whereby Mangold Holdings, LLC and Mr. Suarez each forfeited 232,690 units of their Class A units. As of May 31, 2018, the Company had issued and outstanding, a total of 2,034,620 Class A units.

Class B Units

During the year ended May 31, 2017, the Company issued 1,300,000 units of its Class B Units of members’ equity for cash in the amount of \$1,300,000. A total amount of \$280,000 was recorded as members’ contributions receivable in connection with these units issued.

During the year ended May 31, 2018, the Company issued 50,000 units of its Class B Units of members’ equity for cash in the amount of \$50,000. The Company also received \$280,000 in members’ contributions for 280,000 units of its Class B Units, which were issued prior to May 31, 2017. As of May 31, 2018, the Company has received a total of \$1,350,000 for its Class B Units of members’ equity.

Class C Units

As of May 31, 2018, the Company has not issued any units of its Class C Units of members’ equity.

13. LOANS PAYABLE

On December 1, 2017, the Company received financing under an unsecured promissory note payable in the amount of \$100,000 bearing interest at a rate of 10% simple interest per 90-day term. The balance of the note including interest payable and late fees was due and payable on March 1, 2018. As of the May 31, 2018, there is a total balance of \$27,917 payable.

On February 1, 2018, the Company received financing under an unsecured promissory note payable in the amount of \$100,000 bearing interest at a rate of 10% simple interest per 90-day term. The balance of the note including interest payable and late fees was due and payable on May 2, 2018. As of the May 31, 2018, there is a total balance of \$101,540 payable, which included accrued interest of \$1,540.

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14. COMMITMENT

The Company has entered into the following agreements:

The commercial premises from which the Company carries out its operations are leased from multiple groups, one of which is a related party (see note 5). Two of these lease agreements were entered into subsequent to year end. These lease agreements are classified as operating leases since there is no transfer of risks and rewards inherent to ownership. The minimum rent payable under the leases are as follows:

	Total
Within one year	\$ 320,859
Between one and five years	1,196,928
After five years	-
	\$ 1,517,787

15. FINANCIAL INSTRUMENTS

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the prior year. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign exchange risk and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company’s financial instruments that are exposed to concentrations of credit risk are primarily cash and trade receivables. The Company limits its exposure to credit risk with respect to cash by investing available cash with major banks in the United States of America. Management’s assessment of the Company’s exposure to credit risk is low.

The Company’s cash is not subject to any external restrictions.

Liquidity Risk

As of May 31, 2018, the Company had a cash balance of \$73,409 available to settle current liabilities of \$667,717. The Company expects to finance its inventory purchases and administrative expenditures through cash flows from operations, debt, as well as equity financing. Liquidity risk is assessed as high.

The following table identifies the undiscounted contractual maturities of the Company’s financial liabilities as at May 31, 2018:

	Within one year	After one but not more than five years	After five years	Total
Trade payables	\$ 392,454	\$ -	\$ -	\$ 392,454
Wages payable	145,806	-	-	145,806
Loans payable	129,457	-	-	129,457
	\$ 667,717	\$ -	\$ -	\$ 667,717

15. FINANCIAL INSTRUMENTS (continued)

Market Risk

The Company is exposed to market risk with respect to foreign currency risk.

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As of May 31, 2018, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant. Management’s assessment of the Company’s exposure to market risk is low.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to interest rate risk is minimal.

Fair Values

At May 31, 2018, the Company’s financial assets and liabilities approximate fair value due to their short-term to maturity or because they bear interest at market rates.

16. CAPITAL MANAGEMENT

As at May 31, 2018, the Company’s capital is composed of interest bearing debt and members’ equity. The Company’s primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of the issued members’ equity units. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and short-term debt. There can be no assurances that the Company will be able to continue raising equity capital and short-term debt in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company’s approach to capital management during the year ended May 31, 2018.

17. SUBSEQUENT EVENTS

a) Convertible Promissory Notes

The Company issued two convertible promissory notes (the “Notes”) for \$405,774 and \$2,199,490. Both Notes bear a simple interest rate of 5% per annum. All outstanding principal, together with accrued and unpaid interest under these Notes, shall automatically mandatorily convert into 1,692,744 units and 770,188 units, respectively, of the Company (“Units”), in such class or classes as the Company shall determine in good faith (with such rights, preferences and privileges of any such class or classes of units as the Company shall define at the time of such conversion by amending and restating the Company’s Operating Agreement immediately prior to the reclassification and reorganization of the Company prior to the proposed reverse triangular merger or other transaction (“Transaction”) by and among the Company, CR International Inc. (“CRI”) and Earny. CRI and Earny entered into a Letter of Intent, dated as of June 15, 2018, pursuant to which CRI shall become the wholly owned subsidiary of Earny, and Earny shares shall be traded publicly on the Canadian Stock Exchange (“CSE”).

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM FEBRUARY 1, 2017 (DATE OF INCORPORATION) TO MAY 31, 2017
AND FOR THE YEAR ENDED MAY 31, 2018
(Expressed in US dollars)

17. SUBSEQUENT EVENTS (continued)

b) Definitive Agreement

The Company entered into a securities exchange agreement dated September 12, 2018 (the “Definitive Agreement”) with CR International, Inc. (“CRI”) and Earny. Pursuant to the terms of the Definitive Agreement, the parties will complete a business combination pursuant to a plan of share exchange under Nevada corporate law in which Earny will acquire all of the issued and outstanding securities of CRI (the “Acquisition”) and CRI will become a wholly-owned subsidiary of the Company. Additionally, in furtherance of the Acquisition, CRI will become the sole voting member and managing member of CR Companies, LLC (“CRC”), and, eventually, the sole owner of CRC.

Upon completion of the Acquisition (the “Closing”) Earny will continue to carry on the business of Orchid as currently constituted, under the new name “Orchid Ventures, Inc.” or such other name as may be approved by the board of directors (the “Resulting Issuer”). The Acquisition is an arm’s length transaction and constitutes a reverse takeover of Earny by Orchid, pursuant to the policies of the TSX-V. In connection with the Acquisition, the Resulting Issuer will voluntarily delist from the TSX-V and will apply to list its common shares on the Canadian Securities Exchange (the “CSE” and together with the TSX-V, the “Exchange”).

Pursuant to the terms of the Definitive Agreement, the existing security holders of CRI will receive common shares of the Resulting Issuer (“Resulting Issuer Shares”) in exchange for their common shares of CRI. It is currently expected that an aggregate of 38,285,852 Resulting Issuer Shares will be issued pro rata to the shareholders of CRI as consideration for 100% of the issued and outstanding common shares of CRI. The Resulting Issuer Shares are being issued at a deemed value of \$0.33 per Resulting Issuer Share.

Each CRI warrant issued and outstanding will be exchanged for one common share purchase warrant of the Resulting Issuer (“Resulting Issuer Warrants”). It is currently expected that an aggregate of 479,200 Resulting Issuer Warrants will be issued pro rata to the Orchid warrant holders. Each Resulting Issuer Warrant will entitle the warrant holder to purchase one Resulting Issuer Share at a price of \$0.33 per Resulting Issuer Share for a period of 12 months from the date of listing on the CSE.

In addition, existing members of CRC who hold units will have the right to exchange such Units (“Exchangeable Units”) for Resulting Issuer Shares at any time until the date that is four years from the Closing. It is currently expected that an aggregate of 62,142,857 Resulting Issuer Shares will be issued in connection with the exchange of Exchangeable Units. A voting trust (“Voting Trust”) will be established on Closing, pursuant to which the trustees of such Voting Trust will be issued a special voting share (“Special Voting Share”) entitling them to vote a total of 62,142,857 Resulting Issuer Shares, which represents the total number of Resulting Issuer Shares to be issued by the Resulting Issuer in exchange for the Exchangeable Units. As Exchangeable Units are exchanged for Resulting Issuer Shares, the voting rights attaching to the Special Voting Share will be cancelled proportionately to the number of Resulting Issuer Shares being issued. As a result, and at the end of the four-year period allowed for exchanges, the Special Voting Share will be cancelled.

CR COMPANIES, LLC (DBA “ORCHID ESSENTIALS”)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM FEBRUARY 1, 2017 (DATE OF INCORPORATION) TO MAY 31, 2017
AND FOR THE YEAR ENDED MAY 31, 2018
(Expressed in US dollars)

17. SUBSEQUENT EVENTS (continued)

b) Definitive Agreement (continued)

The Resulting Issuer Shares issued in connection with the Acquisition (including the Resulting Issuer Shares issued in exchange for Exchangeable Units, if applicable) will be subject to escrow conditions and/or resale restrictions as required by applicable securities laws and the policies of the CSE. Earny has agreed to undertake a non-brokered private placement offering (the “Concurrent Offering”) of 15,151,515 shares at a price of \$0.33 per common share for gross proceeds of \$5,000,000. The shares issued pursuant to the Concurrent Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws. The net proceeds will be used to pay transaction costs and for working capital of the Resulting Issuer. Completion of the Acquisition is subject to a number of conditions, including, but not limited to, completion of the Concurrent Offering, approval of the Exchange, and shareholder approval if required pursuant to policies of the Exchange, securities regulatory or corporate law requirements. There can be no assurance that the Acquisition will be completed as proposed or at all. Trading of the common shares of the Company has been halted and will remain halted in accordance with Exchange policies until all required documentation with respect to the Acquisition has been received and the Exchange and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

A finder’s fee of 2,000,000 Resulting Issuer Shares will be paid to an arm’s length third party upon the successful completion of the Acquisition.

c) Issuance of Class C Equity Units

The Company issued 503,457 units of its Class C Equity to various employees, consultants, and professional service providers for \$503 in proceeds.

d) Formation of subsidiaries

The Company formed the following wholly-owned subsidiaries:

Entity Name	Registered	Date of Formation	Holding
CR Manufacturing OR, Inc.	Oregon	June 12, 2018	100%
CR Property Management, LLC	Nevada	July 31, 2018	100%

SCHEDULE “D” – ORCHID MANAGEMENT’S DISCUSSION & ANALYSIS

[Please see attached]



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED AUGUST 31, 2018

The following Management's Discussion and Analysis ("MD&A") of CR Companies, LLC (DBA "Orchid Essentials"), (the "Company" or "Orchid"), is for the three-month period ended August 31, 2018 and covers information up to the date of this MD&A. For more information on the Company visit its website at www.orchidessentials.com.

This MD&A is dated January 18, 2019.

This MD&A should be read in conjunction with the Company's interim consolidated financial statements and the notes thereto for the three-month period ended August 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- (a) the regulation of the recreational cannabis industry in the State of Oregon;
- (b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- (c) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to regulations applicable to the production and sale of marijuana; and other factors beyond the Company's control.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED AUGUST 31, 2018

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

OVERVIEW AND OUTLOOK

CR Companies, LLC was organized in the State of California on November 9, 2017 for the purpose of reorganizing Orchid. The Company is in the business of product development, branding, manufacturing and distribution of vape products containing cannabis. The Company's head office is located at 17865 Sky Park Cir. Ste. H, Irvine, California 92614

Orchid was originally organized in the State of Delaware as Orchid Trading Co., LLC on February 1, 2017. The Company filed that certain Certificate of Amendment with the Secretary of State of Delaware on December 21, 2017, to amend its Certificate of Formation originally filed with the Secretary of State of Delaware on February 1, 2017 to amend its name from Orchid Trading Co., LLC to Orchid Brands, LLC.

CR Products, LLC was organized in the State of California on November 9, 2017, also for the purpose of reorganizing Orchid.

On January 1, 2018, a reorganization was performed resulting in CR Companies, LLC becoming the parent company and Orchid Brands, LLC and CR Products, LLC becoming its wholly-owned subsidiaries. Since the entities were under common control, they have been accounted for as a business combination between entities under common control and treated similar to a pooling of interest transaction.

On June 15, 2018, the Company entered into a Letter of Intent with Earny Resources Ltd. ("Earny") pursuant to which the Company is proposing to complete a business combination with Earny by way of share exchange, merger, amalgamation, arrangement or similar form of transaction (the "Proposed Transaction"), whereby the members of Orchid will become shareholders of the combined entity (the "Resulting Issuer"). Earny Resources Ltd. is listed on the TSX Venture Exchange ("TSX-V"). Earny's principal business activity is the identification and evaluation of companies, assets or businesses with a view to completing a business combination.

Upon completion of the Proposed Transaction the Resulting Issuer will continue to carry on the business of Orchid as currently constituted, under the new name "Orchid Essentials" or such other name as may be approved by the board of directors of the Resulting Issuer. The Proposed Transaction is an arm's length transaction and will constitute a reverse takeover of Earny by Orchid pursuant to policies of the TSX-V. In connection with the Proposed Transaction, the Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the "CSE").



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED AUGUST 31, 2018**

RESULTS OF OPERATIONS

For the period ended August 31, 2018, the Company reported a net loss of \$150,410 against revenues of \$934,212 compared to a net loss of \$502,965 against revenues of \$172,099 for the period ended August 31, 2017.

Sales increased quarter over quarter from \$172,099 in 2017 to \$934,212 in 2018. These sales were from the selling of its vaporizer products.

Gross profit for the period ended August 31, 2018 was \$672,788 (72% of revenues) compared to \$68,580 for the period ended August 31, 2017 (40% of revenues). In addition, the Company has written down a portion of its older inventory that was purchased in 2018. The Company recorded a write down of \$14,265 (2017: \$9,693) for product that has been deemed to be slow moving or obsolete of which was recorded in consolidated statement of comprehensive loss.

Total operational expenses were \$820,085 during the period ended August 31, 2018 compared to \$571,545 for the period ended August 31, 2017.

The Company's focused expansion in the Oregon cannabis market required significant expenditures in compensation costs and legal and professional fees. This is reflected in the increased wages and benefits to \$358,008 (2017: \$244,399). Legal and professional fees increased to \$184,433 (2017: \$17,765) as a result of the Proposed Transaction and additional support required to navigate the regulatory environment in and Oregon.

Other factors in the reported income for the period ended August 31, 2018 include expenses related to ongoing marketing initiatives in the amount of \$50,621 (2017: \$124,233). These expenses are for ongoing marketing initiatives for existing and new product markets and brand awareness.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED AUGUST 31, 2018**

SELECTED ANNUAL INFORMATION

	Year ended May 31 2018	Period ended May 31 2017
Revenues	\$ 2,473,000	\$ -
Cost of goods sold	\$ 1,139,317	\$ -
Gross profit	\$ 1,333,683	\$ -
Expenses including non-cash items	\$ 2,870,974	\$ -
Net loss for the year	\$ (1,696,494)	\$ (287,453)
Number of units outstanding	3,384,620	3,800,000
Loss per unit	\$ (0.47)	\$ (0.08)
Cash	\$ 73,409	\$ 701,408
Working capital	\$ (690,465)	\$ 702,446
Total assets	\$ 439,770	\$ 789,238
Members' equity (deficiency)	\$ (633,947)	\$ 732,547
Long-term financial liabilities	\$ 0.00	\$ 0.00
Dividends paid per share	\$ 0.00	\$ 0.00

SUMMARY OF QUARTERLY RESULTS

	Three months ended August 31, 2018	Three months ended May 31, 2018	Three months ended February 28, 2018	Three months ended November 30, 2017
Revenues	\$ 934,212	\$ 963,213	\$ 675,976	\$ 661,712
Cost of goods sold	\$ 261,424	\$ 392,034	\$ 291,711	\$ 352,053
Gross profit	\$ 672,788	\$ 571,179	\$ 378,265	\$ 309,660
Net expenses including non-cash items	\$ 820,085	\$ 1,017,254	\$ 653,519	\$ 534,597
Loss for the quarter	\$ (150,410)	\$ (693,338)	\$ (275,254)	\$ (224,937)
Basic and diluted loss per unit	\$ (0.04)	\$ (0.20)	\$ (0.03)	\$ (0.06)
Units outstanding	3,384,620	3,384,620	3,384,620	3,850,000

	Three months ended August 31, 2017	Three months ended May 31, 2017	Period ended February 28, 2017
Revenues	\$ 172,099	\$ -	\$ -
Cost of goods sold	\$ 103,519	\$ -	\$ -
Gross profit (loss)	\$ 68,580	\$ -	\$ -
Net expenses including non-cash items	\$ 571,545	\$ 287,453	\$ -
Loss for the quarter	\$ (502,965)	\$ (287,453)	\$ -
Basic and diluted loss per unit	\$ (0.13)	\$ (0.08)	\$ (0.00)
Units outstanding	3,850,000	3,800,000	2,500,000



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

The significant increase in activity in fiscal 2019 and 2018 is a result of the Company ramping up operations in the Oregon cannabis market. The management team continues to seek ways to create shareholder value. During the last four quarters, the Company has increased gross profit to 72% of sales. Expenses increased with each quarter in conjunction with operational needs.

LIQUIDITY AND CAPITAL RESOURCES

The net assets of the Company decreased from a deficiency of \$633,908 at May 31, 2018 to a deficiency of \$784,318 at August 31, 2018, a decrease of \$150,410. At August 31, 2018, the Company had cash on deposit in the amount of \$123,332, trade receivables of \$303,676, prepaids and deposits of \$100,000, and inventory of \$798,688, compared to cash on deposit in the amount of \$73,409, trade receivables of \$185,102, prepaids and deposits of \$nil, and inventory of \$124,741 at May 31, 2018. The most significant liabilities at August 31, 2018 were trade payables of \$1,323,769 (May 31, 2018: \$392,415).

The decrease in the net assets of the Company is a result of the Company increasing its activity pursuant to the expansion of their Oregon operations which required hiring additional employees, resulted in an increase in overhead, and the need to purchase supplies and inventory without terms.

On December 1, 2017, the Company received financing under an unsecured promissory note payable in the amount of \$100,000 bearing interest at a rate of 10% simple interest per 90-day term.

On February 1, 2018, the Company received financing under an unsecured promissory note payable in the amount of \$100,000 bearing interest at a rate of 10% simple interest per 90-day term.

The Company paid the remaining balances of both loans payable during the three-month period ended August 31, 2018.

The Company issued a convertible promissory note ("Note") for \$405,774, bearing a simple interest rate of 5% per annum. All outstanding principal, together with accrued and unpaid interest under this Note, shall automatically mandatorily convert into 1,692,744 units of the Company ("Units"), in such class or classes as the Company shall determine in good faith with such rights, preferences and privileges of any such class or classes of units as the Company shall define at the time of such conversion by amending and restating the Company's Operating Agreement immediately prior to the reclassification and reorganization of the Company prior to the proposed reverse triangular merger.

The Company's primary source of revenue is from its vaporizer cannabis products. The Company can for the near term generate the necessary capital resources required to finance operations by way of the sales of its products and management will undertake to issue equity securities through the Proposed Transaction (see "*Overview and Outlook*"). Management takes all necessary precautions to minimize risks however additional risks could affect the future performance of the Company. Business risks are detailed in the "*Risks and Uncertainties*" section of this MD&A.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED AUGUST 31, 2018**

CONTRACTUAL OBLIGATIONS

The Company has entered into the following agreements:

The commercial premises from which the Company carries out its operations are leased from multiple groups, one of which is a related party. Two of these lease agreements were entered into subsequent to year end. These lease agreements are classified as operating leases since there is no transfer of risks and rewards inherent to ownership. The minimum rent payable under the leases are as follows:

	Total
Within one year	\$ 320,859
Between one and five years	1,196,928
After five years	-
	\$ 1,517,787

RELATED PARTY TRANSACTIONS

Key Management Compensation:

	For the 3-months ended August 31, 2018	For the 3-months ended August 31, 2017
Management fees	\$ 108,000	\$ 108,000
	\$ 108,000	\$ 108,000

Management fees were charged by the Company's founders, Corey Mangold and Rene Suarez.

As of August 31, 2018, the Company prepaid \$Nil (May 31, 2018 - \$12,336), which is netted against accounts payable, to a credit card of an entity related by a common director and office for the purpose of anticipated inventory purchases, which were made during the period ended August 31, 2018.

A total amount of \$137,715 (May 31, 2018 - \$174,306) was recorded as due to related parties as at August 31, 2018 to directors and officers of the Company. Of this amount, \$137,715 (May 31, 2018 - \$142,806) was included in the wages payable balance and \$nil (2017 - \$9,000) was included in the trade payables balance.

A total amount of \$383,972 (2017 - \$nil) is owed to CR International, Inc., a company with common officers and directors of the Company.

The deposit on property of \$75,000 is related to an inter-company transaction. in relation to convertible note.

These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED AUGUST 31, 2018**

PROPOSED TRANSACTIONS

See the "*Overview and Outlook*" section for a description of the Company's Proposed Transaction.

SUBSEQUENT EVENTS

(a) Issuance of Class C Equity Units

The Company issued 503,457 units of its Class C Equity to various employees, consultants, and professional service providers for \$503 in proceeds.

(b) Convertible Promissory Note

The Company issued a convertible promissory note (the "Note") for \$2,199,490. The Note bears a simple interest rate of 5% per annum. All outstanding principal, together with accrued and unpaid interest under the Note, shall automatically mandatorily convert into 770,188 units, respectively, of the Company ("Units"), in such class or classes as the Company shall determine in good faith (with such rights, preferences and privileges of any such class or classes of units as the Company shall define at the time of such conversion by amending and restating the Company's Operating Agreement immediately prior to the reclassification and reorganization of the Company prior to the Transaction by and among the Company, CRI and Earny. CRI and Earny entered into a Letter of Intent, dated as of June 15, 2018, pursuant to which CRI shall become the wholly owned subsidiary of Earny, and Earny shares shall be traded publicly on the CSE.

See the "*Overview and Outlook*" section for a description of the Company's Proposed Transaction.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below:

Use of Estimates

(a) Inventory Valuation

The Company records a write-down to reflect management's best estimate of the net realizable value of inventory which includes assumptions and estimates for future sell-through of units, selling prices as well as disposal costs, where appropriate, based on historical experience. Management continually reviews the carrying value of its inventory, to assess whether the write-down is adequate, based on current economic conditions and an assessment of sales trends.

(b) Stock-based Compensation

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED AUGUST 31, 2018**

(c) Equipment

The Company calculates depreciation using an estimate of the useful life of equipment.

Use of Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements applying to the Company's financial statements include the assessment of the Company's going concern.

FINANCIAL AND OTHER INSTRUMENTS

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the prior year. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign exchange risk and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and trade receivables. The Company limits its exposure to credit risk with respect to cash by investing available cash with major banks in the United States of America. Management's assessment of the Company's exposure to credit risk is low.

The Company's cash is not subject to any external restrictions.

Liquidity Risk

As of August 31, 2018, the Company had a cash balance of \$123,332 available to settle current liabilities of \$1,845,456. The Company expects to finance its inventory purchases and administrative expenditures through cash flows from operations, debt, as well as equity financing. Liquidity risk is assessed as high.

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at August 31, 2018:

	Within one year	After one but not more than five years	After five years	Total
Trade payables	\$ 1,323,769	\$ -	\$ -	\$ 1,323,769
Wages payable	137,715	-	-	137,715
Due to related party	383,972	-	-	383,972
	\$ 1,845,456	\$ -	\$ -	\$ 1,845,456

Market Risk

The Company is exposed to market risk with respect to foreign currency risk.

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As of August 31, 2018, the Company did not have any accounts in foreign currencies



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

and considers foreign currency risk insignificant. Management's assessment of the Company's exposure to market risk is low.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Fair Values

At August 31, 2018, the Company's financial assets and liabilities approximate fair value due to their short-term to maturity or because they bear interest at market rates.

CAPITAL MANAGEMENT

As at August 31, 2018, the Company's capital is composed of interest bearing debt and members' equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of the issued members' equity units. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and short-term debt. There can be no assurances that the Company will be able to continue raising equity capital and short-term debt in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the year ended August 31, 2018.

OTHER MD&A REQUIREMENTS

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this report, there were 2,034,620 Class A units, 1,350,000 Class B units, and 503,457 Class C units issued and outstanding.

RISKS AND UNCERTAINTIES

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

Regulation of Marijuana in the United States

Unlike in Canada which has proposed to have federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada), 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 29 States, plus the District of Columbia, that have legalized cannabis in some form.

Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, remains illegal under federal law in the United States.

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.

As a result of the conflicting views between State legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorney acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US States had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, the newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, on January 4, 2018, Mr. Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "**Sessions Memorandum**"). The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The inconsistency between federal and state laws and regulations is a major risk factor.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from Attorney General Jeff Sessions by referencing federal law enforcement priorities set by the Attorney General Jeff Sessions. If the Department of Justice policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of budget bills) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes.

Now that the Cole Memorandum has been repealed by Attorney General Jeff Session, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Proceeds of Crime Statutes

The Company will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the 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, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's license agreements, or any proceeds thereof, in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Regulatory Scrutiny of the Company's Interests in the United States

For the reasons set forth above, the Company's interests in the United States cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies 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 carry on its business in the United States.

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 cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift 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. CDS or its parent company has not issued any public statement in regard to these reports. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of holders of Common Shares to make trades. In particular,



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

the Common Shares would become highly illiquid as investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Our business is dependent on laws pertaining to the marijuana industry.

Continued development of the marijuana industry is dependent upon continued legislative authorization of the use and cultivation of marijuana at the State level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of marijuana, which would negatively impact our proposed business.

Currently, twenty-nine states and the District of Columbia allow its citizens to use medical marijuana. Additionally, nine states have legalized cannabis for adult use, including the State of Oregon. The state laws are in conflict with the federal CSA, which makes marijuana use and possession illegal on the federal level. The Obama administration, pursuant to the Cole Memorandum, previously effectively stated that it is not an efficient use of resources to direct law federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, the Sessions Memorandum under the Trump administration has reversed this position which creates a risk of prosecution by a number of federal agencies. Additionally, there can be no assurance as to the position any new administration may take on cannabis and could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders.

Marijuana remains illegal under Federal law

Marijuana is a Schedule I controlled substance and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Company's business, prospects, results of operation, and financial condition.

Unfavorable Tax Treatment of Cannabis Businesses

Under Section 280E of the U.S. Internal Revenue Code ("**Section 280E**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the IRS to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its income tax expenses.

State Regulatory Uncertainty

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. The Company's legal team will provide guidance in regards to any rulemaking processes and resulting regulatory changes. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under Oregon state law, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Company's business.

Restricted Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Limited Trademark Protection

The Company will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the State of Oregon by one or more other persons could have a material adverse effect on the value of such trademarks.

Potential FDA Regulation

Should the federal government legalize cannabis, it is possible that the U.S. Food and Drug Administration (the "FDA"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including certified good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results and financial condition.

Legality of Contracts

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

Nature of Licenses

Certain licenses, the rights to which are owned by or assigned to SAP, will be relied upon by the Company to operate its business. These licenses, which include two licenses for the manufacturing of medical and adult-use cannabis granted by the Department of Public Health, Manufactured Cannabis Safety Branch and two medical cannabis business local licenses granted by Cathedral City are temporary and their renewal is not guaranteed. The licenses granted by the Department of Public Health, Manufactured Cannabis Safety Branch are set to expire on April 30, 2018 and the licenses granted by Cathedral City are set to expire on May 18, 2018. Due to the temporary nature of the licenses, there is a risk that the Company will be unable to renew these licenses and to continue to rely on their terms to operate its business.

The Company has no operating history

The Company has no operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. For example, the adult use marijuana industry is a relatively new industry which, as a whole may not succeed, particularly should the federal government of the United States decide to prosecute various parties under federal law.

The Company's products

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company.

Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of The Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company Shares to the point investors may lose their entire investment.

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that The Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

Unfavourable Publicity or Consumer Perception

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational 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 recreational 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 the Company's proposed products and the business, results of operations, financial condition



**MANAGEMENT'S DISCUSSION AND ANALYSIS
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and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018

The following Management's Discussion and Analysis ("MD&A") of CR Companies, LLC (DBA "Orchid Essentials"), (the "Company" or "Orchid"), is for the year ended May 31, 2018 and covers information up to the date of this MD&A. For more information on the Company visit its website at www.orchidessentials.com.

This MD&A is dated November 22, 2018.

This MD&A should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the year ended May 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in US Dollars unless stated otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- (a) the regulation of the recreational cannabis industry in the State of California;
- (b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- (c) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to regulations applicable to the production and sale of marijuana; and other factors beyond the Company's control, as more particularly described under the heading "**Error! Reference source not found.**" below.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

OVERVIEW AND OUTLOOK

CR Companies, LLC was organized in the State of California on November 9, 2017 for the purpose of reorganizing Orchid. The Company is in the business of product development, branding, manufacturing and distribution of vape products containing cannabis. The Company's head office is located at 17865 Sky Park Cir. Ste. H, Irvine, California 92614

Orchid was originally organized in the State of Delaware as Orchid Trading Co., LLC on February 1, 2017. The Company filed that certain Certificate of Amendment with the Secretary of State of Delaware on December 21, 2017, to amend its Certificate of Formation originally filed with the Secretary of State of Delaware on February 1, 2017 to amend its name from Orchid Trading Co., LLC to Orchid Brands, LLC.

CR Products, LLC was organized in the State of California on November 9, 2017, also for the purpose of reorganizing Orchid.

On January 1, 2018, a reorganization was performed resulting in CR Companies, LLC becoming the parent company and Orchid Brands, LLC and CR Products, LLC becoming its wholly-owned subsidiaries. Since the entities were under common control, they have been accounted for as a business combination between entities under common control and treated similar to a pooling of interest transaction.

On June 15, 2018, the Company entered into a Letter of Intent with Earny Resources Ltd. ("Earny") pursuant to which the Company is proposing to complete a business combination with Earny by way of share exchange, merger, amalgamation, arrangement or similar form of transaction (the "Proposed Transaction"), whereby the members of Orchid will become shareholders of the combined entity (the "Resulting Issuer"). Earny Resources Ltd. is listed on the TSX Venture Exchange ("TSX-V"). Earny's principal business activity is the identification and evaluation of companies, assets or businesses with a view to completing a business combination.

Upon completion of the Proposed Transaction the Resulting Issuer will continue to carry on the business of Orchid as currently constituted, under the new name "Orchid Essentials" or such other name as may be approved by the board of directors of the Resulting Issuer. The Proposed Transaction is an arm's length transaction and will constitute a reverse takeover of Earny by Orchid pursuant to policies of the TSX-V. In connection with the Proposed Transaction, the Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the "CSE").



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

RESULTS OF OPERATIONS

For the year ended May 31, 2018, the Company reported a net loss of \$1,696,494 against revenues of \$2,473,000 compared to a net loss of \$287,453 against revenues of \$Nil for the period ended May 31, 2017.

The Company started generating sales during the year ended May 31, 2018. Sales increased from \$nil in 2017 to \$2,473,000 in 2018. These sales were from the selling of its vaporizer products.

Gross profit for the year ended May 31, 2018 was \$1,333,683 (54% of revenues) compared to \$Nil for the period ended May 31, 2017. In addition, the Company has written down a portion of its older inventory that was purchased in 2017. The Company recorded a write down of \$76,765 (2017: \$Nil) for product that has been deemed to be slow moving or obsolete of which was recorded in other expenses.

Total operational expenses were \$2,776,915 during the year ended May 31, 2018 compared to \$287,453 for the period ended May 31, 2017.

The Company's focused expansion in the Oregon cannabis market and preparation for launch in California required significant expenditures in compensation costs and legal and professional fees. This is reflected in the increased wages and benefits to \$1,048,116 (2017: \$73,544) and management fees to \$432,000 (2017: \$72,000). Legal and professional fees increased to \$624,345 (2017: \$2,640) as a result of the Proposed Transaction and additional support required to navigate the regulatory environment in California and Oregon.

Other factors in the reported income for the year ended May 31, 2018 include expenses related to ongoing marketing initiatives in the amount of \$357,903 (2017: \$111,089). These expenses are for ongoing marketing initiatives for existing and new product markets and brand awareness.

SELECTED ANNUAL INFORMATION

	Year ended May 31 2018	Period ended May 31 2017
Revenues	\$ 2,473,000	\$ -
Cost of goods sold	\$ 1,139,317	\$ -
Gross profit	\$ 1,333,683	\$ -
Expenses including non-cash items	\$ 2,936,118	\$ -
Net loss for the year	\$ (1,696,494)	\$ (287,453)
Number of units outstanding	3,384,620	3,800,000
Loss per unit	\$ (0.47)	\$ (0.08)
Cash	\$ 73,409	\$ 701,408
Working capital	\$ (690,465)	\$ 702,446
Total assets	\$ 439,770	\$ 789,238
Members' equity (deficiency)	\$ (633,947)	\$ 732,547
Long-term financial liabilities	\$ 0.00	\$ 0.00
Dividends paid per share	\$ 0.00	\$ 0.00



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

SUMMARY OF QUARTERLY RESULTS

	Three months ended May 31, 2018	Three months ended February 28, 2018	Three months ended November 30, 2017	Three months ended August 31, 2017
Revenues	\$ 963,213	\$ 675,976	\$ 661,712	\$ 172,099
Cost of goods sold	\$ 392,034	\$ 291,711	\$ 352,053	\$ 103,519
Gross profit (loss)	\$ 571,179	\$ 378,265	\$ 309,660	\$ 68,580
Net expenses including non-cash items	\$ 1,017,254	\$ 653,519	\$ 534,597	\$ 571,545
Loss for the quarter	\$ (693,338)	\$ (275,254)	\$ (224,937)	\$ (502,965)
Basic and diluted loss per unit	\$ (0.20)	\$ (0.03)	\$ (0.06)	\$ (0.13)
Units outstanding	3,384,620	3,384,620	3,850,000	3,850,000

	Three months ended May 31, 2017	Period ended February 28, 2017
Revenues	\$ -	\$ -
Cost of goods sold	\$ -	\$ -
Gross profit (loss)	\$ -	\$ -
Net expenses including non-cash items	\$ 287,453	\$ -
Loss for the quarter	\$ (287,453)	\$ -
Basic and diluted loss per unit	\$ (0.08)	\$ (0.00)
Units outstanding	3,800,000	2,500,000

The significant increase in activity in fiscal 2018 is a result of the Company ramping up operations with their entrance into the California cannabis market. The management team continues to seek ways to create shareholder value. During the last four quarters, the Company has increased sales to \$2,473,000. Expenses increased with each quarter in conjunction with operational needs.

LIQUIDITY AND CAPITAL RESOURCES

The net assets of the Company decreased from \$732,547 at May 31, 2017 to a negative balance of \$633,947 at May 31, 2018, a decrease of \$1,366,494. At May 31, 2018, the Company had cash on deposit in the amount of \$73,409, accounts receivable of \$279,161, prepaids and deposits of \$Nil, and inventory of \$124,741, compared to cash on deposit in the amount of \$701,408, accounts receivable of \$Nil, prepaids and deposits of \$56,941, and inventory of \$788 at May 31, 2017. The most significant liabilities at May 31, 2018 were trade payables and accrued liabilities of \$798,454 (May 31, 2017: \$56,691).

The decrease in the net assets of the Company is a result of the Company increasing its activity pursuant to the expansion of their California and Oregon operations which required hiring additional employees, resulted in an increase in overhead, and the need to purchase supplies and inventory without terms.

On December 1, 2017, the Company received financing under an unsecured promissory note payable in the amount of \$100,000 bearing interest at a rate of 10% simple interest per 90-day term. The balance of the note including interest payable and late fees was due and payable on March 1, 2018. As of the May 31, 2018, there is a total balance of \$27,917 payable.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

On February 1, 2018, the Company received financing under an unsecured promissory note payable in the amount of \$100,000 bearing interest at a rate of 10% simple interest per 90-day term. The balance of the note including interest payable and late fees was due and payable on May 2, 2018. As of the May 31, 2018, there is a total balance of \$101,540 payable, which included accrued interest of \$1,540.

During the year ended May 31, 2018, the Company issued 50,000 units of its Class B Units of members' equity for cash in the amount of \$50,000. The Company also received \$280,000 in members' contributions for 280,000 units of its Class B Units, which were issued prior to May 31, 2017. As of May 31, 2018, the Company has received a total of \$1,350,000 for its Class B Units of members' equity.

The Company's primary source of revenue is from its vaporizer cannabis products. The Company can for the near term generate the necessary capital resources required to finance operations by way of the sales of its products and management will undertake to issue equity securities through the Proposed Transaction (see "*Overview and Outlook*"). Management takes all necessary precautions to minimize risks however additional risks could affect the future performance of the Company. Business risks are detailed in the "*Risks and Uncertainties*" section of this MD&A.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The Company has entered into the following agreements:

The commercial premises from which the Company carries out its operations are leased from multiple groups, one of which is a related party (see note 5). Two of these lease agreements were entered into subsequent to year end. These lease agreements are classified as operating leases since there is no transfer of risks and rewards inherent to ownership. The minimum rent payable under the leases are as follows:

	Total
Within one year	\$ 320,859
Between one and five years	1,196,928
After five years	-
	\$ 1,517,787

RELATED PARTY TRANSACTIONS

	2018	2017
Management fees	\$ 432,000	\$ 72,000
Employee salaries and benefits	1,048,116	73,544
	\$ 1,480,116	\$ 145,544

Management fees were charged by the Company's founders, Corey Mangold and Rene Suarez. A total of \$446,492 was charged by other officers of the Company and included in the employee salaries and benefits amount.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

During the year ended May 31, 2018 the Company incurred:

- (a) \$38,919 (2017 - \$3,075) in rent expense to Verdict Vapors, LLC, an entity related by a common director and officer.
- (b) \$165,458 (2017 - \$21,621) in marketing expense to Gigasavvy, an entity related by a common director and officer.
- (c) See note 11.

As of May 31, 2018, the Company prepaid \$12,336, which is netted against accounts payable, to a credit card of an entity related by a common director and office for the purpose of anticipated inventory purchases, which were made subsequent to May 31, 2018.

A total amount of \$174,306 was recorded as due to related parties as at May 31, 2018 to directors and officers of the Company. Of this amount, \$142,806 was included in the wages payable balance and \$31,500 (2017 - \$33,750) was included in the trade payables balance.

These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

FOURTH QUARTER

For the quarter ended May 31, 2018, the Company reported a net loss of \$693,338 against revenues of \$963,213 compared to a net loss of \$287,453 against revenues of \$Nil for the quarter ended May 31, 2017.

Gross profit for the quarter ended May 31, 2018 was \$571,179 (60% of revenues) compared to \$Nil for the quarter ended May 31, 2017.

Total operational expenses were \$1,017,254 during the year ended May 31, 2018 compared to \$287,453 for the quarter ended May 31, 2017. The overall increase is consistent with expectations given the increase in operational activity during 2018.

PROPOSED TRANSACTIONS

See the "*Overview and Outlook*" section for a description of the Company's Proposed Transaction.

SUBSEQUENT EVENTS

- a) Convertible Promissory Notes

The Company issued two convertible promissory notes (the "Notes") for \$405,774 and \$2,199,490. Both Notes bear a simple interest rate of 5% per annum. All outstanding principal, together with accrued and unpaid interest under these Notes, shall automatically mandatorily convert into 1,692,744 units and 770,188 units, respectively, of the Company ("Units"), in such class or classes as the Company shall determine in good faith (with such rights, preferences and privileges of any such class or classes of units as the Company shall define at the time of such conversion by amending and restating the Company's Operating Agreement immediately prior to the reclassification and reorganization of the Company prior to the proposed reverse triangular merger or other transaction ("Transaction") by and among the Company, CR International Inc. ("CRI") and Earny. CRI and Earny entered into a Letter of Intent, dated as of June 15, 2018, pursuant to which CRI shall become the wholly owned subsidiary of Earny, and Earny shares shall be traded publicly on the Canadian Stock Exchange ("CSE").



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

b) Issuance of Class C Equity Units

The Company issued 503,457 units of its Class C Equity to various employees, consultants, and professional service providers for \$503 in proceeds.

c) Formation of subsidiaries

The Company formed the following wholly-owned subsidiaries:

Entity Name	Registered	Date of Formation	Holding
CR Manufacturing OR, Inc.	Oregon	June 12, 2018	100%
CR Property Management, LLC	Nevada	July 31, 2018	100%

See the "Overview and Outlook" section for a description of the Company's Proposed Transaction.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below:

Use of Estimates

(a) Inventory Valuation

The Company records a write-down to reflect management's best estimate of the net realizable value of inventory which includes assumptions and estimates for future sell-through of units, selling prices as well as disposal costs, where appropriate, based on historical experience. Management continually reviews the carrying value of its inventory, to assess whether the write-down is adequate, based on current economic conditions and an assessment of sales trends.

(b) Stock-based Compensation

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

(c) Equipment

The Company calculates depreciation using an estimate of the useful life of equipment.

Use of Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements applying to the Company's financial statements include the assessment of the Company's going concern.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2018**

FINANCIAL AND OTHER INSTRUMENTS

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the prior year. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign exchange risk and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash. The Company limits its exposure to credit risk with respect to cash by investing available cash with major banks in the United States of America.

The Company's cash is not subject to any external restrictions.

Liquidity Risk

As of May 31, 2018, the Company had a cash balance of \$73,409 available to settle current liabilities of \$667,717. The Company expects to finance its inventory purchases and administrative expenditures through cash flows from operations, debt, as well as equity financing. Liquidity risk is assessed as high.

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at May 31, 2018:

	Within one year	After one but not more than five years	After five years	Total
Trade payables	\$ 392,454	\$ -	\$ -	\$ 392,454
Wages payable	145,806	-	-	145,806
Loans payable	129,457	-	-	129,457
	\$ 667,717	\$ -	\$ -	\$ 667,717

Market Risk

The Company is exposed to market risk with respect to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities that are denominated in a foreign currency. As of May 31, 2018, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

Fair Values

At May 31, 2018, the Company's financial assets and liabilities approximate fair value due to their short-term to maturity or because they bear interest at market rates.

CAPITAL MANAGEMENT

As at May 31, 2018, the Company's capital is composed of interest bearing debt and members' equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018

The Company defines capital as cash and equity, consisting of the issued members' equity units. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and short-term debt. There can be no assurances that the Company will be able to continue raising equity capital and short-term debt in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the year ended May 31, 2018.

OTHER MD&A REQUIREMENTS

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this report, there were 2,034,620 Class A units, 1,350,000 Class B units, and 503,457 Class C units issued and outstanding.

RISKS AND UNCERTAINTIES

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

Regulation of Marijuana in the United States

Unlike in Canada which has proposed to have federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada), 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 29 States, plus the District of Columbia, that have legalized cannabis in some form. The State of California is among those States.

Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, remains illegal under federal law in the United States.

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.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018

As a result of the conflicting views between State legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorney acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US States had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, the newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, on January 4, 2018, Mr. Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "**Sessions Memorandum**"). The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The inconsistency between federal and state laws and regulations is a major risk factor.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from Attorney General Jeff Sessions by referencing federal law enforcement priorities set by the Attorney General Jeff Sessions. If the Department of Justice policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of budget bills) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes. The Ninth Circuit Court of Appeals, which governs California federal courts, has ruled that this federal law means that the Department of Justice cannot spend any federal funds to shut down state-law compliant medical cannabis operators. In the event Congress fails to renew this federal law in its next budget bill, the foregoing protection for medical cannabis operators will be void.

Now that the Cole Memorandum has been repealed by Attorney General Jeff Session, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018

financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Proceeds of Crime Statutes

The Company will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the 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, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's license agreements, or any proceeds thereof, in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Regulatory Scrutiny of the Company's Interests in the United States

For the reasons set forth above, the Company's interests in the United States cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies 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 carry on its business in the United States.

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 cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift 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. CDS or its parent company has not issued any public statement in regard to these reports. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of holders of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Our business is dependent on laws pertaining to the marijuana industry.

Continued development of the marijuana industry is dependent upon continued legislative authorization of the use and cultivation of marijuana at the State level. Any number of factors could slow or halt progress in this area. Further, progress,



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018

while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of marijuana, which would negatively impact our proposed business.

Currently, twenty-nine states and the District of Columbia allow its citizens to use medical marijuana. Additionally, nine states have legalized cannabis for adult use, including the State of California. The state laws are in conflict with the federal CSA, which makes marijuana use and possession illegal on the federal level. The Obama administration, pursuant to the Cole Memorandum, previously effectively stated that it is not an efficient use of resources to direct law federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, the Sessions Memorandum under the Trump administration has reversed this position which creates a risk of prosecution by a number of federal agencies. Additionally, there can be no assurance as to the position any new administration may take on cannabis and could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders.

Marijuana remains illegal under Federal law

Marijuana is a Schedule 1 controlled substance and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Company's business, prospects, results of operation, and financial condition.

Unfavorable Tax Treatment of Cannabis Businesses

Under Section 280E of the U.S. Internal Revenue Code ("**Section 280E**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the IRS to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its income tax expenses.

State Regulatory Uncertainty

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. The Company's legal team will provide guidance in regards to any rulemaking processes and resulting regulatory changes. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under California state law, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Company's business.

Restricted Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018

federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Limited Trademark Protection

The Company will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the State of California by one or more other persons could have a material adverse effect on the value of such trademarks.

Potential FDA Regulation

Should the federal government legalize cannabis, it is possible that the U.S. Food and Drug Administration (the "FDA"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including certified good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results and financial condition.

Legality of Contracts

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

Nature of Licenses

Certain licenses, the rights to which are owned by or assigned to SAP, will be relied upon by the Company to operate its business. These licenses, which include two licenses for the manufacturing of medical and adult-use cannabis granted by the Department of Public Health, Manufactured Cannabis Safety Branch and two medical cannabis business local licenses granted by Cathedral City are temporary and their renewal is not guaranteed. The licenses granted by the Department of Public health, Manufactured Cannabis Safety Branch are set to expire on April 30, 2018 and the licenses granted by Cathedral City are set to expire on May 18, 2018. Due to the temporary nature of the licenses, there is a risk that the Company will be unable to renew these licenses and to continue to rely on their terms to operate its business.

The Company has no operating history

The Company has no operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. For example, the adult use marijuana industry is a relatively new industry which, as a whole may not



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018

succeed, particularly should the federal government of the United States decide to prosecute various parties under federal law.

The Company's products

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company.

Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of The Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company Shares to the point investors may lose their entire investment.

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that The Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

Unfavourable Publicity or Consumer Perception

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational 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 recreational 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 the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

SCHEDULE “E” – PRO-FORMA FINANCIAL STATEMENTS

[Please see attached]

**Pro Forma Consolidated Financial
Statements**

Orchid Ventures, Inc.
(unaudited)

As at October 31, 2018
(Expressed in US dollars)

	Early Resources Ltd. as at October 31, 2018	CR International, Inc. as at November 30, 2018	CR Companies, LLC as at August 31, 2018	Notes	Pro Forma Adjustments	Pro Forma Combined
Assets						
Current assets						
Cash	\$ 104,368	\$ 75,675	\$ 123,332	2b	\$ 3,809,808	\$ 3,913,183
	-	-	-	2e	(200,000)	-
Receivables	1,383	-	303,676		-	305,059
Prepaid expense	-	-	100,000		-	100,000
Inventory	-	-	798,688		-	798,688
	105,751	75,675	1,325,696		3,195,863	5,116,930
Non-current assets						
Due from related party	-	2,043,915	-		-	2,043,915
Convertible note	-	413,945	-	2f	(413,945)	-
Equipment	-	-	53,937		-	53,937
Trademarks	-	-	15,392		-	15,392
Deposits	-	-	75,000		-	75,000
Total assets	\$ 105,751	\$ 2,533,535	\$ 1,470,025		\$ 3,195,863	\$ 7,305,174
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	\$ 8,932	\$ 23,660	\$ 1,323,769		\$ -	\$ 1,356,361
Wages payable	-	-	137,715		-	137,715
Due to related party	-	-	383,972		-	383,972
	8,932	23,660	1,845,456		-	1,878,048
Non-current liability						
Preferred shares	-	2	-		-	2
Convertible note payable – related party	-	-	408,887	2f	(408,887)	-
Total liabilities	8,932	23,662	2,254,343		(408,887)	1,878,050
Shareholder's equity						
Share capital	954,008	6,762	1,350,000	2a	(1,477,076)	5,146,396
	-	-	-	2b	3,809,808	-
	-	-	-	2d	502,895	-
Reserves	34,829	2,651,377	-	2a	(34,829)	3,930,859
	-	-	-	2c	1,279,482	-
Accumulated deficit	(892,017)	(148,266)	(2,134,318)	2a	1,511,905	(3,650,131)
	-	-	-	2d	(502,895)	-
	-	-	-	2c	(1,279,482)	-
	-	-	-	2e	(200,000)	-
	-	-	-	2f	(5,058)	-
Total shareholders' equity (deficit)	96,819	2,509,873	(784,318)		3,604,750	5,427,125
Total liabilities and shareholders' equity	\$ 105,751	\$ 2,533,535	\$ 1,470,025		\$ 3,195,863	\$ 7,305,174

ORCHID VENTURES, INC.

Notes to Pro-Forma Consolidated Financial Statements

As at October 31, 2018

(Expressed in US dollars)

1. TRANSFER OF ASSETS AND BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements (the "Pro Forma Financial Statements") have been compiled for purposes of inclusion in the listing statement (the "Statement") of Earny Resources Ltd. ("Earny"), dated January 18, 2018, relating to its proposed listing on the Canadian Stock Exchange (the "CSE").

On September 12, 2018, Earny entered into a Definitive Agreement (the "Agreement") with CR International, Inc. ("CRI") and CR Companies, LLC ("CRC") (combined, "Orchid"), Earny will be merged with and into Orchid (the "Transaction"), the separate corporate existence of Earny will cease, and Orchid will continue as a wholly-owned subsidiary of Earny. Upon completion of the Transaction, the security holders of Orchid will become shareholders of the combined entity (the "Resulting Issuer").

In accordance with the Definitive Agreement, Earny will issue a total of 39,364,852 common shares to the shareholders of Orchid. Each shareholder of Orchid will receive one common share of the Company in exchange for each Orchid share. After completing the Transaction, Earny plans to change its name to "Orchid Ventures, Inc." and the common shares of the Resulting Issuer will apply to list its common shares on the CSE (the "Exchange"). Upon completion of the Transaction the Resulting Issuer will continue to carry on the business of Orchid. The closing of the Transaction is subject to the terms set forth in the Definitive Agreement, the completion of a proposed financing, certain conditions being satisfied by both parties and approval by the Exchange.

The Transaction will result in the shareholders of Orchid acquiring control of Earny. Therefore, the transaction, has been accounted for as an acquisition of Earny by Orchid. The transaction has been accounted for as a reverse take-over ("RTO"). For purposes of these pro forma consolidated financial statements, the "Company" is defined as the consolidated entity, being the Resulting Issuer. As Earny does not meet the definition of a business as defined by International Financial Reporting Standards ("IFRS") 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

Although the consolidated statement of financial position and share capital are those of Earny as a legal entity, the assets, liabilities and dollar amounts allocated to share capital are those of Orchid.

Foreign Exchange

For the purposes of these Pro Forma Financial Statements, Earny's assets, liabilities and equity, presented in Canadian dollars ("CAD") were translated to United States dollars ("USD"). The CAD/USD exchange rate of 0.76 represents the CAD/USD exchange rate per the Bank of Canada on October 31, 2018. Rates of exchange on the closing date of the Transactions will impact the purchase price consideration.

2. PRO-FORMA ADJUSTMENTS

These Pro Forma Financial Statements have been prepared by management of Orchid in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board from information derived from the financial statements of Earny and Orchid.

The Pro Forma Financial Statements gives effect to the accounting continuation of Orchid as described in the Listing Application, as if it had occurred as at October 31, 2018, for the purposes of the pro-forma consolidated statement of financial position.

It is management's opinion that these Pro Forma Financial Statements include all adjustments necessary for the fair presentation of the transaction, as described below. The unaudited pro forma consolidated financial statements are not intended to reflect the financial position of Orchid, which would have actually resulted had the transaction been effected on the dates indicated. Actual amounts recorded upon consummation of the transaction will differ from those recorded in the unaudited pro forma consolidated financial statements and the differences may be material.

ORCHID VENTURES, INC.

Notes to Pro-Forma Consolidated Financial Statements

As at October 31, 2018

(Expressed in US dollars)

2. PRO-FORMA ADJUSTMENTS (CONTINUED)

The pro forma adjustments contained in these Pro Forma Financial Statements reflect estimates and assumptions by management of Orchid based on currently available information. The Pro Forma Financial Statements are not necessarily indicative of Orchid as at the time of closing of the transaction. The Pro Forma Financial Statements should be read in conjunction with the unaudited interim consolidated financial statements of CRC as at and for the three months ended August 31, 2018; the audited annual financial statements of CRI as at and for the period from June 21, 2018 (date of incorporation) to November 30, 2018; and the unaudited interim consolidated financial statements of Earny as at and for the six-month period ended October 31, 2018. The Pro Forma Financial Statements have been prepared in accordance with Earny's and Orchid's accounting policies.

The acquisition of Orchid does not meet the definition of a business combination and is therefore accounted for as an acquisition of an asset. Orchid has been identified as the acquirer for accounting purposes.

The following pro forma adjustments have been reflected herein:

- a) Earny announced the acquisition of 100% of the issued and outstanding Orchid Shares by way of the Transaction. Upon completion of the Transaction, Orchid shareholders will receive one Earny Share for each Orchid Share for a total of 39,364,852 Earny shares.

As at November 30, 2018 there were 39,364,852 Orchid Shares outstanding, and there were 6,444,998 Earny Shares outstanding. As a result, Earny is expected to issue Earny Shares, to the shareholders of Orchid at the effective time. For use in the preparation of the Pro Forma Financial Statements the value of the issuance of Earny Shares was calculated with reference to the concurrent financing share price of Earny at a price of \$0.25 (CAD \$0.33) per share. Accordingly, an amount of \$1,611,250, reflecting the purchase consideration for the net assets of \$96,819 and the listing expense of \$1,514,430 of Earny, has been recorded through share capital.

Pursuant to the determination that CRI is the accounting acquirer of, firstly, CRC and, secondly, Earny, the value of CRC's and Earny's share capital of \$1,350,000 and \$954,008, respectively, Earny's reserves of \$34,829, and CRC's and Earny's accumulated deficit of \$2,134,318 and \$892,017, respectively, have been eliminated on consolidation.

- b) Concurrent with the Transaction, Earny intends to complete a non-brokered private placement of 15,151,515 Earny Shares (each a "Concurrent Offering Share") at a price of \$0.25 (CAD \$0.33) per Concurrent Offering Share for gross proceeds of \$3,809,808 (CAD \$5,000,000) (the "Concurrent Offering").
- c) Concurrent with the Transaction, Orchid will grant 11,400,000 stock options with a fair value of \$1,279,482 to officers, directors, consultants and employees. The fair value of the stock options granted was determined by using the Black-Scholes option pricing model using the following weighted average assumptions; exercise price of \$0.25 per common share; expiry of 5 years; volatility of 100%; risk-free rate of 2.14%.
- d) A finder's fee of 2,000,000 Resulting Issuer Shares will be paid to an arm's length third party upon the closing of the Transaction. The shares have been valued using the RTO price of \$0.25 (CAD \$0.33) per Resulting Issuer Share.
- e) Transactions costs approximating \$200,000 have been included and comprise primarily legal, audit and advisory fees.
- f) Prior to the closing of the Transaction, all outstanding principal, together with accrued and unpaid interest under the convertible note (the "Note"), shall automatically mandatorily convert into 1,692,744 units of CRC ("Units"), in such class or classes as CRC shall determine in good faith (with such rights, preferences and privileges of any such class or classes of units as the Company shall define at the time of such conversion by amending and restating the CRC's Operating Agreement immediately prior to the reclassification and reorganization of Orchid prior to the Transaction by and among CRC, CRI and Earny. Upon completion of the Transaction, CRC will be a subsidiary and, therefore, the balances remaining upon conversion have been eliminated on consolidation.

ORCHID VENTURES, INC.**Notes to Pro-Forma Consolidated Financial Statements**

As at October 31, 2018

(Expressed in US dollars)

3. SHARE CAPITAL CONTINUITY

	Number	Share Capital	Reserves	Total
Balance at June 21, 2018 (date of incorporation)		\$ -	\$ -	\$ -
Shares issued pursuant to private placement	39,364,852	6,762	2,651,377	2,658,139
Equity of Earny	6,444,998	954,008	-	954,008
Elimination of Earny's equity	-	(954,008)	-	(954,008)
Elimination of CRC's equity	-	(784,318)	-	(784,318)
Issued on RTO	39,364,852	1,611,250	-	1,611,250
Shares issued on conversion of note payable	1,692,744	408,887	-	408,887
Elimination of shares issued on conversion of note payable upon consolidation	(1,692,744)	(408,887)	-	(408,887)
Recapitalization	(39,364,852)	-	-	-
Shares issued for non-brokered private placement	15,151,515	3,809,808	-	3,809,808
Shares issued for finder's fee	2,000,000	502,895	-	502,895
Share-based payments	-	-	1,279,482	1,279,482
Balance at October 31, 2018	62,961,365	\$5,146,396	\$ 3,930,859	\$ 9,077,255

4. STOCK OPTION CONTINUITY

	Number of Options
Balance at June 21, 2018 (date of incorporation)	-
Granted	11,400,000
Balance at October 31, 2018	11,400,000

5. INCOME TAXES

The pro forma effective tax rate for October 31, 2018 is nil. There is no tax effect of pro forma adjustments relating to Earny or Orchid because both entities have net deferred income tax assets which have not been recognized due to uncertainty as to whether those assets will be realized.