



**Platinex Inc.**  
**Management's Discussion and Analysis**  
**For the Six Months Ended June 30, 2018**

# PLATINEX INC.

## Management's Discussion & Analysis

For the Three and Six Months Ended June 30, 2018

Discussion Dated: August 29, 2018

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### General

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Platinex Inc. (the "Company") for the six months ended June 30, 2018 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the notes thereto for the three and six months ended June 30, 2018 and the audited annual consolidated financial statements and related notes for the years ended December 31, 2017 and December 31, 2016. The financial statements and related notes of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information, including the Company's press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under its profile at [www.sedar.com](http://www.sedar.com).

### Cautionary Statement on Forward Looking Statements

This management's discussion and analysis contains statements about expected future events and financial and operating results of the Company that are forward looking. By their nature, forward looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. These forward-looking statements are based on current expectations. There is substantial risk that forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on the Company's forward-looking statements as a number of factors including economic conditions, technological change, regulatory change, and competitive factors, could cause actual future results, conditions, actions or events to differ materially from targets, expectations, estimates or intentions expressed in the forward-looking statements; many of which are beyond the Company's control.

### Highlights

The Company achieved the following milestones in 2017 through 2018 to the date of this MD&A:

#### New Initiatives

In March 2017, Platinex listed its common shares on the Canadian Securities Exchange ("CSE") and voluntarily delisted from the TSX Venture Exchange ("TSXV"). The move to the CSE was prompted by favorable reviews of and over all cost savings on the newer exchange in addition to advice from securities counsel that the Company could not seek to engage in non-mining initiatives without first listing on the Canadian Securities Exchange. Although Platinex is a mining issuer, it simply wanted the freedom to pursue other entrepreneurial opportunities that may present themselves. At this time the Company continues to operate as a mining issuer under the policies of the CSE, as it has not completed a fundamental change of business ("COB") but may seek to do so in the future. Until the Company completes the COB, which remains subject to shareholder and CSE approval, it will continue to operate as a mining issuer and allocate the majority of its resources to advancing its mineral exploration properties. While the Company has undertaken certain initiatives in the cannabis sector in the United States, these activities will remain of secondary priority until the Company completes the COB and obtains the approvals required thereto. Nevertheless, to comply with the requirements of the Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities. The Company has provided requisite disclosure in this MD&A regarding its activities in the US Cannabis Sector. Please see "*Regulatory Overview*" and "*Risk Factors*" sections.

In July 2017, the Company engaged FMI Capital Advisory Inc. ("FMICAI") to act as a non-exclusive financial advisor to the Company in its efforts to grow, finance, and secure projects and acquisition opportunities.

Platinex in conjunction with FMICA has developed and is implementing an expansion strategy that is focused on partnering with businesses that are involved in the cannabis sector by way of acquisition, joint-venture, strategic partnership, or direct investment. The strategy is comprehensive of geographic, regulatory

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and value chain segment considerations. Efficiency of investment providing a hand up to excellent entrepreneurs, risk mitigation and customizing partnerships to meet needs are guiding principles.

The first concrete steps were initiated in November 2017 with the execution of non-binding letters of intent to make an investment in Dave's Space Cakes, LLC ("**DSC**") and an interest in Intergalactic Foods, LLC ("**IGF**"). Both entities are located in the State of Oregon. DSC holds the rights to an edible brand and IGF was applying for a processing license with the Oregon Liquor Control Commission ("**OLCC**"), which has since been granted. The Company has completed due diligence on the DSC and IGF transactions and closed the acquisition of the royalty interest in DSC and the acquisition of a 51% interest in IGF on January 29, 2018.

This royalty investment in DSC is a non-controlling position in DSC and as such is considered to be "indirect involvement in the United States cannabis industry" under Staff Notice 51-352. DSC is expected to commence operations shortly, pending the completion of approved packaging for its products and other preparation at the facility that is leased by IGF.

As a result of Company's investment in IGF, the Company holds a controlling position in IGF and as such is considered to be a "direct involvement in the United States cannabis industry" under Staff Notice 51-352. At present, IGF has received its processing license from OLCC and is pending the commencement of operations upon completing arrangements with DSC and other brand owners. IGF has also secured the land use compatibility statement ("**LUCS**") from the City of Eugene citing an endorsement to manufacture edible cannabis products at the location leased by the IGF.

On April 4, 2018 the Company announced that it has entered into a letter of intent ("**LOI**") to acquire a 51% interest in Glas Huis Inc. ("**Glas Huis**"), an award-winning craft cannabis cultivator and extracts manufacturer in the State of Oregon for total consideration of US\$2 million, of which US\$1.5 million will be invested into Glas Huis in the form of a senior secured promissory note carrying an interest rate of 10% with a 30-month term and of which US\$500,000 will be in the form of Platinex common shares issued to current Glas Huis shareholders priced at the 10-day VWAP prior to closing. In addition, Platinex will have an option to increase its ownership interest in Glas Huis of up to 75% by funding the build-out of a secondary cultivation facility.

The transaction with Glas Huis is subject to completing a due diligence review to the satisfaction of the Company and other conditions, which include but are not limited to obtaining OLCC approval and entering into agreements to consummate the transfer of interests. There is no assurance that the Transaction will be completed on the terms satisfactory to the Company or at all. Glas Huis is located in the unincorporated area of Deschutes County, Oregon and upon receiving the OLCC license, intends to operate under the agricultural exemption of the Deschutes County Code.

On August 17, 2018, the Company announced that the LOI with Glas Huis has been renegotiated extending the closing date of the Definitive Agreement until September 30, 2018 and changing the terms whereby Platinex can increase its initial 51% interest in Glas Huis to 60% by expending US\$1.5 million over 6 months beginning September 2018 and granting 500,000 options versus the issuance of 500,000 shares of Platinex. The initial expenditures by the Company for the second half of 2018 are estimated at approximately US\$160,000. The LOI provides conditions which are customary for this type of transaction, including regulatory approvals and Platinex completing the COB pursuant to the policies of the CSE.

The Company has obtained legal advice regarding compliance with applicable state regulatory frameworks and its exposure and the implications arising from U.S. federal laws in the States where it conducts business. As of the date of hereof, to the Company's knowledge neither the Company, nor DSC or IGF have received any notices of violation, denial or non-compliance from any government authorities. Furthermore, to the Company's knowledge DSC and IGF are in compliance with all relevant OLCC and local municipal regulations.

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Three private subsidiaries have been formed with the intention to hold assets of the different Company activities: Cannabis Mall Inc. will hold cannabis related assets; South Timmins Mining Inc. will hold the Shining Tree property assets, and Endurance Elements Inc. will hold platinum and nickel assets. This structure will afford the Company more flexibility to restructure its assets.

### **Shining Tree Gold Property**

- Expanded property by over 500% with new options and claim purchases increasing exposure to high potential ground covering part of the former Ronda Mine workings and acquiring many known gold prospects.
- The Company now has a 21-km strike length of the Tyrrell-Ridout Deformation Zone and the property is located between the 10.5 million-ounce IAMGOLD Cote Lake gold deposit and the 4 million-ounce Tahoe Resources Jubby gold deposit. This deformation zone is up ice from highly anomalous gold in till sampling results and deemed to be a likely source of the anomalous gold results.
- The Tyrrell-Ridout Deformation Zone is thought to be the southern equivalent of similar major gold hosting deformation zones in the Abitibi and three major discoveries have been made on it in the last ten years.
- Extended time to make advance royalty payments on Shining Tree property to 2018 and made favorable changes to the buyback schedule on advance royalties.
- A new NI 43-101 technical report was completed in June 2018 and filed on SEDAR.
- The Company has filed an exploration plan and applied for an exploration permit with the Ontario government. The plan is in effect and the three-year permit was approved in February 2018.

### **General Company Developments**

- In fiscal 2017, \$503,100 was raised through the exercise of warrants and options.
- On November 15, 2017, the first tranche of a \$600,000 private placement was closed to yield \$427,500 to the treasury and the private placement was completed on November 30, 2017 to yield an additional \$172,500.
- During the six months ended June 30, 2018, \$133,400 has been raised through the exercise of warrants and options.
- As of April 10, 2018, all of the mining claims held under agreement or directly by the Company have been translated and recorded into mining cell claims by the Ontario Ministry of Northern Development and Mines. The mining cells relate to the Universal Transverse Mercator Grid which is globally fixed whilst the land moves according to regular plate movements.
- Effective May 15, 2018, the Company has appointed current director Walter Henry as the Company's new Chief Executive Officer.
- On June 21, 2018, Mr. Bruce Reilly and Mr. Mark Scarrow resigned as officer and directors of the Company.

### **Overview of Company**

The Company was incorporated on August 12, 1998 under the laws of the Province of Ontario and trades on the Canadian Securities Exchange under the symbol "PTX". The Company is at the exploration and evaluation stage and is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. Recovery of amounts reported for mineral properties and related deferred expenditures is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to conduct exploration and the ability of the Company to recover value for its properties and/or upon future profitable production.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Recoverability of the carrying value of exploration properties and the Company's continued existence are dependent upon the

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preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the development and/or sale of such properties at a profit.

Platinex is also looking to focusing efforts on developing various strategies to capitalize on the lucrative growth of the cannabis sector in North America, including pursuing potential acquisitions of Licensed Operators

The Company has limited financial resources and no operating cash flow. Until profitable production can be reached, the Company is dependent on debt or equity financings and/or the sale, lease or farm-out of assets to provide the funds necessary for the Company's operating and capital expenditures. Although the Company has been successful in the past in obtaining requisite funding, there can be no assurance that additional funding in amounts and on terms satisfactory to the Company will be available on a timely basis to fund the further exploration and development of its properties or to fulfill its obligations under applicable agreements. Failure to obtain such funding has resulted in delays and could in the future result in the delay or indefinite postponement of further exploration and development of the Company's properties and in the possible dilution or loss of interests in such properties. If the Company raises additional funding through the issue of equity securities, such financings may dilute the holdings of the Company's existing shareholders.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of development of such properties these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, breakdown in law and order, arbitrary and punitive actions of governments and their failure to comply with their own laws and regulations.

In order to sustain its operations, the Company requires additional funds to discharge its liabilities, conduct work programs and meet overhead expenses. The Company continues to seek capital through various means including farm-out / joint venture partnerships and the issuance of equity or debt.

### Overall Performance and Market

The Company is in the exploration stage on its various properties and therefore it has no revenues to fund such activities. The Company accesses the public markets to finance exploration activity; the ability to raise additional capital is subject to prevailing market conditions. The projects do not have a defined mineral resource in place whereby the Company can establish a measured asset value. However, based on independent NI 43-101 technical reports, internal summary reports prepared on Company properties and adjacent properties and industry trends, the Company's management believes that further exploration work is warranted.

The market decline in 2008 and then 2011 has made it very difficult to finance property exploration through issuance of equity. Many junior mining companies trade at a significant discount to the underlying book value of their net assets. In order to attract investment, it is necessary for a company to distinguish itself from its competitors. Therefore, the Company is considering various strategies to maximize the value of the Shining Tree Gold property (described under Properties), including a potential spin-off of the mining assets in order to secure the financing to advance the mining assets. Such transactions are subject to obtaining shareholder and regulatory approvals, and there is no assurance that the Company will be able to secure such on the terms favorable to the Company or at all. Once the Company's board and management completes the strategic review of the alternatives relating to the mining assets, the Company will make an announcement by way of press release and work towards submitting the required disclosure document to effect such changes. At this time, the Company continues to operate as a mineral exploration issuer under the policies of the CSE.

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### Properties

The Company maintains an interest in several gold and platinum group element ("PGE") properties. Each property requires assessment work to keep it in good standing. Work may involve airborne geophysical surveys, ground geological, geophysical, and geochemical surveys with line-cutting and drilling.

The properties are described below:

#### a) Shining Tree Gold Property

In 2011, the Company vested an option agreement with Skead Holdings Ltd., with respect to 139 claim units (5,680 acres or 2,299 ha), situated in Churchill, MacMurchy and Asquith Townships in Ontario (the "Shining Tree property"). In March, 2018, the Company settled a cumulative overdue advance royalty payment by issuance of 292,307 common shares to Skead Holdings Ltd. in connection with the Shining Tree property. The settlement comprised an aggregate amount of \$73,000, which included a \$35,000 cash payment. The Company now holds a 100% interest in the claims subject to a 3% NSR and advance royalty payments of \$10,000 per year commencing in April, 2019.

Further Platinex may eliminate the requirement for future advance royalty payments by making a one-time advance royalty payment of \$100,000. Two thirds of the 3% NSR may be reduced by staged payments totaling \$1.75 million. If Skead Holdings Ltd wishes to sell the residual royalty interest the Company retains a right of first refusal to purchase the NSR. On May 10, 2012, the Company acquired a lease (40 acres, 16 ha) from Gary John McBride for 200,000 shares of the Company. The lease is central to the Shining Tree property.

Subsequently, the company entered into two agreements in August 2016 and a further five agreements in November, 2016, January, 2017, March, 2017, April, 2017 and June 2017 and staked claims in December, 2016 which significantly expand the size and potential of its Shining Tree gold property. Platinex has entered into an option agreement with Skead Holdings Ltd. and Ashley Gold Mines Limited, with respect to certain claims situated in Churchill, MacMurchy and Asquith Townships, in Ontario. Platinex has the right to acquire a 100%-interest in the 54 claim units and a 50% interest in a further 8 claim units (991 ha or 2,480 acres), subject to a 2% NSR, by issuing 200,000 shares of Platinex, and by making cash payments (or share equivalent) of \$95,000 and by incurring property expenditures of \$500,000 during the ensuing four-year period to August 17, 2020. Platinex also entered into an agreement with two prospectors to purchase a 100% interest in four claims comprising 20 claim units (320 ha or 800 acres) in Churchill, MacMurchy and Asquith Townships, in Ontario by issuing 400,000 shares of Platinex. Platinex subsequently entered into five agreements with one prospector to purchase a 100% interest in: ten claims comprising 70 claim units (1,120 ha or 2,800 acres) for 398,000 shares on Nov. 3, 2016; four claims comprising 43 claim units (688 ha. or 1,720 acres) for 71,429 shares on January 25, 2017; eight claims comprising 96 claim units (1,536 ha or 3,840 acres) for 86,705 shares on March 30, 2017; 21 claims comprising 267 claim units (4,272 ha or 10,680 acres) for 391,250 shares on April 20, 2017 and 9 claims comprising 127 claim units (2,032 ha or 5,080 acres) for \$5,000 and 436,190 shares on June 20, 2017. Platinex also staked claims comprising 45 claim units (720 ha or 1,800 acres). Six claim units were subsequently included in the Skead Agreement.

The property acquisition has encircled the former producing Ronda Gold Mine and includes the southern half of the workings enhancing the Shining Tree property's exposure to the intersection of a major east-west gold bearing structure, the Tyrrell-Ridout Deformation Zone and a north-south fault. In particular, Platinex has focussed on acquisition of the recently mapped expression of the Tyrrell-Ridout Deformation Zone as it represents a possible source of the many gold in till anomalies. The combined property created by the acquisitions comprises 876 claim units (14,016 ha or 35,040 acres). In April, 2018 a new claim system in the Province of Ontario came into effect.

A NI 43-101 technical report dated June 8, 2018 prepared by Hrayr Agnerian covers the expanded property and has been filed on SEDAR.

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#### **b) Herrick Deposit**

The property is underlain by a northwest trending, steeply dipping, sequence of felsic to mafic metavolcanic rocks overlain by younger Timiskaming aged rocks and intruded by irregular trachyte porphyries and syenite stocks of Early Precambrian age.

Shining Tree's Herrick deposit was discovered in 1918 and subsequently was developed by a 94 m shaft with 345 m of lateral development on two veins. In 1989 Unocal Ltd. evaluated the historic data and, based on that, stated a potential for the system to carry 5,716 tonnes per vertical metre at 7.2 g/t Au over a width of 1.8 m (400 ounces per vertical foot), Unocal carried out diamond drilling of 11 holes for 1,473m and collected 201 channel samples and 35 composite grab samples on the Herrick vein. In 1990 Fort Knox Gold Inc. followed this work with 45 further channel samples and confirmed the presence of gold mineralization over a 385m strike length, obtaining samples grading up to 56.5 g/t Au over 1.0 m.

#### **c) Gold in Glacial Till**

From October 2008 to March 2012, then from August 2016 to present, the Company has carried out an exploration program on the property. Particular interest is focused on 446 samples recovered from basal till that have been processed by Overburden Drilling Management. Many of the samples contain pristine gold grains indicating a nearby bedrock source. The Company views this result as the initial step in locating and identifying one or more major gold deposits, potentially leading to a new major gold camp.

Acquisition of a significant strike extent along the Tyrrell-Ridout Deformation Zone will give Platinex access to a very prospective source for the gold. This deformation zone remains largely underexplored.

Gold is known as the best pathfinder to gold, intuitively providing the most direct path to a significant discovery. Less direct indicators of gold including other geochemical, geophysical and geological expressions are less reliable indicators of gold in the ground. Not all major gold deposits in glaciated terrains provide evidence of their existence through gold dispersion trains. However, gold dispersion trains are always pathfinders to sources of gold in place and major gold dispersion trains are either associated with major gold deposits or multiple spatially concentrated gold deposits. This is the promise of the Shining Tree property.

#### **d) Highlights for the Potential of the Shining Tree Property**

Discussions with several parties are being undertaken and interest in the possibly farm-out of the Shining Tree Property is being sought. The more salient aspects of the property's potential include:

1. Mining camp scale property which de-risks chances of exploration failure. Shining Tree is a virtually pristine property from a modern exploration viewpoint sited in the Abitibi Orogen which is one of the most prolific known gold belts in the world.
2. Gold in till results work needs to be followed up and expanded.
3. Presence of a major gold bearing deformation (collision) zone (Tyrrell-Ridout) for at least a 21 km strike length which has not been a focus of prospecting or exploration in the past.
4. Proximity to a gold porphyry in the area (Cote Lake) which is older than other known gold deposits in the Abitibi, is the only known gold porphyry deposit in the Abitibi, and its provenance and possible repetition are yet to be determined.
5. Presence of many gold prospects and deposits with good gold grades with limited modern exploration.
6. Existence of at least two persistent types of gold association. (gold-arsenic and gold-telluride association ). These are signature features prominent in major gold camps such as Kirkland Lake and Red Lake.

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7. Continuity of gold mineralization hole to hole as at the Herrick deposit has positive size implications. If the gold grades found in near surface sampling (eg 7-12 g/t Au) repeats at depth there may be potential to find something like the West Timmins Mine at depth.
8. Proximity along east west structures to two significant scale gold deposits (Cote Lake (plus 10 million ounces Au) and the Juby (approximately 4 million ounce Au)).
9. Probable development of a mill (projected at 30,000 tonnes per day) at Cote Lake will bring milling capacity and mining infrastructure closer to Shining Tree and increase the intrinsic value and potential of the property.
10. The bulk of the property is 100% owned by Platinex. A small portion of this is subject to a 3%NSR and \$10,000 annual advance royalty payments. The remaining portion of the property is subject to an option agreement with favourable terms.
11. There is a team of prospector-vendors and consulting geologists very knowledgeable about the property and the belt and who have collaborated to build up this opportunity and remain as a resource.

#### **e) Memorandum of Understanding**

In October 2017, the 2009 exploration agreement with Mattagami and Matachewan First Nations was amended to include the additional claim units to the Shining Tree property. A revised mineral exploration plan under the New Ontario Mining Act was submitted in 2017 and is now in effect. A new 3 year exploration permit was applied for in September 2017 and is now approved. Platinex issued 100,000 common shares of the Company to Mattagami First Nation in consideration of assistance they provided in facilitating the permitting process during exploration and the receipt of a written report identifying traditional knowledge and activities in reference to the Shining Tree property.

#### **Nabish Lake, Ontario**

On August 11, 2014, Platinex acquired an option to purchase the Nabish Lake Ni-Cu-PGE property located 20 kilometres south of the Town of Dryden, Ontario. The property comprises 94 claim units covering 1,504

hectares of the Nabish Lake mafic intrusive complex. The intrusion is one of several mineralized, mafic to ultramafic intrusions that ring the large Atikwa Batholith. Documents on record with the Ontario Ministry of Northern Development and Mines report samples collected on the property have returned values of up to 3.5% Ni, 6.5% Cu and anomalous levels of PGE. In addition, an airborne VTEM survey over a portion of the property has outlined several unexplained geophysical conductors worthy of drill testing.

On August 11, 2014, Rubicon Minerals Corporation agreed to grant the Company a four-year option to purchase a one hundred percent (100%) undivided interest in 10 unpatented mining claims, subject to a 1.5% NSR, in exchange for 800,000 common shares of Platinex and \$70,350 to be paid by the fourth anniversary according to a prescribed payment schedule. An initial issuance of 200,000 common shares recorded at the fair market value of \$0.01 per share was made on August 19, 2014 and the first payment for \$7,350 was to be made on the earlier of four months after signing or receipt of drilling permits and exploration financing; the payment is in default. A second optional payment of \$6,000 on August 11, 2015 and a third payment of \$10,000 on August 10, 2016 have not been made. The property comprises 10 claims for 92 claim units covering 1,504 hectares of the Nabish Lake mafic intrusive complex. The claim units have recently been converted under the new Ontario Mining Act to cells.

For the purpose of this Management's Discussion and Analysis James R. Trusler, P.Eng., Chairman of the Company is the Qualified Person.

#### **Former Big Trout Lake Property, Ontario**

As described in detail in the Management Discussion and Analysis for the year ended December 31, 2009, the Company made considerable efforts to attain lawful access to its property for the purpose of exploration through attempts to consult, engage and accommodate KI and then through litigation.

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The claims and leases were surrendered in December 2009 to the Ontario government in return for a payment of \$5,000,000 plus additional mediation and negotiation costs totaling \$377,056 and a retained 2.5% Net Smelter Royalty interest which would be triggered upon acquisition of the property by another party within a 25 year period.

### Private Placements

For further detail regarding share capital issuances, refer to the unaudited condensed interim consolidated financial statements and the notes thereto for the three and six months ended June 30, 2018 and the audited consolidated financial statements and related notes for the years ended December 31, 2017 and December 31, 2016. The proceeds from non-flow through common shares are used for administrative expenses and working capital. The proceeds from issuance of flow-through common shares are used for mineral exploration on the Company's Canadian mineral properties qualifying as Canadian Exploration Expense (CEE) under the *Income Tax Act (Canada)* enabling the subscriber to obtain applicable tax credits and deductions.

On November 15, 2017, the Company closed the first tranche of a \$600,000 private placement, 8,550,000 units at \$0.05 per unit to raise \$427,500. Each unit comprised one common share and one warrant. Each warrant is exercisable into a common share at an exercise price of \$0.15 on or before November 15, 2019 which is 24 months after the first closing of the private placement. Provided that if the average closing price of common shares trade at a price of \$0.20 for 20 consecutive trading days four months after the closing of the private placement, Platinex may give written notice to the holders of the Warrants changing the expiry date to a date which is not less than 30 days following the written notice.

On November 30, 2017, the Company completed the second and final part a private placement of 3,450,000 units at \$0.05 per unit to raise an additional \$172,500. Each unit comprised one common share and one warrant. Each Warrant is exercisable into a Common Share at an exercise price of \$0.15 on or before November 15, 2019 which is 24 months after the first closing of the Private Placement. Provided that if the average closing price of Common Shares trade at a price of \$0.20 for 20 trading consecutive days four months after the closing of the Private Placement, Platinex may give written notice to the holders of the Warrants changing the expiry date to a date which is not less than 30 days following the written notice.

### Regulatory Overview

#### Canadian Companies with U.S. Marijuana-Related Assets

On October 16, 2017, the Canadian Securities Administrators published Staff Notice 51-352 Issuers with U.S. Marijuana-Related Activities which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents. As a result of the Company's investments and proposed investments in certain United States entities (as described herein), the Company believes it is subject to Staff Notice 51-352 and has accordingly provided the disclosure in this document to satisfy such requirements. Staff Notice 51-352 was subsequently revised on February 8, 2018.

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

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engaged in the U.S. marijuana industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice.

The marijuana industry has accelerated in recent years as a number of jurisdictions, including Canada and certain U.S. states, continue to explore liberalization measures around marijuana law. While most jurisdictions have a uniform national framework for marijuana regulation, in the U.S., there is a conflict between state and federal law related to marijuana with certain U.S. states permitting its use and sale within a regulatory framework notwithstanding that marijuana continues to be listed as a controlled substance under U.S. federal law. As such, marijuana related practices or activities, including the cultivation, possession, or distribution of marijuana, are illegal under U.S. federal law.

In relation to the its potential efforts in the US marijuana business, the Company intends to only work with entities ("**Licensed Operators**") which have obtained all requisite licenses ("**License**") from applicable US state and municipal government regulatory authorities. The Company will not operate in jurisdictions which have not legalized marijuana, and does not intend on operating in U.S. State jurisdictions which have legalized marijuana but have not developed a licensing and compliance regime for Licensed Operators, in a manner compliant with guidance previously provided by the Cole Memo. At this time the only Licensed Operator that the Company has an interest in is Intergalactic Foods, LLC, which has received a License from OLCC. As such the Company believes its U.S. marijuana-related activities are conducted in a manner consistent with U.S. federal enforcement priorities. Further the company believes it is compliance with Oregon State law and the related licensing framework. The Company's ability to access public and private markets will be dependent on a variety of factors many of which will be beyond the company's control. For example, public and private capital markets may have no appetite for funding the Company's activities in the US cannabis market based on shifting rules and regulations and this could also impact the company's ability to fund its mining exploration activities. As at March 31, 2018 the balance sheet exposure related to the Company's investment in IGF was limited as IGF was not yet operationally active and all costs related to the DSC and IGF due diligence process and DSC royalty agreement purchase undertaken to that date, such as royalty purchase payments, legal fees and other out of pocket costs were fully expensed on the company's 2017 and 2018 interim operating statements.

**WE REMIND INVESTORS THAT THE POLITICAL AND REGULATORY CIRCUMSTANCES SURROUNDING THE TREATMENT OF U.S. MARIJUANA-RELATED ACTIVITIES ARE UNCERTAIN. IN THE EVENT THAT U.S. FEDERAL LAW AGAINST MARIJUANA IS ENFORCED, THERE COULD BE MATERIAL CONSEQUENCES FOR ANY ISSUER WITH U.S. MARIJUANA RELATED ACTIVITIES, INCLUDING PROSECUTION AND ASSET SEIZURE.**

The Company will not be attempting to raise capital in the public or private markets in the United States.

#### **United States Federal Law**

The U.S. Department of Justice has issued official guidance regarding marijuana enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use marijuana. In each instance, the U.S. Department of Justice ("**DOJ**") has stated that it is committed to the enforcement of federal laws and regulations related to marijuana. However, the DOJ has also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the U.S. Department of Justice has rescinded all federal enforcement guidance specific to marijuana and has instead directed that federal prosecutors should follow the "Principles of Federal Prosecution" originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the U.S. Attorney's Manual creating broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole Memo as being an enforcement priority. Prior to 2018 and in the Cole Memo, the U.S. Department of Justice acknowledged that certain U.S. states had enacted laws relating to the use of marijuana and outlined the U.S. federal government's enforcement priorities with respect to marijuana notwithstanding the fact that certain states have legalized or decriminalized the use, sale, and manufacture of marijuana. "Cole Memo" means the memorandum dated August 29, 2013, addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the United States, as may be supplemented or amended indicating that

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federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent: (1) distribution of cannabis to minors; (2) criminal enterprises, gangs and cartels from receiving revenue from the sale of cannabis; (3) transfer of cannabis from States where it is legal to States where it is illegal; (4) cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity; (5) violence or use of firearms in cannabis cultivation and distribution; (6) drugged driving and adverse public health consequences from cannabis use; (7) growth of cannabis on federal lands; and (8) cannabis possession or use on federal property.

**EVEN THOUGH THE COLE MEMO HAS BEEN RESCINDED WE WILL, AS GUIDING CORPORATE POLICY, CONTINUE TO ABIDE BY ITS PRINCIPLES AND PRESCRIPTIONS, AS WELL AS STRICTLY FOLLOWING THE REGULATIONS SET FORTH BY THE CURRENT US FEDERAL ENFORCEMENT GUIDELINES AND US STATES IN WHICH THE COMPANY OPERATES OR HAS INVESTMENTS. AS SUCH, THE COMPANY BELIEVES THAT THE COMPANY'S U.S. MARIJUANA-RELATED ACTIVITIES ARE CONDUCTED IN A MANNER CONSISTENT WITH U.S. FEDERAL ENFORCEMENT PRIORITIES.**

**THERE IS NO GUARANTEE THAT THE CURRENT PRESIDENTIAL ADMINISTRATION WILL NOT CHANGE ITS STATED POLICY REGARDING THE LOW-PRIORITY ENFORCEMENT OF U.S. FEDERAL LAWS THAT CONFLICT WITH STATE LAWS. ADDITIONALLY, ANY NEW U.S. FEDERAL GOVERNMENT ADMINISTRATION THAT FOLLOWS COULD CHANGE THIS POLICY AND DECIDE TO ENFORCE THE U.S. FEDERAL LAWS VIGOROUSLY. ANY SUCH CHANGE IN THE U.S. FEDERAL GOVERNMENT'S ENFORCEMENT OF CURRENT U.S. FEDERAL LAWS COULD CAUSE ADVERSE FINANCIAL IMPACT AND REMAIN A SIGNIFICANT RISK TO THE COMPANY'S BUSINESS.**

On December 16, 2014, President Obama signed the H.R.83 - Consolidated and Further Continuing Appropriations Act, 2015 ("**Omnibus Bill**"), approving spending for certain federal agencies through September 30, 2015. Section 583 of the Omnibus Bill prohibits the United States government from using federal funds to prevent States with medical marijuana laws from implementing state laws that authorize the use, distribution, possession, or cultivation of medical marijuana.

On May 5, 2017, US President Trump signed into law H.R. 244, the Consolidated Appropriations Act, 2017, which authorizes appropriations that fund the operation of the Federal Government through September 30, 2017. Section 587 of the Consolidated Appropriations Act prohibits the United States government from using federal funds to prevent States with medical marijuana laws from implementing State laws that authorize the use, distribution, possession, or cultivation of medical marijuana. Nevertheless, (1) this does not prevent the United States government from using federal funds to prevent states with adult use marijuana laws from implementing such laws requiring use, distribution, possession or coloration of adult use marijuana; and (2) there can be no certainty that future U.S. federal funding bills will include similar provisions. The provisions relating to cannabis under Omnibus Bill, are currently under review by the United States Congress, which is in the process of finalizing the appropriations act. See "Risk Factors".

On November 14, 2017, Jeff Sessions, the Attorney General of the United States appearing before the House Judiciary Committee made a comment about prosecutorial forbearance regarding state-licensed marijuana businesses. In his statement Mr. Sessions stated that the US Federal Government's current policy is the same fundamentally as the Holder-Lynch policy, whereby the States may legalize marijuana for its law enforcement purposes, but it still remains illegal with regard to federal purposes.

On March 22, 2018, the House of Representatives and Senate voted in favour of approving the Omnibus Spending Bill and it was signed into law the following day by the President of The United States. With the Bill's approval comes an extension of Rohrabacher-Leahy Amendment until September 2018, which is represented by Section 538 of the Bill. Rohrabacher-Leahy Amendment prevents the US Department of Justice from using federal funds in enforcing federal law relating to medical cannabis, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana. The amendment was first introduced in 2014 and has been reaffirmed annually since then. It should be noted that this amendment does not apply to adult-use marijuana.

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

### US State Regulatory Overview

Regulations differ significantly amongst the U.S. states. Some U.S. states only permit the cultivation, processing and distribution of medical marijuana and marijuana-infused products. Some U.S. states may also permit the cultivation, processing, and distribution of marijuana for adult purposes and retail marijuana-infused products. At this time the Company's subsidiaries only had active projects or prospects in the State of Oregon. Provided below is a brief summary of the regulations in the State of Oregon as they relate to the Company's active projects.

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

In November of 2014, Oregon voters passed Measure 91, "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act," creating a regulatory system for individuals 21 years of age and older to purchase marijuana for personal use from licensed retail marijuana stores, as well as cultivate marijuana at home. The OLCC licenses and regulates adult-use marijuana businesses and is currently accepting applications.

On June 30, 2015, Gov. Kate Brown signed House Bill 3400 into law, which improved on the existing regulatory structure for medical marijuana businesses and created a licensing process for cultivators and processors.

On October 15, 2015, OLCC published draft recreational marijuana rules, which were finalized and took effect on June 29, 2016, as OLCC Division 25 of the Oregon Administrative Rules ("**OAR Division 25**"). These rules have been updated on a regular basis since that time, due to administrative prerogative and legislative changes. Currently licensed cannabis companies in the State of Oregon are not subject to residency requirements. OAR Division 25 will continue to evolve and there is no certainty that changes will not adversely affect the Company's operations, as the changes are subject to OLCCs review and approval.

The Oregon Health Authority licenses and regulates medical marijuana businesses and the OLCC licenses and regulates adult-use marijuana businesses. There are six distinct types of license types are available for medical and adult-use businesses: cultivation, manufacturing ("processing"), wholesaling, dispensing, testing and research. Vertical integration between cultivation, processing, and sales is permissible, but not required, for both medical and adult-use. The law does not impose a limit on the number of licenses and applications are currently being accepted for both medical and adult-use businesses on a rolling basis. Local governments may restrict the number of both medical or adult-use marijuana businesses. Laws passed during the 2016 legislative session removed the two-year residency requirement that existed within House Bill 3400.

In Oregon, Licensed Operators must also obtain local permits from the municipalities where the facility will be located where the Licensed Operator intends to carry out its operations. In most municipalities in Oregon where adult-use cannabis businesses are permitted to operate, Licensed Operators must obtain a **LUCS** from the land use/zoning department of the county (if located in unincorporated areas of the county) or the city (if located in the incorporated areas of the county).

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### Summary of Quarterly Results

The following table sets out financial performance highlights for the last eight fiscal quarters.

#### Operations:

	Jun-18	Mar-18	Dec-17	Sept-17	Jun-17	Mar-17	Dec-16	Sept-16
			\$	\$	\$	\$	\$	\$
Expenses	167,522	451,110	48,109	495,701	169,904	169,720	76,907	205,243
Net loss	167,522	451,110	48,109	495,701	169,904	169,720	76,907	205,243
Loss per share basic	0.0017	0.0046	0.0006	0.0059	0.0022	0.0023	0.0012	0.0034
Loss per share fully diluted	0.0017	0.0046	0.0006	0.0056	0.0022	0.0020	0.0012	0.0034

#### Financial Position:

Financial Position	Jun-18	Mar-18	Dec-17	Sept-17	Jun-17	Mar-17	Dec-16	Sept-16
	\$	\$	\$	\$	\$	\$	\$	\$
Total assets	2,411,767	2,565,364	2,722,041	2,139,661	2,236,533	2,215,935	2,239,786	1,910,900
Total long-term Liabilities	-	-	-	-	-	-	-	-
Shareholders' Equity	2,309,174	2,469,696	2,561,406	2,038,652	2,149,556	1,972,615	1,948,166	1,462,662

### Results of Operations

#### For the three months ended June 30, 2018 compared to the three months ended June

The Company's net loss totaled \$167,522 for the three months ended June 30, 2018, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$167,904 with basic and diluted loss per share of \$0.00 for the three months ended June 30, 2017. The decrease in net loss of \$382 was primarily attributable to:

- For the three months ended June 30, 2018, the Company incurred an additional \$25,525 in royalty agreement purchase costs regarding the 5% gross revenue royalty from Dave's Space Cakes LLC.
- For the three months ended June 30, 2018, the Company incurred \$57,422 in management fees compared to \$34,796 in the comparable period. The increase in management fees resulted from the resumption of normal operations in the current period.
- Investor relations and website and promotion decreased by \$21,238 and \$20,000, respectively for the three months ended June 30, 2018 compared to the three months ended June 30, 2017. In the 2017 period the Company was actively seeking investors through various mediums, while in 2018 it has shifted focus to operational activities.

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#### For the six months ended June 30, 2018 compared to the six months ended June

The Company's net loss totaled \$618,632 for the six months ended June 30, 2018, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$337,624 with basic and diluted loss per share of \$0.00 for the six months ended June 30, 2017. The increase in net loss of \$281,008 was primarily attributable to:

- For the six months ended June 30, 2018, the Company incurred \$118,787 in royalty agreement purchase costs regarding the 5% gross revenue royalty from Dave's Space Cakes LLC.
- For the six months ended June 30, 2018, the Company incurred \$108,015 in management fees compared to \$65,607 in the comparable period. The increase in management fees resulted from the resumption of normal operations in the current period.
- Investor relations and website and promotion decreased by \$23,861 and \$20,000, respectively for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. In the 2017 period the Company was actively seeking investors through various mediums, while in 2018 it has shifted focus to operational activities.
- For the six months ended June 30, 2018, the Company incurred \$248,000 in consulting fees compared to \$47,200 for the six months ended June 30, 2017. Consulting fees including the \$170,000 non-cash value of compensation warrants issued to the Company's capital advisors and the \$25,000 non-cash value of common shares issued as part of the royalty investment.

#### Liquidity and Capital Resources

At June 30, 2018, the Company had a working capital of \$34,994 (\$383,272– December 31, 2017) and cash balances of \$79,210 (\$510,297 – December 31, 2017).

	<b>June 30 2018</b>	<b>December 31 2017</b>
Cash	\$ 79,210	\$ 510,297
Current assets	58,377	33,610
Current liabilities	(102,593)	(160,635)
Working capital (deficiency)	<u>\$ 34,994</u>	<u>\$ 383,272</u>

Working capital (deficiency) is defined as current assets net of current liabilities, which is a non-GAAP measure. Non-GAAP financial measures do not have any standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. However, management believes that it is a useful in assessing the Company's liquidity.

The Company has limited financial resources and no source of operating revenue. In the past, it has relied on debt/equity financings to maintain its exploration, environmental permitting, and engineering and development activities and meet its administrative costs. The Company continues to seek capital through various means including the possible joint venturing of a direct interest in its projects and by the issuance of equity and/or debt. If the Company experiences significant delays in obtaining additional funding necessary to fund its ongoing operating and capital requirements, this may have a material adverse impact on the Company's financial condition, business and plan of operations.

The mineral properties in which the Company currently has an interest are in the exploration stages and, consequently, the Company has no current source of operating revenue and is dependent on external financing to fund continued exploration and development of its mineral properties. Historically, the

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Company's principal sources of funding have been the issuance of equity securities for cash and interest income from short-term investments.

The challenging financial markets currently faced by companies in the junior mining sector generally, have had a significant adverse effect on the Company's share price and on its ability to raise additional funds through equity financings on a timely basis. The Company has taken steps to conserve cash pending completion of additional financings.

### Transactions with Related Parties

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals. Related party transactions are conducted in the normal course of operations and are measured at the exchange value (the value amount established and agreed to by the related person).

The following summaries the Company's related party transactions for the periods are presented below:

	<b>Three months ended June 30,2018</b>	<b>Three months ended June 30,2017</b>	<b>Six months ended June 30,2018</b>	<b>Six months ended June 30,2017</b>
Rent paid	\$ 3,000	\$ 3,000	\$ 6,000	\$ 6,000
Exploration and evaluation assets	\$ -	\$ -	\$ -	\$ 2,069

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Company's key management personnel include the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary.

Remuneration of Directors and key management of Company for the periods are presented below:

	<b>Three months ended June 30,2018</b>	<b>Three months ended June 30,2017</b>	<b>Six months ended June 30,2018</b>	<b>Six months ended June 30,2017</b>
Director fees	\$ 20,000	\$ 34,000	\$ 40,000	\$ 43,000
Management fees	\$ 57,422	\$ 34,796	\$ 108,015	\$ 65,607

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Proposed Transactions

There are no material decisions by the Board of Directors of the Company with respect to any imminent or proposed transactions that have not been disclosed.

### Critical Accounting Estimates and Judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

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The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of the Company's assets and liabilities are disclosed in note 4 to the audited annual consolidated financial statements for the years ended December 31, 2017 and 2016.

### New Accounting Policies

#### IFRS 9, Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance had no impact on the Company's unaudited condensed interim consolidated financial statements.

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

<b>Classification</b>	<b>IAS 39</b>	<b>IFRS 9</b>
Cash	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

#### Financial assets

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash is classified as financial assets and measured at amortized cost.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

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- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and other liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

### **Derecognition**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### **Subsequent Events**

(i) On August 2, 2018, the Company announced the grant of 3,200,000 stock options to newly appointed directors of the Company. These options are exercisable at a price of \$0.07 per share and have a term of 5 years.

(ii) On August 17, 2018, the Company announced the grant of 600,000 stock options to existing directors and officers of the Company. These options are exercisable at a price of \$0.07 per share and have a term of 5 years.

(iii) On August 2, 2018, the Company announced the appointment of Mr. Tom Hussey, Robert H. Blake, Robert Schwartz and Gary Galitsky to the board of directors. In addition, the Company has appointed Ms. Cindy Davis as Chief Financial Officer.

(iii) On April 4, 2018, Platinex announced that it has entered into an letter of intent ("LOI") to acquire a 51% interest in Glas Huis, an Oregon-based cannabis company specializing in the production of premium quality craft products including top shelf flower and solventless concentrates. Platinex will acquire a 51% interest in Glas Huis for total consideration of US\$2 million, of which US\$1.5 million will be invested into Glas Huis in the form of a senior secured promissory note carrying an interest rate of 10% with a 30-month term and US\$500,000 will be in the form of Platinex common shares issued to current Glas Huis shareholders priced at the 10-day VWAP prior to closing. In addition, Platinex will have an option to increase its ownership interest in Glas Huis to up to 75% by funding the build-out of a secondary cultivation facility.

On August 17, 2018, the Company also announced that the LOI with Glas Huis has been renegotiated extending the closing date of the Definitive Agreement until September 30, 2018 and changing the terms whereby Platinex can increase its initial 51% interest in Glas Huis to 60% by expending US\$1.5 million over 6 months beginning September 2018 and granting 500,000 options versus the issuance of 500,000 shares of Platinex. The initial expenditures by the Company for the second half of 2018 are estimated at approximately US\$160,000. The LOI provides conditions which are customary for this type of transaction, including regulatory approvals and Platinex completing the change of business pursuant to the policies of the Canadian Securities Exchange.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

The accumulated costs relating to the Company's interests in mineral properties are detailed in the unaudited condensed interim consolidated financial statements and notes for the three and six months ended June 30, 2018 and 2017 and the annual consolidated financial statements and notes for the years ended December 31, 2017 and 2016.

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### Disclosure of Outstanding Share Data

The number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Platinex as at August 29, 2018 are as follows:

Securities	As at August 29, 2018
Common shares outstanding	97,369,595
Issuable under options	9,200,000
Issuable under warrants	21,779,700
<b>Total securities</b>	<b>128,349,295</b>

### Risk Factors

#### Limited operating history

The Company has a very limited history of operations, is in the early stage of development and must be considered a start-up. As such, the Company is 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 the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no history of earnings. Because the Company has a limited operating history in emerging area of business, you should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

#### Regulation

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time 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 failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment.

The Company cannot predict the nature of any future laws, regulations, interpretations, policies or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the Company's operations.

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Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Local, State and federal laws and regulations governing marijuana for medicinal and adult use purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

#### *U.S. Federal Laws*

The business operations of the Company are dependent on State laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization 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 legal manufacturer and sale of marijuana, which would negatively impact the business of the Company.

The concepts of "medical marijuana" and "retail marijuana" do not exist under U.S. federal law. The Federal 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 safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under U.S. federal law. Strict compliance with State laws with respect to marijuana will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company.

As of December 29, 2017, twenty-eight States, the District of Columbia and Guam allow their residents to use medical marijuana. Voters in the States of Colorado, Washington, Oregon, Alaska, California, Nevada, Massachusetts, and Maine have approved and have implemented or are implementing regulations to legalize cannabis for adult use. The State laws are in conflict with the Federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. The Obama administration has made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by State-designated laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the Trump administration will not change the government's stated policy regarding the low-priority enforcement of federal laws and decide to enforce the federal laws to the fullest extent possible. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

The constant evolution of laws and regulations affecting the marijuana industry could detrimentally affect the Company's operations. Local, State and federal medical marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt the business of the Company and result in a material adverse effect on operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to the business of the Company.

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#### Local regulation could change and negatively impact on the Company's operations

Most US States that permit marijuana for adult use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use marijuana businesses in their jurisdictions. If local municipalities where the Company or its Licensed Operators have established facilities decide to prohibit marijuana businesses from operating, the Company or its Licensed Operators (including IGF) could be forced to relocate operations at great cost to the Company, and the Company or its Licensed Operators may have to cease operations in such State entirely if alternative facilities cannot be secured.

#### The Company is dependent on intellectual property, and failure to protect the rights to use that intellectual property could adversely the Company's future growth and success.

The Company's failure to protect its existing intellectual property rights may result in the loss of exclusivity or the right to use the brands and technologies to which the Company has acquired or internally developed. If the Company does not adequately ensure the freedom to use this intellectual property the Company may be subject to damages for infringement or misappropriation, and/or be enjoined from using such intellectual property. In addition, it may be difficult for the Company to enforce certain of its intellectual property rights against third parties who may have inappropriately acquired interests in the Company's intellectual property rights by filing unauthorized trademark applications in foreign countries to register the Company's marks because of their familiarity with our business in the United States. Any potential intellectual property litigation could result in significant expense to the Company, adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of the Company's technical and management personnel, whether or not such litigation is resolved in the favor of the Company. In the event of an adverse outcome in any such litigation, the Company may, among other things, be required to: pay substantial damages; cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property; expend significant resources to develop or acquire non-infringing intellectual property; discontinue processes incorporating infringing technology; or obtain licenses to the infringing intellectual property.

#### Regulation that may hinder the Company's ability to establish and maintain bank accounts

The U.S. federal prohibitions on the sale of marijuana may result in Licensed Operators being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. While the Company does not anticipate dealing with banking restrictions directly relating to its business, banking restrictions could nevertheless be imposed due to the Company's banking institutions not accepting payments from Licensed Operators. Licensed Operators at times do not have deposit services and are at risk that any bank accounts they have could be closed at any time. Such risks increase costs to the Company and Licensed Operators. Additionally, similar risks are associated with large amounts of cash at these businesses. These businesses require heavy security with respect to holding and transport of cash, whether or not they have bank accounts.

In the event that financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that Licensed Operators may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Furthermore, because the manufacture, distribution, and dispensation of cannabis remains illegal under the Controlled Substances Act ("**CSA**"), banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

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### Management's Discussion & Analysis

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#### Product liability, operational risk

As a licensing company (in the case of DSC) and a manufacturer and distributor of products (in the case of IGF) designed to be ingested by humans, the Licensed Operators and the Company face 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 marijuana-infused products based on the DSC's recipes and brands involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Licensed Operator's products alone or in combination with other medications or substances could occur.

#### Product recalls

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 products developed and sold by Licensed Operators are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant management attention and could harm the image of the brand and Company.

#### Uninsurable risks

The medical and retail marijuana business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company may not carry adequate insurance policies to cover its properties or the operation of its business and any liabilities that may arise as a result any of the above noted risks may cause a material adverse effect on the financial condition of the Company.

#### Additional financing

The Company may need to raise significant additional funds in order to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing in order to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms, or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders.

Access to public and private capital and financing continues to be negatively impacted by the federal illegality of cannabis in the United States. Such factors may impact the Company's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

#### Taxes

U.S. federal prohibitions on the sale of marijuana may result in the Company not being able to deduct certain costs from its revenue for U.S. federal taxation purposes if the U.S. Internal Revenue Service determines that revenue sources of the Company are generated from activities which are not permitted under U.S. federal law.

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At this time the Company continues to operate as a mineral exploration issuer under the policies of the CSE and is restricted from allocating significant resources to pursue activities in segments other than mining, such as cannabis. In order to switch its focus outside of mineral exploration businesses the Company needs to complete the COB, which remains subject to regulatory and shareholder approval, including without limitation, the approval of the CSE. There is no assurance that the Company will obtain such approvals in a timely manner, in favorable terms, or at all.

#### Illegal drug dealer could pose threats

Currently, there are many drug dealers and cartels that cultivate, buy, sell and trade marijuana in the United States, Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized marijuana businesses such as those with whom the Company does business and could take action against or threaten the Company, its principals, employees and/or agents and this could negatively impact the Company and its business.

#### Reliance on management

The success of the Company is dependent on the performance of its senior management. The loss of the services of these persons or inability to recruit individuals with the required skillsets would have a material adverse effect on the Company's business and prospects in the short term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

#### Factors which may prevent realization of growth targets

The Company is currently in the early development stage. There is a risk that the additional resources will be needed and milestones 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 risk factors and the following as it relates to the Company and its Licensed Operators:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- 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;
- 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, earthquakes or storms.

#### Risks associated with increasing competition

The marijuana industry is highly competitive. The Company will compete with numerous other businesses in the medicinal and adult use industry, many of which possess greater financial and marketing resources and other resources than the Company. The marijuana business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labour, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations.

The Company expects to face additional competition from new entrants. If the number of legal users of marijuana in its target jurisdiction increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products.

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#### The products manufactured by the Licensed Operators may become subject to regulation governing food and related products

Should the Federal government legalize marijuana for medical or adult use nation-wide, it is possible that the U.S. Food and Drug Administration ("FDA") would seek to regulate the products under the Food, Drug and Cosmetics Act of 1938. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of medical marijuana and marijuana-infused products. Clinical trials may be needed to verify efficacy and safety of the medical marijuana. It is also possible that the FDA would require that facilities where medical marijuana is cultivated be registered with the applicable government agencies and comply with certain federal regulations. In the event, any of these regulations are imposed, the Company cannot foresee the impact on its operations and economics. If the Company or the Licensed Operators are unable to comply with the regulations and registration as prescribed by the FDA or another federal agency, the Company may be unable to continue to operate its marijuana business activities in their current form or at all.

#### Environmental and employee health and safety regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

#### Difficult to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the marijuana industry in Canada and the U.S. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

#### Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

#### Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

#### Currency exchange rates

Exchange rate fluctuations may adversely affect the Company's financial position and results. It is anticipated that a portion of the Company's business will be conducted in the United States using U.S. Dollars. The Company's financial results are reported in Canadian Dollars and costs are incurred primarily in U.S. Dollars in its Marijuana-Infused Products Segment. The depreciation of the Canadian Dollar against the U.S. Dollar could increase the actual capital and operating costs of the Company's U.S. operations and materially adversely affect the results presented in the Company's financial statements.

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*Non-compliance with federal, provincial or State laws and regulations, or the expansion of current, or the enactment of new laws or regulations, could adversely affect the Company's business.*

The activities of the Company may be subject to regulation by governmental authorities. Achievement of the Company's Business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time 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 failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

While oil derived from industrial hemp stalk that has naturally occurring tetrahydrocannabinol (THC) content equal to or less than 0.3% is excluded from the definition of marijuana under the CSA, there is no certainty that this exclusion could not be altered by court or governmental action or re-interpretation. There is no certainty that the United States Food and Drug Administration ("FDA") will not regulate the use of hemp oil as a drug and prohibit use as a dietary ingredient. There is no certainty that hemp oil will be considered a grandfathered dietary ingredient under the Dietary Supplement Health and Education Act of 1994 ("DSHEA"), or would otherwise be permitted for use under the DSHEA. The FDA has taken steps to pursue companies that manufacture hemp-infused products that make health and medical claims about their products, and may take steps to pursue companies that manufacture marijuana products. This may include Licensed Operators, which would adversely affect the Company's financial performance.

*Negative publicity or consumer perception may affect the success of our business.*

The success of the marijuana industry may be significantly influenced by the public's perception of marijuana. Both the medical and recreational use of marijuana are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to marijuana will be favorable. The marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and recreational marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of marijuana, whether in Canada, the United States or elsewhere, may have a material adverse effect on our operational results, consumer base and financial results. Among other things, such a shift in public opinion could cause State jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new State jurisdictions into which the Company could identify potential acquisition opportunities.

*Certain events or developments in the cannabis industry more generally may impact the Company's reputation.*

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our business might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the Company. 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 in regards to the Company and its activities, whether true or not and the cannabis industry in general, whether true or not. The Company does not ultimately have direct control over how it or the cannabis industry 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 Company's overall ability to advance its business strategy and realize on its growth prospects, thereby having a material adverse impact on the Company.

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*The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business*

The Company has grown by acquisition. If the Company implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Common Shares.

*Failure to successfully integrate the interests the Company has acquired, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition.*

The Company's business on the cannabis side has grown by acquiring interest in businesses, including royalty interest in DCS and 51% interest in IGF, and any other interests that it may acquire in future. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires interest in cannabis-related businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

*The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and 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 Company 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 Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

*The Company 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 Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company 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 Company. Furthermore, given the illegality of marijuana under U.S. federal law, the Company's ability to access both public and private capital are limited and in order to support its continuing and future operations it relies on the Canadian equity

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markets to raise such capital. Adverse changes in the equity market environment may adversely affect the Company's operations and future business prospects.

*The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.*

The Company's future business may involve the growing of medical marijuana, an agricultural product. Such a business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

## Disclosure Controls and Internal Controls Over Financial Reporting

### Management's Report on Disclosure Controls and Procedures

Disclosure controls and procedures have been designed with reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer is responsible for the design and operations of disclosure controls and internal control over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the three months ended June 30, 2018.

### Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. However, the Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There have been no changes in the Company's internal control over financial reporting during the three months ended June 30, 2018 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

August 29, 2018