(TSXV: EVE)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

EVE & CO INCORPORATED

For the fourteen months ended December 31, 2018 and

the year ended October 31, 2017

Date: April 30, 2019

EVE & CO INCORPORATED

Management's Discussion and Analysis
For the fourteen month period ended December 31, 2018 and the year ended October 31, 2017

This Management's Discussion and Analysis ("**MD&A**") has been prepared by management of Eve & Co Incorporated ("**Eve & Co**" or the "**Company**") and should be read in conjunction with Eve & Co's consolidated financial statements and notes for the fourteen month period ended December 31, 2018 and year ended October 31, 2017 (the "**Financial Statements**"). The Financial Statements have been prepared using International Financial Reporting Standards ("**IFRS**"). All amounts are in Canadian dollars unless otherwise specified.

This MD&A contains disclosure of material changes related to Eve & Co occurring up to and including April 29, 2019.

Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of the Company in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, or by discussions of strategy are forward-looking statements. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

- reliance on licenses and regulatory approvals to conduct its business as currently operated and as proposed;
- expansion of facilities;
- changes in laws, regulations and guidelines;
- competition;
- environmental regulations and risks;
- limited operating history;
- risks inherent in an agricultural business;
- risks related to commodity prices;
- reliance on a single location;
- uncertain tax burden;

- third party transportation;
- vulnerability to rising energy costs;
- retention and acquisition of skilled personnel;
- negative consumer perception;
- meeting consumer demand;
- product liability;
- product recalls;
- results of future clinical trials;
- insurance coverage;
- uninsurable risks;
- regulatory or agency proceedings, investigations and audits;
- litigation;
- expansion into foreign jurisdictions;
- constraints on marketing products;
- fraudulent or illegal activity by Eve & Co's employees, contractors and consultants;
- breaches of security and risks related to breaches of applicable privacy laws;
- history of losses;
- fluctuating prices of raw materials;
- intellectual property;
- access to capital;
- our potential to breach certain covenants, representations and warranties in our loan arrangements;
- the financial performance of our subsidiary;
- estimates or judgments relating to critical accounting policies;
- reliance on third parties to provide services and technology;
- market price volatility and potential impact on share price;
- changes in effective tax rate;
- strain on our resources as a result of the requirements of being a public company; and
- our ability to declare dividends.

In addition to the factors set out above and those identified in this MD&A under "Risks and Uncertainties", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although Eve & Co has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

Overview of the Company

Background

The Company, through its wholly-owned subsidiary Natural MedCo Ltd. ("**NMC**"), is a licensed producer and seller of fresh and dried cannabis and cannabis plants, and a licensed producer of cannabis oil under the *Cannabis Act* (Canada). Eve & Co has a licensed 220,000 sq. ft. scalable greenhouse production facility located in Strathroy, Ontario. Eve & Co is currently constructing an additional expansion of approximately 780,000 sq. ft., bringing Eve & Co's total anticipated greenhouse capacity to 1,000,000 sq. ft. See “Risk and uncertainties – Expansion of Facilities” and “Capital Resources”.

The Company was incorporated pursuant to articles of incorporation dated June 6, 2014 under the *Business Corporations Act* (the “**OBCA**”). On June 28, 2018, in connection with the Qualifying Transaction (as defined below), the Company filed articles of amendment to change its name from “Carlaw Capital V Corp.” to “Eve & Co Incorporated” and to affect a 2:1 stock split.

The registered and head office of the Eve & Co is located at 2941 Napperton Drive, Strathroy, Ontario, N7G 3H8. Eve & Co is a “reporting issuer” in Alberta, British Columbia and Ontario.

Cannabis Production

The Company’s wholly-owned subsidiary, NMC, submitted its application to become a licensed producer under the *Marihuana for Medical Purposes Regulations* to Health Canada on October 17, 2013. On July 22, 2016, NMC received its license (the “**License**”) to produce, possess, ship, transport, deliver and destroy dried marijuana and marijuana plants, including live clippings and seeds, and such License was subsequently transitioned to the *Access to Cannabis for Medical Purposes Regulations*. On June 22, 2018, Health Canada amended the License to permit the sale of dried marijuana and marijuana plants, and on September 14, 2018 to permit the production of cannabis oil. Effective October 17, 2018, NMC is licensed to produce and sell cannabis under the *Cannabis Act* (Canada). On December 7, 2018, Health Canada amended the License to authorize the sale of dried and fresh cannabis products to provincially retailers and distributors, and authorized NMC’s Packaging Room #2 (as defined below) as an operations area and Flowering Room #2 (as defined below) as a grow area.

The License has a current term that ends on July 22, 2020. It is anticipated by management of the Company that Health Canada will extend or renew the License at the end of its current term. See “Risk and uncertainties – Reliance on License”.

The Company has entered into and is currently proceeding with the negotiation of various supply agreements with respect to the sale of adult-use recreational cannabis, which the Company is now permitted to sell under the *Cannabis Act* (Canada). On July 12, 2018, the Company announced that it had entered into a memorandum of understanding with the Province of British Columbia, and, during the quarter ended October 31, 2018, the Company entered into supply agreements with the Ontario Cannabis Retail Company and the Newfoundland Labrador Liquor Company, with respect to the supply of adult-use recreational cannabis.

In June 2018, the Company broke ground on its proposed expansion of approximately 780,000 sq. ft. which is expected to be completed by the end of the second quarter of 2019. On March 19, 2019, the Company announced that NMC had entered into an $18,700,000 credit facility (the “**Credit Agreement**”) with a Canadian Schedule I bank (the “**Lender**”) to fund the completion of the expansion. After completion of the expansion, it is contemplated that the construction facility will be replaced with a non-revolving term facility. Interest on the current facility will float at a rate of 1.00% per annum above the Lender’s prime lending rate, which currently is 3.95% per annum. The obligations under the facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC’s property located in Strathroy.

Qualifying Transaction

On June 28, 2018, the Company, a capital pool company under the rules of the TSX Venture Exchange (the (“**TSXV**”), completed its qualifying transaction (the “Qualifying Transaction”) with

NMC, consisting of the acquisition of all the issued and outstanding common shares of NMC (the "**NMC Common Shares**") by way of a "three-cornered amalgamation" pursuant to the provisions of the OBCA. In connection with the amalgamation, the Company changed its name from "Carlaw Capital V Corp." to "Eve & Co Incorporated" and completed a 2:1 stock split. As a result of the Qualifying Transaction, the former shareholders of NMC acquired control of the Company. On July 4, 2018, the common shares of the Company (the "**Common Shares**") commenced trading on the TSXV under the symbol "EVE".

Financings

Equity Offering

On June 15, 2018, NMC completed the private placement of equity securities (the "**QT Equity Financings**") for aggregate gross proceeds of $10,798,150 comprised of (i) a brokered private placement (the "**QT Brokered Financing**") of an aggregate 25,340,000 subscription receipts (the "**QT Subscription Receipts**") at a subscription price of $0.25 per QT Subscription Receipt; and (ii) a non-brokered private placement (the "**QT Non-Brokered Financing**") of 17,852,600 NMC Common Shares at a subscription price of $0.25 per NMC Common Share. Each QT Subscription Receipt was converted into one NMC Common Share immediately prior to the completion of the Qualifying Transaction.

In connection with the QT Brokered Financing, the agents received a cash fee equal to 7% of the aggregate gross proceeds of the QT Brokered Financing, a corporate finance fee of $150,000 (plus applicable taxes) and 2,448,800 compensation options (each, a "**NMC Equity Compensation Option**"), each being exercisable for one NMC Common Share at a price of $0.25 per share for a period of two years from the date of the closing of the Qualifying Transaction. In connection with the Qualifying Transaction, each NMC Equity Compensation Option was exchanged for one compensation option of the Company on substantially the same terms (each a "**Equity Compensation Option**").

Debenture Offering

Concurrently with the closing of the QT Equity Financings, NMC completed a private placement (the "**NMC Debenture Financing**", and collectively with the QT Equity Financings, the "**QT Financings**") of 10,000 debenture units (the "**NMC Debenture Units**") for aggregate gross proceeds of $10,000,000, with each NMC Debenture Unit consisting of (i) a $1,000 principal amount senior unsecured convertible debenture of NMC maturing two years from the date of issue and bearing interest at a rate of 10.0% per annum (the "**NMC Debentures**"); and (ii) common share purchase warrants (each, a "**NMC Warrant**") exercisable for up to 3,333 NMC Common Shares at an exercise price of $0.35 per share for a period of two years from the date of issue. The NMC Debentures are convertible into that number of NMC Common Shares computed on the basis of the principal amount of the NMC Debentures divided by the conversion price of $0.30 per share at the holder's option or upon mandatory conversion at the request of NMC in the event that at any time following four months plus one day following the Closing, for any ten consecutive trading days, the volume weighted average closing price of the Common Shares on the TSXV is greater than $0.60. Upon conversion, the holder will also receive a cash payment equal to the additional interest amount that such holder would have received if it had held the NMC Debentures for a period of one year from the date of conversion provided that such period shall not extend beyond the maturity date.

In connection with the Qualifying Transaction, the NMC Debentures and the NMC Warrants were exchanged for debentures ("**Debentures**") and warrants ("**Warrants**") of the Company, respectively, having substantially the same terms and maturing or expiring, as applicable, two years from the closing of the Qualifying Transaction. As of March 29, 2019, all of the Debentures had been converted by the holder into Common Shares.

In connection with certain financial advisory services provided in connection with the NMC Debenture Financing, an advisor was entitled to receive a cash fee of $500,000 (plus applicable taxes) as well 2,333,333 compensation options (each, a "**NMC Debenture Compensation Option**") each being exercisable for one NMC Common Share at a price of $0.30 per share for a period of two years from the closing of the Qualifying Transaction. In connection with the Qualifying Transaction, each NMC Debenture Compensation Option was exchanged into one compensation option of the Company on substantially the same terms (each a "**Debenture Compensation Option**").

Private Placement of Special Warrants

On April 11, 2019, the Company announced that it had entered into an engagement letter with Haywood Securities Inc. (the "**Underwriter**") pursuant to which the Underwriter agreed to purchase 20,000,000 special warrants of the Company (the "**Special Warrants**"), on a bought deal basis, at a price of $0.50 per Special Warrant for aggregate gross proceeds of $10,000,000 (the "**Special Warrant Offering**"). Closing of the Special Warrant Offering is expected to occur on or before May 10, 2019 (the "**Closing**"), and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSXV and securities regulatory authorities, and the satisfaction of other customary closing conditions.

Each Special Warrant will be exercisable into one (1) unit of the Company (a "**Unit**"), for no additional consideration, at any time after the Closing, and each Special Warrant not previously exercised shall be deemed exercised on the earlier of (i) the fifth business day after a receipt is issued for a final prospectus qualifying the Units for distribution in all of the Canadian provinces, except Québec (the "**Qualifying Jurisdictions**") and (ii) the date that is four months and one day following the Closing. Each Unit consists of one (1) Common Share and one Common Share purchase warrant (a "**2019 Warrant**"). Each 2019 Warrant shall entitle the holder thereof to purchase one Common Share (a "**2019 Warrant Share**") at an exercise price of $0.60 at any time up to 24 months following the Closing. The Company has received conditional approval to list the Common Shares, 2019 Warrants and 2019 Warrant Shares on the TSXV.

In consideration for its services, the Underwriter will receive a cash commission equal to 7% of the gross proceeds of the Special Warrant Offering and will issue such number of compensation special warrants ("**Compensation Special Warrants**") equal to 7% of the number of Special Warrants sold in the Special Warrant Offering. Each Compensation Special Warrant will be exercisable into one (1) compensation option (a "**2019 Compensation Option**"), for no additional consideration, at any time after the Closing, and each Compensation Special Warrant not previously exercised shall be deemed exercised on the earlier of (i) the fifth business day after a receipt is issued for a final prospectus qualifying the Units for distribution in Qualifying Jurisdictions and (ii) the date that is four months and one day following the Closing. Each 2019 Compensation Option shall entitle the holder thereof to purchase one Common Share at an exercise price of $0.50 at any time up to 24 months following the Closing.

Use of Proceeds Reconciliation

Upon the completion of the Qualifying Transaction, and after accounting for the net proceeds of the QT Financings, the Company had approximately $18,600,000 of available funds. The following table sets forth a comparison of the disclosure regarding the Company's intended use of proceeds set out in the Company's Filing Statement dated June 18, 2018 (the "**Filing Statement**") which may be viewed under its SEDAR profile at www.sedar.com, and current use of proceeds as of December 31, 2018:

Principal Use of Available Funds	Intended Use of Proceeds ($)(1)	Current Use of Proceeds ($)
Capital expenditures related to 780,000 sq. ft. expansion(2)	9,860,000	9,776,804
Operating expenses	55,000(3)	2,456,578
General and administrative corporate expenses(4)	4,300,000	5,300,000
Repayment of debt	72,000	72,000
Interest on Debentures	583,333	952,392(5)
Unallocated working capital(6)	3,687,441	-
Total	**18,557,774**	**18,557,774**

Notes:

(1) The originally disclosed "Intended Use of Proceeds" covered the 18 month period beginning May 31, 2018 and assumed that NMC did not obtain its authorization to sell cannabis during such time.

(2) The Company expected the first portion of its proposed 780,000 sq. ft. expansion to cost approximately $9,860,000. The Company intends to spend an additional $22,540,000 to complete such expansion, with such funds being partially derived from operations, with the balance of funds raised from the recent $18,700,000 Schedule I Bank facility and the pending $10,000,000 Special Warrant Bought Deal transaction. See "Risk and uncertainties – Expansion of Facilities" and "Capital Resources" below.

(3) The amount allocated to operating expenses did not assume the receipt of the authorization to sell cannabis.

(4) Such expenses include general and administrative expenses as well as employee and third party legal, audit, advisory and consulting costs and fees relating to branding (including the re-branding of the business to "Eve"), brand and business expansion (including acquisitions), customer procurement, public and media relations and tradeshows. In addition, all salaries paid by the Company are included in such amount. Once the sales were permitted, a portion of such salaries were allocated to operating expenses.

(5) This reflects interest payments on the Debentures and make-whole payments triggered on the early conversions of $3,000,000, $2,000,000 and $1,000,000 aggregate principal of Debentures on September 21, 2018, October 5, 2018 and October 12, 2018 respectively.

(6) The unallocated working capital does not include cash inflows from operations.

Selected Financial Information

The following selected financial information has been derived from the audited consolidated financial statements for the fourteen months ended December 31, 2018 and the years ended December 31, 2017 and 2016:

	Fourteen months ended December 31, 2018 $	Year ended October 31, 2017 $	Year ended October 31, 2016 $
Operating Results			
Total Revenue and other income	498,335	Nil	Nil
Loss attributable to the owners of the parent	(7,649,075)	(1,241,034)	(370,132)
Basic and diluted loss per-share	0.04	0.01	0.00
Financial Position			
Total Assets	23,488,377	2,067,680	1,609,372
Total non-current financial liabilities	3,346,099	Nil	13,340
Distributions or cash dividends declared	Nil	Nil	Nil

	Two months ended December 31, 2018 $	Three months ended October 31, 2017 $	% Change	Fourteen months ended December 31, 2018 $	Year ended October 31, 2017 $	% Change
Revenue and other income	484,777	Nil	Nil	498,335	Nil	Nil
Changes in Fair Value of Biological Assets	1,483,832	Nil	Nil	3,469,867	Nil	Nil
Inventory Production Costs Expensed to Cost of Sales	112,579	Nil	Nil	1,204,878	Nil	Nil
Gross Profit (Loss) before fair value	370,083	Nil	Nil	(722,215)	Nil	Nil
Gross Profit After fair value	1,514,697	Nil	Nil	2,408,434	Nil	Nil
Operating Expenses	771,729	373,594	207%	8,413,162	1,241,034	678%
Net Comprehensive Profit (Loss)	1,490,347	(601,093)	(248) %	(7,649,075)	(1,241,034)	616%

Results of operations for the two and fourteen month periods ended December 31, 2018 and the three and twelve month periods ended December 31, 2017

During the fourteen month period ended December 31, 2018, the Company incurred a net loss and comprehensive loss of $7,649,075 (year ended October 31, 2017: $1,241,034). During the two month period ended December 31, 2018, the Company incurred a net income and comprehensive income of $1,490,347 (net loss and comprehensive loss for the three month period ended October 31, 2017: $601,093).

Revenue

The Company generated revenue and other income of $484,777 and $498,336 during the two and fourteen month periods ended December 31, 2018, respectively, (for the three and twelve month periods ended October 31, 2017: $NIL and $NIL). The increase in revenue from the comparative period is due to the Company initiating sales of dried cannabis in the two month period ended December 31, 2018. The Company's License was amended to permit the sale of medical cannabis on June 22, 2018 and to permit sales of certain adult-use cannabis products to provincially authorized retailers and distributors on December 7, 2018. The Company has commenced sales of live plants through its provincial distribution channels under the *Cannabis Act*.

Changes in fair value of biological assets

In accordance with IFRS, the Company is required to record its biological assets at fair value less cost to sell. At each reporting period each harvest is adjusted to full fair value based on the actual yield in grams for completed harvests and estimated yield for harvests in progress. Cannabis which has been harvested is transferred to inventory at the full fair value less costs to sell. Additional costs incurred after harvest related to quality control and other finishing costs are capitalized to inventory until such time that the cannabis is ready for sale and recorded as finished goods inventory.

During the two and fourteen month periods ended December 31, 2018, the Company recognized a gain of $1,483,832 and a gain of $3,469,867, respectively, (for the three and twelve month periods ended October 31, 2017: $NIL, $NIL) related to the unrealized fair value gain on changes in Biological Assets.

The biological assets of the Company as at December 31, 2018 were $2,912,369 (October 31, 2017: $NIL) and were comprised of 240 clones (October 31, 2017: 4,860), 33,424 cannabis plants that were estimated to be 30% complete to harvest (October 31, 2017: 680) and 17,711 cannabis plants that were estimated to be 60% complete to harvest (October 31, 2017: 484). Once harvested, the cannabis plants produced (*i.e.* cannabis products) are transferred to inventory. During the fourteen month period ended December 31, 2018, the Company transferred approximately 498.7 kilograms (for the twelve month period ended October 31, 2017: NIL) of dried flower and 338.8 kilograms of dried trim (for the twelve month period ended October 31, 2017: NIL) to inventory. The Company anticipates having a spaced production schedule, with plants expected to be in all stages of production. At all times the average age of the plants is anticipated to be 40% complete.

Cost of finished goods sold

In the Consolidated Statement of Loss and Comprehensive Loss in the Financial Statements, the category "Inventory production costs expensed to cost of sales" represents the cash component of cost of finished goods sold during the period as well as the cash component of cost of goods sold incurred prior to the Company receiving its initial sales license on June 22, 2018. During the fourteen month period ended December 31, 2018 the Company recognized Inventory production costs expensed to cost of sales $1,204,878. As the Company had not received its sales license as at October 31, 2017 the direct and indirect productions costs incurred in the twelve month period ended October 31, 2017 were expensed.

The category "Realized Fair Value amounts included in inventory sold" represents the fair value less cost to sell recognized during the biological transformation process related to cannabis sold during the period. During the fourteen month period ended December 31, 2018 the Company recognized Realized Fair Value amounts included in inventory sold of $339,218 (for the twelve month period ended October 31, 2017: $NIL).

Inventory

In accordance with IFRS, 410.5 kilograms of dried bud (October 31, 2017: NIL), and 265.1 kilograms of dried trim (October 31, 2017: NIL) inventory on hand at December 31, 2018 was valued at $2,075,368 (October 31, 2017: $NIL). The inventory balance has grown during the fourteen month period ended December 31, 2018 with the Company ramping up production with the approval of its second flower room on December 7, 2018.

Inventory is expected to increase in proportion to licensed capacity.

Production expenses capitalized to Inventory and Biological Assets

Production expenses consist of direct and overhead costs attributable to production including labour, materials, consumables, supplies, amortization and other expenses required to produce cannabis products. These costs are capitalized into inventory as incurred.

During the fourteen month period ended December 31, 2018, the Company capitalized production expenses of $1,969,667 (for the twelve month period ended October 31, 2017: $NIL) consisting of direct costs attributable to Biological Assets and Inventory. During the two month period ended December 31, 2018 the Company capitalized production expenses of $596,404 (for the three month period October 31, 2017: $NIL). In both periods the increase in costs relates to the ramp up of production following the receipt of the Company's amended License permitting sales on June 22, 2018 and approval of the Company's second flower room on December 7, 2018. As at December 31, 2018 included in Biological Assets and Inventory were capitalized production expenses of $1,142,272 and $714,816 respectively.

Gross profit

Gross loss before fair value for the fourteen month period ended December 31, 2018 was $722,215 as compared to $NIL for the year ended October 31, 2017. The decrease in gross profit (loss) before fair value was mainly due to the Company expensing the cash component of cost of goods sold incurred prior to the Company receiving its sales license on June 22, 2018 and subsequently beginning commercial production activities and recognising Biological Assets and Inventory. The Company recorded its first sale in December 2018.

Gross Profit Including Fair Value for the fourteen month period ended December 31, 2018 was $2,408,434 as compared to $NIL for the year ended October 31, 2017. During the fourteen month period ended December 31, 2018 the Company recognised gains on biological assets transformation of $3,469,867 (for the year ended October 31, 2017 $NIL). Gross profit including fair value for the two month period ended December 31, 2018 was $1,514,697 as compared to

$NIL for the three month period ended October 31, 2017. The increase was due to the Company beginning commercial production activities and recognising Biological Assets and Inventory following the receipt of its initial sales license.

Operating expenses

During the fourteen month period ended December 31, 2018, total operating expenses increased to $8,413,162 as compared to $1,241,034 for the year ended October 31, 2017. During the two month period ended December 31, 2018, total operating expenses increased to $771,729 as compared to $373,594 for the three month period ended October 31, 2017. The additional operating expenses were incurred to support the buildup of increased operational capacity in the Company's greenhouse facilities as well as costs incurred related to stock-based compensation, interest on the Debentures and consulting work.

For the fourteen month period ended December 31, 2018, the Company's operating labour and management wages expense increased to $910,832 as compared to $517,418 for the year ended October 31, 2017. For the two month period ended December 31, 2018, the Company's total salaries and wages expense increased to $355,319 as compared to the $331,048 for the three month period ended October 31, 2017. The total increase in operating labour and management wages expense, are due primarily to the increase in the management team and staffing requirements needed as a result of the increased cannabis cultivation efforts at the Company's facility.

For the fourteen month period ended December 31, 2018, the Company's total finance expense amounted to $1,495,685 as compared to $91,828 for the year ended October 31, 2017. Finance expense for the fourteen month period ended December 31, 2018 is net of borrowing costs capitalized to property, plant and equipment of $NIL (for the year ended October 31, 2017: $NIL). The total increase of finance expense for the fourteen month period ended December 31, 2018, is primarily due to accretion and interest expense related to increased amounts of borrowing. For the two month period ended December 31, 2018, the Company's total finance expenses amounted to $82,897 as compared to $61,383 for the three month period ended October 31, 2017.

For the fourteen month period ended December 31, 2018, the Company's total consulting and contract work expense increased to $3,000,203 as compared to $48,600 for the three month period ended October 31, 2017. During the fourteen month period ended December 31, 2018, the Company entered into agreements, for one year periods, with several parties for advertising, marketing, investor relations, M&A financial advisory and other consulting services (collectively the consulting contracts) with contract values totaling $3,000,000. The fees under these agreements were paid in July 2018 and an expense of $750,000 was recognised in the July 31, 2018 Financial Statements. In the quarter ended October 31, 2018 management determined that, although some residual value may be present during the remaining term of such engagements, there was no longer future benefit to the Company for the majority of these prepaid engagements and the remaining prepaid amount of $2,250,000 was written off.

For the fourteen month period ended December 31, 2018, the Company's total general and administrative expense increased to $408,914 as compared to $340,909 for the year ended October 31, 2017. The general and administrative expense increased due to general expenses as a result of the increased number of employees and the expansion of the Company's facilities. For the two month period ended December 31, 2018, the Company's total general and administrative expense increased to $46,309 as compared to $118,485 for the three month period ended October 31, 2017. The general and administrative expense increased due to the increased number of employees and the expansion of the Company's facilities.

Construction of Expansions

As at December 31, 2018, construction in progress had a balance of $10,636,318 as compared to $NIL for the year ended October 31, 2017 reflecting assets not yet available for use. This included $10,339,775 in building additions and $296,543 in machinery and equipment. Since these assets remained inactive, they are not amortized until they are ready for their intended use. This increase resulted from the construction expenses incurred related to the expansion of the Company's greenhouse facilities.

Selected Quarterly Information

	December 31, 2018 * (Unaudited) $	**October 31, 2018 (Unaudited) $**	**July 31, 2018 (Unaudited) $**	**April 30, 2018 (Unaudited) $**	**January 31, 2018 (Unaudited) $**
Total Revenue and other income	484,777	7,124	3,785	1,393	1,286
Gain (Loss) attributable to the owners of the parent	1,490,347	(3,450,296)	(3,981,695)	(1,104,633)(1)	(602,800)
Basic and diluted gain (loss) per-share	0.01	(0.02)	(0.02)	(0.00)	(0.01)
Total Assets	23,488,377	21,010,240	22,173,839	4,885,825	5,350,767
Total non-current financial liabilities	3,346,099	3,278,553	6,452,600	Nil	Nil
Distributions or cash dividends declared	Nil	Nil	Nil	Nil	Nil

* The December 31, 2018 column reflects the two month period then ended.

	October 31, 2017 (Unaudited) $	July 31, 2017 (Unaudited) $	April 30, 2017 (Unaudited) $	January 31, 2017 (Unaudited) $
Total Revenue	Nil	Nil	Nil	Nil
Gain (Loss) attributable to the owners of the parent	(520,537)	(322,350)	(186,351)	(211,796)
Basic and diluted loss per-share	0.00	0.00	0.00	0.00
Total Assets	2,067,680	1,979,687	1,651,026	1,612,344
Total non-current financial liabilities	Nil	Nil	1,784,597	1,715,580
Distributions or cash dividends declared	Nil	Nil	Nil	Nil

Note:

(1) Though $464,752 of expenses were properly reflected in NMC's statements of profit and loss for NMC's six month period ended April 30, 2018, such expenses were incorrectly excluded from the statements of profit and loss for NMC's three month period ended April 30, 2018. The above value correctly includes such expenses, despite the prior statement.

Liquidity and Going Concern

As at December 31, 2018, the Company had a positive working capital of $3,901,877 as compared to a deficit of $4,086,754 as at October 31, 2017.

Cash used in operating activities during the fourteen month period ended December 31, 2018 was $10,420,176 compared to $594,763 for the year ended October 31, 2017. Cash outflows from operating activities year-to-date relate to a net loss for the period of $7,649,075, the non-cash gain on realization of biologicals and inventory of $3,469,867, accumulation of inventory of $1,857,089 and receivables of $2,358,210 offset by an increase of accounts payable $642,318, non-cash transaction costs of $1,751,000 and stock based compensation expense of $1,576,553.

Cash provided from financing activities during the fourteen month period ended December 31, 2018 was $22,045,197, and $1,126,507 for the year ended October 31, 2017. See "Qualifying Transaction" above.

Cash used in investing activities during the fourteen month period ended December 31, 2018 was $10,687,247 compared to $447,290 for the year ended October 31, 2017. The cash used for investing activities is mainly related to investments in capital on the Company's ongoing greenhouse expansion.

Going concern

The Financial Statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

Historically, the Company has been successful in raising capital through the issuance of equity and debt and as a result management of the Company believes that it will have sufficient capital to operate over the next 12 months.

Contractual obligations and commitments

As at December 31, 2018, the payments due by period are set out in the following table:

Fiscal Year	2019	2020	2021	2022	2023	Total
Expansion Contract	$ 19,647,805	$ -	$ -	$ -	$ -	$ 19,647,805
Convertible Debt	200,000	4,200,000	-	-	-	4,400,000
Promissory Note	976,000	-	-	-	-	976,000
Amount	$20,823,805.0	$4,200,000.0	$ -	$ -	$ -	$25,023,805.0

Capital resources

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at December 31, 2018, the Company had a cash balance of $1,038,174 and current liabilities of $4,726,245.

Management of the Company believes the Company's current resources are enough to settle its current liabilities, when considering inventory and supply contracts.

A substantial expansion of the facilities adding an additional 100,000 sq. ft. of production space was completed and after being licensed in December 2018 is now currently being used for production. A further expansion of approximately 780,000 sq. ft. is well underway and is expected to be completed by the second quarter of 2019. The total financing requirements for this latest expansion are approximately $32,400,000, of which approximately $12,350,000 has already been expended. Management of the Company expects that the remaining estimated amount of $20,050,000 will be partially paid with the Company's existing financial resources and anticipated operating cash flows.

On March 19, 2019, the Company announced that NMC had entered into the Credit Agreement with the Lender to fund a portion of the completion of the expansion. After completion of the expansion, it is contemplated that the construction facility will be replaced with a non-revolving term facility. Interest on the current facility will float at a rate of 1.00% per annum above the Lender's prime lending rate, which currently is 3.95% per annum. The obligations under the facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC's property located in Strathroy.

On April 11, 2019, the Company announced that it had entered into an engagement letter with the Underwriter pursuant to which the Underwriter agreed to purchase 20,000,000 Special Warrants on a bought deal basis, at a price of $0.50 per Special Warrant for aggregate gross proceeds of up to $12,000,000. A portion of the proceeds of the Special Warrant Offering are to be used for greenhouse expansion. Closing of the Special Warrant Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSXV and securities regulatory authorities, and the satisfaction of other customary closing conditions.

On April 18, 2019, the Company announced that an aggregate of 16,665,000 Warrants had been exercised into 16,665,000 Common Shares for gross proceeds to the Company of $5,832,750. The proceeds from the exercise of such Warrants are intended to be used by the Company to support the development of a female-focused consumer packaged goods program.

The Company may have additional capital expenditures from time to time with respect to optional upgrades to its facilities. See "Risk and uncertainties – Expansion of Facilities".

Off-balance sheet arrangements

The land on which the Company's greenhouse facility is situated is subject to an option to purchase (the "**Lease-back Option**") held by Melinda Rombouts, the President and CEO of the Company, and David Burch, a director of NMC. Upon exercise of the Lease-back Option and the payment of $976,000, the option holders must immediately grant the Company a lease over the land, with such lease: (i) being for a term of 20 years, with four 5-year renewals; (ii) having monthly net rent not exceeding $6,100 throughout the term and renewals; (iii) having such terms and conditions that are in form and substance satisfactory to the Company, acting reasonably; and (iv) having no terms or conditions that are materially unusual or adverse to the Company in the opinion of its board, acting reasonably. The Lease-back Option may not be exercised, however, until NMC obtains all requisite regulatory approvals required for a change of ownership of the land, as may be required from time to time by Health Canada.

Transactions between related parties

Key management includes directors and officers of the Company. Compensation paid to key management for the fourteen month period ended December 31, 2018 amounted to $294,430 compared to the $205,435 for the year ended October 31, 2017. During the fiscal period the officers and directors of the Company were granted options to purchase up to 11,800,000 Common Shares with a fair value of $2,944,540.

Ms. Rombouts and Mr. Burch are also the holders of promissory notes issued by NMC with an aggregate principal amount of $976,000, of which $150,000 of principal was paid on March 31, 2019 and the remainder of such principal becomes due and payable within 30 days of demand. The notes bear interest at 5% per annum, calculated monthly.

The Company was indebted to shareholders and a relative of a majority shareholder of the Company in the amount of $NIL at December 31, 2018 (October 31, 2017 - $430,562). The advances were interest free with no set terms of repayment. During the three month period ended January 31, 2018, NMC Common Shares were issued to pay off the advances in full.

See "Off-balance sheet arrangements" regarding the Lease-back Option.

Risks and uncertainties

Commercial cannabis production is a new industry in Canada and relies on, among other things, obtaining and maintaining regulatory approvals. As a result, there is a high degree of risk associated with the Company's business. There is a significant risk that the expenditures made by the Company in developing its cannabis business will not result in profitable operations.

There are a number of risk factors that could cause future results to differ materially from those described herein. The following sets out the principal risks faced by Eve. Additional risks and uncertainties, including those that the Company does not know about or that it currently deems immaterial, could also adversely affect the Company's business and results of operations.

Reliance on License

the Company's ability to grow and store cannabis in Canada is dependent on maintaining its License with Health Canada. Failure to comply with the requirements of the License or any failure to maintain its License would have a material adverse impact on the business, financial condition and operating results of the Company.

Although the Company believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, the Company may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of the Company may be materially adversely affected.

Before the end of the term of its License, NMC must submit an application for renewal to Health Canada. There can be no guarantee that Health Canada will extend or renew the License as necessary or, if it extended or renewed, that the License will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License, or should it renew the License on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected.

Expansion of Facilities

There is no guarantee that the expansion of the Company's facilities will occur in a timely fashion, that the expansion will be completed in its currently proposed form, or that any additional debt and/or equity financing or funds from operations required to complete the expansion will be available in a timely fashion, on terms acceptable to the Company, or at all. In addition, unfavourable weather could delay the Company's ability to complete its proposed expansion or could increase the estimated costs of such expansions. The failure of the Company to successfully execute its expansion strategy (including receiving the expected Health Canada approvals and required debt and/or equity financing or funds from operations or as a result of weather-related delays) in a timely fashion or at all could adversely affect the business, financial condition and results of operations of the Company and may result in the Company not meeting anticipated or future demand when it arises.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis as well as laws and regulations relating to drugs, controlled substances, health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of the Company's management, the Company is currently in compliance with all such laws, regulations and guidelines, any changes to such laws, regulations and guidelines due to matters beyond the control of the Company may have an adverse effect on the Company's operations and the financial condition of the Company.

Further, the legal regime surrounding cannabis has been subject to various court challenges and changing government policies. This evolving legal regime presents a risk to the Company in that legislators or the court may adopt changes that would have a negative impact on the business, financial condition or results of operations of the Company. For example, judicial rulings or legislative changes that allow those without existing licenses to possess and/or grow cannabis, allow others to opt out of the regulated supply system implemented through the *Cannabis Act* by growing their own cannabis, or legitimize illegal areas surrounding cannabis dispensaries, could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations for the Company.

The Canadian Federal Government approved the enactment of the *Cannabis Act*. Apart from creating the legal market for recreational cannabis, the *Cannabis Act* and the regulations promulgated thereunder may significantly impact the laws and regulations governing the Company's operations.

The industry is subject to extensive controls and regulations which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including under the *Cannabis Act* and related regulations and those relating to taxes and other government levies which may be imposed. Changes in the regulatory regime governing the production, processing and sale of cannabis and cannabis products could increase compliance costs for the Company and could make the Company's operations uneconomic. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic.

While the potential impact of any of such changes is highly uncertain and fact dependent, it is not expected that any such changes would have an effect on the Company's operations that is materially different than the effect on similar-sized companies in the same business as the Company.

Competition

The Company expects that it will face intense competition from other licensed producers of cannabis, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. In order to mitigate this intense competition, the Company has dedicated and expects to continue to dedicate significant resources to hiring consultants and employees to provide services related to branding, brand and business expansion (including acquisitions), customer procurement, public and media relations and tradeshows. However, to remain competitive, the Company will require a continued level of investment in such business development activities and the Company may not have sufficient resources to expenses on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company. The number of cannabis licenses granted by Health Canada could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants.

Environmental Regulations and Risks

The Company's operations are subject to environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, approval and permitting requirements, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Limited Operating History

The Company only entered the cannabis industry upon the submission of its License application in October 2013 and has since only initiated sales of its products beginning in December 2018. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources, lack of revenues and ability to secure customers. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Risks Inherent in an Agricultural Business

The Company's business involves the growing of cannabis, an agricultural product. Such 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.

Commodity Price Risks

Cannabis is a development market and likely subject to volatile and possibly declining prices year over year as a result of increased competition. Because cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis. There is no assurance that price volatility will be favourable to the Company or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of licenses granted by Health Canada and the supply such licensees are able to generate. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material outcome on the Company and its securities.

Reliance on a Single Location

The Company's activities and resources are currently focused on the premises in Middlesex County, Ontario. The Company expects to continue the focus on this facility for the foreseeable future. Adverse changes or developments affecting the existing facility and location could have a material and adverse effect on the Company's ability to continue producing cannabis, its business, financial condition and prospects.

The location of the Company's existing facility is also subject to purchase and lease-back held by Ms. Rombouts and Mr. Burch. If such option is exercised, the Company will become subject to risks associated with a landlord adhering to the terms of the lease.

Uncertain Tax Burden

Tax regimes, including excise taxes and sales taxes, can disproportionately affect the price of the Company's products, or disproportionately affect the relative price of the Company's products versus other cannabis products. Because the Company's products are targeted at the premium cannabis market, tax regimes based on sales price can place the Company at a competitive disadvantage in certain price-sensitive markets. As a result, the Company's volume and profitability may be adversely affected in these markets.

Third Party Transportation

In order for customers of the Company to receive their product, the Company must rely on third party transportation services. Due to the perishable and premium nature of the Company's products, the Company will depend on fast and efficient services to distribute their product. This can cause logistical problems with and delays in customers obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance. In addition, rising costs associated with the third party transportation services the Company may use to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Moreover, security of the product during transportation to and from the the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financials and prospects. Any such breach could impact the Company's ability to continue operating under its licenses or the prospect of renewing its licenses.

Vulnerability to Rising Energy Costs

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

Retention and Acquisition of Skilled Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and other skilled personnel (each, a "**Key Person**", and collectively, the "**Key Personnel").** The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of a Key Person, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. Further, as a Licensed Producer, each Key Person is subject to a security clearance by Health Canada. Under the *Cannabis Act* a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the Company's existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by a Key Person to maintain or renew his or her security clearance, would result in a material adverse effect on the Company's business, financial condition and results of operations. In addition, if a Key Person leaves the Company, and the Company is unable to find a suitable replacement that has a security clearance required by the *Cannabis Act* in a timely manner, or at all, there could occur a material adverse effect on the Company's business, financial condition and results of operations. While employment agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such employees.

Demand for Product and Negative Consumer Perception

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis distributed in accordance with the *Cannabis Act*. Consumer perception of cannabis can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and in other countries, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations and financial condition of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity (whether or not accurate or with merit), could have a material adverse effect on any demand for the Company's products which could have a material adverse effect on the Company's business, financial condition and results of operations. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Meeting Consumer Demand

The Company operates in an early stage market which has a small representation of Canadian cannabis consumers. Should the Company be unable to grow a quality product demanded by the consumers, this could have a material impact on the Company's revenues and average price per gram.

Product Liability

As a distributor of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to renew sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

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 or manufacturing defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product or manufacturing defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products and following good production practices required by the *Cannabis Act*, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Results of Future Clinical Research

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

Insurance Coverage

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, there could be a material adverse effect on the Company's business, financial condition and results of operation.

Uninsurable Risks

The Company may become subject to liability for pollution, fire and explosion, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material adverse effect on the financial position of the Company.

Regulatory or Agency Proceedings, Investigations and Audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines, penalties or revocation of its License. The Company may become involved in a number of government or agency proceedings, investigations, inspections and audits. The outcome of any regulatory or agency proceedings, investigations, inspections, audits, and other contingencies could result in a revocation or suspension of the Company's license, harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant the Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favorably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

In the event of a dispute involving any foreign operations of the Company, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company's ability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Expansion into Foreign Jurisdictions

The Company's expansion into jurisdictions outside of Canada is subject to risks. In addition, in jurisdictions outside of Canada, there can be no assurance that any market for the Company's products will develop. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit the Company's ability to successfully expand its operations into such jurisdictions and may have a material adverse effect on the Company's business, financial condition and results of operations.

The export of cannabis by the Company and the import of cannabis by foreign importers are subject to the parties obtaining all necessary export and import permits by the applicable governmental authorities. There is no assurance that such permits will be granted or, if granted, on a timely basis. A failure to receive such permits may have a material adverse effect on the Company's business, financial condition and results of operations.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Fraudulent or Illegal Activity by its Employees, Contractors and Consultants

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

Breaches of Security at its Facilities or in Respect of Electronic Documents

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Canadian Federal Government, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, a revocation or suspension of its License, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

In addition, if the Company sells directly to registered patients or customers, the Company may collect and store personal information about such individuals and would then be responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

History of Losses

The Company incurred losses in prior periods. the Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase as anticipated so as to offset these expected increases in costs and operating expenses, the Company will may not achieve profitability.

Fluctuating Prices of Raw Materials

The Company's anticipated revenues will in large part be derived from the production, sale and distribution of cannabis. The price of production, sale and distribution of cannabis will fluctuate widely due to how young the cannabis industry is and is affected by numerous factors beyond the Company's control including international, economic and political trends, taxation, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

Intellectual Property

The success of the Company's business depends in part on its ability to protect its ideas and technology. The Company does not have any patented technology at this time nor has it applied to register any patents. The Company has not filed any trademarks at this time nor has it applied for any trademarks. Even if the Company moves to protect its technology with trademarks, patents, copyrights or by other means, the Company is not assured that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact our ability to successfully grow our business.

Access to Capital

In executing its business plan, the Company makes, and will continue to make, substantial investments and other expenditures related to acquisitions, expansion, research and development and marketing initiatives. Since its incorporation, the Company has financed these expenditures through offerings of its equity securities and debt financing. The Company will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. The Company may incur major unanticipated liabilities or expenses.

The development of the business of the Company may depend upon additional financing. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing the development of additional products and the business of the Company's current or future operations, or may result in the Company being required to relinquish rights to or sell certain of its products or intellectual property that it would otherwise not relinquish or sell. There can be no assurance that additional capital or other types of financing would be available if needed or that, if available, the terms of such financing will be acceptable. Loans may be obtained from Canadian financial institutions or the public debt markets. There is no assurance that the business of the Company will generate sufficient cash flow from operations in the future to service any debt and to make necessary capital expenditures, in which case the Company may seek additional financing, dispose of certain assets or seek to refinance some or all of its debt. The Company can provide no assurance that it will be able to obtain financing to meet the growth needs of the Company.

Borrowing Risks and Loan Default

On March 19, 2019, the Company announced that NMC had entered into the Credit Agreement with the Lender to fund the completion of the expansion. After completion of the expansion, it is contemplated that the construction facility will be replaced with a non-revolving term facility. Interest on the current facility will float at a rate of 1.00% per annum above the Lender's prime lending rate, which currently is 3.95% per annum. The obligations under the facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC's property located in Strathroy.

The Credit Agreement imposes covenants and obligations on the part of Eve & Co and NMC. In particular, the Credit Agreement contains certain covenants and representations and warranties, the breach of which could result in a default and the acceleration of maturity of the facilities, the Lender realizing on its security, or diminished availability of refinancing alternatives or increase the associated costs thereof. As at the date of this MD&A the Company and NMC were in compliance with the covenants contained in the Credit Agreement. There is no assurance that the Company and NMC will be in compliance with these covenants in the future due to unforeseen events of circumstances, some of which are outlined in this "Risks Factors" section. As of the date of this MD&A, NMC had not fully drawn down on the facility available pursuant the Credit Agreement and there is no assurance that NMC will be permitted to draw on the facility in the future.

Financial Performance of Subsidiary

Eve & Co is a holding company that conducts its business through NMC which generates substantially all revenues. As a result, the financial performance of Eve & Co and its ability to meet financial obligations is dependent on the operating results and revenues of NMC, and the distribution of those earnings to Eve & Co. In the event of a liquidation or bankruptcy of NMC, lenders and trade creditors will generally be entitled to payment of their claims from the assets of NMC before any assets are made available for distribution to Eve & Co.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the Financial Statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

The Company relies on third parties to provide services and technology necessary for the operation of its business. Any failure of one or more of the Company's partners, vendors, suppliers or licensors to provide these services or technology could have a material adverse effect on its business.

The Company relies on third-party vendors to provide critical services, including, among other things, services related to information technology, utilities, laboratory testing, and heating, ventilating and air conditioning that the Company cannot create or provide. The Company depends on these vendors to ensure that its corporate infrastructure will consistently meet business requirements. The ability of these third-party vendors to successfully provide reliable and high quality services is subject to technical and operational uncertainties that are beyond the Company's control. While the Company may be entitled to damages if its vendors fail to perform under their agreements, the Company's agreements with these vendors will limit the amount of damages that may be received. In addition, the Company may be unable to collect any award of damages, or such damages may be insufficient to cover the actual costs incurred as a result of any vendor's failure to perform under its agreement. Any failure of the Company's corporate infrastructure could have a material adverse effect on its business, financial condition and results of operations. Upon expiration or termination of any of the Company's agreements with third-party vendors, the Company may not be able to replace the services provided in a timely manner or on terms and conditions, including service levels and cost, that are favorable and a transition from one vendor to another vendor could subject the Company to operational delays and inefficiencies until the transition is complete.

The Company's share price will fluctuate.

The trading price of the Common Shares is subject to change and could in the future fluctuate significantly. The fluctuations could be in response to numerous factors beyond the Company's control, including: quarterly variations in results of operations; announcements of technological innovations or new products by the Company, its customers or competitors; changes in securities analysts' recommendations; announcements of acquisitions; changes in earnings estimates made by independent analysts; general fluctuations in the stock market; or revenue and results of operations below the expectations of public market securities analysts or investors. Any of these could result in a sharp decline in the market price of the Common Shares.

The Internet offers various avenues for the dissemination of information. The Company has no control over the information that is distributed and discussed on electronic bulletin boards and investment chat rooms. The intention of the people or organizations that distribute such information may not be in the Company's best interest and the best interests of its shareholders. This, in addition to other forms of investment information including newsletters and research publications, could result in a sharp decline in the market price of the Common Shares.

In addition, stock markets have occasionally experienced extreme price and volume fluctuations. The market prices for high-technology companies have been particularly affected by these market fluctuations and such effects have often been unrelated to the operating performance of such companies. These broad market fluctuations may cause a decline in the market price of the Common Shares.

The Company's effective tax rate could change.

The Company's future effective tax rate could be unfavorably affected by unanticipated changes in the valuation of its deferred tax assets and liabilities. Changes in the Company's effective tax rate could have a material adverse impact on it results of operations.

If securities or industry analysts do not publish research or reports about the business, or publish negative reports about the business, the Company's share price and trading volume could decline.

The market for the Common Shares will depend in part on the research and reports that securities or industry analysts publish about the Company or its business. If one or more analysts downgrade the Common Shares, the share price would likely decline. If one or more analysts cease coverage of the Company or fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which could cause its share price or trading volume to decline.

The requirements of being a public company may strain the Company's resources, divert management's attention and affect its ability to attract and retain qualified board members.

As a public company, the Company is subject to the reporting requirements of Canadian securities regulators, the listing requirements of the Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations may increase the Company's legal and financial compliance costs, may make some activities more difficult, time-consuming or costly and may increase the demand on the Company's systems and resources. Being a public company requires that the Company file continuous disclosure documents, including, among other things, annual and quarterly financial statements. Management's attention may be diverted from other business concerns, which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may need to hire more employees in the future, which will increase its costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure create uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. The Company may invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If the Company's efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory authorities, legal proceedings may be initiated against the Company and its business may be harmed.

Dividends

The Company does not currently intend to pay any cash dividends on its Common Shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company's current policy is to retain earnings to finance the development of new lines of products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the board of directors of the Company in the context of its earnings, financial condition and other relevant factors. Until the Company pays dividends, which it may never do, its shareholders will not be able to receive a return on its Common Shares unless they sell them.

Critical accounting estimates

Refer to Note 3 of the Consolidated Financial Statements.

New accounting standards and interpretations not yet adopted

Refer to Note 4 of the Consolidated Financial Statements.

Outstanding share data

The authorized capital of the Company consists of an unlimited number of Common Shares without par value, of which 265,109,639 are issued and outstanding as of the date hereof.

Options

The Company has adopted a stock option plan (the "**Option Plan**"). Under the terms of the Option Plan, officers, directors, employees and consultants are eligible to receive grants of stock options to purchase Common Shares for a period of up to ten years from the date of grant, provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares at the date of the grant. As of the date of this MD&A, subject to the terms of the Option Plan, options to purchase up to 9,340,000 Common Shares are outstanding and options to purchase up to 17,170,964 Common Shares are available for grant.

Warrants

In connection with the Qualifying Transaction, the Company issued 33,330,000 Warrants, of which 16,665,000 Warrants remain outstanding as of the date of this MD&A.

Compensation Options

In connection with the Qualifying Transaction, the Company issued 2,448,800 Equity Compensation Options and 2,333,333 Debenture Compensation Options. As of the date of this MD&A, 561,507 Equity Compensation Options and 1,733,333 Debenture Compensation Options remain issued and outstanding.

Debentures

In connection with the Qualifying Transaction, the Company issued $10,000,000 aggregate principal amount of Debentures. As of the date of this MD&A, no Debentures remain outstanding.

Additional information

Additional information relating to the Company is contained under the Company's SEDAR profile at www.sedar.com.

Approval

The Board of Directors of the Company has approved the disclosure in this MD&A.