



(TSXV: EVE)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

EVE & CO INCORPORATED

For the three months ended March 31, 2019 and April 30, 2018

Date: May 23, 2019

EVE & CO INCORPORATED

Management's Discussion and Analysis For the three month periods ended March 31, 2019 and April 30, 2018

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 three month period ended March 31, 2019 (the "**Financial Statements**"), and the audited consolidated financial statements for the fourteen month period ended December 31, 2018 and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). 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 May 23, 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 the MD&A for the fourteen month period ended December 31, 2018 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 approximately \$10,800,000 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 May 10, 2019 (the "**Closing**"), the Company completed the private placement of special warrants comprised of 20,900,000 special warrants of the Company (the "**Special Warrants**"), at a price of \$0.50 per Special Warrant for aggregate gross proceeds of \$10,450,000 (the "**Special Warrant Offering**").

Each Special Warrant is 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 in which purchasers reside, except Québec (the "**Qualifying Jurisdictions**") and (ii) September 11, 2019. Each Unit consists of one (1) Common Share and one Common Share purchase warrant (a "**2019 Warrant**"). Each 2019 Warrant entitles the holder thereof to purchase one Common Share (a "**2019 Warrant Share**") at an exercise price of \$0.60 until May 10, 2021. The Company has received approval to list the Common Shares, 2019 Warrants and 2019 Warrant Shares on the TSXV.

In consideration for their services, the underwriter received a cash commission equal to 7% of the gross proceeds of the Special Warrant Offering of \$731,500 and was issued 1,463,000 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 is 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 is 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) September 11, 2019. Each 2019 Compensation Option entitles the holder thereof to purchase one Common Share at an exercise price of \$0.50 until May 10, 2021.

Selected Financial Information

The following selected financial information has been derived from the interim condensed consolidated financial statements for the three month periods ended March 31, 2019 and April 30, 2018:

	Three months ended March 31, 2019 \$	Three months ended April 30, 2018 \$	% Change
Revenue and other income	1,717,437	2,649	64,833%
Changes in Fair Value of Biological Assets	919,274	Nil	Nil
Inventory Production Costs Expensed to Cost of Sales	899,959	Nil	Nil
Gross Profit (Loss) before fair value	807,667	Nil	Nil
Gross Profit After fair value	464,880	Nil	Nil
Operating Expenses	1,299,006	991,859	131%
Net Comprehensive Profit (Loss)	(997,315)	(1,103,264)	90%

Results of operations for the three month periods ended March 31, 2019 and April 30, 2018

During the three month period ended March 31, 2019, the Company incurred a net loss and comprehensive loss of \$997,315 (April 30, 2018: \$1,103,264).

Revenue

The Company generated revenue and other income of \$1,717,437 during three month period ended March 31, 2019, (April 30, 2018: \$2,649). The increase in revenue from the comparative period is due to the Company initiating sales of dried cannabis in December 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* (Canada).

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 three month period ended March 31, 2019, the Company recognized a gain of \$919,274, (April 30, 2018: \$NIL) related to the unrealized fair value gain on changes in Biological Assets.

The biological assets of the Company as at March 31, 2019 were \$3,788,759 (April 30, 2018: \$NIL) and were comprised of 18,481 clones (April 30, 2018: 5,808), 15,169 cannabis plants that were estimated to be 30% complete to harvest (April 30, 2018: 3,853) and 39,533 cannabis plants that were estimated to be 60% complete to harvest (April 30, 2018: 3,853). Once harvested, the cannabis plants produced (*i.e.* cannabis products) are transferred to inventory. During the three

month ended March 31, 2019, the Company transferred approximately 184.0 kilograms (April 30, 2018: 218.6) of dried flower and 260.2 kilograms of dried trim (April 30, 2018: 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. During the three month period ended March 31, 2019 the Company recognized Inventory production costs expensed to cost of sales \$899,959 (April 30, 2018: \$NIL).

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 three month period ended March 31, 2019 the Company recognized Realized Fair Value amounts included in inventory sold of \$1,262,061 (April 30, 2018: \$NIL).

Inventory

In accordance with IFRS, 220.9 kilograms of dried bud (April 30, 2018: 218.6), and 130.2 kilograms of dried trim (April 30, 2018: NIL) inventory on hand at March 31, 2019 was valued at \$1,131,071 (April 30, 2018: \$NIL). The inventory balance has grown during the three month period ended March 31, 2019 with the Company fully utilizing the second flower room that was approved by Health Canada for production on December 7, 2018.

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 three month period ended March 31, 2019, the Company capitalized production expenses of \$1,174,838 (April 30, 2018: \$NIL) consisting of direct costs attributable to Biological Assets and Inventory. The period's 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 March 31, 2019 included in Biological Assets and Inventory were capitalized production expenses of \$1,627,813 and \$504,155 respectively.

Gross profit

Gross profit before fair value for the three month period ended March 31, 2019 was \$807,667 as compared to a loss of \$NIL for April 30, 2018. The increase in gross profit (loss) before fair value was mainly due to the Company having sales in the three months ended March 31, 2019 after having initiated sales in December 2018.

Gross Profit Including Fair Value for the three month period ended March 31, 2019 was \$464,880 as compared to a loss of \$NIL for April 30, 2018. During the three month period ended March 31, 2019 the Company recognised gains on biological assets transformation of \$919,274 (April 30, 2018 \$NIL). The increase was due to the Company beginning commercial production activities and recognizing Biological Assets and Inventory following the receipt of its initial sales license.

Operating expenses

During the three month period ended March 31, 2019, total operating expenses increased to \$1,299,006 as compared to \$991,859 during the three month period ended April 30, 2018. The additional operating expenses during the three month period ended March 31, 2019 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 professional fees.

For the three month period ended March 31, 2019, the Company's operating labour and management wages expense increased to \$267,940 as compared to \$304,182 for April 30, 2018. The total increase in operating labour and management wages expense, is 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 three month period ended March 31, 2019, the Company's total finance expense amounted to \$609,782 as compared to \$90,257 for the three month period ended April 30, 2019. Finance expense for the three month period ended March 31, 2019 is net of borrowing costs capitalized to property, plant and equipment of \$NIL (April 30, 2018: \$NIL). The total increase of finance expense for the three month period ended March 31, 2019 is primarily due to accretion and interest expense related to the convertible debenture.

Construction in Progress

As at March 31, 2019, construction in progress had a balance of \$12,184,158 as compared to \$NIL at April 30, 2018, reflecting assets not yet available for use. This included \$11,913,548 in building additions and \$270,610 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

	March 31, 2019 (Unaudited) \$	December 31, 2018 * (Unaudited) \$	October 31, 2018 (Unaudited) \$	July 31, 2018 (Unaudited) \$
Total Revenue and other income	1,717,437	484,777	7,124	3,785
Gain (Loss) attributable to the owners of the parent	(997,315)	1,490,347	(3,450,296)	(3,981,695)
Basic and diluted gain (loss) per-share	0.00	0.01	(0.02)	(0.02)
Total Assets	28,671,499	23,488,377	21,010,240	22,173,839
Total non-current financial liabilities	Nil	3,346,099	3,278,553	6,452,600
Distributions or cash dividends declared	Nil	Nil	Nil	Nil
	April 30, 2018 ⁽¹⁾ (Unaudited) \$	January 31, 2018 (Unaudited) \$	October 31, 2018 (Unaudited) \$	July 31, 2017 (Unaudited) \$
Total Revenue and other income	2,649	Nil	Nil	Nil
Gain (Loss) attributable to the owners of the parent	(1,103,264)	(604,168)	(520,537)	(322,350)
Basic and diluted gain (loss) per-share	0.00	(0.01)	0.00	0.00
Total Assets	4,885,825	5,350,767	2,067,680	1,979,687
Total non-current financial liabilities	Nil	Nil	Nil	Nil
Distributions or cash dividends declared	Nil	Nil	Nil	Nil

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

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 March 31, 2019, the Company had a positive working capital of \$1,541,389 as compared to a \$3,901,878 as at December 31, 2018.

Cash used in operating activities during the three month period ended March 31, 2019 was \$1,122,689 (April 30, 2018 - \$531,911). Cash outflows from operating activities year-to-date relate to a net loss for the period of \$997,315, the non-cash gain on realization of biologicals and inventory of \$1,262,061, collection of outstanding HST receivables of \$1,546,186 offset by an accumulation

of accounts payable of \$1,835,894, deferred income tax expense of \$173,000 and stock based compensation of \$151,230 .

Cash provided from financing activities during the three month period ended March 31, 2019 was \$5,593,742, (April 30, 2018 - \$6,347). The increase is due to the first draw taken against the company's \$18,700,000 credit facility with a Schedule I Canadian Bank.

Cash used in investing activities during the three month period ended March 31, 2019 was \$120,856 (April 30, 2018 - \$1,365,250). 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 March 31, 2019, the payments due by period are set out in the following table:

Fiscal Year	2019	2020	2021	2022	2023	Total
Expansion Contract	\$ 18,099,132	\$ -	\$ -	\$ -	\$ -	\$ 18,099,132
Loans and Borrowings	5,479,266	-	-	-	-	5,479,266
Promissory Note	826,000	-	-	-	-	826,000
Amount	\$ 24,404,398	\$ -	\$ -	\$ -	\$ -	\$ 24,404,398

Capital resources

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at March 31, 2019, the Company had a cash balance of \$5,388,371 and current liabilities of \$10,219,831.

Management of the Company believes the Company's current resources are enough to settle its current liabilities when they come due, 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 during the second quarter of 2019. The total financing requirements for this latest expansion are approximately \$32,400,000, of which approximately \$14,300,000 has already been expended. Management of the Company expects that the remaining estimated amount of \$18,100,000 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 a Canadian Schedule I Bank 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 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.

On May 10, 2019 the Company completed the special warrant private placement of 20,900,000 special warrants of the Company (each a "Special Warrant"), at a price of \$0.50 per Special Warrant for aggregate gross proceeds of \$10,450,000. Further details of this transaction are outlined above under the Financings section of this MD&A.

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 three month period ended March 31, 2019 amounted to \$129,960 compared to the \$46,154 April 30, 2018. During the three month period the officers and directors of the Company were granted options to purchase up to 500,000 Common Shares with a fair value of \$97,500.

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.

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 section entitled "Risks and Uncertainties" in the MD&A of the Company for the fourteen month period ended December 31, 2018 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.

Critical accounting estimates

Refer to Note 3 of the audited Consolidated Financial Statements for the fourteen month period ended December 31, 2018.

New accounting standards and interpretations not yet adopted

Refer to Note 3 of the Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2019 and April 30, 2018.

Outstanding share data

The authorized capital of the Company consists of an unlimited number of Common Shares without par value, of which 265,542,972 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 16,540,000 Common Shares are outstanding and options to purchase up to 9,970,964 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 1,300,000 Debenture Compensation Options remain issued and outstanding.

In connection with the Special Warrant private placement, the Company issued 1,463,000 Compensation Special Warrants. As of the date of this MD&A, 1,463,000 Compensation Special Warrants remain issued and outstanding.

Special Warrants

In connection with the Special Warrant private placement the Company issued 20,900,000 Special Warrants, all of which remain issued and outstanding as of the date of this MD&A

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.