UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

☐ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

☒ **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2018

Commission File Number 001-38783

Village Farms International, Inc.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada	**2833**	**N/A**
(Province or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

4700-80th Street
Delta, British Columbia V4K3N3
(407) 936-1190
(Address and telephone number of Registrant's principal executive offices)

CT Corporation
111 Eighth Avenue
New York, New York 10011
(212) 894-8940
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, no par value	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

☒ **Annual information form** ☒ **Audited annual financial statements**

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the annual report: 47,642,672

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. ☐ Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

EXPLANATORY NOTE

Village Farms International, Inc. (the "Company" or the "Registrant") is a Canadian issuer that is permitted, under the multijurisdictional disclosure system adopted in the United States, to prepare this annual report on Form 40-F (this "Annual Report") pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act and Rule 405 under the Securities Act of 1933, as amended. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 thereunder.

FORWARD LOOKING STATEMENTS

This Annual Report and the Exhibits incorporated by reference into this Annual Report of the Registrant contain forward-looking statements that reflect management's expectations with respect to future events, the Registrant's financial performance and business prospects. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements include, but are not limited to, future developments; use of funds; and the business and operations of the Registrant. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "proposed" "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved", but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Registrant to be materially different from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; delay or failure to receive board, shareholder or regulatory approvals; and the results of continued development, marketing and sales as well as those factors discussed under the heading "Risk Factors" in the Registrant's Annual Information Form for the year ended December 31, 2018, included as Exhibit 99.1 to this Registration Statement, and those discussed under the heading "Risks and Uncertainties" in the Registrant's management's discussion and analysis for the year ended December 31, 2018 included as Exhibit 99.3 to this Annual Report. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Although the management and officers of the Registrant believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Registrant's forward-looking statements contained in the Exhibits incorporated by reference into this Annual Report are made as of the respective dates set forth in such Exhibits. In preparing this Annual Report, the Registrant has not updated such forward-looking statements to reflect any change in circumstances or in management's beliefs, expectations or opinions that may have occurred prior to the date hereof. Nor does the Registrant assume any obligation to update such forward-looking statements in the future. Accordingly, for the reasons set forth above, the forward-looking statements in the Exhibits incorporated by reference into this Annual Report should not be unduly relied upon.

NOTE TO UNITED STATES READERS—DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Registrant is permitted, under a multijurisdictional disclosure system adopted by the United States Securities and Exchange Commission (the "SEC"), to prepare this Annual Report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Registrant prepares its financial statements, which are filed with this Annual Report in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and the audit is subject to Canadian auditing and auditor independence standards and SEC/Public Company Accounting Oversight Board ("PCAOB") independence standards.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Registration Statement on Form 40-F are in United States dollars. The exchange rate of United States dollars into Canadian dollars, on December 31, 2018, based upon the daily exchange rate as quoted by the Bank of Canada was U.S.$1.00 = Cdn$1.3631.

ANNUAL INFORMATION FORM

The Annual Information Form (the "AIF") for the fiscal year ended December 31, 2018 is filed as Exhibit 99.1 to this Annual Report and is incorporated by reference herein.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017, including the report of the Independent Registered Public Accounting Firm thereon, are filed as Exhibit 99.2 to this Annual Report, and are incorporated by reference herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's MD&A for the year ended December 31, 2018 is filed as Exhibit 99.3 to this Annual Report, and is incorporated by reference herein.

TAX MATTERS

Purchasing, holding, or disposing of the Company's securities may have tax consequences under the laws of the United States and Canada that are not described in this Annual Report.

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this Annual Report, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e)) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by our management, under the supervision, and with the participation, of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based upon that evaluation, the CEO and the CFO concluded that as of December 31, 2018, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate, to allow for timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

ATTESTATION REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

This Annual Report does not include an attestation report of the Registrant's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the year ended December 31, 2018 there were no changes to the Registrant's internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the Registrant's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

The Registrant was not required by Rule 104 of Regulation BTR to send any notices to any of its directors or executive officers during the fiscal year ended December 31, 2018.

AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors of the Registrant has determined that John P. Henry, the chair of the Registrant's audit committee, qualifies as an audit committee financial expert for purposes of paragraph (8) of General Instruction B to Form 40-F. The board of directors has further determined that Mr. Henry is also independent, as that term is defined in the corporate governance requirements of the Nasdaq Stock Market ("Nasdaq"). The SEC has indicated that the designation of Mr. Henry as an audit committee financial expert does not make him an "expert" for any purpose, impose any duties, obligations or liabilities on him that are greater than those imposed on members of the audit committee and the board of directors who do not carry this designation or affect the duties, obligations or liabilities of any other member of the audit committee or the board of directors.

CODE OF ETHICS

The Registrant has adopted a written Code of Business Conduct and Ethics (the "Code"), as defined in Form 40-F, that is applicable to all officers, directors, employees, subsidiaries and affiliates of the Registrant.

All departures from, all amendments to the Code, and all waivers of the Code with respect to any of the senior officers covered by it, which waiver may be made only by the board of directors of the Registrant in respect of senior officers, will be disclosed as required. The Code is located on the Registrant's website at www.villagefarms.com.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The fees paid to the independent auditor are included under the heading "Audit Committee Information" in the AIF, which is filed as Exhibit 99.1 hereto and incorporated by reference herein.

OFF-BALANCE SHEET TRANSACTIONS

The Registrant does not have any off-balance sheet transactions that have or are reasonably likely to have a current or future effect on the Registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

As of December 31, 2018, the Registrant is contractually committed to the following:

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt, net of fees	$38,588	$ 3,698	$34,296	$ 594	$ —
Line of credit	2,000	2,000	—	—	—
Trade payables	14,601	14,601	—	—	—
Accrued liabilities	3,509	3,509	—	—	—
Obligation under capital lease	180	78	92	10	—
Other liabilities	1,050	—	1,050	—	—
Total	**$59,928**	**$ 23,886**	**$35,438**	**$ 604**	$ —

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant's board of directors has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The required disclosure is included under the headings "Audit Committee Information" in the AIF, which is filed as Exhibit 99.1 hereto and incorporated by reference herein.

CORPORATE GOVERNANCE

As a Canadian corporation listed on the Nasdaq Stock Market, we are not required to comply with most of the Nasdaq corporate governance standards, so long as we comply with Canadian corporate governance practices. In order to claim such an exemption, however, we must disclose the significant differences between our corporate governance practices and those required to be followed by U.S. domestic issuers under Nasdaq's corporate governance standards.

Our corporate governance practices meet all applicable Canadian requirements. The following is a summary of the significant ways in which our corporate governance practices differ from those required to be followed by U.S. domestic issuers under Nasdaq's corporate governance standards. Except as described in this summary, we are in compliance with the Nasdaq corporate governance standards in all significant respects.

- Nasdaq Listing Rule Although the Company's Audit Committee Charter contains the substantially all requisite information and requirements to comply with Nasdaq Rule 5605(c), it is drafted in accordance with the requirements of the Company's home jurisdiction, and does not specifically refer to the Nasdaq rules. Our practices with regard to these requirements are permitted by Canadian law.
- Nasdaq Rule 5605(e)(1) requires each listed company's nominees for director be either selected or recommended for the board's selection by (i) independent directors constituting a majority of the board's independent directors in a vote in which only independent directors participate, or (ii) a nominations committee comprised solely of independent directors. Further, Nasdaq Rule 5605(e)(2)(b) requires listed companies to certify that it has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the U.S. federal securities laws. Our current Compensation and Corporate Governance Committee (the "CCGC") charter includes general guidelines for identifying and nominating candidates to join our board of directors but does not provide the same level of specificity regarding the requirements as Nasdaq Rule 5605(e)(1). Our practices with regard to these requirements are permitted by Canadian law.
- The NASDAQ minimum quorum requirement under Nasdaq Rule 5620(c) for a shareholders meeting is 33 1/3% of the outstanding common shares. The Company's bylaws currently provide that quorum for a shareholders meeting is met if at least two shareholders holding at least 10% of the Company's outstanding common shares entitled to vote at the meeting are present (whether in person or represented by proxy). Our practices with regard to these requirements are permitted by Canadian law.

- Nasdaq Rule 5605(d)(1) requires that each listed company adopt a formal written compensation committee charter that specifies, among other things, the compensation committee's responsibilities and authority, as set forth in Listing Rule 5605(d)(3). The Registrant has adopted a formal written mandate setting out the duties and responsibilities of the CCGC. Among other things, such mandate includes recommending for approval by the board the compensation of the chief executive officer, and other executive officers. The mandate does not specify that the chief executive officer may not be present during voting or deliberations on his or her compensation. Our practices with regard to these requirements are permitted by Canadian law.

UNDERTAKINGS

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Registrant has previously filed with the SEC a written irrevocable consent and power of attorney on Form F-X. Any change to the name or address of the Registrant's agent for service shall be communicated promptly to the SEC by amendment to the Form F-X referencing the file number of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

VILLAGE FARMS INTERNATIONAL, INC.

By: /s/ Michael D. DeGiglio
Name: Michael D. DeGiglio
Title: Chief Executive Officer

Date: March 20, 2019

EXHIBIT INDEX

The following documents are being filed with the Commission as Exhibits to this Annual Report:

Exhibit	Description
99.1	Annual Information Form, dated March 20, 2019.
99.2	Audited Annual Consolidated Financial Statements and notes thereto as at and for the years ended December 31, 2018 and December 31, 2017, together with the report thereon of the independent auditor.
99.3	Management's Discussion and Analysis for the year ended December 31, 2018.
99.4	Certificate of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act.
99.5	Certificate of the Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act.
99.6	Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of PricewaterhouseCoopers LLP.
101.INS	XBRL Instance*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

* To be filed by amendment.

Exhibit 99.1



Village Farms International, Inc.

4700–80th Street
Delta, British Columbia
V4K 3N3

Annual Information Form

For the Year Ended December 31, 2018

March 20, 2019

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form constitute forward-looking information within the meaning of applicable securities laws ("**forward-looking statements**"). Forward-looking statements may relate to the Company's future outlook or financial position and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, litigation, projected production, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the Company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the Company, the greenhouse vegetable industry or the cannabis industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms as "outlook", "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", "objectives", or the negative or grammatical variation thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this annual information form include, but are not limited to, statements with respect to: product pricing; maintaining profitability; risks inherent in the agricultural business; natural catastrophes; retail consolidation; covenant risk; dependence upon credit facilities; competition; transportation disruptions; labour; governmental regulations; product liability; key executives; uninsured and underinsured losses; vulnerability to rising energy costs; risks of regulatory change; environmental, health and safety risk, foreign exchange exposure, risks associated with cross-border trade; technological advances; accounting estimates; growth; tax risks; risks related to the Joint Venture, including the Joint Venture's ability to obtain licenses under the Cannabis Act, risks relating to conversion of the Company's greenhouses to cannabis production, the ability to cultivate and distribute cannabis in Canada; risks related to the startup operations of growing hemp in the United States, including regulatory and statutory rules and regulations at both the federal (FDA and USDA) as well as state and municipal levels, general and hemp specific farming risks, as well as general business risks involved with commencement of new business operations.

The Company has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian and United States economies will remain stable over the next 12 months, that inflation will remain relatively low, that interest rates will remain stable, that tax laws remain unchanged, that market conditions within the greenhouse produce and Canadian cannabis industries generally will be consistent with the current climate, that the U.S. hemp business will be impacted by the evolving federal and state regulatory and statutory regime, and that the United States and Canadian capital markets will provide the Company with access to equity and/or debt at reasonable rates when required.

Although the forward-looking statements contained in this annual information form are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the Company's control, that may cause the Company's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors contained in the Company's filings with securities regulators, including this annual information form and management's discussion and analysis.

When relying on forward-looking statements to make decisions, the Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking statements made in this annual information form relate only to events or information as of the date on which the statements are made in this annual information form. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

INTERPRETATION

Glossary of Terms

"ACMPR" means the Access to Cannabis for Medical Purposes Regulations;

"APDI" means Agro Power Development, Inc., a Delaware corporation;

"**Bank**" means the Canadian chartered bank referred to under "Credit Facilities";

"**BCVMC**" means the British Columbia Vegetable Marketing Commission;

"**Business**" means the businesses carried on by the Company and its subsidiaries;

"**Cannabis Act**" means the Cannabis Act (Canada);

"**Cannabis Regulations**" means the *Cannabis Regulations*, enacted under the Cannabis Act;

"**CBCA**" means the *Canada Business Corporations Act*, as amended;

"**CBD**" means cannabidiol, a non-euphoric chemical compound found in cannabis;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CDS Participant**" means a participant in the CDS depository service;

"**CDSA**" has the meaning ascribed thereto under "Industry Overview";

"**Combination Transaction**" means the combination transaction which closed on October 18, 2006 whereby the businesses of Hot House Growers Inc. and Village Farms were combined;

"**Common Shares**" means the common shares in the capital of the Company;

"**Company**" means Village Farms International, Inc. and, as the context requires, Village Farms International, Inc. together with its subsidiaries;

"**Compensation Plan**" means the share based compensation plan of the Company adopted on December 31, 2009;

"**Conversion**" means the plan of arrangement carried out under the CBCA and completed on December 31, 2009 whereby, among other things, the Fund was terminated and the ordinary unitholders of the Fund received Common Shares of the Company on a one for one basis;

"**Credit Facilities**" means the Term Loan, the Operating Loan and the VFCE Loan;

"**CSA**" has the meaning ascribed thereto under "General Development of the Company";

"**Delta 1 Greenhouse**" has the meaning ascribed thereto under "General Development of the Company";

"**Delta 2 Greenhouse**" has the meaning ascribed thereto under "General Development of the Company";

"**Delta 3 Greenhouse**" has the meaning ascribed thereto under "General Development of the Company";

"**EBITDA**" means earnings before interest, taxes, depreciation, amortization, foreign currency exchange gains and losses on translation of long term debt, and unrealized gains on the changes in the value of derivative instruments and non-controlling interest;

"Emerald" means Emerald Health Therapeutics, Inc.;

"**Emerald Contribution**" has the meaning ascribed thereto under "General Development of the Company";

"**Farm Bill**" has the meaning ascribed thereto under "General Development of the Company";

"FDA" has the meaning ascribed thereto under "Risk Factors";

"**Federal Court**" has the meaning ascribed thereto under "Industry Overview";

"**Forward-looking statements**" has the meaning ascribed thereto under "Forward-Looking Statements";

"**Fund**" means Village Farms Income Fund, which was terminated on December 31, 2009 as part of the Conversion;

"**IHR**" means the *Industrial Hemp Regulations*, enacted under the Cannabis Act;

"**IRS**" means the Internal Revenue Service;

"**Joint Venture**" has the meaning ascribed thereto under "General Development of the Company";

"**Joint Venture Agreement**" has the meaning ascribed thereto under "General Development of the Company";

"**License**" has the meaning ascribed thereto under "Risk Factors";

"**Management**" means the management of the Company and its subsidiaries who operate the Business;

"**Material Decisions**" has the meaning ascribed thereto under "General Development of the Company";

"**Minister**" has the meaning ascribed thereto under "Industry Overview";

"**MMPR**" has the meaning ascribed thereto under "Industry Overview";

"**Nature Crisp**" means Nature Crisp LLC;

"**NLC**" has the meaning ascribed thereto under "Industry Overview";

"**OCRC**" has the meaning ascribed thereto under "General Development of the Company";

"**Offeree**" has the meaning ascribed thereto under "General Development of the Company";

"**Offeror**" has the meaning ascribed thereto under "General Development of the Company";

"**Operating Loan**" has the meaning ascribed thereto under "Credit Facilities";

"**Order**" has the meaning ascribed thereto under "Industry Overview";

"**PACA license**" means a license issued by the United States Department of Agriculture, established by the Perishable Agricultural Commodities Act; this license is required for any business selling fresh and frozen fruits and vegetables.

"**Preferred Shares**" the preferred shares in the capital of the Company;

"**Prime Rate**" means the floating annual rate of interest (based on a 365/366 day year) established and recorded by the Bank from time to time as a reference rate for purposes of determining rates of interest it will charge on loans denominated in Canadian dollars;

"**Pure Sunfarms**" means Pure Sunfarms Corp.;

"**QA**" has the meaning ascribed thereto under "General Development of the Company";

"**Regulations**" has the meaning ascribed thereto under "Industry Overview";

"**RPIC**" has the meaning ascribed thereto under "General Development of the Company";

"**Securityholders' Agreement**" means the agreement that was entered into on the completion of the Combination Transaction between, among others, the Fund, VF Opco and Michael A. DeGiglio as amended and restated on December 31, 2009 by, among others, the Company, VF Opco and Michael A. DeGiglio;

"**Special Shares**" means the special voting shares in the capital of the Company;

"**SPIC**" has the meaning ascribed thereto under "General Development of the Company";

"**SQDC**" has the meaning ascribed thereto under "Industry Overview";

"**Staff Notice**" has the meaning ascribed thereto under "General Development of the Company";

"**Term Loan**" has the meaning ascribed thereto under "Credit Facilities";

"**THC**" means tetrahydrocannabinol, a psychoactive chemical compound found in cannabis;

"**TSX**" means Toronto Stock Exchange;

"**Units**" means the former ordinary units of the Fund, which were cancelled on December 31, 2009 in connection with the Conversion;

"**U.S. Holdings**" means VF U.S. Holdings Inc., a Delaware corporation;

"**USDA**" has the meaning ascribed thereto under "Risk Factors";

"**VF Canada GP**" means Village Farms Canada GP Inc., a corporation incorporated under the laws of Canada that is the general partner of VF Canada LP;

"**VF Canada LP**" means Village Farms Canada Limited Partnership;

"**VF Hemp**" means Village Fields Hemp USA, LLC, a limited liability company organized under the laws of the State of Delaware;

"**VF Opco**" means VF Operations Canada Inc., a corporation incorporated under the laws of Canada;

"**VFCE**" means VF Clean Energy, Inc.;

"**VFCE Loan**" has the meaning ascribed thereto under "Credit Facilities";

"**VFLP**" means Village Farms, L.P.; and

"**Village Farms**" means, collectively, APDI and its subsidiary entities, as these entities existed prior to the completion of the Combination Transaction;

Words importing the singular number only include the plural and vice versa and words importing any gender include all genders. All dollar amounts set forth in this annual information form are in United States dollars, except where otherwise indicated.

Interpretation

Unless otherwise noted or the context otherwise requires: (i) the term “cannabis” has the meaning given thereto under the Cannabis Act; and (ii) the term “License Holder” means a person licensed by Health Canada under Section 62(1) of the Cannabis Act.

Market and Industry Data

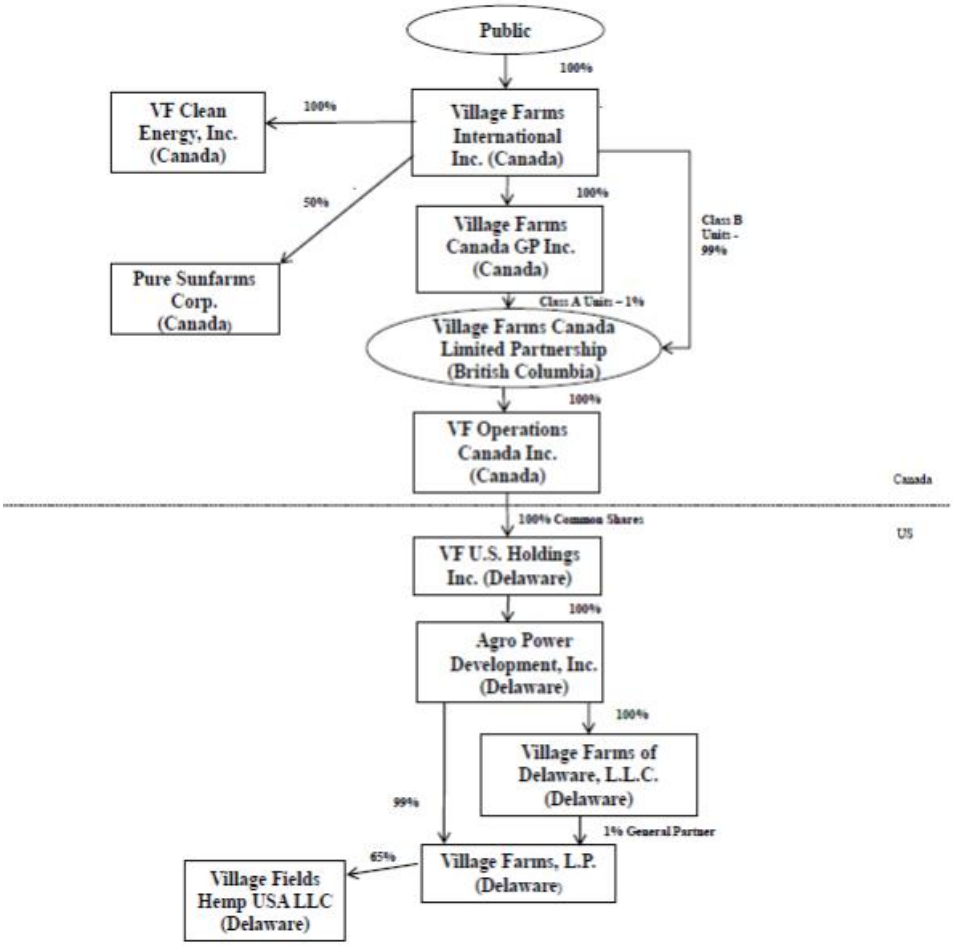
Unless otherwise indicated, information contained in this annual information form concerning the Company’s industry and the markets in which it operates or seeks to operate is based on information from third party sources, industry reports and publications, websites and other publicly available information, and management studies and estimates. Unless otherwise indicated, the Company’s estimates are derived from publicly available information released by third party sources as well as data from the Company’s own internal research, and include assumptions which the Company believes to be reasonable based on management’s knowledge of the Company’s industry and markets. The Company’s internal research and assumptions have not been verified by any independent source, and the Company has not independently verified any third party information. While the Company believes that such third party information to be generally reliable, such information and estimates are inherently imprecise. In addition, projections, assumptions and estimates of the Company’s future performance or the future performance of the industry and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in this annual information form under “Risk Factors”.

STRUCTURE OF THE COMPANY

The Company is a corporation incorporated under the CBCA. The head and registered office of the Company and each of its Canadian subsidiaries is located at 4700-80th Street, Delta, British Columbia, V4K 3N3.

Intercorporate Relationships

The following chart illustrates the structure of the Company and its material subsidiaries (including jurisdiction of establishment/incorporation and percentage of voting securities owned) as of December 31, 2018 and March 20, 2019.



GENERAL DEVELOPMENT OF THE COMPANY

History

The Company's predecessor, the Fund, completed its initial public offering as an income trust on December 23, 2003. The Company converted from an income trust to a publicly-traded company on December 31, 2009 as part of the Conversion. In connection with the Conversion, the Company changed its name to Village Farms International, Inc.

As of the date hereof, the Company has 47,660,337 Common Shares and no Special Shares issued and outstanding. The Company's premium product is grown in sophisticated, highly intensive agricultural greenhouse facilities located in British Columbia and Texas and is marketed and distributed under its Village Farms® brand name and other brand names, primarily to retail supermarkets and dedicated fresh food distribution companies. The Company also markets and distributes produce under exclusive arrangements for other greenhouse producers primarily located in British

Columbia, central Mexico and the north eastern part of the United States. The Company markets and distributes its products throughout the United States and Canada. It currently operates four distribution centres located across the United States and Canada. Since its inception, the Company has been guided by a sustainable agriculture policy which integrates three main goals – environmental health, economic profitability and social and economic equality

Certain of the Company's subsidiaries have operated vegetable producing greenhouses in British Columbia since 1989 and in Texas since 1995.

Formation of Pure Sunfarms Corp.

In June 2017, the Company entered into a joint venture (the " **Joint Venture**") with Emerald for the objective of seeking to achieve large-scale, low-cost, high quality cannabis production. The Joint Venture was formed by way of a corporation named "Pure Sunfarms Corp.", which is 50% owned by the Company and 50% owned by Emerald, and has the purpose of carrying on the business of the Joint Venture. Under the terms of the agreement governing the Joint Venture (the "Joint Venture Agreement"), the Company initially contributed rights to a 1.1 million square foot greenhouse facility in Delta, British Columbia (the "**Delta 3 Greenhouse**") which the Joint Venture converted to medical and nontherapeutic adult-use cannabis production under the Cannabis Act. Under the terms of the Joint Venture Agreement, Emerald contributed an aggregate of $20 million (the "Emerald Contribution").

The Joint Venture Agreement includes a list of material decisions (the " **Material Decisions**") requiring the affirmative vote of a majority of the votes cast at a board of directors meeting, at which a quorum is present, including, among others, a decision to fundamentally change the purpose or operations of Pure Sunfarms, any proposed response to investigations, audits or inspections by governmental authorities in relation to the licenses, any proposed response to proposed corrective action, voluntary or involuntary, in relation to the licenses, any proposed response to a governmental authority in connection with a threatened or actual suspension or cancellation of the licenses and approval of the annual operating and capital budgets for Pure Sunfarms. The board of directors of Pure Sunfarms currently consists of six directors – three appointed by Emerald and three appointed by the Company. If either Emerald or the Company's ownership interest in Pure Sunfarms falls below 35%, such entity will lose one of the board of director members appointed by it. Voting rights will also be lost if a party is in default of its obligations under the Joint Venture Agreement or in the case of a decision in respect of which a party has a conflict of interest. The Joint Venture Agreement includes customary events of default and remedies for the non-defaulting party (including a dilution mechanism). The Joint Venture Agreement also includes restrictions against transfer of the shares of Pure Sunfarms, rights of first refusal, drag along rights and a buy-sell provision (the "**Buy-Sell**"). The Buy-Sell can only be exercised by Emerald or the Company (the " **Offeror**") on or after June 6, 2019 if it is not in default of its obligations under the Joint Venture Agreement and: (a) the operating or capital budget for Pure Sunfarms for a subject year has not been approved by the board of directors by March 1 of such year; or (b) the board of directors is deadlocked with respect to a Material Decision. The recipient of the buy-sell notice (the "**Offeree**") has 60 days to determine whether to sell its shares at the price offered in Pure Sunfarms to the Offeror or to purchase the Offeror's shares in Pure Sunfarms at that price.

Subject to certain carve-outs in favour of Emerald, each of Emerald and the Company have committed to being the exclusive joint venture partner of the other party for all greenhouse-grown cannabis activities in Canada. It is a requirement of the Joint Venture Agreement that, should the option on the Delta 2 Greenhouse, an additional 1.1 million square foot greenhouse facility in Delta, British Columbia (the "**Delta 2 Greenhouse**"), or the Delta 1 Greenhouse, an additional 2.6 million square foot greenhouse facility in Delta, British Columbia (the "Delta 1 Greenhouse"), be exercised by the Joint Venture, the Delta 2 Greenhouse or the Delta 1 Greenhouse, as the case may be, would be contributed to the Joint Venture by the Company on an unencumbered basis.

On March 2, 2018, Emerald Health Farms received a cultivation license issued by Health Canada under the ACMPR (repealed October 17, 2018 and replaced by the Cannabis Act), authorizing the production of cannabis plants and seeds at the Delta 3 Greenhouse. Upon receipt of the cultivation license, Emerald Health Farms changed its name to Pure Sunfarms Canada Corp. Pure Sunfarms Canada Corp. subsequently received a supplemental sales license from Health Canada on July 27, 2018, authorizing the sale of bulk dried flower cannabis within Canada to other federal License Holders, and medical cannabis users.

The Joint Venture commenced physical conversion of the Delta 3 Greenhouse and on March 11, 2019, the Company announced that the Joint Venture was granted an amendment to its cultivation license by Health Canada to cultivate the entire 1.1 million square feet in the Delta 3 Greenhouse during first quarter 2019. All four quadrants of the Delta 3 Greenhouse are now licensed for cultivation and commercial production has commenced. The Joint Venture conservatively forecasts annual production from the Delta 3 Greenhouse to be a minimum of 75,000 kilograms of dried cannabis, which it expects to achieve in 2020.

On February 8, 2019, the Joint Venture entered into its first supply agreement with the Ontario Cannabis Retail Corporation (" **OCRC**") (operating as the Ontario Cannabis Store ("**OCS**")). Prior to commencing shipments to the OCS, Pure Sunfarms must receive its processing license from Health Canada. Management believes that it will be received shortly, but it is important to note that all applications for a cannabis license are subject to Health Canada's own timeline of review and approval.

On October 26, 2017, the Canadian Securities Administrators (the "**CSA**") issued CSA Staff Notice 51-352 – Issuers with U.S. Marijuana-Related Activities (the "**Staff Notice**") which sets out, among other things, certain disclosure expectations of the CSA regarding issuers who have direct, indirect or ancillary involvement in the U.S. cannabis industry. The Staff Notice was issued in response to concerns regarding the lack of a uniform national framework for cannabis regulation in the United States, which currently has a conflict between state and federal law relating to cannabis, with certain U.S. states permitting the use and sale of cannabis, notwithstanding that cannabis continues to be listed as a controlled substance under U.S. federal law. The Company, the Joint Venture and VF Hemp do not have, and do not intend to engage in, any direct, indirect or ancillary involvement in the U.S. cannabis industry (as described in the Staff Notice) until it is federally legal to do so.

Tomato Suspension Agreement

On February 6, 2019, the U.S. Department of Commerce announced its intent to withdraw from the Tomato Suspension Agreement. By statute, 90 days' notice of withdrawal must be given to the other parties, following which withdrawal from the Tomato Suspension Agreement can occur on May 7, 2019. If a new agreement is not reached by May 7, 2019, tomato imports from Mexico will have duties of 17.56% applied. The duty will be charged to the U.S. importer of record and must be paid to release goods from U.S. Customs. This additional demand on the cash and related strain on capital could hinder the Company's ability to cross enough loads to satisfy customers' demand in the U.S. For the year ended December 31, 2018, the pounds imported from Mexico account for approximately 12% of total pounds sold.

History

On June 22, 2012, a group of U.S. tomato growers, including VFLP, petitioned the U.S. Department of Commerce to withdraw their petition and requested termination of the 1996 Tomato Suspension Agreement ("**1996 Agreement**") with Mexico. The basis of the petition was that Mexican tomato growers were 'dumping' tomatoes into the U.S. market which is a violation of U.S. regulations. Dumping is defined as an importer who is selling product in the U.S. market for less than their costs. Mexican producers claimed they were not dumping and were adhering to the 1996 Agreement, but U.S. tomato producers who represented more than 85% of all U.S. tomato production (the threshold for U.S. Department of Commerce intervention) stipulated that the 1996 Agreement was outdated, it should be terminated and an investigation into Mexican tomato dumping should ensue. Due to the high volume of Mexican imports of produce, in particular tomatoes (field, shade and greenhouse), the issue was raised at the highest levels of both countries' governments.

Negotiations for a revised agreement began and resulted in a new agreement (the " **Suspension Agreement**") which became effective on March 4, 2013. All signatories have agreed that they will not sell product at prices below the established reference prices in the new Suspension Agreement. The Suspension Agreement has two reference price periods: October 23 – June 30 ("winter") and July 1 – October 22 ("summer"), and distinguishes between "Open Field/Adapted Environment" and "Controlled Environment", although "specialty" tomatoes is a separate category from the growing environments. Each environment and category has different reference prices depending on the period and the packaging.

While VFLP and some other U.S. greenhouse growers would have preferred that there was a definitive definition of “greenhouse” – the definition of “Controlled Environment” uses the Certified Greenhouse Growers Association definition which essentially is a modern glass greenhouse.

All signatories must ensure that they and/or their initial U.S. selling agent adhere to the Suspension Agreement and must hold a valid and effective PACA license. It is a violation of the Suspension Agreement to sell at a new price below the minimum reference price and doing so could result in financial fines or loss of the seller’s or importer’s PACA license, which is required to buy or sell produce in the United States. Additionally, the Mexican government is requiring Mexican growers to formally register with the Mexican authorities in order to export to the U.S., and failing to do so will result in the denial of export rights.

Refinancing

The Company completed a refinancing of its Term Loan and Operating Loan in 2013. On March 24, 2016, the Term Loan was amended, which extended the maturity date on the Term Loan to May 1, 2021 and changed the amortization of principal to be spread over 15 years. This amendment provides the Company with greater flexibility in satisfying its debt services covenant under its Operating Loan due to lower annual principal payments.

Purchase of Maxim Power (B.C.) Inc.

On July 17, 2014, the Company purchased Maxim Power (B.C.) Inc., a wholly-owned subsidiary of Maxim Power Corp., for approximately CA$5.2 million, which included a closing adjustment of CA$0.7 million for working capital. Maxim Power (B.C.) Inc. is a 7 megawatt power generation facility that is located on existing Village Farms property. The Company subsequently changed the name of this acquired company to VF Clean Energy, Inc. The facility that Village Farms acquired as part of the acquisition continues generating power under an existing long term power purchase agreement with British Columbia Hydro and Power Authority and improves the sustainability profile of Village Farms’ greenhouse operations in Delta, B.C.

NASDAQ Listing

On February 15, 2019, the Company received approval from the NASDAQ Stock Market (“NASDAQ”) to list its Common Shares, under the symbol “VFF” on NASDAQ. The Company’s Common Shares continue to be listed and traded on the TSX, also under the symbol “VFF”.

Formation of Village Fields Hemp

On March 1, 2019, the Company entered into a joint venture with Nature Crisp for the objective of outdoor cultivation of high percentage CBD hemp and CBD extraction in multiple states throughout the United States. VF Hemp is 65% owned by Village Farms and 35% owned by Nature Crisp. Under the terms of the Joint Venture Agreement, Village Farms will contribute approximately US$15 million in 2019 to VF Hemp for start-up costs and working capital. Capital investment for extraction capabilities is to be determined and dependent on the future decisions with respect to the locations of hemp production and the extraction operations.

In December 2018, the United States enacted the Agricultural Improvement Act of 2018 (the “2018 Farm Bill”). which excludes hemp from the schedule of U.S. federally controlled substances. Hemp is defined in the 2018 Farm Bill as the plant Cannabis sativa L. and any part, derivative or extract thereof (including CBD oil) with a THC concentration of not more than 0.3% on a dry weight basis. Cannabis plants, derivatives and extracts with a THC concentration greater than 0.3% remain controlled substances under U.S. federal law.

Potential Future Developments

The Company is constantly exploring and evaluating whether to produce certain higher margin alternative crops, such as hemp, as well as whether to market and distribute other fresh produce grown by third parties to the Company’s retail customer base.

As discussed above, the Company and VF Hemp will each likely be investing in CBD extraction. It is yet to be determined where the locations of the extraction facilities will be placed as it is dependent on the future decisions with respect to the locations of U.S. hemp production. Additionally, the types of extraction technology have not been chosen.

At this time, the Company has no plans to grow federally-prohibited cannabis with a THC concentration greater than 0.3% at its U.S. facilities or through VF Hemp or to participate or make investments until such time that it is federally legal to do so in the United States. The Company intends to provide further updates with respect to these matters should relevant additional information become available. See “Forward Looking Statements”.

INDUSTRY OVERVIEW

Greenhouse Vegetable Industry Overview

The North American Industry

The greenhouse vegetable industry in North America has experienced rapid growth over the past 20 years, particularly in the western regions of the United States, southwest British Columbia and southern Ontario in Canada, and concentrated areas in Mexico.

Mexico is the largest producer of greenhouse tomatoes, accounting for 57% of North American greenhouse vegetable sales, followed by Canada and the United States. Based on figures from 2016, greenhouse tomatoes accounted for over 45% tomato volume sold at retail stores in the United States. It is estimated that retail sales represent over 50% of the total fresh tomato market, including both field and hothouse grown. The balance of fresh tomato sales are to the food service industry, which is primarily serviced by field tomato producers.

The following table illustrates estimated greenhouse tomato area and production for the U.S., Mexico and Canada in 2016 (the most recent date for which this information is available):

Item	United States	Canada	Mexico[1]	Total North America
Greenhouse tomato production (millions of pounds)	645	609	2,400	4,312
Greenhouse tomato area (hectares)	680	591	14,000	15,271
Conversion: 1 hectare = 2.471 acres				

1 The figures for Mexico include all protected crop most of which is a shadehouse rather than a greenhouse and is based on management estimates.

Sources: The State of the N. American Hothouse Vergetable Industry, by Dr. Roberta Cook, March 2018; Greenhouse Consultants; and Perishables Group Freshfact, Nielsen Business Media, Inc.

Greenhouse Industry — United States

The majority of greenhouse vegetable producers in the United States are located in the southwestern and western states, where the growing conditions are more ideal for winter growing operations and in some areas year-round production. New greenhouse facilities have recently been completed in the United States and more are planned. These facilities will have lights to allow them to produce in the winter months. Producing in the winter months is advantageous as produce prices are generally higher, although with increasing Mexican production, seasonal fluctuations are decreasing. The majority of greenhouse tomatoes produced in the United States are used for domestic consumption. In addition, the United States imports a significant portion of its supply of greenhouse tomatoes from Canada and Mexico to meet domestic demand, it is estimated that Mexican greenhouse vegetables comprise between 50 to 60% of consumption in the United States. Producers in the United States benefit from high yields, consistent product quality, year-round supply and closer proximity to its customers.

Greenhouse Industry — Canada

Among the North American greenhouse vegetable producers, Canada is the largest supplier from April to October of each year. Several factors, including climatic advantages (cooler summer temperatures) and the proximity of greenhouse producers to consumer markets, contribute to Canada's favourable positioning relative to the United States during that time period. The primary markets for greenhouse produce grown in British Columbia include the west and northwest regions of the United States, as well as western Canada, while the primary markets for Ontario produce include the east and central regions of the United States, as well as eastern Canada.

The strengths of the Canadian greenhouse vegetable industry include its high yields and consistent product quality. The main weakness of the Canadian greenhouse industry relates to its lack of production during the historically higher priced winter months. However, because of the high volume of tomatoes produced in Canada during the April to October growing season, profits generated during this time period generally are sufficient to sustain producers through the full year.

Greenhouse Industry — Mexico

Although Mexico was the last to enter the greenhouse tomato industry in North America, it has more greenhouse tomato acreage than the United States and Canada combined. It should be noted there is no formal definition of a "greenhouse" and a significant portion of the greenhouse acreage in Mexico is very low-tech, employing shade field structures. The product from the shade facilities is in some instances marketed as greenhouse-grown, which until the recent update on the Suspension Agreement between the United States and Mexico (as described above) was not in violation of any regulations, but for the State of California regulations, which has a definition of greenhouse for produce sold within the state. Average yields and product quality in Mexico are comparatively low, due to the wide range of greenhouse technologies. Currently, Mexican producers tend to grow and market during the winter months as they have sufficient light levels to grow and cooler temperatures during these months, although the trend towards more sophisticated greenhouses is permitting a longer growing season, as well as increased yields.

Management believes that Mexico's industry, however, is often challenged by high heating costs, less experienced management, less developed infrastructure, higher distribution costs, inconsistent product quality and the lack of an experienced sales and marketing organization. Over the last several years, the greenhouse industry in Mexico has continued to make significant advances with respect to its growing expertise and ability to extend its growing season, which continues to put pressure on produce pricing.

Pricing

Prices for vegetables fluctuate depending upon availability of supply and consumer demand. Greenhouse vegetable producers typically command a higher price for their products compared to field producers, as a result of the vegetables' consistent quality, taste, appearance and year-round availability. This higher price, combined with higher production yields for greenhouse produce, typically offset the higher costs associated with greenhouse production relative to field production. Production costs for greenhouse grown produce are generally higher due to greater energy, labour, infrastructure, technological requirements and more intense crop yields per acre. As the fresh produce market share of big box retailers increases, pricing is moving towards more contract pricing for six, nine or even twelve month periods reducing some of the traditional seasonal pricing. Contract pricing does not provide volume guaranties. Average pricing over the last five years has continued to slowly decrease in large part due to the increasing supply of greenhouse tomatoes.

Canadian Cannabis Industry Overview

Legal History of Medical Cannabis in Canada

Prior to October 17, 2018, the production, distribution, and use of cannabis for medical use was and had been legal in Canada since 2001, first under the federal *Medical Marihuana Access Regulations*, which established a legal regime for the licensing of cannabis producers and the sale of dried cannabis to registered patients pursuant to a medical document provided by a health care practitioner. The *Medical Marihuana Access Regulations* were later replaced with the *Marihuana for Medical Purposes Regulations* ("**MMPR**"), and then the ACMPR as a result of a decision by the Federal Court of Canada (the "**Federal Court**") in *Allard v. Canada*. The Federal Court held that requiring individuals to obtain cannabis only from federal License Holders violated liberty and security rights protected by section 7 of the *Canadian Charter of Rights and Freedoms*. The Federal Court found that individuals who require cannabis for medical purposes did not have "reasonable access" under the MMPR regime. Accordingly, the ACMPR contemplated both access to medical cannabis through a License Holder or through personal production exemptions, thereby giving patients reasonable access to, and choice of, cannabis product. The ACMPR provided three possible alternatives for individuals with a medical need to access cannabis for medical purposes:

- they can continue to access quality-controlled cannabis by registering with federal License Holders;
- they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a License Holder); or
- they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a License Holder).

Current Applicable Regulatory Regime

On October 17, 2018, the federal Cannabis Act and accompanying Regulations, including the Cannabis Regulations, the new IHR (together with the Cannabis Regulations, collectively, the "**Regulations**"), came into force, legalizing the production, distribution and sale of cannabis for adult non-medicinal (i.e. recreational) purposes, as well as incorporating the existing medical cannabis regulatory scheme under one complete framework.

On December 22, 2018, the Canadian federal government published draft regulations in the Canada Gazette, Part I, to expand the legally permitted categories of cannabis products and support the production and sale of edible cannabis, cannabis extracts and cannabis topicals. These draft regulations, among other things, outline the rules relating to packaging, labelling and advertising, shelf-stability, cannabinoid concentration levels, restrictions on ingredients, and production and sanitation standards for edible cannabis, cannabis extracts and cannabis topical products. The Canadian government has communicated its intention to bring the proposed amendments into force by October 17, 2019.

Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory. All Canadian provinces and territories have implemented or announced proposed mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Part 14 of the Cannabis Regulations sets out the regime for medical cannabis following legalization, which is substantively the same as the ACMPR with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider continue to have access to cannabis, either purchased directly from a federally License Holder authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes, or designating someone to produce cannabis for them.

Adult Use Cannabis

The Company intends to participate in the Canadian adult use market for cannabis in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult use cannabis market. The Cannabis Act and the Cannabis Regulations provide a licensing scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal use (i.e., adult recreational use). Transitional provisions of the Cannabis Act provide that every license issued under the ACMPR that is in force immediately before the day on which the Cannabis Act comes into force is deemed to be a license issued under the Cannabis Act, and that such license will continue in force until it is revoked or expires.

Below are additional highlights of the Cannabis Act:

- Places restrictions on the amount of cannabis that individuals can possess and distribute, and on public consumption and use, and prohibits the sale of cannabis unless authorized by the Cannabis Act.
- Permits individuals who are 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants in their dwelling-house, propagated from a seed or plant material authorized by the Cannabis Act.
- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabinoids to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.
- Permits the informational promotion of cannabis by entities licensed to produce, sell or distribute cannabis in specified circumstances to individuals 18 years and older.
- Introduces packaging and labelling requirements for cannabis and cannabis accessories, and prohibits the sale of cannabis or cannabis accessories that could be appealing to young persons.
- Provides the designated minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.
- Establishes a national cannabis tracking system to monitor the movement of cannabis from where it is grown, to where it is processed, to where it is sold.
- Provides powers to inspectors for the purpose of administering and enforcing the Cannabis Act and a system for administrative monetary penalties.

Licenses, Permits and Authorizations

The Cannabis Regulations establish the following classes of licenses:

- license for cultivation;
- license for processing;
- license for analytical testing;
- license for sale;
- license for research; and
- a cannabis drug license.

The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Licenses that were issued under the ACMPR are deemed to be licenses issued under the Cannabis Act. Licenses issued under the Cannabis Act have associated expiry dates and are subject to renewal requirements.

Security Clearances

Certain people associated with cannabis licensees, including individuals occupying "key positions", directors, officers, individuals who exercise, or are in a position to exercise, direct control over the corporate licensee, and other individuals identified by the Minister of Health (the "**Minister**"), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This was largely the approach in place under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals having a history of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, however, grant of security clearance to such individuals is at the discretion of the Minister and such applications are reviewed on a case-by-case basis.

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain, to help prevent cannabis from being diverted to an illicit market or activity and to help prevent illicit cannabis from being a source of supply of cannabis in the legal market. Pursuant to the Ministry of Health's Cannabis Tracking System Order (the "**Order**"), a holder of a federal license for cultivation, a license for processing or a license for sale for medical purposes that authorizes the possession of cannabis must report monthly to the Minister with specific information about their authorized activities with cannabis (e.g. cannabis inventory quantities), in the form and manner specified by the Minister. The Order also provides for monthly reporting by provincial bodies and provincially authorized private retailers of certain information in the form and manner specified by the Minister.

Cannabis Products

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level, including the THC content. Currently, the Cannabis Act and Cannabis Regulations only permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis plant seeds. Edibles, cannabis extracts and cannabis topicals are not permitted for sale at present. The Canadian government has published proposed amendments to the Cannabis Regulations, which are not yet in force, to permit the production and sale of these additional classes of cannabis by holders of federal licenses specific for these product classes. The Canadian government has communicated its intention to bring the proposed amendments into force by October 17, 2019.

Packaging and Labeling

The Cannabis Regulations set out strict requirements pertaining to the packaging and labelling of cannabis products. These requirements are intended to promote informed consumer choice and safe consumption and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth.

The Cannabis Regulations require all cannabis products to be packaged in a manner that is tamper-proof and child-resistant. Strict limitations are also imposed on the use of colours, graphics, and other special characteristics of packaging. For example, all-over packaging wraps must be clear, and the interior surface and exterior surface of any container in which a cannabis product is packaged must be one uniform colour. Cannabis package labels must include specific information, such as (i) product source information, including brand name, the class of cannabis and the name, phone number and email of the licensed processor or cultivator, (ii) mandatory warnings, including rotating health warning messages on Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

A cannabis product's brand name may only be displayed once on the principal display panel or, if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent colour. In addition to the brand name, only one other brand element can be displayed. Such brand element must meet the same requirements noted above as the brand name, and if an image, it must be in a size equal to or smaller than surface area of the standardized cannabis symbol.

Health Products Containing Cannabis

Health Canada is taking a scientific, evidenced-based approach for the oversight of health products with cannabis that may be approved with health claims, including prescription and non-prescription drugs, veterinary drugs and medical devices. Under the current regulatory framework, health products are subject to the *Food and Drugs Act* (Canada) and its regulations, and may be additionally regulated by the Cannabis Act and the Cannabis Regulations. For many of these products, pre-market approval from Health Canada is required.

Provincial and Territorial Regulatory Framework for Recreational Cannabis

While the Cannabis Act provides for the regulation of the commercial production of cannabis and related matters by the federal government, the Cannabis Act provides the provinces and territories of Canada with authority to adopt their own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limits for individuals and higher age requirements. Currently, each of the Canadian provincial and territorial jurisdictions has established the minimum age for cannabis use to be 19 years old, except for Québec and Alberta, where the minimum age is 18.

The provinces and territories are responsible for the establishment of a retail distribution system for adult use cannabis in their respective jurisdictions. All Canadian provinces and territories have implemented or announced proposed mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions. Provincial/territorial bodies act as intermediaries between entities licensed federally under the Cannabis Act and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances such bodies acting as exclusive retailers. The laws continue to evolve, and differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs.

Municipal and regional governments may choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to the company's business. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened.

There is no assurance that the provincial, territorial, regional and municipal regulatory frameworks and distribution models will remain unchanged, or that the Company will be able to navigate such changes in the regulatory frameworks and distribution models or conduct its intended business thereunder. See: "*Risk Factors*".

Ontario: Pursuant to the Cannabis Act, 2017(*Ontario*), the distribution and retail sale of recreational cannabis is currently conducted through the OCRC, a subsidiary of the Liquor Control Board of Ontario. Recreational cannabis has been sold on-line through the OCRC-operated OCS platform, as of October 17, 2018.

On October 17, 2018, the *Cannabis License Act*, 2018 (Ontario) came into force and other legislation, including the *Cannabis Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017* and the *Liquor Control Act* were amended for the provincial regulation of the private retail sale of recreational cannabis. Ontario will allow the sale of recreational cannabis by private retailers with a target date of April 1, 2019.

Current concepts of Ontario's *Cannabis License Act* are as follows:

- Private retailers are required to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. Private retailers are not permitted to sell cannabis on-line, but may only sell cannabis in person at an authorized retail store.
- The Alcohol and Gaming Commission of Ontario is the government entity responsible for issuing retail store authorizations for privately run recreational cannabis stores. On December 13, 2018, the Government of Ontario announced that a temporary cap of 25 retail store authorizations was being imposed while cannabis supply stabilizes.
- Retail store operators are only permitted to purchase cannabis from the OCRC, which may set a minimum price for cannabis or classes of cannabis.
- Anyone who supervises employees, oversees cannabis sales, manages compliance or has signing authority to purchase cannabis, enters into contracts or hires employees is required to have a cannabis retail manager license.
- Federal License Holders (and their affiliates) are limited to operating one retail cannabis store in the province, which must be located at the site listed on such producer's federal license. A broad definition of affiliate is included in the regulations. An affiliate relationship exists if a corporation beneficially owns or controls voting shares, or securities that may be converted to voting shares, constituting more than 9.9% of voting rights. If a person, or group acting together, holds 50% voting control for the election of directors or market share of the corporation, they are considered affiliates. Additionally, an affiliate relationship may be established through involvement in a trust, partnership or joint venture, among others. The definition of affiliate may have the effect of restricting the ability of federal License Holders from effectively entering into the consumer retail market in Ontario.
- Federal License Holders are prohibited from providing any material inducement to cannabis retailers for the purpose of increasing the sale of a particular type of cannabis.
- Municipalities and reserve band councils were permitted to opt out of the retail cannabis market by resolution. Municipalities had until January 22, 2019 to pass such by-laws, and several municipalities have formally opted-out of the retail market. Municipalities that opted out can later lift the prohibition on retail cannabis stores by subsequent resolution. Municipalities may not pass bylaws providing for a further system of licensing over the retail sale of cannabis.

Manitoba: The Government of Manitoba has implemented a ''hybrid model'' for cannabis distribution, whereby supply is secured and tracked by the Manitoba Liquor and Lotteries Corp.; however, licensed private retail stores are also permitted to sell recreational cannabis.

Alberta: The Government of Alberta has implemented a cannabis framework providing for the purchase of cannabis products from private retailers that receive their products from a government-regulated distributor, the Alberta Gaming and Liquor Commission, similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

New Brunswick: All recreational cannabis is managed and sold through a network of tightly-controlled, stand-alone "Cannabis NB" stores managed by the Cannabis Management Corporation, a subsidiary of New Brunswick Liquor Corporation and is available for sale online through the Cannabis NB platform.

Quebec: All recreational cannabis is managed and sold by Société québécoise du cannabis (the " **SQDC**") outlets and is available for sale online, the entire process controlled by the SQDC.

Newfoundland and Labrador: Recreational cannabis is sold through private stores, with the crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the "**NLC**"), issuing private retailer licenses and overseeing the distribution to private sellers who may sell to consumers. The NLC also controls the possession, sale and delivery of cannabis, and sets prices. NLC is also the online retailer, although licenses may later be issued to private interests.

Yukon: Similarly, the Yukon limits the initial distribution and sale of recreational cannabis to government outlets and government-run online stores, and allows for the later licensing of private retailers.

Northwest Territories: The Northwest Territories Liquor Commission controls the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the commission. Communities in the Northwest Territories are able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

British Columbia: Recreational cannabis is sold through both public and licensed privately operated stores, with the provincial Liquor and Cannabis Regulation Branch handling wholesale distribution.

Saskatchewan: The Government of Saskatchewan implemented a framework in which recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority is to issue a limited number of retail permits to private stores located in communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

Nova Scotia: The Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only sold publicly through government-operated storefronts and online sales.

Prince Edward Island: Similar to Nova Scotia, Prince Edward Island requires cannabis to be sold publicly, through government stores and online, overseen by the Prince Edward Island Cannabis Management Corporation.

Nunavut: Nunavut allows for the sale of cannabis through both public and private retail and online. In Nunavut, a person can submit an application with the Nunavut Liquor and Cannabis Commission for a license to operate a cannabis store, remote sales store, or cannabis lounge.

Several of the provinces and territories have been actively working to secure supply agreements from existing federal License Holders. The Joint Venture has entered into supply agreements with the OCRC.

Industrial Hemp

The new IHR under the Cannabis Act replaced the previous *Industrial Hemp Regulations* under the *Controlled Drugs and Substances Act* ("**CDSA**") as of October 17, 2018. The regulatory scheme for industrial hemp production largely remains the same, however the IHR permits the sale of hemp plants to licensed cannabis producers, and licensing requirements under the new IHR are softened in accordance with the lower risk posed by industrial hemp. The IHR defines industrial hemp as a cannabis plant, or any part of that plant, in which the concentration of THC is 0.3 % w/w or less in the flowering heads and leads.

United States Hemp Industry Overview

In December 2018, the passage of the 2018 Farm Bill removed hemp from the list of federally controlled substances, including products made with derivative extracts such as cannabinoid, or CBD, oil. Hemp is defined as plants containing less than 0.3% THC. Specifically, the Farm Bill allows the transfer of hemp-derived products across state lines for commercial or for other purposes. It also puts no restrictions on the sale, transport, or possession of hemp-derived products, so long as those items are produced in a manner consistent with the law.

Although removed from the list federally, it must be removed by each state to allow farming and extraction. Under the 2018 Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the U.S. Department of Agriculture ("USDA"). A state's plan to license and regulate hemp can only commence once the Secretary of the USDA approves that state's plan. In states opting not to devise a hemp regulatory program, the USDA will construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally-run program. Texas has not passed a hemp bill as of the date of this report, but has a number of hemp bills proposed.

DESCRIPTION OF THE BUSINESS

Overview

The Company is one of the largest and longest operating vertically integrated greenhouse growers in North America. The Company's vegetables are grown hydroponically (without the use of soil) in a glass enclosed, high technology environment using sophisticated computer systems to control irrigation, fertilizers, carbon dioxide, light, temperature, ventilation, humidity and other climatic factors. The Company's tomatoes are produced by plants that have been selected for their taste, quality and other characteristics and are not genetically modified. The Company owns and currently operates a total of six produce greenhouse facilities, four in Texas and two in British Columbia. The Company operates an industry leading sales, distribution and marketing organization. In particular, the Company's strategy focuses on forging strong customer relationships by servicing retailers on a year-round basis, and maintaining the highest standards of food safety.

The Company, through its subsidiary VFCE, owns and operates a 7 megawatt power plant that generates electricity.

Core Operating Principle

The Company's core operating principle is to deliver fairness and satisfaction in its customer brand promise. Management strives to operate the business for optimal success by endeavoring to be:

- a leading supplier of greenhouse grown produce in North America;
- a producer of the highest quality product which adheres to the highest food safety standards;
- a low cost producer;
- a daily supplier to customers;
- a provider of excellence in customer service and logistics;
- enhancing investor value; and
- an employer with a dynamic environment in which employees can grow and prosper.

Greenhouse Facilities and Products

All of the Company's greenhouses use state of the art hydroponic technology and produce a combined estimated 90 to 100 million pounds of premium quality greenhouse tomatoes and cucumbers annually. All of the greenhouses are constructed of glass, aluminum and steel, and are located on land owned or leased by the Company. The Company continually evaluates its production facilities and has devised a planting strategy that optimizes its product mix.

The following table outlines the Company's operating greenhouse facilities.

	Growing Area			
Greenhouse Facility	**Square Feet**	**Square Metres**	**Acres**	**Products Grown**
Marfa, TX (2 greenhouses)	2,527,312	234,795	60	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Fort Davis, TX (1 greenhouse)	1,684,874	156,530	40	Specialty tomatoes
Monahans, TX (1 greenhouse) (Permian Basin facility)	1,272,294	118,200	30	Tomatoes on-the-vine, long English cucumbers
Delta, BC (2 greenhouses)	3,664,390	340,433	85	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Total	9,148,870	849,958	215	

In January 2019, Pure Sunfarms exercised the $1 purchase option for the Delta 3 Greenhouse located in British Columbia that it had been leasing. Pure Sunfarms now owns one greenhouse in Delta, BC with approximately, 1,100,000 square feet.

The Company embraces sustainable agriculture and environmentally friendly growing practices by:

- utilizing integrated pest management techniques that use “beneficial bugs” to control unwanted pests. The use of natural biological control technology keeps plants and their products virtually free of chemical agents. This process includes regular monitoring techniques for threat identification, development of appropriate, tailored response strategies and the execution of these strategies;
- capturing rainwater from some of its greenhouse roofs for irrigation purposes;
- recycling water and nutrients during the production process;
- growing plants in natural medium including coconut fibre and rock wool as opposed to growing in the soil and depleting nutrients; and
- using dedicated environmental control computer systems which monitor and control almost all aspects of the growing environment thereby maximizing the efficient use of energy.

Sales, Marketing and Distribution

The Company is a leading marketer of premium-quality, value-added, branded greenhouse-grown produce in North America, and is a significant producer of tomatoes on-the-vine, beefsteak, cocktail, grape, cherry tomatoes, roma, Mini San Marzano (a tomato variety for which the Company currently has an exclusive agreement with the seed provider to be the sole grower in North America) and cucumbers at its facilities. The Company, from its supply partners, also distributes and purchases premium tomatoes, bell peppers and cucumbers in the United States and Canada produced by other greenhouse growers located in Canada and Mexico. The Company maintains high standards of food safety and requires the same of its contract growers, while providing on-time, effective and efficient distribution.

The Company strives to continually exceed the expectations of its customers by consistently providing superior product, including adding new product varieties and packaging innovations.

With leased distribution centres in Texas and British Columbia, the Company provides its customers with flexibility in purchasing. For the year ended December 31, 2018, the Company had an on-time delivery record of 98.4%, while maintaining competitive freight rates that management of the Company believes to be among the best in the industry.

The Company’s marketing strategy is to strategically position the Company to be the supplier of choice for retailers offering greenhouse produce by focusing on the following:

- **Year-Round Supplier**. Year-round production capability of the Company enhances customer relationships, resulting in more consistent pricing.
- **Quality and Food Safety**. Sales are made directly to retailers which ensures control of the product from seed to customer and results in higher levels of food safety, shelf life and quality control. Food safety is an integral part of the Company’s operations, and management believes that it has led, and

currently leads, the industry in adopting Good Agricultural Practices. This program is modeled after the U.S. Food and Drug Administration's Good Manufacturing Practices using the Primus Labs® format and third party auditors. All of the Company's packing facilities undergo comprehensive food safety audits by Primus Labs®.

- **Quality Packaging and Presentation**. Product is selected at a uniform size and picked at the same stage of vine ripeness. The packaging for the product is "display ready", ensuring retail customers have a full view of the product on the supermarket shelf.
- **Exclusive Varieties**. The Company expands its product profile to create and drive exclusive varietal relationships in North America that enable the Company to present consumers with an enhanced eating experience with the Village Farms brand.
- **Direct Sale to Retail Customers**. Greenhouse produce (produce grown by the Company plus supply partner produce) is sold directly to supermarket chains, including Associated Wholesale Grocers, BJ's Wholesale Club Inc., Fred Meyer, Giant Eagle, HEB Grocery Company, The Kroger Co., Loblaw Companies Limited, Market Basket, Publix Super Markets, Inc., Safeway Inc., Sobeys Inc., Sam's Club, Trader Joe's, Wakefern Food Corp., Wal-Mart Stores, Inc., Whole Foods Market and Winco Foods LLC.
- **Excellence in Customer Service and Logistics**. Logistics and distribution capability are key factors in ensuring fresh high quality product meets consumer demands. Management of the Company believes it has a competitive advantage through its logistics and distribution networks, which includes strategically located distribution centres.

The Company markets, sells and distributes all of its products, including products sold under exclusive marketing arrangements with its U.S., Canadian and Mexican greenhouse operations.

Production and Packaging Process

The production process for the Company's west Texas facilities (Marfa and Fort Davis) starts in the spring. Raw materials purchased by the Company for its greenhouse operations include seeds, fertilizers and growing media purchased from several different suppliers. From May to June, the seeds purchased by the Company are grown by an independent third party contractor, which has specialized equipment and growing space, until the plants are approximately four to six weeks old, at which time they are transported to the Company's Texas facilities. None of the Company's plants or products are genetically modified. June through September, planting occurs in the greenhouses. From this point on, until the end of the season, plants are pruned to ensure that the optimal number of tomatoes are grown on each plant. Harvesting commences in September/October and generally continues until June of the following year.

The Company's facility in Monahans, Texas, is based on the Company's proprietary GATES® technology which is a state of the art technology that allows for a 12-month per year production. The greenhouse is fully enclosed and uses a proprietary system to cool the greenhouse even in the hot summer months. This facility grows cucumbers and tomatoes and is constantly planting and replanting to ensure a consistent level of production year-round, although as with any greenhouse summer production is higher due to longer daylight hours.

The production process in Canada for tomatoes is similar to the Company's west Texas operations, although the timing for growing the seeds, planting, and harvesting occur at different times during the year. Specifically, from October to December, the seeds purchased by the Company's Canadian operations are grown by an independent third party contractor. In December, planting occurs in the Company's greenhouses. Harvesting commences in March and generally continues until late November of each year.

The tomatoes and cucumbers are vine-ripened and hand-picked for optimum taste and quality, at all of the Company's facilities. Once harvested, products are sorted by grade and weight and packed for distribution to customers. The Company offers a variety of packaging for its tomatoes that are product and customer specific.

Product Development and Specialization

The Company is engaged in ongoing testing of new technologies and advanced growing systems, including test trials of new tomato varieties to determine whether they improve product quality, taste and production yields, or lower the cost of production. The Company tests these tomato varieties for their maturation period, resistance to disease, the size and quality of the tomatoes as well as the tomatoes' shelf life and adaptability to seasonal changes in light. If a new variety shows promising characteristics, the Company will conduct a commercial trial where the new variety is planted on a larger scale, with performance results compared to the Company's existing tomato varieties.

The Company launched its first exclusive tomato varieties in select retail accounts in late 2012. The initial reception, of one in particular – Mini San Marzano – has been well received and the Company has been expanding its production space to meet increasing retailer and consumer demand. Since 2012, the Company has entered into additional exclusive seed agreements in addition to Mini San Marzano. While none of the other exclusive tomato seed agreements has had the same success as Mini San Marzano, they have added to the uniqueness of the Company's product offerings, which has resulted in new retail business.

Product Pricing

Prices for the Company's products have historically followed a seasonal trend of higher prices during the first and fourth quarters of the calendar year and lower prices in the summer months. This historical trend is rapidly changing with the ever-increasing supply of Mexican production, which due to Mexican climate conditions is concentrated in the winter months, as well the increasing influence of big box retailers who operate off partial to full year pricing contracts. Going forward, assuming these trends continue, pricing is likely to become less seasonal than it has been in the past. The Company's goal is to exceed industry average prices by continuing to develop long-term customer relationships, providing a favourable product mix, developing exclusive varieties and delivering logistic efficiencies.

Intellectual Property

The Company owns and has registered many trademarks and service marks in the United States as well as some in Canada and other jurisdictions. The following is a list of the key trademarks registered in the United States, the Company's primary distribution market: Village Farms®, Delectable TOV®, From Our House To Your Home ®, Hydrobites®, Mini Sensations®, Sinfully Sweet Campari®, Savory Roma®, Lip-Smackn' Grape®, Heavenly Villagio Marzano®, Cherry No. 9®, Cabernet Estate Reserve®, BC Grown Logo®, Texas Grown Logo®, Good for the Earth ®, Village Farms Greenhouse Grown ®, Scrumptious Mini®, Sweet Bells® and Village Fields®.

Competition

The market for premium greenhouse grown produce is highly competitive. In addition to other domestic and foreign greenhouse producers, the Company competes with producers of field grown tomatoes that generally have prices substantially below those of greenhouse-grown tomatoes. Competition from producers in Mexico has increased due to increased acreage, improved yields due to the use of improved technology and low labour rates as well as a result of the North American Free Trade Agreement. The new United States-Mexico-Canada Agreement, which was signed on November 30, 2018 but not yet ratified, did not provide any changes or assistance to the greenhouse produce industry. See "General Development of the Company" for further information on Mexican tomato supplies.

The Company's greenhouse vegetable competitors are located primarily in the United States, Canada and Mexico. Four of the larger North American greenhouse producers/distributors competing with the Company are Mastronardi Produce Ltd., Windset Farms Inc., Houweling Nurseries Ltd and Mucci Farms Ltd.

Offsetting the competitive pressures faced by the Company are substantial barriers to entry in North America related to the sizeable initial capital outlay requirements of a modern greenhouse, significant ramp up time, the need for operational expertise and capable sales, marketing and distribution abilities.

Employees

The Company has approximately 1,000 employees and contract workers, the majority of whom are employed in the Company's greenhouse operations. None of the employees are covered by a collective bargaining agreement. In the opinion of Management, the Company enjoys a good working relationship with its employees.

Capital Expenditures

During the year ended December 31, 2018, the Company spent approximately $2.2 million on capital assets (2017—$1.7 million). During the year ended December 31, 2017, the capital expenditures were used for improvements to existing facilities, distribution centres or information technology systems or hardware.

For the foreseeable future, Management estimates that average annual maintenance capital expenditures on its tomato greenhouse facilities will be approximately $2.0-$3.0 million per year. This amount will consist mainly of technological upgrades, ongoing repairs of growing systems and improvements to existing facilities. In addition to maintenance capital expenditures, the Company incurs ongoing repair and maintenance costs which are expensed as incurred and therefore not included in capital expenditures. These expenses averaged $2.2 million per year during the last three fiscal years.

During 2019, Management anticipates capital investment spending for its produce facilities to be between $2.0 million and $3.0 million.

The Company will make contributions to VF Hemp of approximately US$15 million of cash depending on the final completion. Capital investment for extraction capabilities is to be determined and dependent on the future decisions with respect to the locations of hemp production and the extraction operations.

The Company may make additional cash contributions to Pure Sunfarms in the next twelve months if the conversion of a second greenhouse for cannabis production is requested by Pure Sunfarms.

Energy Management Strategy

The Company employs the following energy management strategy:

- when feasible, contract for forward purchases of natural gas at favourable rates. At this time, due to the expectation of low natural gas pricing for the foreseeable future, no forward purchase contracts are in place;
- develop techniques to reduce the use of natural gas. The Company has installed energy screens in all of its U.S. greenhouse facilities and most of its Canadian greenhouse facilities and has experienced a substantial reduction in gas usage;
- continue to investigate methods to extract food grade CO2 from the landfill gas at the Delta, BC greenhouse facilities;
- continue to investigate alternate fuels, such as biomass or woodwaste; and
- continue to investigate the concept of closed greenhouses and the use of geothermal energy.

Foreign Exchange Strategy

The Company's reporting currency is the U.S. dollar to more accurately represent the economic environment in which it operates.

For the 2019 fiscal year, it is expected that approximately 80% of the Company's produce costs will be incurred in U.S. dollars, and approximately 85% of its produce revenues will be earned in U.S. dollars. The Joint Venture is solely a Canadian operation, as such all of its costs and revenues are in Canadian dollars. As a result, Management believes that the Company is benefiting from a "matching" of revenues and expenses by currency within its various operations. The Company also has the ability to enter into foreign exchange contracts and foreign exchange options for the purchase of Canadian dollars in order to reduce the risks of exchange rate fluctuations affecting the level of Canadian dollars needed for Canadian operations, as well as the purchase of Euros affecting both its Canadian and U.S. operations.

Environmental and Regulatory Matters

Greenhouse operations in the United States are subject to numerous environmental laws and regulations, including the *Food Quality Protection Act of 1996*, the *Clean Air Act*, the *Clean Water Act*, the *Resource Conservation and Recovery Act* , the *Federal Insecticide, Fungicide and Rodenticide Act*, the *Toxic Substances Control Act* and the *Comprehensive Environmental Response, Compensation and Liability Act*.

The Company's U.S. greenhouse operations are subject to regulations enforced by, among others, the U.S. Food and Drug Administration ("FDA") and the United States Department of Agriculture ("USDA"). The FDA enforces statutory standards regarding the branding and safety of food products and determines the safety of food substances in the United States. The USDA sets standards for raw produce and governs its inspection and certification. Under the *Perishable Agricultural and Commodities Act* , the USDA exercises broad control over the marketing of produce in domestic and foreign commerce, sets standards of fair conduct as to representations, sales, delivery, shipment and payment for goods, and regulates the licensing of produce merchants and brokers. The Company's U.S. growing operations are also subject to oversight by the U.S. Environmental Protection Agency regarding the use of fertilizers and pesticides protection.

Similar to the U.S. regulatory requirements described above, the Company's Canadian operations are subject to various general commercial regulations, including those relating to food safety, packaging and labelling, occupational health and safety, phyto sanitary certificates for cross border shipments, product source and re call capability, and anti bioterrorism measures for cross border shipments.

The Company is committed to protecting the health and safety of employees and the general public, and to sound environmental stewardship. The Company believes that prevention of incidents and injuries, and protection of the environment, benefits everyone and delivers increased value to its shareholders, customers and employees. The Company has health and safety and environmental management and systems and has established policies, programs and practices for conducting safe and environmentally sound operations. Regular reviews and audits are conducted to assess compliance with legislation and Company policy.

The *Natural Products Marketing (BC) Act* (the "Act") and certain federal orders issued under the *Agricultural Products Act* (Canada) give the British Columbia provincial government the authority to regulate the marketing and production of specific agricultural products. The British Columbia Marketing Board ("BCMB") was created in 1935 to supervise and regulate marketing boards and commissions created under the Act. Independent of government, the BCMB's primary mandate today is to administer the regulated marketing legislation in the public interest. The BCMB has three principal responsibilities: supervising all marketing boards and commissions; hearing appeals from organizations or persons who are dissatisfied or aggrieved by a decision of a marketing board or commission; and acting as a signatory to federal provincial agreements that govern the marketing of some regulated products.

British Columbia Vegetable Marketing Commission

The BCVMC has responsibility for promoting and regulating the production, transportation, packing, storage and marketing of regulated vegetables in British Columbia. It also requires greenhouse growers to market through agencies licensed by the BCVMC to encourage the orderly distribution of regulated products. The BCVMC has the right to regulate the time and place at which, and to designate the agency through which, a regulated product must be produced, packed, stored, transported or marketed, and can also determine the manner of distribution, the quantity and the quality, grade or class of these products. It can also (but in the case of greenhouse tomatoes and bell peppers currently does not) set the prices at which a regulated product or a grade or class of it may be bought or sold in British Columbia.

Agency and Producer Licenses

The BCVMC issues licenses to agencies and producers in British Columbia on an annual basis by way of general orders passed by the BCVMC. Licensed agencies are authorized to purchase greenhouse vegetables from licensed producers and to market those vegetables within British Columbia and for interprovincial or export trade. The Company, through one its Canadian subsidiaries, has been authorized to buy and sell produce grown in British Columbia since February 6, 2007.

Licensed producers, such as VF Canada LP, operate the facilities in which greenhouse vegetables are produced and must be a member of an agency licensed by the BCVMC. Only producers licensed by the BCVMC can sell their products to an agency licensed by the BCVMC.

Quota

Each year, VF Canada LP is allocated a quota by the BCVMC to plant a specified number of square metres of its greenhouses with a particular crop. There are no restrictions on the amount of product that VF Canada LP can produce in its allocated quota area. The table below summarizes VF Canada LP's allocations since 2017 at the start of each year:

(square metres)	2019	2018	2017
Tomatoes on-the-vine	106,851	89,082	165,082
Beef tomatoes	93,318	68,110	98,784
Specialty tomatoes	127,400	170,377	176,694
Total	327,569	327,569	440,560

VF Canada LP retains the right to be allocated the same amount of quota for each subsequent crop year. However, VF Canada LP can, and often does, apply for changes in specific quota allocations to optimize product mix and improve financial returns.

CAPITAL STRUCTURE

Common Shares

The Company is authorized to issue an unlimited number of Common Shares. Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of the Company and to one vote per Common Share at such meetings (other than meetings at which only the holders of another class of shares are entitled to vote separately as a class). The Common Shares entitle the holders thereof to receive, in any year, dividends on the Common Shares as and when declared by the board of directors of the Company, provided that payment of such dividends is not prohibited under law and after payment of any applicable amounts to which holders of any Preferred Shares may be entitled. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, after payment of or other proper provision for all of the liabilities of the Company and the payment of any amounts payable to holders of the Preferred Shares, the holders of the Common Shares will be entitled to share *pro rata* in all remaining property or assets of the Company.

The ability of a beneficial owner of Common Shares to pledge such Common Shares or otherwise take action with respect to such shareholder's interest in such Common Shares (other than through a CDS Participant) may be limited due to the lack of a physical Common Share certificate.

The Company has the option to terminate the registration of the Common Shares through the book entry system in which case definitive certificates for the Common Shares in fully registered form would be issued to beneficial owners of such Common Shares or their nominees.

Special Shares

The holders of Special Shares are entitled to one vote for each Special Share held at all meetings of shareholders of the Company other than meetings at which only the holders of another class of shares are entitled to vote separately as a class; provided that in no event shall the votes attached to the Special Shares exceed 45% of the votes otherwise attached to the Common Shares and Special Shares then outstanding. In certain circumstances, the holders of Special Shares will not be entitled to vote separately as a class and will not be entitled to dissent. The holders of Special Shares will not be entitled to share in any distribution of the property or assets of the Company upon the dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The provisions of the Special Shares cannot be modified by the Company without first obtaining, by separate affirmative vote, two-thirds of the votes cast at a meeting of the holders of the shares of such class.

The holders of Special Shares are not entitled to receive any dividends. The Company has redeemed all of the Special Shares that were previously issued and outstanding.

Preferred Shares

The Company is authorized to issue an unlimited number of Preferred Shares. The Company's board of directors will fix the number of Preferred Shares, as well as the designation, rights, privileges, restrictions and conditions for each series of Preferred Shares that may be issued, subject to the Company filing the applicable articles of amendment under the CBCA. Preferred Shares will have preference over Common Shares with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, be it voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs. Preferred Shares will have no right to vote on shareholder matters, subject to certain exceptions. No changes to the provisions of the Preferred Shares may be made without the approval of the holders of the Preferred Shares.

Warrants

In conjunction with the formation of Pure Sunfarms, on June 27, 2017 the Company issued 300,000 common share purchase warrants to an affiliate of a Canadian financial institution as partial consideration for services provided in respect thereof. Each such warrant entitles the holder to purchase one Common Share at an exercise price of CA$2.07 and is exercisable up to June 6, 2020.

Retained Interest of Michael DeGiglio

Pursuant to the terms of the Securityholders' Agreement, the Company has granted to its Chief Executive Officer, Michael DeGiglio certain pre-emptive rights, as well as "demand" and "piggy back" registration rights, which will enable Mr. DeGiglio to require the Company to file a prospectus (in the case of a demand registration) and otherwise assist with a public offering of Common Shares, subject to certain limitations. In the event of a "piggy back" offering, the Company's financing requirements are to take priority. Subject to the approval of the TSX, in the event that the Company decides to issue equity securities or securities convertible into or exchangeable for equity securities of the Company other than to officers, employees, consultants or directors of the Company or any subsidiary of the Company pursuant to a *bona fide* incentive compensation plan, the Securityholders' Agreement provides, among other things, Michael DeGiglio with pre-emptive rights to purchase such number of newly issued equity securities in order to maintain his *pro rata* ownership interest in the Company.

Book Entry System

Registration of interests in and transfers of the Common Shares are made only through the book entry system administered by CDS. Common Shares must be purchased, transferred and surrendered for redemption through a shareholder's applicable CDS Participant. All rights of shareholders must be exercised through, and all payments or other property to which such shareholder is entitled will be made or delivered by, CDS or the CDS Participant through which the shareholder holds such Common Shares. Upon the purchase of any Common Shares, a shareholder will typically receive only a customer confirmation from their applicable CDS Participant through which the Common Shares were purchased.

The Common Shares are traded on the Nasdaq Stock Market under the symbol “VFF.” Settlement of any of the Common Shares take place through The Depository Trust Company (“DTC”), in accordance with its customary settlement procedures for equity securities. Each person owning Common shares held through DTC must rely on the procedures thereof and on institutions that have accounts therewith to exercise any rights of a holder of Common Shares.

Financial Year End

The fiscal year end of the Company is December 31.

CREDIT FACILITIES

Credit Facilities

On March 28, 2013, the Company entered into a new term facility among VF Canada LP (the “ **Borrower**”), certain affiliates of the Borrower, as guarantors, and Farm Credit Canada (the “**Term Loan**”). On March 24, 2016, the Term Loan was amended. The following summary describes the current provisions of the Term Loan. The Term Loan matures on May 1, 2021. The current balance of the Term Loan is $33,615,281. Subject to acceleration upon an event of default, the outstanding balance of the Term Loan will be payable by way of monthly instalments of principal and interest based on an amortization period of 15 years, with the balance of the term loans and all unpaid accrued interest to be paid in full at maturity. The Term Loan is subject to annual financial covenants as well as other positive and negative covenants typical for this type of loan. The Term Loan is a LIBOR borrowing plus a margin based on the prevailing coverage ratio at each reporting date. The interest rate as at the date of this annual information form was 7.233% per annum.

In addition to the Term Loan described above, the Company also has an operating credit facility with a Canadian chartered bank (the “ **Bank**”). This revolving operating loan of up to CA$13,000,000 is at variable interest rates with a maturity date of October 12, 2021 (the “**Operating Loan**”). The borrowing base is based on 90% of current accounts receivable less priority claims. As at December 31, 2018 $2,000,000 was outstanding (December 31, 2017 – $nil) which is available to a maximum of CA$13,000,000, less two outstanding letters of credit of US$261,000 and CA$38,500. Interest on amounts borrowed is calculated by way of Prime Rate, US Prime Rate, Base Rate or LIBOR plus a margin. It is the Company’s choice on how it will borrow, and all undrawn funds are charged a stand-by fee of 0.375% per annum. As of the date of this annual information form, the outstanding balance of the Operating Loan is $4,000,000.

On September 26, 2014, the Company’s subsidiary, VFCE, entered into a loan agreement with the Bank (the “ **VFCE Loan**”). The VFCE Loan is a non-revolving fixed rate loan of CA$3.0 million, has a maturity date of June 30, 2023, a fixed interest rate of 4.98% per annum, and monthly payments of CA$36,135 which commenced in January 2015. As of the date of this annual information form, the outstanding balance of the VFCE Loan is approximately $1.4 million.

As security for the borrowings, the Company has provided, among other things, promissory notes, a first mortgage on one of the greenhouse properties, and general security agreements over its assets. The borrowings are subject to certain positive and negative covenants customary for loans on terms similar to the Credit Facilities. The Company and certain of its direct and indirect subsidiaries, including APDI, have provided full recourse guarantees of the Credit Facilities and have granted security therefore. As at December 31, 2018, and through March 13, 2019, the Company was in compliance with all covenants.

RISK FACTORS

The risks and uncertainties described below are not the only risks and uncertainties facing the Company. Additional risks and uncertainties not currently known to Management or that Management currently deems immaterial also may impair the operations of the Company. If any of the following risks actually occur, the Company’s business, results of operations and financial condition, could be adversely affected.

Risks Relating to the Company

Product Pricing

The greenhouse vegetable industry is highly competitive and sensitive to changes in the price of greenhouse tomatoes, bell peppers and cucumbers. The price of greenhouse produce is affected by many factors including supply and demand, negotiations between buyers and sellers, quality and general economic conditions, all of which could have a material adverse effect on the financial condition of the Company. Demand for the Company's products is subject to fluctuations resulting from adverse changes in general economic conditions, evolving consumer preferences, nutritional and health-related concerns and public reaction to food spoilage or food contamination issues. General supply of tomatoes, bell peppers and cucumbers is subject to fluctuations relating to weather, insects, plant disease and changes in greenhouse acreage. There can be no assurance that consumption will increase or that present consumption levels will be maintained. If consumer demands for greenhouse produce decreases, the Company's financial condition and results of operations may be materially adversely affected.

Maintain Profitability

The Company's ability to generate net earnings is based, in part, on its ability to maintain its low cost structure to sustain its EBITDA margins. These margins are dependent upon the Company's ability to continue to profitably sell produce and to be the supplier of choice to its customers. The failure to develop and successfully adapt new products at favourable margins or an increase in cost of goods or operating costs could have a material adverse effect on the financial condition, results of operations, and cash available.

A principal objective of the Company is to pursue operational efficiencies. Profitability depends in significant measure on its ability to, among other things, successfully manage, identify and implement operational efficiencies. There can be no assurance that the Company will be successful in managing its cost control and productivity improvement measures.

Risks Inherent in the Agricultural Business

The Company's revenue involves the growing of greenhouse produce, an agricultural product. As such, the Company is subject to the risks inherent in the agricultural business, such as weather, insects, plant and seed diseases and similar agricultural risks. Although the Company grows its products in climate-controlled greenhouses, carefully monitors the growing conditions within its greenhouses and retains experienced production personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Natural Catastrophes

The Company's operations may be adversely affected by severe weather including wind, snow, hail and rain, which may result in its operations having reduced harvest yields due to lower light levels, or a more catastrophic event as occurred at the Company's Marfa, Texas facilities on May 31, 2012, when it lost all three of its operating greenhouses to a short but powerful hail storm. Although the Company anticipates and factors in certain periods of lower than optimal light levels, extended periods of severe or unusual light levels may adversely impact its financial results due to higher costs and missed sales opportunities arising from reduced production yields.

The Company's business operations, some of which are located on the British Columbia coast, are located in an area that is geologically active and considered to be at risk from earthquakes. The Company's earthquake deductible is 10% of the Company's loss caused by the earthquake, subject to a maximum deductible of CA$5,000,000.

Climate change over time is predicted to lead to changes in the frequency of storm events as well as their severity. The Company is unable to predict the impact of climate change on its business.

While the Company maintains insurance coverage, it cannot predict that all potential insurable risks have been foreseen or that adequate coverage is maintained against known risks.

Covenant Risk

Under the terms of the Credit Facilities, the Company is subject to a number of covenants, including debt service covenants. These covenants could reduce the Company's flexibility in conducting the Company's operations by limiting the Company's ability to borrow money and may create a risk of default on the Company's debt (including by a cross-default to other credit agreements) if the Company cannot satisfy or continue to satisfy these covenants. In the event that the Company cannot comply with a debt covenant, or anticipates that it will be unable to comply with a debt covenant in the future, management may seek a waiver and/or amendment from the applicable lenders in respect of any such covenant in order to avoid any breach or default that might otherwise result there from. If the Company defaults under any of the Credit Facilities and the default is not waived by the applicable lenders, the debt extended pursuant to all of its debt instruments could become due and payable prior to its stated due date. The Company cannot give any assurance that (i) its lenders will agree to any covenant amendments or waive any covenant breaches or defaults that may occur under the applicable debt instruments, or (ii) it could pay this debt if it became due prior to its stated due date. Accordingly, any default by the Company under its existing debt that is not waived by the applicable lenders could materially adversely impact the Company's results of operations and financial results and may have a material adverse effect on the trading price of its Common Shares. See also "Risk Factors—Dependence Upon Credit Facilities".

Dependence Upon Credit Facilities

The Company is subject to fluctuations in its working capital on a month to month basis. Consistent with its past practice, the Company may draw down on revolving credit facilities available under its Operating Loan. There can be no assurance that the Company will continue to have access to appropriate credit facilities on reasonable terms and conditions, if at all. An inability to draw down upon credit facilities could have a material adverse effect on the Company's business, financial condition and results of operations.

Labour Availability

The Company's operations are labour intensive, particularly during peak harvest months. In Canada, most of the Company's labour is supplied by contract labour suppliers on short-term contracts and workers hired through the Seasonal Agriculture Workers Program. There can be no assurance that the Company will be able to source sufficient skilled labourers in the future. In the case of the facilities in west Texas, a portion of the Company's labour is documented workers in Mexico who cross the U.S. border on a daily basis into Texas. There can be no assurance that the Company would not be impacted by any decision relating to control of the U.S./Mexico border. In the case of the facility in Monahans, Texas it is situated in the middle of the Texas oil and gas patch and finding and retaining farm workers at affordable rates is an ongoing challenge. Any shortage of such labour could restrict the ability of the Company to operate its greenhouses and to distribute its product to its customers.

Efforts by labour unions to organize the Company's employees could divert management attention away from regular day-to-day operations and increase the Company's operating expenses. Labour unions may make attempts to organize the Company's non-unionized employees. Management is not aware of any activities relating to union organizations at any of its greenhouse facilities. Management cannot predict which, if any, groups of employees may seek union representation in the future or the outcome of any collective bargaining. If the Company is unable to negotiate acceptable collective bargaining agreements, it may have to wait through "cooling off" periods, which are often followed by union initiated work stoppages, including strikes. Depending on the type and duration of any work stoppage, the Company's operating expenses could increase significantly, which could have a material adverse effect on its financial condition, results of operations and cash flows.

Mexican Trade agreement

On February 6, 2019, the U.S. Department of Commerce announced its intent to withdraw from the Tomato Suspension Agreement. By statute, 90 days' notice of withdrawal must be given to the other parties, following which withdrawal from the Tomato Suspension Agreement can occur on May 7, 2019. If a new agreement is not reached by May 7, 2019, tomato imports from Mexico will have duties of 17.56% imposed. The duty will be charged to the U.S. importer of record and must be paid to release goods from Customs. This additional demand on the cash and related strain on capital could hinder the Company's ability to cross enough product to satisfy customers' demand in the U.S. For the year ended December 31, 2018, the pounds imported from Mexico account for approximately 12% of total pounds sold.

Competition

The greenhouse vegetable industry in North America is highly competitive. The Company faces competition from numerous greenhouse operators throughout North America and, to a lesser extent, Europe. Some of the Company's competitors have strong economic resources and are well established as suppliers to the markets in which the Company's products are sold. Accordingly, such competitors may be better able to withstand volatility within the industry and challenging economic times due to retaining greater operating and financial flexibility than the Company. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on the Company's financial condition and results of operations and the amount of cash available for distribution to shareholders.

Transportation Disruptions

Due to the perishable and premium nature of the Company's products, the Company depends on fast and efficient road transportation to distribute its product. Any prolonged disruption of this transportation network could have an adverse effect on the Company's financial condition and results of operations.

Key Executives

The Company depends heavily on each member of its management team and the departure of a member of management could cause its operating results to suffer. The future success of the Company will depend on, among other things, its ability to keep the services of these key executives and to hire other highly qualified employees at all levels. The Company will compete with other potential employers for employees, and it may not be successful in hiring and retaining the services of executives and other employees that it requires. The loss of the services of, or the Company's inability to hire, executives or key employees could hinder its business operations and growth.

Uninsured and Underinsured Losses

The Company maintains at all times insurance coverage in respect of potential liabilities of the Company and the accidental loss of value of the assets of the Company from risks, in those amounts, with those insurers, and on those terms as Management considers appropriate to purchase and which is readily available, taking into account all relevant factors including the practices of owners of similar assets and operations, as well as costs.

Not all risks are covered by insurance or the insurance may have high deductibles, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company and loss payments may not be as timely and responsive as the Company's working capital needs require. In particular, damage caused by an accidental or natural disaster to any or all of the Company's key production facilities may result in significant replacement costs and loss of business that may not be fully recoverable or is subject to a high deductible (such as an earthquake in British Columbia) under any insurance policy.

The Company does not carry crop loss or cyber security insurance.

Governmental Regulations

The Company's operations are governed by a broad range of federal, state, provincial and local environmental, health and safety laws and regulations, permits, approvals, and common law and other requirements that impose obligations relating to, among other things: worker health and safety; the release of substances into the natural environment; the

production, processing, preparation, handling, storage, transportation, disposal, and management of substances (including liquid and solid, non-hazardous and hazardous wastes and hazardous materials); and the prevention and remediation of environmental impacts such as the contamination of soil and water (including groundwater). Failure by the Company to comply with applicable laws, rules, regulations and policies may subject the Company to civil or regulatory proceedings, including fines, injunctions, administrative orders or seizures, which may have a material adverse effect on the Company's financial condition and results of operations. Also, as a result of the above requirements, the Company's operations and ownership, management and control of property carry an inherent risk of environmental liability (including potential civil actions, compliance or remediation orders, fines and other penalties), including with respect to the disposal of waste and the ownership, management, control or use of transport vehicles and real estate. Compliance with all such laws and future changes to them is material to the Company. The Company has incurred and will continue to incur significant capital and operating expenditures to comply with such laws. Future discovery of previously unknown environmental issues, including contamination of property underlying or in the vicinity of the Company's present or former properties or manufacturing facilities, could require the Company to incur material unforeseen expenses. All of these risks and related potential expenses may have a material adverse effect on the Company's financial condition and results of operations.

Product Liability

As a producer of food products, the Company is subject to potential product liabilities connected with its operations and the marketing and distribution of vegetable products, including liabilities and expenses associated with contaminated or unsafe product. There can be no assurance that the insurance against all such potential liabilities maintained by the Company will be adequate in all cases. In addition, even if a product liability claim was not successful or was not fully pursued, the negative publicity surrounding any such assertion could harm the Company's reputation with its customers. The consequences of any of the foregoing events may have a material adverse effect on the Company's financial condition and results of operations.

Cyber Security

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including the Company. Cyber-attacks against organizations of all sizes are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the Company's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As the Company's reliance on technology has increased, so have the risks posed to its systems. The Company's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation, damage to the Company's business relationships, disclosure of confidential information regarding its employees and third parties with whom the Company interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. The Company has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Vulnerability to Rising Energy Costs

The Company's greenhouse operations consume considerable energy for heat and carbon dioxide production, and are vulnerable to rising energy costs. Energy costs have shown volatility, which has and may continue to adversely impact the Company's cost structure. Should the cost of energy rise, and should the Company face difficulties in sustaining price increases to offset the impact of increasing fuel costs, gross profit margins could be adversely impacted. See "Description of the Business — Energy Management Strategy".

Risks of Regulatory Change

The Company is subject to extensive laws and regulations with respect to the production, handling, distribution, packaging and labelling of its products. Such laws, rules, regulations and policies are administered by various federal, state, provincial, regional and local health agencies and other governmental authorities. Changes to any of these laws

and regulations could have a significant impact on the Company. There can be no assurance that the Company will be able to cost effectively comply with future laws and regulations. Failure by the Company to comply with applicable laws and regulations may subject the Company to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on the Company's financial condition and results of operations. In addition, the Company voluntarily submits to guidelines set by certain private industry associations. Failure to comply with such guidelines or to adopt more stringent guidelines set by such associations in the future may result in lower sales in certain retail markets and may adversely affect the Company's financial condition and results of operations. Among the regulations to which the Company is subject are those administered by the BCVMC. The BCVMC grants each licensed producer that it regulates an annual quota to produce specified products in a given year. The BCVMC also has the authority to set the prices at which a regulated product may be bought or sold in British Columbia. There can be no assurance that the BCVMC will not alter its quota allocation policy or that the BCVMC will not introduce pricing restrictions in a manner that could adversely affect the Company's financial condition and results of operations. There can be no assurance that a modification of the current regulatory schemes will not have an adverse effect on the Company's financial condition, results of operations.

Environmental, Health and Safety Risk

The Company's operations are subject to national, regional and local environmental, health and safety laws and regulations governing, among other things, discharge to air, land and water, the handling and storage of fresh produce, waste disposal, the protection of employee health, safety and the environment. The Company's greenhouse facilities could experience incidents, malfunctions or other unplanned events that could result in discharges in excess of permitted levels resulting in personal injury, fines, penalties or other sanctions and property damage. The Company must maintain a number of environmental and other permits from various governmental authorities in order to operate. Failure to maintain compliance with these requirements could result in operational interruptions, fines or penalties, or the need to install potentially costly pollution control technology. Compliance with current and future environmental laws and regulations, which are likely to become more stringent over time, including those governing greenhouse gas emissions, may impose additional capital costs and financial expenditures, which could adversely affect operational results and profitability.

Risks Associated with Cross-Border Trade

The Company's Canadian and U.S. product is actively sold cross-border. Markets in the United States and other countries may be affected from time to time by trade rulings and the imposition of customs, duties and other tariffs. There can be no assurance that the Company's financial condition and results of operations will not be materially adversely affected by trade rulings and the imposition of customs duties or other tariffs in the future. Furthermore, there is no assurance that further trade actions will not be initiated by U.S. producers of greenhouse or field grown vegetables. Any prolonged disruption in the flow of the Company's product across the U.S.-Canada border could have an adverse effect on the Company's financial condition and results of operations.

Retail Consolidation

The Company's top ten customers accounted for approximately 62% of total revenue for the years ended December 31, 2018 and 2017. As a result of continuing retail consolidation, the Company's U.S. retail customers grow larger and become more sophisticated enabling them to demand lower pricing, special packaging or varieties as well as increased promotional programs. If the Company is unable to use its scale, marketing expertise and market leadership position to respond to these trends, it may have a material adverse effect on its financial condition and results of operations.

Foreign Exchange Exposure

The Company estimates that approximately 85% of its sales will be recorded in U.S. dollars; as such it is necessary to convert U.S. dollars to Canadian dollars and Euros to pay for some of its production and overhead costs. Any foreign currency hedge arrangements that the Company has entered into may not protect it against any losses which may occur as a result of a fluctuation in the U.S./Canadian dollar or U.S./Euro exchange rates. As a result, such fluctuations may have an adverse impact on the Company's financial results and the amount of free cash flow available for distribution to shareholders.

Technological Advances

It is possible that more economical or efficient greenhouse production technology than what is currently used by the Company will be developed, thereby potentially adversely affecting the Company's competitive position.

Accounting Estimates

The Company will be required to make accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of its assets and liabilities at the date of the financial statements and the reported amounts of its operating results during the periods presented. Additionally, the Company will be required to interpret the accounting rules in existence as of the date of the financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, or if auditors or regulators subsequently interpret the Company's application of accounting rules differently, subsequent adjustments could have a material adverse effect on its operating results for the period or periods in which the change is identified. The Company historically carried its land at historical cost. As at December 31, 2016, the Company has changed its policy so that land is now measured at fair value. The land will be revalued every three years. Subsequent adjustments to land value or changes in other accounting estimates could require the Company to restate its financial statements. A restatement of the Company's financial statements could result in a material change in the price of the Common Shares.

Growth

The Company may not be able to successfully manage its growth. The Company's growth strategy will place significant demands on its financial, operational and management resources. In order to continue its growth, it will need to add administrative, management and other personnel, and make additional investments in operations and systems. The Company may not be able to locate and train qualified personnel, or do so on a timely basis, or expand its operations and systems to the extent, and in the time, required.

Intellectual Property

The ownership, licensing and protection of trademarks and other intellectual property rights are significant aspects of the Company's future success. It is possible that the Company will not be able to register, maintain registration for or enforce all of its intellectual property, including trademarks, in all key jurisdictions. The intellectual property registration process can be expensive and time-consuming, and the Company may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner or may obtain intellectual property registrations which are invalid. It is also possible that the Company will fail to identify patentable aspects of inventions made in the course of their development and commercialization activities before it is too late to obtain patent protection for them. Further, changes in either intellectual property laws or interpretation of intellectual property laws in Canada, and other countries may diminish the value of the Company's intellectual property rights or narrow the scope of its intellectual property protection. As a result, the Company's current or future intellectual property portfolio may not provide it with sufficient rights to protect its business, including its products, processes and brands.

Termination or limitation of the scope of any intellectual property license may restrict or delay or eliminate the Company's ability to develop and commercialize its products, which could adversely affect its business. The Company cannot guarantee that any third-party technology it licenses will not be unenforceable or licensed to its competitors or used by others. In the future, the Company may need to obtain licenses, renew existing license agreements in place at such time or otherwise replace existing technology. The Company is unable to predict whether these license agreements can be obtained or renewed or the technology can be replaced on acceptable terms, or at all.

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, brands and technology. Policing the unauthorized use of the Company's current or future trademarks, patents or other intellectual property rights could be difficult, expensive, time consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying the unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors,

including parties such as unlicensed dispensaries and black market participants, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's trademarks or other intellectual property rights or other proprietary know-how, or those it licenses from others, or arrangements or agreements seeking to protect the same for the Company's benefit, may be found invalid, unenforceable, anti-competitive or not infringed; may be interpreted narrowly; or could put existing intellectual property applications at risk of not being issued.

In addition, other parties may claim that the Company's products, or those it licenses from others, infringe on their intellectual property, including their proprietary or patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that it has infringed on their lawful rights. Such licenses may not be available on terms acceptable to the Company, or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that the Company does not own.

The Company also relies on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. The Company's trade secrets, technical know-how and proprietary information, which are not protected by patents, may become known to or be independently developed by competitors, which could adversely affect the Company.

Risks Relating to VF Hemp and U.S. Hemp Operations

State Legalization

VF Hemp's business involves the growing of hemp. Although the 2018 Farm Bill removed hemp (as defined in the bill) from the list of U.S. federally controlled substances, each state and Indian tribe may choose whether to regulate hemp production within its jurisdiction and whether to remove hemp from its definition of controlled substances. There can be no assurance that this will happen in states in which VF Hemp attempts to operate or if removed by the state, that VF Hemp will be licensed (if required) in those states.

For the Company to commence hemp operations in its Texas greenhouse facilities, the Texas legislature must pass legislation removing hemp from the state's controlled substances list as well as implement regulations to permit the cultivation and distribution of hemp in Texas.

FDA and USDA regulation

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the U.S. Food Drug and Cosmetic Act ("**FD&C Act**") as a drug. The FD&C Act is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FD&C Act and FDA regulations define the term drug, in part, by reference to its intended use, as "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" and "articles (other than food) intended to affect the structure or any function of the body of man or other animals." Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FD&C Act defines cosmetics by their intended use, as "articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body…for cleansing, beautifying, promoting attractiveness, or altering the appearance." See FD&C Act, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FD&C Act, cosmetic products and ingredients with the exception of colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the New Drug Application ("**NDA**") process or conform to a "monograph" for a particular drug category, as established by the FDA's Over-the-Counter ("**OTC**") Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA's current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the U.S. are broad in scope; subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally-approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan. It is anticipated that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect in the Company's operations, as well as adverse publicity and potential harm to the Company's reputation.

Risks Inherent in an Agricultural Business

VF Hemp's business and the potential conversion of some of the Company's Texas facilities will involve the growing of hemp, an agricultural product. Such businesses will be subject to the risks inherent in any agricultural business, such as insects, plant diseases, shortage of qualified labour and similar agricultural risks. There can be no assurance that natural elements or labour issues will not have a material adverse effect on any such future production, the business, prospects, financial condition, results of operations and cash flows of VF Hemp and the Company.

Key Executives of VF Hemp

VF Hemp depends heavily on each member of its management team and the departure of a member of management could cause its operating results to suffer. The future success of VF Hemp will depend on, among other things, its ability to keep the services of these key executives and to hire other highly qualified employees at all levels. VF Hemp will compete with other potential employers for employees, and it may not be successful in hiring and retaining the services of executives and other employees that it requires. The loss of the services of, or VF Hemp's inability to hire, executives or key employees could hinder its business operations and growth.

Impact to the Company from VF Hemp

The Company's future cash flows, earnings, results of operations and financial condition will in part depend on the Company's successful execution of its U.S. hemp businesses.

Failure to Realize Growth Strategy

There are risks associated with the VF Hemp's growth strategy, and such strategies may not succeed, as they can be adversely affected by a variety of factors, including those that are discussed elsewhere in this annual information form under "Risk Factors", as well as delays in obtaining, or conditions imposed by, regulatory approvals and quality control and health concerns. As a result, there is a risk that VF Hemp may not have the capacity to meet customer demand or to meet future demand when it arises. If VF Hemp cannot manage growth in the hemp industry effectively, it may have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of VF Hemp and the Company.

Research and Development and Product Obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize VF Hemp's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render VF Hemp's cannabis products obsolete, less competitive or less marketable. The process of developing VF Hemp's products is complex and requires significant continuing costs, development efforts and third party commitments. VF Hemp's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect the business, prospects, financial condition, results of operations and cash flows of VF Hemp and the Company. VF Hemp may be unable to anticipate changes in its customer requirements that could make VF Hemp's existing technology obsolete. VF Hemp's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of VF Hemp's proprietary technology entails significant technical and business risks. VF Hemp may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards. This may have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of VF Hemp and the Company.

Intellectual Property Protection May Be Suboptimal

As a result of the passage of the 2018 Farm Bill, it is believed that CBD is no longer considered a federally-prohibited controlled substance and as such there are no current legal limitations on the Company's ability to protect its intellectual property due to federal and state laws prohibiting the production and sale of marijuana and related products.

Product Liability

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

Product Recalls

Manufacturers of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of VF Hemp's cannabis products are recalled due to an alleged product defect or for any other reason, VF Hemp could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. VF Hemp 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 VF Hemp will put in place detailed procedures for testing its cannabis products before production of cannabis products begin, 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. A recall for any of the foregoing reasons could lead to decreased demand for VF Hemp's products and could have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of VF Hemp and the Company. Additionally, product recalls may lead to increased scrutiny of VF Hemp's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Fluctuating Prices of Raw Materials

VF Hemp's 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, among other factors, how young the cannabis industry is and the impact of numerous factors beyond the control of VF Hemp and the Company including international, economic and political trends, 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 effects of these factors on the price of product produced by VF Hemp and, therefore, the economic viability of VF Hemp's business, cannot accurately be predicted. This may have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of VF Hemp and the Company.

Environmental Regulations and Risks

VF Hemp's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect VF Hemp's operations. Government approvals and permits are currently, and may in the future be, required in connection with VF Hemp's operations. To the extent such approvals are required and not obtained, VF Hemp may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations as currently proposed. Failure to comply with applicable laws, regulations or permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. VF Hemp and the Company may be required to compensate those suffering loss or damage by reason of VF Hemp's operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on VF Hemp and the Company, and cause increases in expenses, capital expenditures or production costs or a reduction in levels of production or require abandonment or delays in development.

Risks Relating to the Joint Venture

Reliance on Licenses

The Joint Venture's ability to grow, store and sell cannabis in Canada is solely dependent on its ability to maintain licenses to cultivate and sell cannabis under the Cannabis Act (a "**License**") for each of the greenhouses at which it proposes to grow cannabis. Under the Cannabis Act, the Joint Venture is required to obtain authorization for each licensable activity including cultivation, processing, testing, sale and distribution. Once obtained, each License is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of a License or any failure to maintain such License would have a material adverse impact on the business, prospects, financial condition, results of operations and cash flows of the Joint Venture and the Company. Although the Company believes the Joint Venture will obtain any required License and meet the requirements for extension of any License, there can be no guarantee that any License will be granted, extended or renewed, or if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should a License not be granted, extended or renewed or should it be renewed on different terms, the business, prospects, financial condition, results of the operation and cash flows of the Joint Venture and the Company would be materially adversely affected.

The Company cannot predict the time required to secure all appropriate regulatory approvals for the Joint Venture's products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain the necessary regulatory approvals will significantly delay the development of the Joint Venture's markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Joint Venture and the Company.

Risks Associated with Changes in Laws, Regulations and Guidelines

The activities of the Joint Venture are subject to various laws, regulations and guidelines by governmental authorities, particularly under the Cannabis Act, relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis, but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment, among other areas. Changes to any such laws, regulations and guidelines due to matters beyond the control of the Company may adversely impact the business, financial condition and results of operations of the Joint Venture and the Company. The Company endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company and the Joint Venture is in material compliance with all such laws, regulations and guidelines.

On April 13, 2017, the Government of Canada released Bill C-45, which proposed the enactment of the Cannabis Act to regulate the production, distribution and sale of cannabis for recreational adult use. On November 27, 2017, the House of Commons passed Bill C-45. On June 19, 2018, the Senate approved Bill C-45 and the Act received Royal Assent on June 21, 2018. The Cannabis Act came into force on October 17, 2018. On December 22, 2018, the Canadian federal government published draft regulations for edible cannabis, cannabis extracts, and cannabis topicals.

In addition, the governments of every Canadian province and territory have, to varying degrees, established regulatory regimes for the distribution and sale of cannabis for adult use purposes within those jurisdictions. There is no guarantee that legislation respecting adult-use retail will remain unchanged or create the growth opportunities that the Company currently anticipates. As the laws continue to evolve, and the distribution models mature, there is no assurance that provincial and territorial legislation enacted for the purpose of regulating recreational cannabis will continue to allow, or be conducive to, the company's business model. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs. Any of the foregoing could result in a material adverse effect on the Company's business, financial condition and results of operation.

Additionally, although neither the Company nor the Joint Venture has any federally prohibited cannabis-related operations in the United States as certain members of the Company's management team are located in the United States, the Company and the Joint Venture may be subject to risks with respect to changes in cannabis regulation and enforcement in the United States. Any changes in the United States regulatory regime, or the scope and extent of the enforcement thereof, could have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of the Joint Venture and the Company.

Regulatory Compliance Risks

Achievement of the Joint Venture's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Neither the Company nor the Joint Venture can predict the time required to secure all appropriate regulatory approvals for the Joint Venture or its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development of products and could have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of the Joint Venture and the Company.

As a federal License Holder under the Cannabis Act, the Joint Venture is operating in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market share through significant investments in its strategy, production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets could have a material adverse effect on the Company's business financial conditions and results of operations.

Failure of Regulatory Compliance

The Joint Venture's business activities are heavily regulated in all jurisdictions where it carries on business. Its operations are subject to various laws, regulations and guidelines by governmental authorities (including Health Canada) relating to the cultivation, processing, manufacture, marketing, management, distribution, transportation, storage, sale, packaging, labelling, pricing and disposal of cannabis and hemp products, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the Joint Venture's activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on its products and services.

Health Canada inspectors routinely assess the Joint Venture's facilities for compliance with applicable regulatory requirements. Furthermore, the import and export of its products from and into any jurisdiction is subject to the regulatory requirements of each such jurisdiction. Any failure by the Joint Venture to comply with the applicable regulatory requirements could require extensive changes to its operations; result in regulatory or agency proceedings or investigations, increased compliance costs, damage awards, civil or criminal fines or penalties or restrictions on its operations; harm its reputation or give rise to material liabilities or a revocation of its licenses and other permits. There can be no assurance that any future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to the Company and its business.

Achievement of the Joint Venture's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all necessary regulatory approvals for the cultivation, processing, production, storage, distribution, transportation, sale, import and export, as applicable, of its products. Any failure to comply with the regulatory requirements applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate its business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; the imposition of additional or more stringent inspection, testing and reporting requirements; and the imposition of fines and censures. In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Joint Venture's operations, increase compliance costs or give rise to material liabilities or a revocation of its licenses and other permits, which could have a material adverse effect on its business, results of operations and financial condition. Furthermore, governmental authorities may change their administration, application or enforcement procedures at any time, which may adversely impact the Company's ongoing costs relating to regulatory compliance.

Failure of Supplier Standards Compliance

Government-run provincial and territorial distributors in Canada require suppliers to meet certain service and business standards, and routinely assess for compliance with such standards. Any failure by the Joint Venture to comply with such standards could result in it being downgraded, disqualified as a supplier, and could lead to the termination or cessation of orders under existing or future supply contracts. Further, provincial purchasers may terminate or cease ordering under existing contracts at their will. Any of these could severely impede or eliminate the Joint Venture's ability to access certain markets within Canada, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Joint Venture and the Company.

Marketing Restrictions

The development of the Joint Venture's business and operating results may be hindered by applicable restrictions on production, sales and marketing activities imposed on the Joint Venture and other entities licensed under the Cannabis Act by Health Canada. All products distributed by the Joint Venture into the Canadian adult use market need to comply with requirements under Canadian legislation, including with respect to product formats, product packaging and labelling, and marketing activities around such products. Among other restrictions, the Cannabis Act prohibits testimonials and endorsements, lifestyle branding, and promotion that is appealing to young persons. As such, the

Joint Venture's portfolio of brands and products must be specifically adapted, and its marketing activities carefully structured, to enable the Joint Venture to develop its brands in an effective and compliant manner. If the Joint Venture is unable to effectively market its cannabis 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 cannabis products, then its sales and operating results could be adversely affected.

Unfavourable Publicity or Consumer Perception

The Company believes that the cannabis and CBD industries are highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis or CBD product distributed to consumers. Such categories of products having previously been commonly associated with various other narcotics, violence and criminal activities, there is a risk that the Company's business might attract negative publicity. Perception of the cannabis or CBD industry and cannabis or CBD products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Canada and in other countries relating to the consumption of cannabis or CBD products, including unexpected safety or efficacy concerns arising with respect to cannabis or CBD products or the activities of industry participants.

There can be no assurance that future scientific research, findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention or other research findings or publicity will be favorable to the cannabis or CBD markets or any particular cannabis or CBD product or will be consistent with earlier publicity. Adverse future scientific research reports, findings, regulatory investigations or proceedings, and political statements, that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for the Joint Venture's cannabis or CBD products. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis and CBD, the Joint Venture's current or future products, the use of cannabis or CBD for medical purposes or associating the consumption of cannabis or CBD with illness or other negative effects or events, could adversely affect the Company. This adverse publicity could arise even if the adverse effects associated with cannabis or CBD products resulted from consumers' failure to use such products legally, appropriately or as directed.

There is also a risk that the actions of other entities licensed under the Cannabis Act or of companies and service providers in the cannabis or CBD industries may negatively affect the reputation of the industry as a whole and thereby negatively impact the Joint Venture and the Company's reputation. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share negative opinions and views in regards to the Joint Venture's activities and the cannabis and CBD industries in general, whether true or not.

Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it or the cannabis or CBD industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Third Party Reputational Risks

The parties with whom the Joint Venture and the Company does business, or would like to do business with, may perceive that they are exposed to reputational risk as a result of the Company's business activities relating to cannabis, which could hinder the Company's ability to establish or maintain business relationships. These perceptions relating to the cannabis industry may interfere with the Company's relationship with service providers in Canada and other countries, particularly in the financial services industry.

Rapid Growth and Consolidation in the Cannabis Industry

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

Competition

The Joint Venture will face enhanced competition from other individuals and corporations who are licensed under the Cannabis Act to participate in the adult-use cannabis industry. The Cannabis Act has established a licensing regime for the production, testing, packaging, labeling, delivery, transportation, distribution, sale, possession and disposal of cannabis for adult use. While, pursuant to transitional provisions in the Cannabis Regulations, existing holders of licenses relating to medical cannabis under the former ACMPR have, subject to satisfying certain requirements, automatically been deemed licensed under the Cannabis Act for corresponding activities, other individuals and corporations are now able to apply for such licenses.

Subject to certain restrictions set out in the Cannabis Act, the Cannabis Act allows adults to cultivate, propagate, harvest and distribute up to four cannabis plants per household, provided that each plant meets certain requirements. If the Joint Venture is unable to effectively compete with other suppliers to the adult use cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, the Joint Venture's success in the adult use business may be limited and may not fulfill the expectations of management.

The Joint Venture will also face competition from existing entities licensed under the Cannabis Act. Certain of these competitors have significantly greater financial, production, marketing, research and development and technical and human resources than the Company does. As a result, the Company's competitors may be more successful in gaining market penetration and market share. The Joint Venture's commercial opportunity in the adult use market could be reduced or eliminated if its competitors produce and commercialize products for the adult use market that, among other things, are safer, more effective, more convenient or less expensive than the products that it may produce, have greater sales, marketing and distribution support than the Joint Venture's products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over the Joint Venture's products and receive more favorable publicity than the Joint Venture's products. If the Joint Venture's adult use products do not achieve an adequate level of acceptance by the adult use market, it may not generate sufficient revenue from these products, and its adult use business may not become profitable.

If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Joint Venture will require a continued high level of investment in research and development, marketing, sales and client support. The Joint Venture may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect its business, financial condition and results of operations.

The Joint Venture also faces competition from illegal cannabis dispensaries that are selling cannabis to individuals, despite not having a valid license under the Cannabis Regulations.

In addition, the legal landscape for medical and recreational cannabis is rapidly changing internationally. An increasing number of jurisdictions globally are passing legislation allowing for the production and distribution of medical and/or recreational cannabis in some form or another. Entry into the cannabis market by international competitors might lower the demand for the Joint Venture's products on a global scale.

Risks Inherent in an Agricultural Business

The Joint Venture's business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in any agricultural business, such as insects, plant diseases, shortage of qualified labour and similar agricultural risks. Although the Joint Venture will be growing in a controlled environment with climate controlled systems in place, there can be no assurance that natural elements, such as insects and plant diseases, will not entirely interrupt its production activities or have an adverse effect on its business. In addition, cannabis plants can be vulnerable to various pathogens including bacteria, fungi, viruses and other miscellaneous pathogens. Such instances often lead to reduced crop quality, stunted growth and/or death of the plant. Moreover, cannabis is phytoremediative meaning that it may extract toxins or other undesirable chemicals or compounds from the ground in which it is planted. Various regulatory agencies have established maximum limits for pathogens, toxins, chemicals and other compounds that may be present in agricultural materials. If the Joint Venture's cannabis is found to have levels of pathogens, toxins, chemicals or other undesirable compounds that exceed established limits, the Joint Venture's product may not be suitable for commercialization and the Joint Venture may have to destroy the applicable portions of its crops. Crops loss due to pathogens, toxins, chemicals or other undesirable compounds may have a material adverse effect on the Joint Venture and the Company's business and financial condition.

Risks Related to the Joint Venture

The Company's future cash flows, earnings, results of operations and financial condition will in part depend on the Company retaining its ownership interest in the Joint Venture. Under the Joint Venture Agreement, either the Company or Emerald may exercise the Buy-Sell effective on or after June 6, 2019 in certain circumstances, which could result in the Company having to either sell all of its interest in the Joint Venture or acquire all of Emerald's interest in the Joint Venture. In addition, any dilution of the Company's interest in the Joint Venture would adversely affect the amount of revenue the Company can derive from the Joint Venture.

Any strain on, or breakdown of, the working relationship between the Company and Emerald could adversely affect the governance and operations of the Joint Venture. Since the Buy-Sell becomes effective on or after June 6, 2019 and upon a deadlock of the board of directors of the Joint Venture with respect to Material Decisions or the inability of the board of directors of the Joint Venture to pass an annual budget within a specified timeframe, any breakdown in the relationship between Emerald and the Company may ultimately result in the exercise of the Buy-Sell provision. If the Company is required to sell its interest in the Joint Venture pursuant to the Buy-Sell, this would result in a material adverse effect on the Company's business, prospects, financial condition, results of operations and cash flows.

Reliance on a Single Facility

To date, the Joint Venture's activities and resources have been primarily focused on the Delta 3 Greenhouse. The Joint Venture expects to continue the focus on this facility for the foreseeable future. Adverse changes or developments affecting the existing facility could have a material adverse effect on the Joint Venture's ability to continue producing cannabis and the business, prospects, financial condition, results of operations and cash flows of the Joint Venture and the Company.

Limited Operating History in the Cannabis Industry

The Joint Venture has yet to generate a profit from its operations. The Joint Venture 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 and lack of significant revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment from the operations of the Joint Venture and the likelihood of success must be considered in light of the early stage of operations.

The Joint Venture may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications and delays, the other risks described in this annual information form and other unknown events. The amount of future net losses will depend, in part, on the growth of its future expenses and its ability to generate revenue. Because of the numerous risks and uncertainties associated with producing cannabis and cannabis-derived products, the Company is unable to accurately predict when, or if, it will be able to achieve profitability. Even if it achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. If the Joint Venture is unable to achieve and sustain profitability, the market price of the Company's common shares may significantly decrease and its ability to raise capital, expand its business or continue its operations may be impaired.

Failure to Realize Growth Strategy

The Joint Venture is at its early stage and attempting to grow its business. Its ability to grow will depend on a number of factors, many of which are beyond its control, including, but not limited to, the availability of sufficient capital on suitable terms, changes in laws and regulations respecting the production of cannabis products, competition from other entities licensed under the Cannabis Act, its ability to recruit and retain sufficient experienced personnel and its ability to manage complex international operations. In addition, the Joint Venture is subject to a variety of business risks generally associated with developing companies. Future development and expansion could place significant strain on the Company's management personnel and likely will require the Company to recruit additional management personnel, and there is no assurance that it will be able to do so. As its operations grow in size, scope and complexity and as it identifies and pursues new opportunities, the Joint Venture may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise).

In addition, the Joint Venture will need to effectively execute on business opportunities and continue to build on and deploy its corporate development and marketing assets as well as access sufficient new capital, as may be required. The ability to successfully complete acquisitions and to capitalize on other growth opportunities may redirect its limited resources and require expansion of its infrastructure. This will require the Company to commit financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. There can be no assurance the Company will be able to respond adequately or quickly enough to the changing demands that material expansion will impose on management, team members and existing infrastructure, and changes to its operating structure may result in increased costs or inefficiencies that it cannot anticipate. Changes as the Company grows may have a negative impact on its operations, and cost increases resulting from its inability to effectively manage its growth could adversely impact its profitability. In addition, continued growth could also strain the Company's ability to maintain reliable service levels for its clients, develop and approve its operational, financial and management controls, enhance its reporting systems and procedures and recruit, train and retain highly-skilled personnel.

Failure to effectively manage growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact the Company's business performance and results of operations. There can be no assurance that the Company will effectively be able to manage its expanding operations, including any acquisitions, that its growth will result in profit, that it will be able to attract and retain sufficient management personnel necessary for growth or that it will be able to successfully make strategic investments or acquisitions.

Ongoing Costs and Obligations Related to Infrastructure, Growth, Regulatory Compliance and Operations

The Joint Venture expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Joint Venture and the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than expected, and it may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including the other risks described in this annual information form, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

No Assurance of Profitability or Immediate Revenues

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

Attracting and Retaining Key Personnel

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

Further, each director and officer of a company that holds a license for cultivation, processing or sale under the Cannabis Regulations is subject to the requirement to obtain and maintain a security clearance under the Cannabis Regulations. Certain additional key personnel are also required to obtain and maintain a security clearance. Under the Cannabis Regulations, 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 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 an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of the Joint Venture's operations.

If an individual in a key operational position leaves the Joint Venture, and it is unable to find a suitable replacement who is able to obtain a security clearance required by the Cannabis Act in a timely manner, or at all, the Joint Venture may not be able to conduct its operations at planned production volume levels or at all. The Cannabis Regulations require the Joint Venture to designate a senior person in charge ("**SPIC**") and a qualified person in charge (" **QPIC**"). The SPIC has overall responsibility for the management of the cannabis activities authorized under the license. The QPIC must work at the licensed site and is responsible for supervising the authorized cannabis activities and ensuring regulation compliance, and must meet certain educational requirements. If the Joint Venture's current designated SPIC and QPIC fail to maintain their security clearance, or if its current designated SPIC and QPIC leave and it is unable to find a suitable replacement who meets these requirements, the Joint Venture may no longer be able to conduct activities with respect to cannabis.

Research and Development and Product Obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Joint Venture's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Joint Venture's cannabis products obsolete, less competitive or less marketable. The process of developing the Joint Venture's products is complex and requires significant continuing costs, development efforts and third party commitments. The Joint Venture's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect the business, prospects, financial condition, results of operations and cash flows of the Joint Venture and the Company. The Joint Venture may be unable to anticipate changes in its potential customer requirements that could make the Joint Venture's existing product or technology obsolete.

The Joint Venture's success will depend, in part, on its ability to continue to enhance its existing products and technologies, develop new products and technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. Although the Joint Venture is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed. The development of the Joint Venture's proprietary technology entails significant technical and business risks. The Joint Venture may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or regulatory requirements or preferences or emerging industry standards. This may have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of the Joint Venture and the Company.

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

Understanding of CBD and THC May Change

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids, such as CBD and THC, remains in relatively early stages. Few clinical trials on the benefits of cannabis or isolated cannabinoids have been conducted. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical cannabis, which could adversely affect social acceptance of cannabis and the demand for the Joint Venture's medical cannabis products.

Consumer Preferences May Change

As a result of changing consumer preferences, many products attain financial success for a limited period of time. Even if the Joint Venture's products find retail success, there can be no assurance that any of its products will continue to see extended financial success. The Joint Venture's success will be significantly dependent upon its ability to develop new and improved product lines. Even if it is successful in introducing new products or developing its current products, a failure to gain consumer acceptance or to update products with compelling content could cause a decline in the Joint Venture's products' popularity that could reduce revenues and harm its business, operating results and financial condition. Failure to introduce new features and product lines and to achieve and sustain market acceptance could result in the Joint Venture being unable to meet consumer preferences and generate revenue which would have a material adverse effect on its profitability and financial results from operations.

The Joint Venture's success depends on its ability to attract and retain customers. There are many factors which could impact its ability to attract and retain customers, including but not limited to its ability to continually produce desirable and effective products, the successful implementation of its customer acquisition plan and the continued growth in the aggregate number of potential customers. The Joint Venture's failure to acquire and retain customers could have a material adverse effect on the business, operating results and financial position of the Joint Venture and the Company.

Products May Not Have Intended Effects

If the products the Joint Venture sells are not perceived to have the effects intended by the end user, its business may suffer. There is little long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry of various cannabis products. As a result, the Joint Venture's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Product Liability

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

Product Recalls

Manufacturers of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Joint Venture's cannabis products are recalled due to an alleged product defect or for any other reason, the Joint Venture could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Joint Venture 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 Joint Venture will put in place detailed procedures for testing its cannabis products before production of cannabis products begin, 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. A recall for any of the foregoing reasons could lead to decreased demand for the Joint Venture's products and could have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of the Joint Venture and the Company. Additionally, product recalls may lead to increased scrutiny of the Joint Venture's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Any product recall affecting the cannabis industry more broadly, whether or not involving the Company, could also lead consumers to lose confidence in the safety and security of the products sold by entities licensed under the Cannabis Act generally, including products sold by the Joint Venture.

Fluctuating Prices of Raw Materials

The Joint Venture's 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, among other factors, how young the cannabis industry is and the impact of numerous factors beyond the control of the Joint Venture and the Company including international, economic and political trends, 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 Joint Venture and, therefore, the economic viability of the Joint Venture's business, cannot accurately be predicted. This may have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of the Joint Venture and the Company.

Supply and Demand Fluctuations

Entities licensed under the Cannabis Act have not been, and may not be, able to produce enough cannabis to meet adult use demand. In order to meet this demand, the Joint Venture and other entities licensed under the Cannabis Act have increased, and plan to continue to increase, their production capacities. However, demand for cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. In addition, the initial demand that has been experienced following legalization may not continue at comparable levels or may not be sustainable as a portion of such demand may have been a result of the novelty of legalization. Market demand may not be sufficient to support the Company's current or future products or business.

There has been a shortfall in the supply of cannabis in the Canadian adult use market. Certain entities licensed under the Cannabis Act, including the Joint Venture, are moving to increase capacity to meet existing demand. However, in the future, the Joint Venture and other entities licensed under the Cannabis Act may produce more cannabis than is needed to satisfy the collective demand of the Canadian adult use markets. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If this were to occur, there is no assurance that the Joint Venture would be able to generate sufficient revenue from the sale of adult use cannabis to be profitable.

Reduced Market Due to Personal Cultivation

Under the Cannabis Act, patients and adult use consumers have the option of obtaining cannabis from (i) an entity licensed under the Cannabis Act, (ii) a provincially authorized retailer, or (iii) through personal cultivation. The Cannabis Act permits adults to grow up to four cannabis plants per household for personal use. While provinces and territories have the flexibility to set added restrictions regarding personal cultivation, with the exception of Manitoba and Quebec, all other provinces and territories currently permit personal cultivation. There are barriers to personal cultivation, including the start-up costs of obtaining equipment and materials to produce cannabis. However, depending on the number of consumers who choose to pursue personal cultivation, there could be a significant reduction in the addressable market for the Joint Venture's products, which would adversely affect the Company's ability to meet its business and financial targets.

Quantification of Size of Target Market

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

These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

The Joint Venture's success depends, in part, on its ability to attract and retain customers. To do this, the Joint Venture is dependent upon, among other things, continually producing desirable and effective products and the continued growth in the aggregate number of customers using adult-use cannabis. The Joint Venture has made significant investments in enhancing its brand. It expects to continue to make significant investments to promote its current products to new customers and new products to current and new customers. Such campaigns can be expensive and may not result in increased sales. If the Joint Venture is unable to attract new customers, it may not be able to increase its sales.

Reliance on Third Party Transportation

Canadian adult use distribution rules take various forms on a province-by-province basis and often require the Joint Venture to employ third parties to deliver to central government sites. Any prolonged disruption of third-party transportation services could have a material adverse effect on the Joint Venture's sales volumes or its end users' satisfaction with the Joint Venture's products. Rising costs associated with third-party transportation services used by the Joint Venture to ship its products may also adversely impact its profitability, and more generally its business, financial condition, results of operations and prospects.

In order for customers of the Joint Venture to receive their product, the Joint Venture and other purchasers will rely on third party transportation services. This can cause logistical problems with and delays in patients 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.

Moreover, security of the product during transportation to and from the Joint Venture'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 future ability to continue operating under its Licenses or the prospect of renewing its Licenses.

Reliance on Third Party Distributors

The Joint Venture relies on third-party distributors, including provincial regulatory boards and private retailers, and may in the future rely on other third parties, to distribute its products. If these distributors do not successfully carry out their contractual duties, if there is a delay or interruption in the distribution of the Joint Venture's products or if these third parties damage the Joint Venture's products, it could negatively impact the Company's revenue from product sales. Any damage to the Joint Venture's products, such as product spoilage, could expose it to potential product liability, damage its reputation and the reputation of its brands or otherwise harm its business.

Reliance on Key Inputs

The Joint Venture and the Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Joint Venture and the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company. In addition, the Joint Venture's operations could be significantly affected by a prolonged power outage.

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

The Joint Venture's cannabis cultivation operations consume considerable energy, making it vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Joint Venture and the Company.

Reliance on Effective Quality Control

The quality and safety of the Joint Venture's products are critical to the success of its business and operations. As such, it is imperative that its (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Joint Venture strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the business and operating results of the Company.

Possible Restricted Trade by the Canadian Free Trade Agreement

Article 1206 of the *Canadian Free Trade Agreement* specifically excludes the application of the agreement to cannabis for non-medical purposes. Article 1206 states that the provinces and territories of Canada shall commence negotiations regarding the application of the *Canada Free Trade Agreement* to cannabis for non-medical purposes following Royal Assent of federal legislation legalizing cannabis for non-medical purposes. There is a risk that the outcome of the negotiations will result in the interprovincial and interterritorial trade of cannabis for non-medical purposes in Canada being entirely restricted or subject to conditions that will negatively impact the Joint Venture's ability to sell cannabis in other provinces and territories.

Environmental Regulations and Risks

The Joint Venture's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Joint Venture's operations. Government approvals and permits are currently, and may in the future be, required in connection with the Joint Venture's operations. To the extent such approvals are required and not obtained, the Joint Venture may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations as currently proposed. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Joint Venture and the Company may be required to compensate those suffering loss or damage by reason of the Joint Venture's operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on the Joint Venture and the Company, and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Insurance Coverage in the Cannabis Industry

The Company believes that the Joint Venture and the Company currently have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Joint Venture is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Joint Venture to suffer uninsured losses, which could adversely affect the Joint Venture's and Company's business, results of operations, and profitability. Further, the Joint Venture's insurance coverage is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Joint Venture is exposed. There is no assurance that the Joint Venture will be able to fully utilize such insurance coverage, if necessary, or that such insurance will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Joint Venture were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, the Joint Venture may be exposed to material uninsured liabilities that could impede its liquidity, profitability or solvency.

Liability of Illegal Activities by Employees, Contractors or Consultants

The Joint Venture is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or activities that violate: (i) government regulations, specifically Health Canada regulations; (ii) manufacturing standards; (iii) the Cannabis Act and the Cannabis Regulations; (iv) provincial cannabis laws and regulations; (v) federal and provincial healthcare fraud and abuse laws and regulations; (vi) laws that require the true, complete and accurate reporting of financial information or data; or (v) the terms of the Joint Venture's agreements with insurers. In particular, the Joint Venture could be exposed to class actions and other litigation,

increased Health Canada inspections and related sanctions, lost sales and revenue or reputational damage as a result of prohibited activities that are undertaken in the growing or production process of the Joint Venture's products without its knowledge or permission and contrary to its internal policies, procedures and operating requirements.

It is not always possible for the Joint Venture to identify and prevent misconduct by its employees and other third parties, and the precautions taken by the Joint Venture to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Joint Venture 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 Joint Venture, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Joint Venture's 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 Joint Venture's operations, any of which could have a material adverse effect on the business, financial condition and results of operations of the Joint Venture and Company.

Use of Customer Information and Other Personal and Confidential Information

The Joint Venture's current and future marketing programs may depend on its ability to collect, maintain and use data and sensitive person information on individuals, and its ability to do so is subject to evolving laws and enforcement trends in Canada and other jurisdictions. The Joint Venture strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of medical information and data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with the Joint Venture's practices or fail to be observed by its employees or business partners. If so, the Joint Venture may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt its reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

Certain marketing practices of the Joint Venture may rely upon e-mail, social media and other means of digital communication to communicate with consumers on its behalf. The Joint Venture may face risk if its use of e-mail, social media or other means of digital communication is found to violate applicable laws. The Joint Venture will post its privacy policy and practices concerning the use and disclosure of user data on its website. Any failure by the Joint Venture to comply with its posted privacy policy, anti-spam legislation or other privacy-related laws and regulations could result in proceedings which could potentially harm its business. In addition, as data privacy and marketing laws change, the Joint Venture may incur additional costs to ensure it remains in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial or state levels, the Joint Venture's compliance costs may increase, its ability to effectively engage customers via personalized marketing may decrease, its investment in its e-commerce platform may not be fully realized, its opportunities for growth may be curtailed by its compliance burden and its potential reputational harm or liability for security breaches may increase.

Breach of Security

Given the nature of the Joint Venture's product and the limited legal channels for distribution, 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 and other security breaches. A security breach at one of the Company's facilities could result in a significant loss of available product and could expose the Company to additional liability under applicable regulations and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Joint Venture's products, any of which could have an adverse effect on the Joint Venture and the Company's business, financial condition, results of operations and prospects.

Potential international expansion may heighten operational risks

Any expansion by the Joint Venture or the Company into jurisdictions outside of Canada and the United States is subject to additional risks, including political, economic, legal and other risks and uncertainties associated with operating in or exporting to these jurisdictions. These risks and uncertainties include, but are not limited to, changes in the laws, regulations and policies governing the production, sale and use of cannabis, cannabis-based products,

hemp, CBD, political instability, currency controls, fluctuations in currency exchange rates and rates of inflation, labour unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation and changing political conditions and governmental regulations relating to foreign investment and the cannabis, hemp and CBD businesses more generally.

Changes, if any, in the laws, regulations and policies relating to the advertising, production, sale and use of cannabis and cannabis-based products or in the general economic policies in these international jurisdictions, or shifts in political attitude related thereto, may adversely affect the operations or profitability related to international operations in these countries. Specifically, operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on advertising, production, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment, land and water use restrictions and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices could result in additional taxes, costs, civil or criminal fines or penalties or other expenses being levied, as well as other potential adverse consequences such as the loss of necessary permits or governmental approvals.

We must rely on international advisors and consultants in the foreign countries in which we intend to operate

The legal and regulatory requirements in the foreign countries (outside of Canada and the United States) in which the Joint Venture or the Company intends to operate with respect to the cultivation and sale of cannabis and hemp, banking systems and controls, as well as local business culture and practices are different from those in Canada and the United States. Officers and directors of the Joint Venture or Company must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect our business operations, and to assist with governmental relations. The Joint Venture or Company must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance our understanding of and appreciation for the local business culture and practices. The Joint Venture or Company must also rely on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis and hemp, as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond our control. The impact of any such changes may adversely affect the Joint Venture and the Company's business, financial condition, results of operations and prospects.

Risks Related to Tax

Potential U.S. Permanent Establishment of VF Canada GP and VF Canada LP

Under the Canada U.S. Tax Convention, a Canadian resident will be subject to U.S. income taxation with respect to the business profits of such Canadian resident attributable to a permanent establishment ("**PE**") of such Canadian resident located in the United States. A Canadian resident generally will be treated as maintaining a PE in the United States if, among other situations, an agent of the Canadian resident (other than an independent agent acting in the ordinary course of its business) has, and habitually exercises in the United States, authority to conclude contracts in the name of the Canadian resident.

Due to the cross border activity of certain employees of the Company, the United States may deem VF Canada GP and VF Canada LP to maintain a U.S. permanent establishment. In the event that such a U.S. permanent establishment is deemed to exist, VF Canada GP and VF Canada LP generally will be required to file U.S. federal income tax returns and will be subject to U.S. federal income tax with respect to the business profits allocable to such permanent establishment.

Advances by VF Opco to U.S. Holdings

In connection with the completion of the Combination Transaction, VF Opco loaned approximately CA$20,000,000 to U.S. Holdings (the "**Advances**"). As at December 31, 2018, CA$9,500,000 of the Advances remained outstanding. U.S. Holdings has claimed interest deductions with respect to the interest paid on the Advances in computing its

income for U.S. federal income tax purposes. There can be no assurance that the IRS will not assert that any portion of the advances was equity in the U.S. borrower for U.S. federal income tax purposes. If the IRS were successful in this assertion, payments made by U.S. Holdings on such Advances would be treated as non-deductible distributions paid by U.S. Holdings to VF Opco and subject to U.S. federal withholding taxes. The Company anticipates that the amount of any such withholding taxes, net of positive tax consequences that may arise from related circumstances, will not be material. In addition, the deductibility of interest paid or accrued may be subject to various limitations. The Company anticipates that the amount of interest charged on such Advances that might otherwise be claimed as a deduction, will not be material.

Transfer Pricing

Pursuant to an annual sales agreement, VF Opco has agreed to sell some of its inventory to VFLP for resale in the United States, as well as VFLP has agreed to sell some of its inventory to VF Opco for resale in Canada. VF Opco and VFLP take the position that the amounts charged by VF Opco and VFLP for such inventory represent the fair market value of the goods sold. The IRS or the Canada Revenue Agency have and may, in the future, challenge the pricing as being in excess of fair market value. If the IRS or the Canada Revenue Agency were successful in challenging the pricing, VFLP's U.S. or Canadian taxable income could be increased. The consequences being a higher overall effective tax rate, as well as the potential for higher tax payments.

U.S. Real Property Holding Corporation

If U.S. Holdings is, or has been within the prior five years, a United States real property holding corporation as defined under section 897 of the Internal Revenue Code, any portion of a distribution by U.S. Holdings to VF Opco which is treated as a gain for U.S. federal income tax purpose would be subject to United States federal income and withholding taxes.

DIVIDENDS

Dividend Policy

The Company has no current plans to pay dividends as it is growth focused. The amount of any dividends payable by the Company will be at the discretion of the board of directors of the Company and may vary depending on, among other things, the Company's earnings, financial requirements for the Company's operations, growth opportunities, debt covenants, the satisfaction of the solvency tests imposed by the CBCA for declaration and payment of dividends and the conditions existing from time to time.

Historical Distributions

The Company has not paid any cash dividends or distributions on any class of the Company's securities for any of the three most recently completed financial years.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the symbol "VFF" and on NASDAQ (as at February 2019) under the symbol "VFF". The following table sets forth the trading price range and trading volume of the Common Shares for the most recently completed financial year, as reported by the TSX.

Month		High	Low	Volume
2018	January	9.80	6.70	15,493,831
	February	8.73	6.49	7,019,729

Month	High	Low	Volume
March	8.69	5.02	9,836,134
April	5.88	4.36	6,685,233
May	6.30	4.90	5,528,465
June	7.91	5.54	11,705,236
July	6.47	4.90	4,845,747
August	7.44	4.85	7,532,497
September	8.53	6.42	17,151,288
October	7.80	4.87	11,845,811
November	6.80	5.28	7,267,263
December	5.76	3.98	7,134,980

DIRECTORS AND MANAGEMENT

The following table sets forth the name, position with the Company, municipality of residence, principal occupation during the five preceding years, period of service for each of the directors and executive officers of the Company and the number of Common Shares beneficially owned by him/her, directly or indirectly, or over which he/she exercises control or direction:

Name and Municipality of Residence(1)	Position	Principal Occupation During the Past Five Years(1)	Service as a Director/Executive Officer	No. of Common Shares Beneficially Owned(2)
Michael A. DeGiglio Florida, USA	Director, and Chief Executive Officer	Chief Executive Officer of the Company	Director and Executive Officer since October 18, 2006	9,491,649
John P. Henry(3) Florida, USA	Director	Retired senior executive	Director since October 18, 2006	35,000
David Holewinski(3),(4) Michigan, USA	Director	Management Consultant	Director since June 21, 2011	145,000
John R. McLernon(4) British Columbia, Canada	Chair of the Board Directors	Honorary Chairman and Co-Founder of Colliers International	Director since January 18, 2005	103,500
Stephen C. Ruffini Florida, USA	Director, Executive Vice President and Chief Financial Officer	Chief Financial Officer of the Company	Director since 2014 and Executive Officer since January 5, 2009	609,399
Christopher C. Woodward(3)(4) British Columbia, Canada	Director	President, Woodcorp Investments Ltd. (private investment company)	Director since November 10, 2003	174,300
Dr. Roberta Cook California, USA	Director	Marketing Consultant	Director since January 4, 2016	20,000

(1) The information as to municipality of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and executive officers individually.

(2) The directors and executive officers of the Company beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 10,578,848 Common Shares, representing approximately 22.2% of the issued and outstanding Common Shares. The information as to Common Shares beneficially owned or over which a director or executive officer exercises control or direction, not being within the knowledge of the Company, has been furnished by the director or executive officer individually.
(3) Member of the Audit Committee of the Company.
(4) Member of the Compensation and Corporate Governance Committee of the Company.

Each of the directors of the Company holds office for a term expiring at the close of the next annual meeting of shareholders or until his/her successor is appointed, unless his or her office is earlier vacated.

The following are brief profiles of the directors and executive officers of the Company:

Michael A. DeGiglio, Director and Chief Executive Officer of the Company . Mr. DeGiglio is a founder of Village Farms International through preceding companies and has served as its Chief Executive Officer since its inception in 1989. Mr. DeGiglio joined EcoScience Corporation (NASDAQ) a bio-technology company, in November 1992 upon its acquisition of Agro-Dynamics Inc., a company Mr. DeGiglio founded in 1984 and served as President since its inception. Additional, he served as President and Chief Executive Officer of EcoScience from 1995 until its merger with Village Farms in 1999. Prior to commencing his business career in 1983, Mr. DeGiglio served on active duty in the United States Navy from 1976 through 1983, and in the Naval Air reserves from 1983 through 2001, retiring at the rank of Captain. Throughout his Naval career, Captain DeGiglio held multiple Department head positions, successfully completed a tour as Commanding Officer of a jet squadron, performed multiple tours overseas, accumulated over 5,000 hours of military flight time, and completed numerous senior management and military courses. Mr. DeGiglio received a Bachelor of Science degree in Aeronautical Science from Embry Riddle Aeronautical University (ERAU) in Daytona Beach, Florida. He has served as the former Chairman of the Presidential Advisory Board of ERAU.

John P. Henry, Director of the Company. Mr. Henry has served as a director of the Company since 2006. From 1981 to 2000, Mr. Henry was employed by Ocean Spray Cranberries, Inc. ("**Ocean Spray**"), retiring as Senior Vice-President of Grower Relations and Chief Financial Officer in 2000. Ocean Spray grew from $400 million to $1.3 billion in revenues during his tenure. Mr. Henry also served as a Director of Nantucket Allserve Inc., a majority owned subsidiary of Ocean Spray. From 1980 to 1981 he was Chief Financial Officer of Castle Toy Co, Inc. prior to this; Mr. Henry was employed by Laventhol and Horwath providing auditing, consulting and tax services to large public and private companies. He received a Bachelor of Science degree in Business Administration and Master in Taxation degrees from Bryant College in Smithfield, Rhode Island. Mr. Henry is a non-practicing Certified Professional Accountant in the State of Rhode Island.

David Holewinski, Director of the Company. Mr. Holewinski is a Management Consultant. He served as a director of Agro Power Development Inc. ("**APDI**") from 2004 until October 2006. Between 1995 and 2000, Mr. Holewinski also served as Senior Vice President of Business Development for APDI. Mr. Holewinski has co-founded two biotechnology companies, a company with cyber technology and also co-founded a company with novel precast concrete technology for the construction industry. Between 1983 and 1988, Mr. Holewinski was a Manager of Business Development for ConAgra Foods, Inc. Mr. Holewinski has a Bachelor of Arts degree from Pennsylvania State University and a Master of Business Administration degree from Harvard University.

John R. McLernon, Chairman and Director of the Company . Mr. McLernon is President of McLernon Consultants Ltd. He is Honorary Chairman and Co-Founder of Colliers International ("**Colliers**"), a global commercial real estate services company operating from 485 offices in 65 countries. He served as Chairman and Chief Executive Officer of Colliers from 1977 to 2002 and as Chairman until December 2004. Mr. McLernon also serves as a director of several public and private companies as well as major nonprofit organizations.

Stephen C. Ruffini, Director and Chief Financial Officer of the Company . Mr. Ruffini joined Village Farms in January 2009. Mr. Ruffini came to Village Farms from Performing Brands, Inc. where he served as Chief Operating Officer and Chief Financial Officer. Mr. Ruffini has 25 years of extensive financial, operations, investor relations and mergers and acquisitions experience with leading international companies, including Hit Entertainment plc, Lyrick Corporation and Arthur Andersen LLP. Mr. Ruffini is a Certified Public Accountant who holds an M.B.A. from the University of Texas, in Austin, Texas and a B.B.A. in Finance from the Southern Methodist University in Dallas, Texas.

Christopher C. Woodward, Director of the Company . Mr. Woodward is a member of the Audit Committee and Compensation Committee. Mr. Woodward serves as a chair or director of a number of private, public companies and charitable institutions. These include the P.A. Woodward Medical Foundation, Brentwood College, Cambie Surgeries Corp. and the Sea to Sky Gondola Corp. He serves as the current Chair of the Keg Royalty Trust and Director of the Great Western Brewery. Mr. Woodward received his Bachelor of Arts (Economics) degree from the University of Western Ontario.

Dr. Roberta Cook, *Director of the Company.* Roberta Cook has a Ph.D. in Agricultural Economics from Michigan State University. From 1985 to July 2016 she was the Cooperative Extension Marketing Economist in the Department of Agricultural and Resource Economics (ARE) at University of California, Davis. She is now an Emerita faculty member in this department. She conducted an applied research and industry outreach program focusing on the marketing and international trade of fresh fruits and vegetables, including studies on international competitiveness, industry structure and procurement practices, the N. American fresh tomato industry, and trends in consumer demand and food distribution. She served for 11 years each on the boards of Ocean Mist Farms and Naturipe Farms. She currently serves on an advisory marketing committee to Ocean Mist Farms. She has served on numerous PBH committees and is a member of the Monsanto Vegetable Seeds Advisory Council. Other board service includes: the PMA Foundation for Industry Talent; Sunkist Growers; the California Kiwifruit Commission; and the American Agricultural Economics Association Foundation. From 1998-2003 she was a member of the ATAC for Fruits and Vegetables of the U.S.D.A. and the U.S.T.R. She was honored as one of the top 25 produce industry leaders for 2011 by The Packer (The Packer Top 25). From 2003-spring 2011 she was Faculty Director of the California Agribusiness Executive Seminar, a program co-sponsored by the Department of ARE and the College of Agricultural and Environmental Sciences at UC Davis, and Wells Fargo Bank.

Board Committees

The board of directors of the Company currently has an audit committee and a compensation and corporate governance committee.

Audit Committee of the Company. This committee is comprised of John P. Henry, Christopher C. Woodward and David Holewinski, each independent directors of the Company, and is responsible for maintaining management's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, the quality and integrity of the Company's financial statements and related financial public disclosure and for liaising with the external auditors of the Company. The chairperson of the audit committee of the Company is John P. Henry.

Compensation and Corporate Governance Committee of the Company. This committee is comprised of John R. McLernon, David Holewinski and Christopher C. Woodward, who are all independent directors and is responsible for assisting the board in determining compensation of senior management as well as reviewing the adequacy and form of directors' compensation. The committee reviews annually the Chief Executive Officer's goals and objectives for the upcoming year and each year performs an appraisal of the Chief Executive Officer's performance. This committee also administers and makes recommendations regarding the operation of the Compensation Plan and other incentive plans of the Company. The committee is responsible for developing the Company's approach to corporate governance issues, advising the board in filling vacancies on the board and periodically reviewing the compensation and effectiveness of the board and the contribution of individual directors. The chairperson of the compensation and corporate governance committee of the Company is John R. McLernon.

Cease Trade Orders or Bankruptcies

To the knowledge of the directors of the Company, no director or officer of the Company and no personal holding company of any such persons is, as at the date hereof, or was within ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any company that (a) was subject to an order that was issued while the

director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Penalties or Sanctions

To the knowledge of the directors of the Company, no director or officer of the Company, no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company and no personal holding company of any such persons has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of the directors of the Company, no director or officer of the Company, no shareholder holding a sufficient number of the Company's securities to affect materially the control of the Company, and no personal holding company of any such persons has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Conflicts of Interest

To the knowledge of the directors of the Company, there are no existing or potential material conflicts of interest among the Company and a director or officer of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not involved in any legal proceedings which would have a material effect on the Company. To the knowledge of Management, no legal proceedings of a material nature involving the Company are contemplated by any other party. There have not been any (a) penalties or sections imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year, (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia.

AUDITORS

The consolidated financial statements of the Company as at December 31, 2018 and December 31, 2017, which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, in Vancouver, British Columbia. PricewaterhouseCoopers LLP has advised the Company that it is independent within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

MATERIAL CONTRACTS

The only contracts entered into, other than in the ordinary course of business, that are material and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect, are as follows:

(a) the Term Loan;

(b) the Operating Loan:

(c) the Securityholders' Agreement; and

(d) Joint Venture Agreement

The material contracts are described elsewhere in this annual information form.

AUDIT COMMITTEE INFORMATION

Charter of the Audit Committee

The terms of reference of the audit committee of the Company (the " **Audit Committee**") are attached as Schedule A to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee presently consists of John P. Henry (Chair), David Holewinski and Christopher C. Woodward. The education and experience of each member is described under "Directors and Management".

Each member of the Audit Committee is independent and financially literate, as such terms are defined in *National Instrument 52 110 — Audit Committees*.

Prior Approval Policies and Procedures

All non-audit services to be provided to the Company by the external auditors must either be approved explicitly in advance by the Audit Committee, or by Management pursuant to certain pre approval policies and procedures established by the Audit Committee that are detailed as to the particular services that may be pre-approved.

The Audit Committee may delegate to one or more members of the Audit Committee the authority to grant such pre approvals. The decisions of such member(s) regarding approval of non-audit services shall be reported by such member(s) to the full Audit Committee at its first scheduled meeting following such pre approval.

External Auditor Service Fees

The following table sets forth, by category, the fees billed in Canadian dollars by PricewaterhouseCoopers LLP, the Company's auditors, for the periods ended December 31, 2018 and 2017:

Fee Category	2018	2017
Audit fees	$341,827	$238,500
Audit-related fees	71,400	31,540
Tax fees	254,246	73,632
Total	$667,473	$343,672

"**Audit fees**" and "**Audit–related fees**" include all fees paid to PricewaterhouseCoopers LLP for the audit of the annual consolidated financial statements, review of the interim financial statements, conversion to International Financial Reporting Standards and other services in connection with regulatory filings.

"**Tax fees**" include all fees paid to PricewaterhouseCoopers LLP for tax compliance, tax advice and tax planning, and advisory services.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Company's management information circular for its most recent annual meeting of shareholders that involves the election of directors. Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for the Company's most recently completed financial year.

SCHEDULE A

VILLAGE FARMS INTERNATIONAL, INC. (together with its subsidiaries, as the context requires, the "Company")
AUDIT COMMITTEE CHARTER

December 31, 2009

The Company wishes to adopt certain procedures specified in this Charter.

1. PURPOSE

The Audit Committee (the "Committee") is a standing committee of the board of directors of the Company (the "Board"). The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to monitoring the Company's accounting and financial reporting and practices and procedures; the adequacy of the Company's internal accounting controls and procedures; and for reviewing the quality and integrity of financial statements and other financial information provided by the Company to securityholders and others, and approving the interim financial statements and the related management's discussion and analysis as delegated by the Board.

2. STRUCTURE AND OPERATIONS

The Committee shall be comprised of three or more members of the Board, who all satisfy the "independence" and "financial literacy" requirements of National Instrument 52-110 – Audit Committees ("NI 52-110"), as amended. No member of the Committee shall be an officer or employee of the Company, or any affiliate of the Company.

For the purposes of this Charter, a member of the Committee is "independent" if the member has no direct or indirect material relationship with the Company, as more fully defined in NI 52-110, and a member of the Committee is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the accounting issues that can reasonably be expected to be raised by the financial statements of the Company.

The members of the Committee shall be annually appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the Board. Unless a chairperson (a "Committee Chair") is elected by the full Board, the members of the Committee shall designate a Committee Chair by the majority vote of the full Committee membership. The Committee Chair shall be entitled to vote to resolve any ties. The Committee Chair will chair all regular sessions of the Committee and set the agendas for Committee meetings.

3. MEETINGS

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet with management of the Company and the external auditors to discuss any matters that the Committee or each of these groups believes should be discussed. The Committee may meet privately with the auditors, outside counsel of its choosing and the Chief Financial Officer of the Company, as necessary. In addition, the Committee may meet with the external auditors and management of the Company quarterly to review the Company's financial statements in a manner consistent with that outlined in Section 4 of this Charter.

The Committee may invite to its meetings any directors of the Company, management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee members, but not less than two, will constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Committee Chair shall designate a person who need not be a member thereof to act as Secretary, who shall record the proceedings of the meetings. The agenda of each meeting will be prepared by the Secretary and, whenever reasonably practicable, circulated to each member prior to each meeting. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

4. RESPONSIBILITIES, DUTIES, AUTHORITY

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section 1 of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of this Committee outlined in Section 1.

The Committee in discharging its oversight role is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside counsel, accounting, or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention.

The Committee shall be given full access to the Board, management of the Company, employees of the Company, directly and indirectly responsible for financial reporting, and independent accountants, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee shall have all the authority of the Board.

Notwithstanding the foregoing, the Committee is not responsible for certifying the financial statements of the Company or guaranteeing the external auditors' report. The fundamental responsibility for the financial statements and disclosures rests with management of the Company.

The Committee, through discussions with management of the Company and the external auditors, shall satisfy itself that management of the Company has established appropriate and cost-effective systems of internal control to safeguard assets from loss and unauthorized use, manage significant business risks and ensure accurate and timely financial reporting, and as otherwise contemplated by National Instrument 52-109—Certification and Disclosure in Issuers' Annual and Interim Filings, as amended.

5. DOCUMENT REPORTS/REVIEWS

Annual Financial Statements and Management's Discussion and Analysis

The Committee shall review with management of the Company and the external auditors prior to their public dissemination:

(a) the annual audited consolidated financial statements of the Company;

(b) the annual Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company ("MD&A");

(c) the results of external auditor's examination of the annual consolidated financial statements and their report;

(d) any significant changes that were required in the external audit plan;

(e) any significant issues raised with management of the Company during the course of the audit, including any restrictions on the scope of activities or access to information; and

(f) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to the Company.

Following completion of the matters contemplated above, the Committee shall make a recommendation to the Board with respect to the approval of the annual financial statements and annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary.

Interim Financial Statements and Interim MD&A

The Committee shall review with management of the Company prior to their public dissemination, the interim unaudited consolidated financial statements of the Company and the interim MD&A. The Committee shall approve the interim financial statements and interim MD&A, as the Board has delegated this function to the Committee. The Committee shall have the authority to determine whether to request the Company's external auditors to undertake a review engagement in respect of the interim unaudited consolidated financial statements from time to time, including in conjunction with a public offering of securities by the Company.

Press Releases

The Committee shall review with management of the Company, prior to their public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted" non-GAAP information) as well as financial information and earnings guidance provided to analysts and rating agencies.

Reports and Regulatory Returns

The Committee shall review and discuss with management of the Company, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of the Company as may be specified by law.

Other Financial Information

The Committee shall review the financial information included in any prospectus, annual information form or information circular of the Company with the management of the Company and the external auditors, both together and separately, prior to their public dissemination, and shall make a recommendation to the Board with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary. The Committee shall review each annual information form of the Company to ensure the completeness and veracity of the mandated disclosure (as required by Form 52-110F1) about the Committee.

Charter

The Committee shall review and update this Charter periodically, as conditions warrant.

6. FINANCIAL REPORTING PROCESSES

Establishment and Assessment of Procedures

The Committee shall satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the financial statements of the Company and periodically assess the adequacy of these procedures annually.

Application of GAAP

The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgments made by management of the Company, and their selection of accounting principles reflect an appropriate application of generally accepted accounting principles.

Practices and Policies

The Committee shall review with management of the Company and the external auditors, together and separately, the principal accounting practices and policies of the Company.

7. EXTERNAL AUDITORS

Oversight and Responsibility

The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management of the Company and the external auditors regarding financial reporting.

Reporting

The external auditors shall report directly to the Committee and are ultimately accountable to the Committee.

Performance and Review

The Committee shall annually review the performance of the external auditors and recommend to the Board the nomination of the external auditors (and the compensation of the external auditors) or approve any discharge of the external auditors when circumstances warrant, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company.

Annual Audit Plan

The Committee shall review with the external auditors and management of the Company, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit. The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit, and shall recommend to the Board the fees to be paid to the external auditors.

Non-Audit Services

"Non-audit services" means all services performed by the external auditors other than audit services. All "non- audit" services to be provided to the Company by the external auditors must either be approved explicitly in advance by the Committee, or by management pursuant to certain pre-approval policies and procedures established by the Committee that are detailed as to the particular services that may be pre-approved.

The Committee may delegate to one or more members of the Committee the authority to grant such pre-approvals. The decisions of such member(s) regarding approval of "non-audit" services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval. Notwithstanding the foregoing, pre-approval is not necessary for certain de minimis "non-audit" services performed by the external auditors, as specified in Section 2.4 of NI 52-110.

Independence Review

The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the Company. At least annually, the Committee shall receive from and review with the external auditors, their written statement delineating all relationships with the Company and, if necessary, recommend that the Board take appropriate action to satisfy itself of the external auditors' independence and accountability to the Committee.

8. REPORTING

Reports to the Board

In addition to such specific reports contemplated elsewhere in this Charter, the Committee shall report regularly to the full Board regarding such matters, including:

(a) any issues that arise with respect to the quality or integrity of the financial statements of the Company, compliance with legal or regulatory requirements by the Company, or the performance and independence of the external auditors of the Company;

(b) proceedings at meetings of the Committee; and

(c) such other matters as are relevant to the Committee's discharge of its responsibilities.

Recommendations

In addition to such specific recommendations contemplated elsewhere in this Charter, the Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Committee Chair or any other member of the Committee designated by the Committee to make such report.

Reports to the Compensation and Corporate Governance Committee

The Committee shall provide reports or otherwise communicate with the Compensation and Corporate Governance Committee of the Company, as appropriate.

9. WHISTLE-BLOWING

Procedures

The Committee shall establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Such procedures will be reflected in the Code of Ethics and Whistleblower Policy of the Company and its subsidiaries, as amended from time to time.

10. GENERAL

Access to Counsel

The Committee may review, periodically, with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements of the Company.

Hiring of Partners and Employees of External Auditors

The Committee shall annually review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

General

The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the Board, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.

Exhibit 99.2

Village Farms International, Inc.

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Village Farms International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Village Farms International, Inc. and its subsidiaries (together, the Company) as of December 31, 2018 and 2017, and the related consolidated statements of changes in shareholders' equity, (loss) income and comprehensive income, and cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and their financial performance and their cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, Canada
March 13, 2019

We have served as the Company's auditor since 2006.

Village Farms International, Inc.
Consolidated Statements of Financial Position
(In thousands of United States dollars)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,920	$ 7,091
Trade receivables	11,292	11,259
Amounts due from joint venture	10,873	411
Other receivables	332	1,571
Inventories (note 5)	22,485	17,309
Prepaid expenses and deposits	889	810
Biological asset (note 6)	4,230	4,405
Total current assets	62,021	42,856
Non-current assets		
Property, plant and equipment (note 7)	77,479	81,754
Investment in joint venture (note 8)	18,108	15,727
Other assets (note 9)	2,207	2,004
Total assets	$ 159,815	$ 142,341
LIABILITIES		
Current liabilities		
Line of credit	2,000	—
Trade payables	$ 14,601	$ 12,952
Current maturities of long-term debt (note 10)	3,414	2,620
Accrued liabilities	3,509	3,793
Current maturities of capital lease obligations	78	72
Total current liabilities	23,602	19,437
Non-current liabilities		
Long-term debt (note 10)	32,445	35,760
Deferred tax liability (note 16)	1,920	4,825
Other liabilities	1,050	1,097
Capital lease obligations	102	179
Total liabilities	59,119	61,298
SHAREHOLDERS' EQUITY		
Share capital (note 20)	60,872	36,115
Contributed surplus	2,198	1,726
Revaluation surplus (note 7)	4,321	4,321
Accumulated other comprehensive loss	(562)	(391)
Retained earnings	33,867	39,272
Total shareholders' equity	100,696	81,043
Total liabilities and shareholders' equity	$ 159,815	$ 142,341
Subsequent event (note 24)		

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

Village Farms International, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2018 and 2017
(In thousands of United States dollars, except for shares outstanding)

	Number of Common Shares	Share Capital	Contributed Surplus	Revaluation Surplus	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2017	38,882,945	$ 24,954	$ 1,392	$ 6,132	$ (541)	$ 35,450	$ 67,387
Shares issued pursuant to public offering, net of issuance costs	2,500,000	9,769	—	—	—	—	9,769
Shares issued on exercise of stock options (note 23)	91,667	59	—	—	—	—	59
Issuance of warrants for common shares (note 8)	—	—	148	—	—	—	148
Share-based compensation (note 23)	768,000	1,333	186	—	—	—	1,519
Cumulative translation adjustment	—	—	—	—	150	—	150
Reclassification of previously recorded revaluation gain of land, net of tax (note 7)	—	—	—	(1,811)	—	—	(1,811)
Net income	—	—	—	—	—	3,822	3,822
Balance at December 31, 2017	42,242,612	$ 36,115	$ 1,726	$ 4,321	$ (391)	$ 39,272	$ 81,043
Balance at January 1, 2018 (restated—note 4)	42,242,612	$ 36,115	$ 1,726	$ 4,321	$ (391)	$ 39,012	$ 80,783
Shares issued pursuant to public offering, net of issuance costs	3,097,200	15,737	—	—	—	—	15,737
Shares issued pursuant to private placement of common shares, net of issuance costs	1,886,793	7,755	—	—	—	—	7,755
Shares issued on exercise of stock options (note 23)	365,733	434	(151)	—	—	—	283
Share-based compensation (note 23)	50,334	831	623	—	—	—	1,454
Cumulative translation adjustment	—	—	—	—	(171)	—	(171)
Net loss	—	—	—	—	—	(5,145)	(5,145)
Balance at December 31, 2018	47,642,672	$ 60,872	$ 2,198	$ 4,321	$ (562)	$ 33,867	$ 100,696

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

Village Farms International, Inc.
Consolidated Statements of (Loss) Income and Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In thousands of United States dollars, except per share data)

	2018	2017
Sales (note 19)	$ 150,000	$ 158,406
Cost of sales (note 15)	(140,282)	(144,433)
Change in biological asset (note 6)	(834)	265
Selling, general and administrative expenses (note 15)	(15,562)	(15,413)
Loss from operations	(6,678)	(1,175)
Interest expense,net	2,407	2,695
Foreign exchange loss (gain)	1,047	(26)
Other income	(131)	(46)
Share of (income) loss from joint venture (note 8)	(2,381)	255
Gain on disposal of assets (note 8)	—	(8,013)
(Loss) income before income taxes	(7,620)	3,960
(Recovery of) provision for income taxes (note 16)	(2,475)	138
Net (loss) income	$ (5,145)	$ 3,822
Basic (loss) income per share (note 21)	$ (0.11)	$ 0.10
Diluted (loss) income per share (note 21)	$ (0.11)	$ 0.10
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(171)	150
Gain on revaluation of land, net of tax (note 7)	—	(1,811)
Comprehensive (loss) income	$ (5,316)	$ 2,161

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

Village Farms International, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(In thousands of United States dollars)

	2018	2017
Cash flows from operating activities:		
Net (loss) income	$ (5,145)	$ 3,822
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	7,027	7,586
Amortization of deferred charges	—	73
(Gain) loss on disposal of assets	—	(8,013)
Share of (income) loss from joint venture (note 8)	(2,381)	255
Interest expense	2,407	2,614
Share-based compensation	1,454	1,519
Deferred income taxes	(2,906)	109
Change in biological asset	834	(265)
Changes in non-cash working capital items (note 18)	(3,550)	(4,417)
Net cash (used in) provided by operating activities	(2,260)	3,283
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,093)	(1,696)
Note receivable to joint venture (note 8)	(10,462)	—
Proceeds from sale of land	65	—
Net cash used in investing activities	(13,490)	(1,696)
Cash flows from financing activities:		
Proceeds from borrowings	7,000	7,306
Repayments on borrowings	(7,706)	(14,320)
Interest paid on long-term debt	(2,417)	(2,614)
Proceeds from issuance of common stock, net	23,492	9,769
Proceeds from exercise of stock options	283	59
Payments on capital lease obligations	(71)	(59)
Net cash provided by financing activities	20,581	141
Effect of exchange rate changes on cash and cash equivalents	(2)	(10)
Increase in cash and cash equivalents	4,829	1,718
Cash and cash equivalents, beginning of year	7,091	5,373
Cash and cash equivalents, end of year	$ 11,920	$ 7,091
Supplemental cash flow information:		
Income taxes paid (recovered)	$ 290	$ (25)
Supplemental disclosure of non-cash information:		
Purchases of capital expenditures by financing capital lease	$ —	$ 190
Issuance of warrants	$ —	$ 148

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

1 NATURE OF OPERATIONS

Village Farms International, Inc. ("VFF" the parent company, together with its subsidiaries, the "Company") is incorporated under the *Canada Business Corporation Act*. VFF's principal operating subsidiaries as at December 31, 2018 are Village Farms Canada Limited Partnership ("VFCLP"), Village Farms, L.P. ("VFLP"), and VF Clean Energy, Inc ("VFCE"). The address of the registered office of VFF is 4700 80th Street, Delta, British Columbia, Canada, V4K 3N3. VFF owns a 50% equity interest in Pure Sunfarms Corp. ("Pure Sunfarms"), which is recorded as Investment in Joint Venture (note 8).

The Company's shares are listed on the Toronto Stock Exchange under the symbol VFF and are also listed in the United States on the Nasdaq Capital Market ("Nasdaq") under the symbol VFF (note 24).

The Company owns and operates sophisticated, highly intensive agricultural greenhouse facilities in British Columbia and Texas, where it produces, markets and sells premium-quality tomatoes, bell peppers, and cucumbers. The Company also markets and sells third party produce through its subsidiaries. The Company, through its subsidiary VFCE, owns and operates a 7.0 MW power plant that generates electricity. In addition, the Company's joint venture, Pure Sunfarms, is a licensed producer and supplier of cannabis products to be sold to other licensed providers and provincial governments across Canada and internationally.

2 BASIS OF PRESENTATION

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors of the Company for issue on March 13, 2019. Management does not have the authority to amend the consolidated financial statements after the statements have been issued, without the approval by the Board of Directors of the Company. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Basis of Measurement

The consolidated annual financial statements have been prepared on the historical cost basis except for the following material items on the consolidated statements of financial position:

- biological assets are measured at fair value less costs to sell;
- land is valued at fair market value; and
- marketable equity securities are measured at fair value through profit and loss.

Functional and Presentation Currency

The functional currency for each entity included in these consolidated financial statements is the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in United States dollars ("U.S. dollars") which have been rounded to the nearest thousands, except per share amounts. Currency conversion to U.S. dollars is performed in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates* .

3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Consolidation

The consolidated financial statements of the Company consolidate the accounts of VFF and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Joint Venture

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity through a jointly controlled entity. Joint control exists when strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method and are recognized initially at cost. The Company recognizes its share of the post-acquisition income and expenses and equity movement

in the venture. If the cumulative losses exceed the carrying amount of the equity investment, they are first applied to any additional advances that are receivable from the joint venture to the extent of the total amount receivable. Additional losses are recognized only to the extent that there exists a legal or constructive obligation.

Segment Reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO"). Based on the aggregation criteria in IFRS 8, *Operating Segments*, the Company has identified two operating segments, the Produce Business and the Energy Business.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates in effect at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate in effect when the fair value was determined. Foreign currency differences are generally recognized in net income. Non-monetary items that are measured based on historical cost in a foreign currency are translated to the functional currency using the exchange rate in effect at the date of the transaction giving rise to the item.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is reported on the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Classification and Measurement

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and has summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Category	
	Original (IAS 39)	**New (IFRS 9)**
Financial Assets:	Amortized cost	Amortized cost
Cash	Amortized cost	Amortized cost
Trade receivables	Available-for-sale	Fair value through other
Marketable equity securities	Amortized cost	comprehensive income
Other financial assets		Amortized cost
Financial Liabilities:	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Debt	Fair value through profit or loss	Fair value through profit or loss
Derivative instruments	Amortized cost	Amortized cost
Other financial liabilities		

There has been no change in the carrying value of our financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above.

Impairment of Financial Assets

Prior to January 1, 2018, at each reporting date, the Company assessed whether there was objective evidence that a financial asset was impaired. The criteria used to determine if objective evidence of an impairment loss exists include:

i) significant financial difficulty of the obligor;

ii) delinquencies in interest or principal payments; and

iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If such evidence existed, the Company recognized an impairment loss as follows:

i) Financial assets carried at amortized cost: The loss equaled the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset was reduced by this amount either directly or indirectly through the use of an allowance account.

ii) Available-for-sale financial assets: The impairment loss equaled the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statements of (loss) income. This amount represented the cumulative loss in accumulated other comprehensive income that was reclassified to net income.

Subsequent to January 1, 2018, the Company assesses all information available, including, on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9 which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits held with banks, and other highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

Trade Receivables

Trade receivables are measured at amortized cost, net of allowance for expected credit losses. Credit is extended based on an evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts are past due, the Company's previous loss history and the customer's current ability to pay its obligation to the Company. Trade receivables are recorded net of lifetime expected credit losses.

Inventories

Inventories refer to deferred crop costs and other supplies and packaging which are incurred to date on current production and are not defined as a biological asset. Inventories of Company-grown produce consist of raw materials, labour and overhead costs incurred less costs charged to cost of sales throughout the various crop cycles, which end at various times throughout the year. Growing crops are accounted for in accordance with the Company's policy on biological assets. Cost of sales is based on estimated costs over the crop cycle allocated to both actual and estimated future yields at each period-end date.

The carrying value of agricultural produce is its fair value less costs to sell and complete at the date of harvest and is presented with biological asset on the consolidated statements of financial position. Supplies and packaging are recorded at the lower of cost or replacement cost. The cost of produce inventory purchased from third parties is valued at the lower of cost or net realizable value.

Biological Asset

Biological asset consists of the Company's produce on the vines at year-end. Measurement of the biological asset begins six weeks prior to harvest as management at this point has visibility on production and expected sales and it is probable that future economic benefits associated with the asset will flow to the entity. Costs related to the crop prior to this point are presented in deferred crop costs (inventories). The produce on the vine is measured at fair value less costs to sell and costs to complete, with any change therein recognized in income. Costs to sell include all costs that would be necessary to sell the assets, including finishing and transportation costs.

Property, Plant and Equipment

Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for land. Until the fiscal year ended December 31, 2016, land had been stated at cost, and is now stated at fair value and will be revalued every three years by an independent external appraiser. Any revaluation increase arising on appraisal of land is recognized in other comprehensive income on the consolidated statements of (loss) income and revaluation surplus on the statements of financial position. Any revaluation decrease arising on appraisal of land is also charged to other comprehensive income and, to the extent of any credit balance existing, debited to revaluation surplus in equity with the excess recognized in net income or loss,

Property, plant and equipment costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is presented net within gain/loss on disposal of assets in the consolidated statements of (loss) income.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation expense is recognized on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives of the class of assets for the current and comparative periods are as follows:

Classification	Estimated Useful Lives
Leasehold and land improvements	5-20 years
Greenhouses and other buildings	4-30 years
Greenhouse equipment	3-30 years
Machinery and equipment	3-12 years

Construction in process reflects the cost of assets under construction, which are not depreciated until placed into service.

Impairment of Non-Financial Assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGUs”). An impairment loss is recognized for the amount, if any, by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs).

Leased Assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and rent expenses are recognized in the Company’s consolidated statements of (loss) income.

Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized initially at fair value. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of (loss) income over the year of the borrowings using the effective interest method.

Revenue Recognition

Prior to January 1, 2018, revenue from the sale of produce in the course of ordinary activities was measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from the production and sale of power was measured at the fair value of the consideration received or receivable. Revenue was recognized when persuasive evidence existed that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably. If it was probable that discounts would be granted and the amount could be measured reliably, then the discount was recognized as a reduction of revenue as the sales were recognized. The timing of the transfer of risks and rewards occurred at the time the produce had been successfully delivered, the risk of loss had passed to the customer, and collectability was reasonably assured.

The Company adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") on January 1, 2018 using the modified retrospective transition approach and now recognizes revenue when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. In order to achieve this core principle, the Company applies a five-step process. As part of this process, it analyzes the performance obligations in a customer contract and estimates the consideration it expects to receive. The evaluation of performance obligations requires that the Company identifies the promised goods and services in the contract. For contracts that contain more than one promised good and service, the Company then must determine whether the promises are capable of being distinct and if they are separately identifiable from other promises in the contract.

Income Taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statements of (loss) income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statements of financial position dates in the relevant tax jurisdiction. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Offsetting of deferred income tax assets and liabilities occurs only when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share-Based Compensation

The Company grants stock options and performance-based restricted share units ("RSUs") to certain employees and directors.

Stock options generally vest over three years (33% per year following the grant date) and expire after ten years. Each tranche in an award is considered a separate award with its own vesting period. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

The RSUs granted are expected to be settled using the Company's own equity and issued from treasury. The equity-settled share-based compensation is measured at the fair value of the Company's common shares as at the grant date in accordance with the terms of the RSU Plan. The fair value determined at the grant date is charged to income when performance based vesting conditions are met, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares, with a corresponding increase in equity.

Provisions

Provisions, where applicable, are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

(Loss) Income Per Share

Basic income per share are computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted income per share. Under this method, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options are applied to repurchase common shares at the average market price for the period. Share options are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options.

Significant Accounting Judgments and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

Critical accounting estimates and judgments

i) Estimated useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

ii) Biological asset

The fair value of the biological asset is derived using a discounted cash flow model. Management estimates the sales price of produce on the vine by utilizing actual sales prices for the first six weeks following the end of the reporting period and estimates the costs to sell and complete by projecting yields and crop, packaging, and transportation costs. The estimated costs are subject to fluctuations based on the timing of prevailing growing conditions and market conditions. Management has also used judgment in determining the point at which biological transformation has occurred to the point that they expect it is probable that future economic benefits associated with the crop will flow to the Company.

iii) Inventories and cost of sales

Cost of sales is based upon incurred costs, and estimated costs to be incurred, of each crop allocated to both actual and estimated future yields over each crop cycle. The estimates of future yields are reviewed at each reporting period for accuracy. However, numerous factors such as weather, diseases and prevailing market conditions can impact the estimation of pricing, costs, and future yields. The estimated costs to be incurred are based on references to historical costs and updated for discussions with suppliers and senior management. Inventories include the actual cost of the crop not yet defined as a biological asset, packaging supplies, and purchased produce, less the amounts that have been expensed in cost of sales.

iv) Income taxes and deferred income tax assets or liabilities

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred taxes, giving consideration to timing and probability. Actual taxes could vary significantly from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities. The recognition of deferred income tax assets is subject to judgment and estimation over whether these amounts can be realized.

4 CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards and changes in accounting policies, along with any consequential amendments as at January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 9, *Financial Instruments* replaced the current IAS 39, *Financial Instruments Recognition and Measurement*. This standard sets out revised guidance for classifying and measuring financial assets and liabilities, introduces a new expected credit loss model for calculating impairment of financial assets and includes a reformed approach to hedge accounting. The standard also requires that when a financial liability at amortized cost is modified or exchanged, and such modification or exchange does not result in de-recognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss. IFRS 9 was adopted without restating comparative information. The reclassifications arising from the new rules are therefore not reflected in the statement of financial position as at December 31, 2017, but are recognized in the opening statement of financial position on January 1, 2018.

Following the adoption of IFRS 9, the Company could no longer defer and amortize financing fees that resulted from the refinancing of borrowings in periods prior to January 1, 2018. As a result, the Company has restated the beginning balances noted in the table below to properly account for $260 of financing fees in accordance with IFRS 9. The standard was applied retrospectively therefore approximately $260 of deferred financing costs, net of accumulated amortization, remain netted against long-term debt on the consolidated statement of financial position, as at December 31, 2017.

The following table shows the adjustments recognized for each individual line item.

Statement of Financial Position (extract)	December 31, 2017 As originally presented	IFRS 9 Adjustments	January 1, 2018 Restated
Non-current liabilities			
Long-term debt	$ 35,760	$ 260	$ 36,020
Total liabilities	61,298	260	61,558
Shareholders' Equity			
Retained earnings	39,272	(260)	39,012
Total shareholders' equity	$ 81,043	$ (260)	$ 80,783

IFRS 15, replaces IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, and the related Interpretations on revenue recognition. IFRS 15 establishes a single comprehensive model for recognizing revenues from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services.

The Company generates its revenue through the sale of produce, with standard shipping terms and discounts, and through the production and sale of power.

The Company's produce revenue transactions consist of single performance obligations to transfer promised goods. Quantities to be delivered to the customer are determined at a point near the date of delivery through purchase orders it receive from the customer. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the customer receives the goods and its performance obligation is complete. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring product. The amount of revenue recognized is reduced for estimated returns and other customer credits, such as discounts and rebates, based on the expected value to be realized. Payment terms are consistent with terms standard to the markets the Company serves. The Company maintains an allowance for doubtful accounts for the loss that would be incurred if a customer was unable to pay amounts due. The Company initially estimates the allowance required at the time of revenue recognition based on historical experience and makes changes to the allowance based on various factors, including changes in the customer's financial condition or payment patterns.

The Company sells electricity to British Columbia Hydro and Power Authority. Revenues are recognized as the electricity is delivered to/consumed by the customer and is based on contractual usage rates and meter readings that measure electricity consumption.

The Company adopted IFRS 15, as of January 1, 2018, using the modified retrospective transition method, which involves not restating periods prior to the date of initial application. The application of IFRS 15 required no change in amounts recognized in the Company's consolidated financial statements for the year ended December 31, 2018, as the amount and timing of substantially all of its revenues is, and will continue to be, recognized at delivery. Disclosures required by IFRS 15 have been included in the financial statements.

Accounting Standards Issued But Not Yet Adopted

IFRS 16, *Leases*, issued in January 2016, replaces IAS 17, *Leases,* and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements. IFRS 16 may be implemented using a retrospective approach or a modified retrospective approach, which permits the use of certain practical expedients upon transition. The Company expects to use the modified retrospective method upon transition with no restatement of comparative financial information. Under this approach, the Company will recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at January 1, 2019. The Company will recognize a lease liability at the present value of the remaining lease payments discounted using the lease's incremental borrowing rate at January 1, 2019 and a right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date but discounted using the Company's incremental borrowing rate at January 1, 2019. Management expects that IFRS 16 will result in the following: a) an increase in assets and liabilities as fewer leases will be expensed as payments are made; b) an increase in depreciation expenses; and c) an increase in cash flow from operating activities as these lease payments will be recorded as financing outflows in the cash flow statements.

Amendments to IFRS 11, *Joint Arrangements*, and IAS 28, *Investments in Associates and Joint Ventures* establishes the criteria for accounting for joint ventures. Investments in joint ventures are accounted for using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the joint venture's net assets such as dividends. At each consolidated statement of financial position date, the Company will consider whether there is objective evidence that its investment in the joint venture is impaired. If there is such evidence of impairment, the Company will determine the amount of the impairment and a loss will be recorded in the consolidated statement of (loss) income. Amendments to IFRS 11 is effective for annual periods beginning on or after January 1, 2019. Management is currently assessing the impact of IFRS 11 on its consolidated financial statements.

5 INVENTORIES

	December 31, 2018	December 31, 2017
Deferred crop costs	$ 24,649	$ 19,070
Purchased produce inventory	643	396
Biological asset adjustment (note 6)	(2,871)	(2,212)
Spare parts inventory	64	55
	$ 22,485	$ 17,309

The cost of inventories recognized as expense and included in cost of sales for the year ended December 31, 2018 amounted to $114,236 (2017 - $120,509). The biological asset adjustment reclassifies actual costs incurred for the biological asset from inventories to biological asset on the consolidated statements of financial position.

6 BIOLOGICAL ASSET

Information about the biological asset presented on the consolidated statements of financial position and in the consolidated statements of (loss) income is as follows:

	December 31, 2018	December 31, 2017
Estimated sales value - biological asset	$ 8,004	$ 7,937
Less		
Estimated remaining costs to complete	3,304	3,043
Estimated selling costs	470	489
Fair value of biological asset less costs to sell	4,230	4,405
Less actual costs (note 5)	2,871	2,212
Increase in fair value of biological asset over cost	1,359	2,193
Fair value over cost of harvested and sold biological asset - beginning of year	2,193	1,928
Change in biological asset	$ (834)	$ 265

7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Land	Leasehold and land improve-ments	Buildings	Machinery and Equipment	Construction in process	Total
Year ended December 31, 2017						
Opening net book value	$11,864	$ 1,692	$ 50,517	$ 31,767	$ 295	$ 96,135
Additions/transfers	—	—	(416)	789	1,412	1,785
Additions-Capital Lease	—	—	—	191	—	191
Placed in service	—	—	—	1,071	(1,164)	(93)
Disposals	(2,752)	—	(5,524)	(4,694)	(75)	(13,045)
Accum deprec on disposal	—	—	1,601	2,521	—	4,122
Depreciation expense	—	(95)	(2,858)	(4,633)	—	(7,586)
Foreign currency translation adjustment	—	—	24	221	—	245
Closing net book value	$ 9,112	$ 1,597	$ 43,344	$ 27,233	$ 468	$ 81,754
At December 31, 2017						
Cost	$ 9,112	$ 3,820	$ 77,029	$ 63,237	$ 468	$153,666
Accumulated depreciation	—	(2,223)	(33,685)	(36,004)	—	(71,912)
Net book value	$ 9,112	$ 1,597	$ 43,344	$ 27,233	$ 468	$ 81,754
Year ended December 31, 2018						
Opening net book value	$ 9,112	$ 1,597	$ 43,344	$ 27,233	$ 468	$ 81,754
Additions/transfers	—	—		3,012	3,116	6,128
Placed in service	—	—	—		(3,035)	(3,035)
Disposals	(65)	—	—	(565)	—	(630)
Accum deprec on disposal	—	—	—	565	—	565
Depreciation expense	—	(85)	(2,604)	(4,338)	—	(7,027)
Foreign currency translation adjustment	—	—	(26)	(253)	3	(276)
Closing net book value	$ 9,047	$ 1,512	$ 40,714	$ 25,654	$ 552	$ 77,479
At December 31, 2018						
Cost	$ 9,047	$ 3,820	$ 77,003	$ 65,996	$ 552	$156,418
Accumulated depreciation	—	(2,308)	(36,289)	(40,342)	—	(78,939)
Net book value	$ 9,047	$ 1,512	$ 40,714	$ 25,654	$ 552	$ 77,479

Depreciation related to the greenhouse facilities and equipment is expensed in cost of sales. Land is the only item of property, plant and equipment that is stated at fair values. As at December 31, 2017, land, greenhouse buildings, and greenhouse equipment at Delta 3 were contributed as the Company's investment in the joint venture transaction (note 8). The revaluation surplus related to Delta 3 of $1.8 million, net of taxes, that was previously recorded as a component of equity, was reclassified and included as part of the gain on disposal of assets recorded in the consolidated statements of (loss) income .

8 INVESTMENT IN JOINT VENTURE

On June 6, 2017, the Company entered into an agreement to form Pure Sunfarms Corp. ("Pure Sunfarms"), a B.C. corporation, with Emerald Health Therapeutics Inc. ("Emerald"). The purpose of Pure Sunfarms is to pursue large-scale cannabis production in Canada. Village Farms has a 50% ownership interest in Pure Sunfarms in the form of common shares. The Company has concluded that the agreement constitutes a joint arrangement where joint control is shared with Emerald and therefore has accounted for Pure Sunfarms in accordance with IFRS 11 and IAS 28, using the equity method.

In conjunction with the formation of Pure Sunfarms, Village Farms contributed the rights to lease and purchase the Delta 3 land and greenhouse facility to the joint venture. The contribution of the rights has been accounted for as a reduction of the land and greenhouse facility in exchange for the investment in Pure Sunfarms Corp. It was determined that the land and greenhouse facility had a fair value of $14.9 million (CA$20 million) at the date of contribution. The fair value of the land was determined through an appraisal performed by an independent valuator. The fair value of the greenhouse was determined using the replacement cost model adjusted for the age of the greenhouse. This was a non-cash transaction. The Company recognized a gain of $8.0 million on the contribution of the land and greenhouse. The Company had previously recorded a fair value increase on the Delta 3 land (2016 - $2.1 million), which was recorded in accumulated other comprehensive income, net of taxes of $1.8 million. As a result of the contribution of the Delta 3 land, this amount has been recycled to the consolidated statements of (loss) income, and has been included in the gain noted above.

As part of the transaction, Village Farms incurred related transaction costs of $1.1 million (CA$1.4 million), which have been added to the amount of the investment in Pure Sunfarms Corp. in accordance with IAS 28. Included in these costs are 300,000 common share purchase warrants valued at $148 (CA$192), issued to an affiliate of a Canadian financial institution as partial consideration for services related to the joint venture agreement. As at December 31, 2018 the Investment in Joint Venture of $18.1 million (December 31, 2017—$15.7 million) is recorded in the consolidated statement of financial position. For the year ended December 31, 2018, the Company's share of net income from joint venture totaled $2,381 (CA$3,084) (2017—$255), which is recorded in the consolidated statement of loss.

On July 5, 2018, the Company and Emerald Health Therapeutics Canada Inc. (a subsidiary of Emerald) (together, the "Shareholders") entered into a Shareholder Loan Agreement (the "Loan Agreement") with Pure Sunfarms, whereby, as at December 31, 2018, the Shareholders had each contributed CA$13,000 (US$9,959) the form of a demand loan to Pure Sunfarms. The loan amounts will initially bear simple interest at the rate of 8% per annum, calculated semi-annually. Interest will accrue and be payable upon demand being made by both Shareholders (see note 13).

The Company's share of the joint venture consists of the following (in $000's of USD):

Balance, January 1, 2018	$15,727
Share of income for the year	2,381
Balance, December 31, 2018	$18,108

Summarized financial information of Pure Sunfarms (in $000's of CAD):

	December 31, 2018	December 31, 2017
Current assets		
Cash and cash equivalents	$ 2,362	$ 2,907
Trade receivables	1,312	—
Inventory	8,356	25
Biological asset	7,388	—
Other current assets	996	210
Non-current assets	67,263	23,384
Current liabilities		
Trade payables	(9,361)	(253)
Due to joint venture partners	(26,523)	—
Other current liabilities	(3,582)	(918)
Non-current liabilities	(2,688)	—
Net assets	$ 45,523	$ 25,355

	December 31, 2018	December 31, 2017
Reconciliation of net assets:		
Accumulated deficit	$ 5,523	$ (645)
Contributions from joint venture partners	40,000	26,000
Net assets	$ 45,523	$ 25,355

	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenue	$ 4,917	$ —
Cost of sales*	(1,542)	—
Selling, general and administrative expenses	(3,386)	(880)
Change in fair value of bio-asset	8,785	—
Income (loss) from operations	8,774	(880)
Interest expense, net	(97)	—
Foreign exchange loss	(234)	(4)
Other income, net	24	—
Income (loss) before taxes	8,467	(884)
(Provision for) recovery of income taxes	(2,298)	239
Net income (loss)	$ 6,169	$ (645)

* Included in cost of sales is CA$276 (US$206) of amortization expense.

9 OTHER ASSETS

The following table summarizes the components of other assets:

	December 31, 2018	December 31, 2017
Patronage stock	$ 386	$ 437
Note receivable (note 13)	64	70
Security deposits	540	538
Cash surrender value—insurance	929	924
Other	288	35
Total	$ 2,207	$ 2,004

10 DEBT

	December 31, 2018	December 31, 2017
Long-term debt:		
Opening balance	$ 38,380	$ 45,534
IFRS adjustment for deferred financing fees	260	
Proceeds from long-term debt	—	306
Repayment of debt	(2,738)	(7,320)
Foreign currency translation	(43)	120
Closing balance	$ 35,859	$ 38,640
Current portion	$ 3,414	$ 2,620
Non-current portion	32,445	36,020
Less: Unamortized deferred transaction costs	—	(260)
	$ 35,859	$ 38,380

The Company has a Term Loan financing agreement with a Canadian creditor (“FCC Loan”). The non-revolving variable rate term loan has a maturity date of May 1, 2021 and a balance of $34,385 as at December 31, 2018. The outstanding balance is repayable by way of monthly installments of principal and interest based on an amortization period of 15 years, with the balance and any accrued interest to be paid in full on May 1, 2021. As at December 31, 2018, borrowings under the FCC Loan agreement are subject to an interest rate of 7.082% (December 31, 2017 - 5.885%) which is determined based on the Company’s Debt to EBITDA ratio and the applicable LIBOR rate.

The Company’s subsidiary VFCE has a loan agreement with a Canadian Chartered Bank that includes a non-revolving fixed rate loan of CA$3.0 million with a maturity date of June 2023 and fixed interest rate of 4.98%. As at December 31, 2018, the balance was US$1,279 (December 31, 2017 - US$1,658). The loan agreement also includes an uncommitted, non-revolving credit facility for up to CA$300 to cover Letters of Guarantee issued by the bank on behalf of the Company, with a maximum term of 365 days, renewable annually. The loan agreement also includes an uncommitted credit facility for up to CA$700 to support financing of certain capital expenditures. The Company received an initial advance of CA$250 in October 2017. Each advance is to be repaid on a five-year, straight-line amortization of principal, repaid in monthly installments of principal plus interest at an interest rate of CA$ prime rate plus 200 basis points. As at December 31, 2018, the balance was US$138 (December 31, 2017 - $192) .

The Company has a line of credit agreement with a Canadian Chartered Bank (“Operating Loan”). The revolving Operating Loan has a line of credit up to CA$13,000 and variable interest rates with a maturity date on May 31, 2021, and is subject to margin requirements stipulated by the bank. As at December 31, 2018, US$2,000 was drawn on this facility (December 31, 2017 - $nil), which is available to a maximum of CA$13,000, less outstanding letters of credit totaling US$261 and CA$38.

The Company’s borrowings (“Credit Facilities”) are subject to certain positive and negative covenants. As at December 31, 2018 the Company was in compliance with all covenants on its Credit Facilities with the exception of two of its FCC Loan covenants. The Company received a waiver for its Debt Service Coverage and Debt to EBITDA covenants as at December 31, 2018.

Accrued interest payable on the credit facilities and loans as at December 31, 2018 was $184 (December 31, 2017—$193) and these amounts are included in accrued liabilities in the statement of financial position.

As security for the FCC Loan, the Company has provided promissory notes, a first mortgage on the VFF-owned greenhouse properties (excluding the Delta 3 and Delta 2 greenhouse facilities), and general security agreements over its assets. In addition, the Company has provided full recourse guarantees and has granted security therein. The carrying value of the assets and securities pledged as collateral as at December 31, 2018 was $114,554 (December 31, 2017 – $120,815).

As security for the Operating Loan, the Company has provided promissory notes and a first priority security interest over its accounts receivable and inventory. In addition, the Company has granted full recourse guarantees and security therein. The carrying value of the assets pledged as collateral as at December 31, 2018 was $38,007 (December 31, 2017—$32,883).

The aggregate annual maturities of long-term debt for the next five years and thereafter are as follows:

2019	$ 3,414
2020	3,409
2021	28,551
2022	330
2023	155
Thereafter	—
	$35,859

11 COMMITMENTS

Operating Leases

The Company has entered into certain operating lease commitments for land, office space and equipment through 2024. The future minimum lease payments for the next five years and thereafter are as follows:

2019	$1,253
2020	1,039
2021	1,052
2022	841
2023	618
Thereafter	261
	$5,064

The Company made payments of $1,732 during the year ended December 31, 2018 (2017 - $1,682). Payments include common area amounts and fees paid to the lessors.

12 FINANCIAL INSTRUMENTS

The following table summarizes the carrying and fair value of the Company's financial instruments:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 11,920	$ 7,091
Trade receivables	$ 11,292	$ 11,259
Other financial assets	$ 11,659	$ 2,491
Other financial liabilities	$ 57,198	$ 56,718

Financial assets and liabilities are recognized on the consolidated statements of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

At December 31, 2018 and 2017, the Company's financial instruments included cash and cash equivalents, trade receivables, notes receivable, other receivables, patronage stock, accounts payable, other current liabilities and notes payable. Due to the short-term maturities of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities, the carrying amounts approximate fair value at the respective balance sheet dates. The carrying value of the notes receivable and notes payable approximate their fair value based on a comparison with the prevailing market interest rates. The fair values of the Company's notes receivable and notes payable are level 2 measurements in the fair value hierarchy. All other financial assets and liabilities are level 1. None were classified as level 3.

There were no financial instruments categorized as Level 2 or 3 as at December 31, 2018 and 2017. There were no transfers of assets or liabilities between levels during the years ended December 31, 2018 and 2017.

Interest income, expense and gains and losses from loans, receivables and other financial liabilities are recognized in the consolidated statements of (loss) income. The following table summarizes interest income and expense for the years ended December 31:

	2018	2017
Interest income earned on cash and cash equivalents	$ 311	$ —
Interest expense from other financial liabilities	$2,718	$2,695

Management of financial risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following provides a measurement of some of these risks as at December 31, 2018 and 2017. The Company uses financial instruments only for risk management purposes, not for generating trading profit.

i) Credit risk

Credit risk is the risk that the Company will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, trade receivables and other receivables. The Company limits its exposure to credit risk by placing its cash and cash equivalents with high credit quality financial institutions.

The Company's trade receivables had two customers that represented more than 10% of the balance of trade receivables, representing 13.8% and 11.5% of the balance of trade receivables as at December 31, 2018 (2017 - two customers represented 16.0% and 14.8%). The Company believes that its expected credit losses are limited due to the protection afforded to the Company by the *Perishable Agricultural Commodities Act* (the "PACA") for its sales in the United States, which represent the majority of the Company's annual sales. The PACA protection gives a claim filed under the PACA first lien on all PACA assets (which include cash and trade receivables of the debtor).

As at December 31, 2018, the allowance for doubtful accounts balance was calculated based on the expected credit loss model and expected credit losses continues to be insignificant.

At December 31, 2018, 90.3% (2017 - 89.4%) of trade receivables were outstanding less than 30 days, 8.3% (2017 – 7.4%) were outstanding for between 30 and 90 days and the remaining 1.4% (2017 - 3.2%) were outstanding for more than 90 days. Trade receivables are considered past due based on the contract terms agreed to with a customer. Aged receivables that are past due are not considered impaired unless customer specific information indicates otherwise.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its long-term debt, for which the interest rates charged fluctuate based on the 90-day LIBOR rate. If interest rates had been 50 basis points higher, the net loss during the year ended December 31, 2018 would have been higher by $182. This represents $182 in increased interest expense (2017 - $201).

iii) Foreign exchange risk

At December 31, 2018, the Canadian/U.S. foreign exchange rate was CA$1.00 = US$0.7336 (2017 – US$0.7966). Assuming that all other variables remain constant, an increase of $0.10 in the Canadian dollar would have the following impact on the ending balances of certain consolidated statements of financial position items at December 31, 2018 and December 31, 2017 with the net foreign exchange gain or loss directly impacting net income (loss) for the years.

	December 31, 2018	December 31, 2017
Financial assets		
Cash and cash equivalents	$ 839	$ 287
Trade receivables	328	349
JV Note receivable	1,335	
Financial liabilities		
Trade payables and accrued liabilities	(373)	(371)
Loan payable	(193)	(232)
Net foreign exchange gain (loss)	**$ 1,936**	**$ 33**

iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at December 31, 2018:

Financial liabilities	Total	1 year	2-3 years	4-5 years	More than 5 years
Long-term debt	$38,588	$ 3,698	$34,296	$594	$ —
Line of credit	2,000	2,000	—	—	—
Trade payables	14,601	14,601	—	—	—
Accrued liabilities	3,509	3,509	—	—	—
Obligation under capital lease	180	78	92	10	—
Other liabilities	1,050	—	1,050	—	—
Total	$59,928	$23,886	$35,438	$604	$ —

It is the Company's intention to meet these obligations through the collection of current accounts receivable and cash from sales. If the current resources and cash generated from operations are insufficient to satisfy its obligations, the Company may seek to issue additional equity or to arrange debt or other financing. In addition, as at December 31, 2018, the Company has an operating credit facility of up to CA$13,000, less outstanding letters of credit totaling US$261 and CA$38.

v) Fair values

The carrying amount of short-term financial instruments, less provisions for impairment if applicable, is consistent with the fair value of such instruments. The Company's debt bears a variable interest rate tied to market rates and therefore its carrying value approximates its fair value.

13 RELATED PARTY TRANSACTIONS AND BALANCES

As at December 31, 2018, the Company had amounts due from its joint venture, Pure Sunfarms, totaling $1,079 (December 31, 2017 - $411) primarily for consulting services and the reimbursement of expenses which occurred in the year. These amounts were non-interest bearing and were due on demand. On July 5, 2018, the Shareholders entered into a Loan Agreement with Pure Sunfarms, whereby, as at December 31, 2018, the Shareholders had each contributed CA$13,000 (US$9,959) in the form of a demand loan to Pure Sunfarms. The loan amounts will initially bear simple interest at the rate of 8% per annum, calculated semi-annually. Interest will accrue and be payable upon demand being made by either Shareholder. These amounts are included in amounts due from joint venture in the consolidated statements of financial position.

One of the Company's employees is related to a member of the Company's executive management team and received $108 in salary and benefits during the year ended December 31, 2018 (2017 - $98).

Included in other assets as at December 31, 2018 is a $64 (December 31, 2017 - $70) promissory note that represents the unpaid amount the Company advanced to an employee in connection with a relocation at the request of the Company.

14 COMPENSATION OF KEY MANAGEMENT

Key management includes the Company's officers and vice presidents:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Salaries and other employee benefits	$ 2,184	$ 1,778
Share-based payments	629	1,104
	$ 2,813	$ 2,882

15 EXPENSES BY NATURE

The following table outlines the Company's significant expenses by nature:

Cost of sales	Year Ended December 31, 2018	Year Ended December 31, 2017
Purchased produce	$ 44,110	$ 41,978
Raw materials and consumables used	32,096	40,365
Depreciation and amortization	6,911	7,447
Transportation and storage	21,074	19,999
Employee compensation and benefits	36,091	34,644
	$ 140,282	$ 144,433

Selling, general and administrative expenses	Year Ended December 31, 2018	Year Ended December 31, 2017
Employee benefits - salaries and short-term benefits	$ 8,360	$ 8,422
Employee benefits - share-based payments	1,454	1,519
Marketing	504	617
Professional services	2,120	1,705
Office expenses	1,680	1,671
Other	1,444	1,479
	$ 15,562	$ 15,413

Employee compensation and benefits	Year Ended December 31, 2018	Year Ended December 31, 2017
Salaries and short-term employee benefits	$ 44,451	$ 43,066
Share-based compensation	1,454	1,519
	$ 45,905	$ 44,585

16 INCOME TAX EXPENSE

The provision for (recovery of) income taxes consists of the following components:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Current	$ 431	$ 29
Deferred	(2,906)	109
Provision for (recovery of) income taxes	$ (2,475)	$ 138

The provision for (recovery of) income taxes reflected in the consolidated statements of (loss) income for the years ended December 31, 2018 and December 31, 2017 differs from the amounts computed at the federal statutory tax rates. The principal differences between the statutory income tax (recovery) and the effective provision for (recovery of) income taxes are summarized as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Income (loss) before income taxes	$ (7,620)	$ 3,960
Tax (recovery) calculated at domestic tax rates applicable in the respective countries	(1,595)	674
Non-deductible items	394	422
True up of prior year income tax estimates	(206)	—
Tax rate differences on deferred taxes	—	(482)
State tax adjustments	—	(36)
Foreign exchange on translation	—	132
Unrealized foreign exchange	(309)	116
Differences attributed to joint venture capital transactions	(56)	(698)
Share of (income) losses from joint venture	(611)	66
Other	(92)	(56)
Provision for (recovery of) income taxes	$ (2,475)	$ 138

The statutory tax rate in effect for the year ended December 31, 2018 was 27.0% (2017 - 26.0%) in Canada and 21.0% (2017 - 23.0%) in the United States.

As a result of the US tax reform, the US federal tax rate was substantively enacted on December 22, 2017 and a reduced federal tax rate was effective from January 1, 2018 in accordance with the Tax Cuts and Jobs Act of 2017. Accordingly, the relevant deferred tax balances were re-measured with the new rate. As additional interpretations and regulatory guidance becomes available, the Company will continue to assess the impact of the new legislation.

The weighted average applicable tax rate was 32.3% tax benefit for 2018 (2017 – 3.5%).

17 DEFERRED INCOME TAXES

The deferred tax assets and liabilities presented on the consolidated statements of financial position are net amounts corresponding to their reporting jurisdiction. The deferred tax assets and liabilities presented in the note disclosure are grouped based on asset and liability classification without consideration of their corresponding reporting jurisdiction.

The amounts in the consolidated statements of financial position reconcile to the amounts disclosed in this note as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets	$ 9,599	$ 7,606
Deferred tax liabilities	(11,519)	(12,431)
	$ (1,920)	$ (4,825)

Deferred tax assets:	Tax losses/ other credits	LT Debt/ Interest	Inventory	Intangibles	Other	Total
At January 1, 2017	$ 7,413	$ 3,190	$ 518	$ 399	$ 437	$11,957
Charged to statement of income (loss)	(2,289)	(968)	(144)	(399)	(551)	(4,351)
At December 31, 2017	$ 5,124	$ 2,222	$ 374	$ —	$(114)	$ 7,606
Credited (charged) to statement of (loss) income	1,053	524	133	—	283	1,993
At December 31, 2018	$ 6,177	$ 2,746	$ 507	$ —	$ 169	$ 9,599

Deferred tax liabilities:	Accelerated tax depreciation	Biological asset	Revaluation Surplus	Joint Venture Shares	Total
At January 1, 2017	$ (15,205)	$ (674)	$ (1,065)	$ —	$(16,944)
Credited (charged) to statement of income (loss)	6,179	214	—	(2,151)	4,242
Charged to statements of other comprehensive (loss) income	—	—	271	—	271
At December 31, 2017	$ (9,026)	$ (460)	$ (794)	$(2,151)	$(12,431)
Credited to statement of (loss) income	567	175	—	170	912
At December 31, 2018	$ (8,459)	$ (285)	$ (794)	$(1,981)	$(11,519)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31, 2018		December 31, 2017	
	Canada	U.S.	Canada	U.S.
Deferred tax assets:				
Expected to be recovered in more than 12 months	$ 1,155	$ 7,465	$ 747	$ 5,753
Expected to be recovered within 12 months	312	667	388	718
Deferred tax liabilities:				
Expected to be settled in more than 12 months	(4,181)	(6,251)	(4,606)	(6,569)
Expected to be settled within 12 months	(41)	(1,046)	(40)	(1,216)
Deferred tax liabilities, net of assets	$(2,755)	$ 835	$(3,511)	$(1,314)

Non-capital and farm losses expire as follows:

	Canada	U.S.	Total
2021	$ —	$ 8,402	$ 8,402
2022	—	5,043	5,043
2023	—	5,117	5,117
2024	—	4,015	4,015
2025	—	8,757	8,757
2027	25	—	25
2028	4	—	4
2029	25	64	89
2030	7	—	7
2031	4	988	992
2032	4	14,895	14,899
2033	4	—	4
2034	4	11,665	11,669
2035	108	7,445	7,553
2036	98	3,583	3,681
2037	98	5,570	5,668
2038	4	9,325	9,329
	$ 385	$84,869	$85,254

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future profits is probable.

18 CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	For the Years Ended December 31, 2018	2017
Trade receivables	$ (46)	$ (1,059)
Inventories	(5,180)	(1,197)
Inventories reclassified to biological asset	(659)	306
Other receivables	172	(1,396)
Income taxes payable	68	(246)
Prepaid expenses and deposits	734	41
Trade payables	1,440	394
Accrued liabilities	(121)	(955)
Other assets, net of other liabilities	42	(305)
	$ (3,550)	$ (4,417)

19 SEGMENT AND GEOGRAPHIC INFORMATION

The Company's two reporting segments include the Produce business and the Energy business. The Produce business produces, markets, and sells the product group which consists of premium quality tomatoes, bell peppers and cucumbers. The Energy business produces power that it sells per a long-term contract to its one customer.

The Company's primary operations are in the United States and Canada. Net sales by the countries in which its customers are located are as follows:

	For the Years Ended December 31, 2018	2017
Sales		
Produce - U.S.	$ 124,699	$ 132,464
Produce - Canada	23,355	24,020
Energy - Canada	1,946	1,922
	$ 150,000	$ 158,406

The Company's property, plant and equipment, net of accumulated depreciation, are located as follows:

	December 31, 2018	December 31, 2017
United States	$ 43,651	$ 46,922
Canada	30,459	31,183
Energy - Canada	3,369	3,649
	$ 77,479	$ 81,754

The depreciation and amortization charges for the year ended December 31, 2018 in the Produce business were $6,154 (2017 - $6,791) and $873 (2017 - $795) in the Energy business.

20 SHARE CAPITAL AND EQUITY

The following is a summary of share capital:

	The VFF Common Shares	
	# of Shares	Amount
Share capital - January 1, 2017	38,882,945	$24,954
Shares issued pursuant to public offering, net	2,500,000	9,769
Shares issued from vesting of RSUs	768,000	1,333
Shares issued on exercise of options	91,667	59
Share capital - December 31, 2017	42,242,612	36,115
Shares issued pursuant to public offering, net	3,097,200	15,737
Shares issued pursuant to private placement, net	1,886,793	7,755
Shares issued from vesting of RSUs	50,334	831
Shares issued on exercise of options	365,732	283
Share capital - December 31, 2018	47,642,671	$60,721

VFF is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. These shares have no par value.

(i) Common shares:

The common shares entitle the holders thereof to one vote per share at all shareholder meetings of VFF. The holders of the common shares are entitled to receive any dividend declared by VFF on the common shares. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of VFF, the holders of the common shares are entitled to receive, pro rata, the remaining property or assets of VFF upon its dissolution, liquidation or wind-up.

(ii) Preferred shares:

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the directors of VFF who shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or wind-up of VFF, or any other distribution of assets of VFF among its shareholders for the purpose of winding up its affairs, the holders of the preferred shares of each series are entitled to receive, among other things, with priority over the common shares and any other shares ranking junior to the preferred shares of VFF, an amount equal to any cumulative dividends, whether or not declared, or declared thereon but unpaid and no more. The preferred shares for each series are also entitled to such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

21 INCOME PER SHARE

Basic income per share is calculated by dividing the net income attributable to owners of the Company by the weighted average number of common shares in issue during the year excluding common shares purchased by the Company and held as treasury shares.

	For the Years Ended December 31,	
	2018	2017
Net income (loss) attributable to owners of the Company	$ (5,145)	$ 3,822
Weighted average number of common shares outstanding (thousands)	44,357	39,144
Basic income (loss) per share	$ (0.11)	$ 0.10

Diluted income per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company's share options are potentially dilutive to common shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. If dilutive effect is less than zero, then issuance is anti-dilutive and is excluded from dilutive income per share calculation.

For the year ended December 31, 2018, there were options to purchase 2,175 (2017 - nil) shares of the Company's common stock that were excluded from the diluted loss per share computation because the impact of the assumed exercise of such stock options would have been anti-dilutive during the respective periods.

	For the Years Ended December 31,	
	2018	2017
Net income (loss) attributable to owners of the Company	$ (5,145)	$ 3,822
Weighted average number of common shares outstanding (thousands)	44,357	39,144
Adjustment for:		
Share options (thousands)		1,164
	—	61
Weighted average number of common shares outstanding for diluted income per share (thousands)	44,357	40,308
Diluted income (loss) per share	$ (0.11)	$ 0.10

22 CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its assets and maintain a competitive cost structure, continue as a going concern and provide returns to its shareholders. In addition, the Company works with all relevant stakeholders to ensure the safety of its operations and employees and remain in compliance with all environmental regulations.

The Company's main objectives when managing capital are:

- to structure the repayment of obligations in line with the expected lives of the Company's principal revenue generating assets;
- to ensure the Company has access to capital to fund contractual obligations as they become due and to ensure adequate cash levels to withstand the impact of unfavorable economic conditions;
- to maintain the Company's credit ratings to facilitate access to capital markets at competitive interest rates; and
- to access capital markets to fund its growth initiatives.

The Company's capital comprises net debt and equity:

	December 31, 2018	December 31, 2017
Total bank debt	$ 37,859	$ 38,640
Less cash and cash equivalents	(11,920)	(7,091)
Net debt	25,939	31,549
Total equity	100,696	81,043
	$ 126,635	$ 112,592

It is the Company's intention to meet its obligations through the collection of current accounts receivable and cash. As at December 31, 2018, the Company has access to an operating loan facility up to CA$13,000, less $261 and CA$38 outstanding letters of credit.

As at December 31, 2018, $2,000 was outstanding on the operating loan (as at December 31, 2017, $nil was outstanding on the operating loan, and $261 and CA$38 outstanding on the letters of credit). As at December 31, 2018, the operating loan borrowing base was CA$11,509 based on a percentage of the Company's outstanding accounts receivable less the issued letters of credit. If the current resources and cash generated from operations are insufficient to satisfy its obligations, the Company may seek to issue additional equity or to arrange debt or other financing.

23 SHARE-BASED COMPENSATION PLAN

The Company has a share-based compensation plan. The maximum number of common shares that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares issued and outstanding from time to time. The term during which an option may be exercised is 10 years from the date of the grant. Options vest at a rate of 33% per year, beginning one year following the grant date of the options. Share-based compensation expense for the year ended December 31, 2018 of $1,454 (2017 - $1,519) was recorded in selling, general and administrative expenses and the corresponding amount credited to contributed surplus.

The following table presents the assumptions used to establish the fair value assigned to the options issued using the Black-Scholes valuation model:

	2018	2017
Expected volatility	55.5%	52.7%
Dividend	$ nil	$ nil
Risk-free interest rate	2.70%	2.05%
Expected life	6.5 years	6.5 years
Fair value	$ 3.2541	$ 3.1869

The changes in the stock options for the years ended December 31, 2018 and 2017 were as follows:

	For the Years Ended December 31,			
	2018		2017	
	Stock options	Weighted average exercise price	Stock options	Weighted average exercise price
Beginning of year	2,337,732	CA$ 1.59	2,116,065	CA$ 1.19
Granted	203,000	CA$ 5.79	320,000	CA$ 4.04
Exercised	(365,733)	CA$ 0.98	(91,667)	CA$ 0.90
Forfeitures	(10,000)	CA$ 1.48	(6,666)	CA$ 1.48
End of year	2,164,999	CA$ 2.10	2,337,732	CA$ 1.59

The following table summarizes stock options outstanding and granted as at December 31, 2018:

Exercise price	Number outstanding	Remaining contractual life (years)	Number of exercisable options
CA$1.24	425,000	2.4	425,000
CA$1.27	150,000	3.2	150,000
CA$0.85	100,000	4.2	100,000
CA$1.10	202,000	4.7	202,000
CA$1.48	345,000	5.2	345,000
CA$0.94	100,000	6.2	100,000
CA$0.83	20,000	6.8	20,000
CA$0.80	16,666	6.9	16,666
CA$1.43	233,333	7.3	150,002
CA$1.55	50,000	7.5	33,334
CA$2.20	165,000	8.5	54,999
CA$6.00	155,000	9.0	51,669
CA$5.79	203,000	9.6	Nil
	2,164,999		

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price in CA$ per share	December 31, 2018	December 31, 2017
Expiry date - January 13, 2020	0.70	—	149,399
Expiry date - May 20, 2021	1.24	425,000	565,000
Expiry date - March 13, 2022	1.27	150,000	150,000
Expiry date - March 13, 2023	0.85	100,000	100,000
Expiry date - September 26, 2023	1.10	202,000	215,000
Expiry date - March 18, 2024	1.48	345,000	360,000
Expiry date - March 19, 2025	0.94	100,000	100,000
Expiry date - October 6, 2025	0.83	20,000	28,333
Expiry date - November 16, 2025	0.80	16,666	50,000
Expiry date - March 29, 2026	1.43	233,333	250,000
Expiry date - June 30, 2026	1.55	50,000	50,000
Expiry date - June 14, 2027	2.20	165,000	165,000
Expiry date - December 22, 2027	6.00	155,000	155,000
Expiry date - June 5, 2028	5.79	203,000	—
		2,164,999	2,337,732

During 2018, 979,000 performance-based restricted share units were issued to Village Farms employees involved with future developments of the Company. Once a performance target is met and the share units are deemed earned and vested, compensation expense based on the fair value of the share units on the grant date is recorded in selling, general and administrative expenses in the consolidated statements of income. There were 1,056,666 performance-based restricted share units outstanding as at December 31, 2018, of which 881,333 were not vested as at December 31, 2018.

The following table summarizes 979,000 performance-based restricted share units that were issued during the year.

	2018		2017	
	Performance-based restricted share units	Weighted average grant date fair value in CA$	Performance-based restricted share units	Weighted average grant date fair value in CA$
Beginning of year	128,000	CA$ 2.82	—	
Issued	979,000	CA$ 5.79	885,000	CA$ 2.20
Issued	—		21,000	CA$ 6.00
Vested	(50,334)	CA$ 3.06	(768,000)	CA$ 2.20
Expired	—		(10,000)	CA$ 2.20
Outstanding at end of year	1,056,666	CA$ 5.56	128,000	CA$ 2.82
Earned but unissued at end of year	175,333	CA$ 5.08	—	

24 SUBSEQUENT EVENT

On February 15, 2019 the Company announced that its common shares were approved for listing on the Nasdaq Capital Market under the symbol “VFF”. The initial trading date was February 21, 2019. Concurrent with the commencement of trading of its common shares on Nasdaq, the Company voluntarily delisted its common shares from the OTCQX.

On March 1, 2019 the Company announced that it had entered into an agreement with Nature Crisp LLC (“Nature Crisp”) to form a joint venture for the outdoor cultivation of high-cannabidiol (CBD) hemp and CBD extraction in multiple states throughout the United States (the “Joint Venture Agreement”). The joint venture, Village Fields Hemp (“Village Fields”), will be 65% owned by Village Farms and 35% owned by Nature Crisp. Under the terms of the Joint Venture Agreement, Village Farms will contribute approximately US$15 million to Village Fields for start-up costs and working capital.

Exhibit 99.3

Village Farms International, Inc.

Management's Discussion and Analysis

Year Ended December 31, 2018

March 13, 2019

Management's Discussion and Analysis

Information is presented in thousands of United States dollars ("U.S. dollars") unless otherwise noted.

Introduction

This management's discussion and analysis ("MD&A") should be read in conjunction with the annual consolidated financial statements and accompanying notes of Village Farms International, Inc. ("VFF" and, together with its subsidiaries, the "Company"), for the year ended December 31, 2018 (the "Consolidated Financial Statements"). The information provided in this MD&A is current to March 13, 2019 unless otherwise noted.

VFF is a corporation existing under the *Canada Business Corporations Act*. The Company's principal operating subsidiaries as at December 31, 2018 were Village Farms Canada Limited Partnership ("VFCLP"), Village Farms, L.P. ("VFLP") and VF Clean Energy, Inc. ("VFCE"). On June 6, 2017, VFF entered into a shareholders' agreement in respect of the operation and governance of Pure Sunfarms Corp. ("Pure Sunfarms") in which VFF owns a 50% interest.

Basis of Presentation

The annual data included in the MD&A presented, is consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise noted.

The consolidated financial statements were approved by the Board of Directors of the Company for issue on March 13, 2019. Management does not have the authority to amend the consolidated financial statements after the statements have been issued, without the approval by the Board of Directors of the Company. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive officer ("CEO"). Based on the aggregation criteria in IFRS 8, *Operating Segments*, the operating segments of the Company are treated as two reporting segments.

Functional and Presentation Currency

The functional currency for each entity included in these consolidated financial statements is the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in United States dollars ("U.S. dollars") which have been rounded to the nearest thousands, except per share amounts. Currency conversion to U.S. dollars is performed in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates* .

Business Overview

Management believes that the Company is one of the largest producers, marketers and distributors of premium-quality, greenhouse-grown tomatoes, bell peppers and cucumbers in North America. These premium products are grown in sophisticated, highly intensive agricultural greenhouse facilities located in British Columbia and Texas. The Company also markets and distributes premium tomatoes, peppers and cucumbers produced under exclusive arrangements with other greenhouse producers. The Company primarily markets and distributes under its Village Farms® brand name, to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada. It currently operates two distribution centres, one in the United States and one in Canada. Since its inception, the Company has been guided by a sustainable agriculture policy which integrates four main goals – environmental health, economic profitability, social equality and economic equality.

The Company, through its subsidiary VFCE, owns and operates a 7.0 megawatt ("MW") power plant from landfill gas that generates electricity and provides thermal heat, in colder months, to one of the Company's adjacent British Columbia greenhouse facilities and sells electricity to the British Columbia Hydro and Power Authority ("BC Hydro").

In June 2017, the Company entered into a joint venture ("Joint Venture") with Emerald Health Therapeutics, Inc. (together with its affiliates, "Emerald"). The joint venture was formed by way of a corporation named "Pure Sunfarms Corp.". a licensed producer and supplier of cannabis products to be sold to other licensed providers and provincial governments across Canada and internationally. On March 8, 2018, Pure Sunfarms was granted a cultivation license and on July 30, 2018 a sales license, both under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") by Health Canada (repealed October 17, 2018 and replaced by the Cannabis Act, S.C. 2018, c. 16).

The Company embraces sustainable agriculture and environmentally-friendly growing practices by:

- utilizing integrated pest management techniques that incorporate "beneficial bugs" to control unwanted pests. The use of natural biological control technology keeps plants and their products virtually free of chemical agents. The process includes regular monitoring techniques for threat identification and the development and execution of appropriate, tailored responses;
- capturing rainwater from various greenhouse roofs for irrigation purposes;
- capturing landfill gas under a long term contract with the City of Vancouver, to generate and sell electricity to BC Hydro and provide thermal heat for one of the Company's adjacent greenhouses;
- recycling water and nutrients during the production process;
- growing plants in a natural medium, including coconut fibre and rock wool, as opposed to growing in the soil and depleting nutrients; and
- using dedicated computer systems which monitor and control virtually all aspects of the growing environment, thereby maximizing the efficient use of energy.

The Company's assets, as of the reporting date, include six operating produce greenhouses providing approximately 849,958 square metres **(or approximately 210 acres)** of growing space in Canada and the United States. During 2017, the Company granted rights to what was its seventh greenhouse, located in Delta, BC (the "Delta 3 Greenhouse"), to Pure Sunfarms. The Delta 3 Greenhouse has been completely converted for the purpose of achieving large scale low-cost high quality cannabis production.

All of the Company's greenhouses are constructed of glass, aluminum and steel, and are located on land owned or leased by the Company. The Company also has marketing agreements with growers in Canada, the United States and Mexico that currently operate approximately 808,000 square metres (or approximately 200 acres) of growing area.

The following table outlines the Company's greenhouse facilities:

	Growing Area			
Greenhouse Facility	**Square Feet**	**Square Metres**	**Acres**	**Products Grown**
Marfa, TX (2 greenhouses)	2,527,312	234,795	60	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Fort Davis, TX (1 greenhouse)	1,684,874	156,530	40	Specialty tomatoes
Monahans, TX (1 greenhouse) (Permian Basin facility)	1,272,294	118,200	30	Tomatoes on-the-vine, long English cucumbers
Delta, BC (2 greenhouses)	3,664,390	340,433	85	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Total	9,148,870	849,958	215	

Produce Marketing

The Company is a leading marketer of premium-quality, value-added, branded greenhouse-grown produce in North America, and is a significant producer of the following tomato types: tomatoes on-the-vine, beefsteak, cocktail, grape, cherry, roma, Mini San Marzano (a tomato variety for which the Company currently has an exclusive agreement with

the seed provider to be the sole grower in North America), other speciality tomatoes under exclusive agreements and long English cucumbers at its facilities. The Company also distributes and markets premium tomatoes, bell peppers and cucumbers in the United States and Canada produced by other greenhouse growers located in Canada and Mexico. The Company maintains high standards of food safety and requires the same of its contract growers, while providing on-time, effective and efficient distribution.

The Company strives to continually exceed the expectations of its customers by consistently providing superior product, including adding new product varieties and packaging innovations.

The Company has distribution capabilities that it believes exceed those of most of its competitors in the North American greenhouse vegetable industry. With leased distribution centres in Texas and British Columbia, the Company provides its customers with flexibility in purchasing. For the year ended December 31, 2018, the Company had an on-time delivery record of approximately 98.4%, while maintaining competitive freight rates that management of the Company believes to be among the best in the industry.

The Company's marketing strategy is to strategically position the Company to be the supplier of choice for retailers offering greenhouse produce by focusing on the following:

- **Year-Round Supplier.** The Company's year-round production capability enhances customer relationships, resulting in more consistent pricing.
- **Quality and Food Safety.** Sales are made directly to retailers which ensures control of the product from seed to customer and results in higher levels of food safety, shelf life and quality control. Food safety is an integral part of the Company's operations, and management believes that it has led, and currently leads, the industry in adopting Good Agricultural Practices. This program is modeled after the U.S. Food and Drug Administration's Good Manufacturing Practices using the Primus Labs® format and third party auditors. All of the Company's packing facilities undergo comprehensive food safety audits by Primus Labs®.
- **Quality Packaging and Presentation.** Product is selected at a uniform size and picked at the same stage of vine ripeness. The packaging for the product is "display ready", ensuring retail customers have a full view of the product on the supermarket shelf.
- **Exclusive Varieties.** The Company expands its product profile, to create and drive exclusive varietal relationships in North America that enable the Company to present consumers with an enhanced eating experience with the Village Farms brand.
- **Direct Sale to Retailer Customers.** Greenhouse produce (produce grown by the Company plus supply partner produce) is sold directly to supermarket chains, including, Associated Grocers, Associated Wholesale Grocers, BJ's Wholesale Club Inc., Costco Wholesale, Fred Meyer, The Fresh Market, Inc., Giant Eagle, Harris Teeter Supermarkets, Inc., HEB Grocery Company, The Kroger Co., Loblaw Companies Limited, Publix Super Markets, Inc., Roundy's Supermarkets, Inc., Safeway Inc., Sobeys Inc., Sam's Club, Trader Joe's, United Supermarkets, Unified Western Grocers, Wakefern Food Corp., Wal-Mart Stores, Inc., Whole Foods Market and Winco Foods LLC.
- **Excellence in Customer Service and Logistics.** Logistics and distribution capability are key factors in ensuring fresh high quality product meets consumer demands. Management of the Company believes it has a competitive advantage through its logistics and distribution networks, which includes strategically located distribution centres.

Investment in Joint Venture

On June 6, 2017, the Company and Emerald formed a new corporation named "Pure Sunfarms". The Company and Emerald each own 50% of the equity in Pure Sunfarms. VFF contributed rights to one of its 25-acre greenhouse facilities in Delta, British Colombia as its equity contribution and Emerald contributed CA$20,000,000 to fund the conversion of the facility, which was fully funded as of April 2018. Pure Sunfarms has commenced the cultivation of cannabis in the licensed portion of the facility and received its sales license for the facility on July 30, 2018 from Health Canada, and has commenced with selling and distributing cannabis.

On July 5, 2018, the Company and Emerald (together, the "Shareholders") entered into a Shareholder Loan Agreement (the "Loan Agreement") with Pure Sunfarms, whereby, as at December 31, 2018 the Shareholders had each contributed CA$13,000 (US$9,536) in the form of a demand loan to Pure Sunfarms. The loan amounts will initially bear simple interest at the rate of 8% per annum, calculated semi-annually. Interest will accrue and be payable upon demand being made by either Shareholder.

Formation of Village Fields Hemp USA, LLC.

On March 1, 2019, the Company entered into a joint venture with Nature Crisp, LLC to form Village Fields Hemp USA, LLC (the "VF Hemp"), for the objective of outdoor cultivation of high percentage cannabidiol ("CBD") hemp and CBD extraction in multiple states throughout the United States (the "VF Hemp Joint Venture Agreement"). VF Hemp is 65% owned by the Company and 35% owned by Nature Crisp. Under the terms of the VF Hemp Joint Venture Agreement, the Company will contribute approximately US$15 million to VF Hemp for start-up costs and working capital. Capital investment for extraction capabilities is to be determined and dependent on future decisions with respect to the locations of hemp production and the extraction operations.

Results of Operations

Consolidated Financial Performance

(In thousands of U.S. dollars, except per share amounts)

	For the three months ended December 31 ,	
	2018	2017
Sales	$ 38,787	$ 36,864
Cost of sales	(36,367)	(31,908)
Selling, general and administrative expenses	(3,622)	(4,019)
Stock compensation expense	(1,007)	(959)
Change in biological asset (1)	158	1,082
(Loss) income from operations	(2,051)	1,060
Interest expense, net	(501)	(679)
Foreign exchange loss	(960)	(31)
Other income	(70)	(50)
Share of income (loss) from joint venture	2,750	(35)
Loss on disposal of assets	—	(551)
(Recovery of) provision for income taxes	(962)	(321)
Net income (loss)	270	(607)
Consolidated EBITDA (2)	1,484	2,591
Earnings (loss) per share – basic and diluted	$ 0.01	($0.02)

(1) Biological assets consists of the Company's produce on the vines at the period end. Details of the changes are described in note 6 of the Company's interim consolidated financial statements for the three months ended December 31, 2018.

(2) EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See "Non-IFRS Measures". Management believes that EBITDA is a useful supplemental measure in evaluating the performance of the Company. Consolidated EBITDA includes the Company's 50% share of its joint venture Pure Sunfarms.

Results of Operations for the Three Months Ended December 31, 2018 compared to the Three Months Ended December 31, 2017

Sales

Sales for the three months ended December 31, 2018 increased by $1,923, or 5%, to $38,787 from $36,864 for the three months ended December 31, 2017. The increase in sales is primarily due an increase in supply partner revenue of 18% partially offset by the lost production from the Company's Delta 3 Greenhouse which was contributed to Pure Sunfarms.

The average selling price of tomatoes was flat for the three months ended December 31, 2018 and the three months ended December 31, 2017. Cucumber pricing increased by 8% and pepper pricing increased by 15% in the fourth quarter of 2018 compared to the fourth quarter of 2017.

Cost of Sales

Cost of sales for the three months ended December 31, 2018 increased by $4,459, or 14%, to $36,367 from $31,908 for the three months ended December 31, 2017; primarily due to an increase in supply partner costs of 20% and an increase in costs from the Company's Texas facilities of 11% and an increase of freight cost of 20% partially offset by a decrease in cost from the Delta 3 facility that did not have tomato operations. The increase in the Texas facility costs is mostly caused by increases of labour costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended December 31, 2018 decreased by ($397), or (10%), to $3,622 from $4,019 for the three months ended December 31, 2017. The decrease is due to public company costs and a decrease in sales and marketing costs.

Stock Compensation Expenses

Stock compensation expenses for the three months ended December 31, 2018 were $1,007 up from $959 for the three months ended December 31, 2017.

Change in Biological Asset

The net change in fair value of the biological asset for the three months ended December 31, 2018 decreased by ($924) to $158 from $1,082 for the three months ended December 31, 2017. The decrease is primarily due to a higher expected cost of the pounds available for sale at December 2018 compared to December 2017, due to higher costs at the Texas facilities. The fair value of the biological asset as at December 31, 2018 was $4,230 as compared to $4,405 as at December 31, 2017.

(Loss) income from Operations

(Loss) income from operations for the three months ended December 31, 2018 decreased ($3,111) to a loss of ($2,051) from income of $1,060 for the three months ended December 31, 2017. The decrease is due to an increase in cost of sales and decrease in the change in biological asset, partially offset by an increase in revenue.

Interest Expense, net

Interest expense, net, for the three months ended December 31, 2018 decreased ($178) to $501 compared to $679 for the three months ended December 31, 2017. This decrease is primarily due to interest income in the three month ended December 31, 2018.

Share of Income (Loss) from Joint Venture

The Company's share of income from its Joint Venture for the three months ended December 31, 2018 was $2,750 compared to a loss of ($35) for the three months ended December 31, 2017. The income primarily consists of the change in biological asset offset by salaries and other administrative costs. The value of the biological asset is the effective gross margin (revenues in excess of costs of goods) for the buds that existed on the plant and in inventory on December 31, 2018.

(Recovery of) Provision for Income Taxes

Income tax recovery for the three months ended December 31, 2018 was ($962) from $321 for the three month period ended December 31, 2017. The income tax recovery increase is due to the loss from operations ($2,051) in the three months ended December 31, 2018 compared to an income of $1,060 in the same period in 2017.

Net Income (Loss) Income

Net income for the three months ended December 31, 2018 was $270 compared to a net loss of ($607) for the three months ended December 31, 2017 primarily due to an increase in the share of income from the Joint Venture.

EBITDA(2)

EBITDA for the three months ended December 31, 2018 decreased by $1,107, to $1,484 from $2,591for the three months ended December 31, 2017. See the EBITDA calculation in “Non-IFRS Measures—Reconciliation of Net Income to EBITDA”.

Annual Consolidated Financial Performance

(in thousands, except per Share amounts)	For the year ended December 31,		
	2018	2017	2016
Sales	$ 150,000	$ 158,406	$ 155,502
Cost of Sales	(140,282)	(144,433)	(140,778)
Selling, general and administrative	(14,108)	(13,894)	(13,525)
Stock compensation expense	(1,454)	(1,519)	(195)
Change in biological asset(1)	(834)	265	(1,501)
(Loss) income from operations	(6,678)	(1,175)	(497)
Interest expense, net	(2,407)	(2,695)	(2,514)
Foreign exchange (loss) gain	(1,047)	26	(86)
Other income (expense), net	(131)	46	22
Share of income (loss) from joint venture	2,381	(255)	—
(Gain) loss on disposal of assets	—	(8,013)	12
Provision for (Recovery of) income taxes	(2,475)	138	(1,104)
Net income (loss)	(5,145)	3,822	(1,983)
EBITDA(2)	$ 2,878	$ 7,363	$ 9,385
(Loss) earnings per share – basic and diluted	($0.11)	$ 0.10	($0.05)

(1) Biological asset consists of the Company’s produce on the vines at the period end. Details of the changes are described in note 6 of the Company’s annual consolidated financial statements for the year ended December 31, 2018.

(2) EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See “Non-IFRS Measures”. Management believes that EBITDA is a useful supplemental measure in evaluating the performance of the Company.

Results of Operations for the Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

Net Sales

Net sales for the year ended December 31, 2018 decreased ($8,406), or (5%), to $150,000 compared to $158,406 for the years ended December 31, 2017. The decrease in net sales is due to the loss of tomato production from the Delta 3 facility, which was contributed to Pure Sunfarms in 2017, and the Company’s lower production at its Texas facilities.

The net price for all tomato pounds sold was an increase of 4% for the year ended December 31, 2018 compared to the year ended December 31, 2017 due to a higher percent of higher priced tomato production in 2018 compared to 2017. Pepper prices decreased (2%) and pounds increased 38% over the comparable period in 2017. Cucumber prices decreased (1%) and pieces decreased (15%) for the year ended December 31, 2018 as compared to the year ended December 31, 2017.

Cost of Sales

Cost of sales for the year ended December 31, 2018 decreased ($4,151), or (3%), to $140,282 from $144,433 for the year ended December 31, 2017, primarily due to the loss of the Delta 3 facility ($5,371) and a decrease in costs in Texas from a decrease on pounds sold from the Texas facilities partially offset by an increase of 6% in contract sales costs.

Change in fair value of biological asset, net

The net change in fair value of biological asset for the year ended December 31, 2018 decreased ($1,099) to ($834) from $265 for the year ended December 31, 2017. The decrease is due to higher expected cost of the tomato crop.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2018 increased $214, or 2%, to $14,108 from $13,894 for the year period ended December 31, 2017. The increase is due to public company costs such as investor relations, legal and listing fees.

Stock Compensation Expenses

Stock compensation expenses for the year ended December 31, 2018 was $1,454 from $1,519 for the year ended December 31, 2017.

(Loss) from Operations

(Loss) from operations for the year ended December 31, 2018 was ($6,678), an increased (loss) of ($5,503) from a loss of ($1,175) for the year ended December 31, 2017. The increased (loss) is due to a decrease in net sales caused by the loss of the Delta 3 facility and production shortfalls in Texas and partially offset by a decrease in the cost of sales. The production shortfall in Texas increases the cost of the tomatoes sold as all the fixed cost are expensed over less pounds.

Interest Expense, net

Interest expense, net, for the year ended December 31, 2018 decreased ($288) to $2,407 from $2,695 for the year period ended December 31, 20173. The decrease is due to interest income of $311 in the year ended December 31, 2018.

Income Taxes (Recovery)

Income tax provision (recovery) for the year ended December 31, 2018 was a recovery ($2,475) compared to a provision of $138 for the year ended December 31, 2017. The income tax recovery is due to the gain on sale of assets in 2017 that did not occur in 2018 and lower income from operations.

Share of Income (Loss) from Joint Venture

The Company's share of income from its Joint Venture for the year ended December 31, 2018 was $2,381 compared to a loss of ($255) for the year ended December 31, 2017. The income is primarily attributed to the Company's share of the Joint Venture's change in biological asset offset by salaries and other administrative costs. The value of the biological asset is the effective gross margin (revenues in excess of costs of goods sold) for the buds that existed on plant and in inventory on December 31, 2018.

Gain on Sale of Assets

No gains were recognized in 2018. The Company recognized for the year period ended December 31, 2017 a gain of $8,013 on the contribution of the Delta 3 Greenhouse to Pure Sunfarms in exchange for a 50% equity stake in Pure Sunfarms. See "Investment in Joint Venture" above.

Net Income (Loss)

Net income (loss) for the year ended December 31, 2018 decreased to a loss of ($5,145) from income of $3,822 for the year ended December 31, 2017. The decrease is a result of a gain on assets in 2017 of $8,013, a decrease in income from operations, partially offset by the share of income from the Joint Venture.

EBITDA

EBITDA for the year period ended December 31, 2018 decreased ($4,485) to $2,878 from $7,363 for the year period ended December 31, 2017, primarily as a result of a decrease in income from operations. See the EBITDA calculation in "Non-IFRS Measures—Reconciliation of Net Earnings to EBITDA".

Results of Operations for the Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Net Sales

Net sales for the year ended December 31, 2017 increased $2,904, or 2%, to $158,406 compared to $155,502 for the year ended December 31, 2016. The increase in net sales is due to an increase in supply partner revenues of 4% over the comparable period in 2016, an increase of 4% in the Company's product volume, partially offset by a decrease of (4%) in the average selling price of the Company's facilities product for the year ended December 31, 2017 compared to the year ended December 31, 2016.

The net price for tomatoes decreased (1%) and pounds sold increased 3% for the year ended December 31, 2017 compared to the year ended December 31, 2016. Pepper prices decreased (9%) and pounds sold increased 10% over the comparable period in 2016. Cucumber prices decreased (3%) and pieces decreased (2%) for the year ended December 31, 2017 over the comparable period in 2016.

Cost of Sales

Cost of sales for the year ended December 31, 2017 increased ($3,655), or (3%), to $144,433 from $140,778 for the year ended December 31, 2016. The increase is due to the increase in supply partner cost of sales of 4%, additional freight cost due to 6% more produce being shipped and higher costs from the Company's facilities due to 4% higher production volume. The cost at the Company's facilities decreased by (3%) on a per-pound basis compared to the same period in 2016.

Change in Biological Asset

The net change in fair value of biological asset for the year ended December 31, 2017 increased $1,766 to $265 from ($1,501) for the year ended December 31, 2016. The increase is due to a lower beginning value on January 1, 2017 compared to January 1, 2016.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2017 increased ($369), or (3%), to $13,894 from $13,525 for the year ended December 31, 2016. The increase is due to higher sales and marketing costs.

Stock Compensation Expense

Stock compensation expense for the year ended December 31, 2017 was $1,519 up from $195 for the year ended December 31, 2016, due to the issuance of restricted share units during the year ended December 31, 2017. The stock compensation consists of share grants to executive officers related to the Company investment in Pure Sunfarms Corp.

Loss from Operations

Loss from operations for the year ended December 31, 2017 is ($1,175), an increased (loss) of ($678) from a loss of ($497) for the year ended December 31, 2016. The decrease in operating results is due to an increase in cost of sales and stock compensation expenses partially offset by an increase in sales and an increase in the change in biological asset.

Interest Expense, net

Interest expense, net, for the year ended December 31, 2017 increased ($180) to $2,695 from $2,514 for the year ended December 31, 2016. The increase is due to an increase in the Company's long term debt borrowing rate.

Share of (loss) from Joint Venture

The Company's share of the loss in respect of Pure Sunfarms, for the year ended December 31, 2017 is ($255), which consists primarily of travel and other administrative costs.

Provision for (Recovery of) Income Taxes

Income tax provision for the year ended December 31, 2017 was $138 compared to a recovery of ($1,104) for the year ended December 31, 2016. The income tax expense increase is due to a change in the United States' future tax rate that caused a reduction in the tax asset value in the United States.

Gain (loss) on Disposal of Assets

For the year December 31, 2017, the Company recognized a gain of $8,013 on the contribution of rights to one of the Company's Delta greenhouse facilities and land to Pure Sunfarms in exchange for a 50% equity stake in Pure Sunfarms. See "Investment in Joint Venture" above. For the period ended December 31, 2016, the Company had a loss of ($12).

Net Income (Loss)

Net Income (loss) for the year ended December 31, 2017 improved by $5,805 to a net income of $3,822 from a net loss of ($1,983) for the year ended December 31, 2016. The increase is a result of a gain on assets partially offset by the decrease in income from operations, and an increase in the provision for income taxes.

EBITDA

EBITDA for the year ended December 31, 2017 decreased by ($2,022) to $7,363 from $9,385 for the year ended December 31, 2016 primarily due to a decrease of (4%) in the average selling price of the Company's produce product. See the EBITDA calculation in "Non-IFRS Measures—Reconciliation of Net Earnings to EBITDA".

Selected Statement of Financial Position Data

	As at December 31, 2018	As at December 31, 2017
Total assets	$ 159,815	$ 142,341
Total liabilities	$ 59,119	$ 61,298
Shareholders' equity	$ 100,696	$ 81,043

Non-IFRS Measures

References in this MD&A to "EBITDA" are to earnings before interest, taxes, depreciation, amortization, foreign currency exchange gains and losses on translation of long-term debt, unrealized gains on the changes in the value of derivative instruments, unrealized change in biological asset, stock compensation, and gains and losses on asset sales. EBITDA is a cash flow measure that is not recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in

accordance with IFRS as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Management believes that EBITDA is an important measure in evaluating the historical performance of the Company.

Reconciliation of Net Income to EBITDA

The following table reflects a reconciliation of net income to EBITDA, as presented by the Company:

(in thousands of U.S. dollars)	For the three months ended December 31,		For the year ended December 31 ,		
	2018	2017	2018	2017	2016
Net (loss) income	$ 270	($607)	($5,145)	$ 3,822	($1,983)
Add:					
Amortization	1,756	1,833	7,027	7,586	8,164
Foreign currency exchange loss (gain)	960	31	1,047	(26)	86
Interest expense	501	679	2,407	2,695	2,514
Income taxes (recovery)	(962)	321	(2,475)	138	(1,104)
Stock based compensation	1,006	959	1,453	1,519	195
Change in biological asset	(158)	(1,082)	834	(265)	1,501
Change in biological asset from JV	(2,962)	—	(3,390)	—	—
Interest expense from JV	37	—	37	—	—
Amortization from JV	69	—	106	—	—
Foreign currency exchange loss (gain) from JV	80	—	90	—	—
Income taxes (recovery) from JV	887	(93)	887	(93)	—
Gain on disposal of assets	—	551	—	(8,013)	12
EBITDA	$ 1,484	$ 2,592	$ 2,878	$ 7,363	$ 9,385
EBITDA for JV (50% share) (See table below)	$ 861	($128)	$ 111	($348)	—
EBITDA excluding JV	$ 623	$ 2,720	$ 2,767	$ 7,711	$ 9,385

The following table reflects a reconciliation of Share of income (loss) from Joint Venture to EBITDA, as presented by the Company:

(in thousands of U.S. dollars)	For the three months ended December 31,		For the year ended December 31 ,		
	2018	2017	2018	2017	2016
Share of income (loss) from Joint Venture	$ 2,750	($35)	$ 2,381	($255)	$ —
Add:					
Amortization	69	—	106	—	—
Foreign currency exchange loss (gain)	80	—	90	—	—
Interest expense	37	—	377	—	—
Income taxes (recovery)	887	(93)	887	(93)	—
Change in biological asset	(2,962)	—	(3,390)	—	—
EBITDA for JV (50% share)	$ 861	($128)	$ 111	($348)	$ —

Reconciliation of IFRS to Proportionate Results

The following tables are a reconciliation of the IFRS results to the proportionate results (which include the Company's proportionate share of the Pure Sunfarms operations):

	For the three months ended December 31, 2018			For the three months ended December 31, 2017		
	Produce	Cannabis[1]	Total	Produce	Cannabis[1]	Total
Sales	$ 38,787	$ 1,803	$ 40,590	$ 36,864	$ —	$ 36,864
Cost of sales	(36,367)	(529)	(36,896)	(31,908)	—	(31,908)
Selling, general and administrative expenses	(3,622)	(491)	(4,113)	(4,019)	(128)	(4,147)
Change in biological asset (1)	158	2,962	3,120	1,082	—	1,082
(Gain) loss on sale of assets	—	—	—	(511)	—	(511)
(Recovery of) provision for income taxes	(962)	887	(75)	321	(93)	228
Net (loss) income	(2,480)	2,750	270	(572)	(35)	(607)
EBITDA (2)	$ 623	$ 861	$ 1,484	2,720	(128)	2,592
(Loss) earnings per share – basic and diluted	($0.05)	$ 0.06	$ 0.01	($0.02)	$ 0.00	($0.02)

	For the year ended December 31 , 2018			For the year ended December 31, 2017		
	Produce	Cannabis[1]	Total	Produce	Cannabis[1]	Total
Sales	$ 150,000	$ 1,897	$ 151,913	$ 158,406	$ —	$ 158,406
Cost of sales	(140,282)	(595)	(140,882)	(144,433)	—	(144,433)
Selling, general and administrative expenses	(14,108)	(1,306)	(15,414)	(13,894)	(348)	(14,242)
Change in biological asset (1)	(834)	3,386	2,552	265	—	265
(Gain) loss on sale of assets	—	—	—	(8,013)	—	(8,013)
(Recovery of) provision for income taxes	(2,475)	887	(1,588)	138	94	232
Net (loss) income	(7,526)	2,381	(5,145)	4,077	(255)	3,822
EBITDA (2)	$ 2,767	$ 111	2,878	$ 7,456	($93)	$ 7,363
(Loss) earnings per share – basic and diluted	($0.16)	$ 0.05	($0.11)	$ 0.10	$ 0.00	$ 0.10

Notes:

(1) The adjusted consolidated financial results have been adjusted to include the Company's share of revenues and expenses from its Joint Venture on a proportionate accounting basis, which management bases its operating decisions and performance evaluation. IFRS does not allow for the inclusion of the Joint Venture on a proportionate basis. These results include additional non-IFRS measures such as EBITDA.

The adjusted results are not generally accepted measures of financial performance under IFRS. The Company's method of calculating these financial performance measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Refer to the MD&A for a reconciliation of these non-IFRS measures and adjusted results.

(2) Biological assets consist of the Company's produce on the vines and Pure Sunfarms' crop at the period end. Details of the changes are described in note 5 of the Company's annual consolidated financial statements for the year ended December 31, 2018.

(3) EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See "Non-IFRS Measures". Management believes that EBITDA is a useful supplemental measure in evaluating the performance of the Company. Consolidated EBITDA includes the Company's 50% share of its joint venture Pure Sunfarms.

Liquidity

Cash flows

The Company expects to provide adequate financing to maintain and improve its property, plant and equipment, to fund working capital needs and invest in Pure Sunfarms for the foreseeable future from cash flows from operations, and, if needed, from additional borrowings under the Credit Facilities (as defined below) or additional equity financing.

For the three months ended December 31, 2018, cash flows from operating activities before changes in non-cash working capital and changes in biological asset, totalled $212 (2017 – $4,142) and for the year ended December 31, 2018 totalled $456 (2017—$7,965).

Cash flow from investing activities totalled $4,163 ($3,681 in note to Joint Venture and $547 in capital expenditures) in for the three months ended December 31, 2018 (2017—$525 in capital expenditures) and $13,490 ($10,462 in note to Joint Venture and $3,093 in capital expenditures) for the year ended December 31, 2018 (2017 – $1,696 in capital expenditures).

The cash provided by (used in) financing activities for the three months ended December 31, 2018 totalled $9,236 (2017 – ($1,478)) and for the year ended December 31, 2018 totalled $20,582 (2017 – $141). For the three months ended December 31, 2018, the cash provided by financing activities primarily consisted of proceeds from the issuance of common share of $15,738, debt payments of ($5,940), interest payments of ($544), and payments on capital lease obligations of ($26) (2017 – proceeds from the issuance of common share of $9,769 offset by operating loan payments of ($3,000), net term debt payments of ($4,639) and interest payments of ($665)).

For the year ended December 31, 2018, the cash provided by financing activities primarily consisted of the issuance of common shares of $23,493, operating loan borrowings of $7,000, proceeds from the exercise of share options of $282, debt payments of ($10,123), interest payments of ($2,417), and payments on capital lease obligations of ($71) (2017 proceeds from the issuance of common shares $9,769, offset by net term debt payments of ($7,014) and interest payments of ($2,614)).

Capital Resources

(in thousands of U.S. dollars unless otherwise noted)	**Maximum**	**Outstanding December 31, 2018**
Operating Loan	CA$13,000	$ 2,000
Term Loan	$ 34,385	$ 34,385
VFCE Loan	CA$ 1,930	CA$ 1,930

The Company is party to a term loan financing agreement with a Canadian creditor (“FCC Loan”). This non-revolving variable rate term loan was amended in March 2016 and now has a maturity date of May 1, 2021 and a balance of $34,385 as at December 31, 2018. The outstanding balance is repayable by way of monthly installments of principal and interest based on an amortization period of 15 years, with the balance and any accrued interest to be paid in full on maturity. In December 2017, the Company made a pre-payment on the FCC Loan of $4,000 to release the Delta 2 asset as collateral. The Company was not required to make monthly principal payments of $253 from January to March 2018. As at December 31, 2018, borrowings under the FCC Loan were subject to an interest rate of 7.082% per annum (December 31, 2017 – 5.88483% per annum). The Company’s interest rate on the FCC Loan is determined based on the Company’s Debt to EBITDA ratio on December 31 of the prior year and the current monthly applicable LIBOR rate.

The Company’s subsidiary, VFCE, has a loan agreement with a Canadian Chartered Bank that includes a non-revolving fixed rate loan of CA$3.0 million with a maturity date of June 30,2023 and a fixed interest rate of 4.98%. As at December 31, 2018, the balance was US$1,279 (December 31, 2017—US$1,658). The loan agreement also includes an uncommitted, non-revolving credit facility for up to CA$300 to cover letters of guarantee issued by the bank on behalf of the Company, with a maximum term of 365 days, renewable annually. The loan agreement also includes an uncommitted credit facility for up to CA$700 to support financing of certain capital expenditures. The Company received an initial advance of CA$250 in October 2017. Each advance is to be repaid on a five-year, straight-line amortization of principal, repaid in monthly installments of principal plus interest at an interest rate of CA$ prime rate plus 200 basis points. As at December 31, 2018, the balance was US$138 (December 31, 2017 - $192).

The Company is also party to a variable rate line of credit agreement with a Canadian chartered bank that has a maturity date of May 31, 2021 (the "Operating Loan" and together with the FCC Loan, the "Credit Facilities"). The Operating Loan is subject to margin requirements stipulated by the bank. As at December 31, 2018, $2,000 was drawn on the Operating Loan (December 31, 2017—$nil), which is available to a maximum of CA$13,000, less outstanding letters of credit of US$261 and CA$38 (or US$27).

As security for the FCC Loan, the Company has provided promissory notes, a first mortgage on the VFF-owned greenhouse properties (excluding the Delta 3 and Delta 2 greenhouse facilities), and general security agreements over its assets. In addition, the Company has provided full recourse guarantees and has granted security therein. The carrying value of the assets and securities pledged as collateral as at December 31, 2018 was $114,554 (December 31, 2017 – $120,815).

As security for the Operating Loan, the Company has provided promissory notes and a first priority security interest over its accounts receivable and inventory. In addition, the Company has **granted full recourse guarantees and security therein.** The carrying value of the assets pledged as collateral as at December 31, 2018 was $38,007 (December 31, 2017 - $32,883).

The borrowings are subject to certain positive and negative covenants, which include debt coverage ratios. As at December 31, 2018, the Company was in compliance with all of its covenants.

Accrued interest payable on the credit facilities and loans as at December 31, 2018 was $184 (December 31, 2017 - $193) and these amounts are included in accrued liabilities in the interim statements of financial position.

Contractual Obligations and Commitments

Information regarding the Company's contractual obligations as at December 31, 2018 is set forth in the table below:

(in thousands of U.S. dollars)	Total	1 year	2-3 years	4-5 years	More than 5 years
Long-term debt	$38,588	$3,698	$34,296	$ 594	$ —
Line of Credit	2,000	2,000	—	—	—
Operating leases	5,064	1,253	2,091	1,459	261
Capital leases	180	78	102	—	—
Total	$46,552	$7,029	$36,489	$ 2,053	$ 261

Capital Expenditures

During the three months and year ended December 31, 2018, the Company purchased approximately $547 and $3,093 of capital assets, respectively. Capital expenditures incurred for 2018 were used for replacements and improvements to existing facilities related mostly to improvements at VFCE, wherein two major engine overhauls and employee housing at the Texas facilities were completed.

Management continues to review new capital expenditures to support its strategic plan of achieving cost efficiencies through increased productivity. Management may elect, where appropriate, to sell inefficient or non-strategic assets to produce cash to wholly or partially finance new capital expenditures. The Company will also borrow to maintain, improve and replace capital assets when the return on such investments exceed targeted thresholds for internal rates of return. There can be no assurance, however, that sources of financing will be available, or will be available on terms favourable to the Company, or that these strategic initiatives will achieve adequate cost reduction in actual implementation or in light of the competitive pressures on the cost of raw materials and other factors of production. Management believes that its recurring capital expenditures will be funded and supported from its ongoing operations.

During the three months and year ended December 31, 2018, the Company incurred $879 and $2,747, respectively, in costs to maintain its capital assets. These expenses are classified as repair and maintenance and are included in cost of sales. Management forecasts approximately $2,500 of annual costs to maintain the Company's capital assets.

Summary of Quarterly Results

For the three months ended:

(in thousands of U.S. Dollars, except per share amounts)	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017
Sales	$38,787	$ 39,684	$ 42,039	$ 29,490	$36,864	$44,735	$45,530	$31,277
Net income (loss)	$270	($1,989)	($2,282)	($1,143)	($607)	$294	$4,325	($190)
Basic earnings (loss) per share	$0.01	($0.04)	($0.05)	($0.03)	($0.02)	$0.01	$0.11	($0.00)
Diluted earnings (loss) per share	$0.01	($0.04)	($0.05)	($0.03)	($0.02)	$0.01	$0.11	($0.00)

The Company's Canadian peak vegetable growing production is in the summer months, with no production during the winter season. As a result, prices for vegetable products from the Company's Canadian operations have historically followed a seasonal trend of higher prices at the start and end of its crop year, with lower prices in the summer months when the supply of product is greatest. Conversely, the Company's U.S. vegetable operations' winter production allows it to realize higher prices during the October through March period, due to the reduced supply of greenhouse produce in North America during the winter months. The complementary nature of the growing seasons of the Company's Canadian and U.S. vegetable operations allows the Company to maintain and service its core vegetable retail accounts year round.

Financial Instruments and Risk Management

Risk Management

The Company is exposed to the following risks as a result of holding financial instruments: market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk. The following is a description of these risks and how they are managed by the Company.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market place.

Credit Risk

Credit risk is the risk that the Company will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and trade receivables.

The Company limits its exposure to credit risk by placing its cash and cash equivalents with high credit quality financial institutions.

The Company's trade receivables had two customers that represented more than 10% of the balance of trade receivables, representing 13.8% and 11.5% of the balance of trade receivables as at December 31, 2018 (2017 – two customers represented 16.0% and 14.8%). The Company believes that its trade receivables risk is limited due to the high credit quality of its customers and the protection afforded to the Company by the United States *Perishable Agricultural Commodities Act* (the "PACA") for its vegetable sales in the United States, which represent approximately 85% of the Company's annual sales. PACA protection gives a claim filed under PACA a first lien on all PACA assets (which include cash and trade receivables). PACA fosters trading practices in the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. It prohibits unfair and fraudulent practices and provides a means of enforcing contracts. Historical write-offs have represented less than one-half of 1% of sales.

Trade receivables for each customer were evaluated for collectability and an allowance for doubtful accounts has been estimated. At December 31, 2018, the allowance for doubtful accounts balance was $50 (2017 – $50). The Company has not recorded bad debt expense during the three and nine months ended December 31, 2018 (2017 – $nil and $nil, respectively).

At December 31, 2018, 89.4% (December 2017 – 89.4%) of trade receivables were outstanding less than 30 days, 8.3% (December 2017 – 7.4%) were outstanding for between 30 and 90 days and the remaining 1.4% (December 2017 – 3.2%) were outstanding for more than 90 days. Trade receivables are considered past due based on the contract terms agreed to with a customer. Aged receivables that are past due are not considered impaired unless customer specific information indicates otherwise.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has used derivative instruments to reduce market exposure to changes in interest rates. The Company has used derivative instruments only for risk management purposes and not for generating trading profits.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The following are the contractual maturities of financial liabilities as at December 31, 2018:

(in thousands of U.S. dollars) Financial liabilities	Contractual cash flows	0 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	$ 18,110	$18,110	$ —	$ —
Bank debt	35,859	3,414	3,409	29,036
	$ 53,969	$21,524	$3,409	$29,036

It is the Company's intention to meet these obligations through the collection of current accounts receivables and cash. The Company has available lines of credit of up to CA$13,000 (as at December 31, 2018, $2,000 was outstanding and US$261 and CA$38 was utilized in the form of outstanding letters of credit). If the current resources and cash generated from operations are insufficient to satisfy its obligations, the Company may seek to issue additional equity or to arrange debt or other financing.

Under the terms of the Credit Facilities, the Company is subject to a number of covenants, including debt service covenants. These covenants could reduce the Company's flexibility in conducting the Company's operations by limiting the Company's ability to borrow money and may create a risk of default on the Company's debt (including by a cross-default to other credit agreements) if the Company cannot satisfy or continue to satisfy these covenants. In the event that the Company cannot comply with a debt covenant, or anticipates that it will be unable to comply with a debt covenant in the future, management may seek a waiver and/or amendment from the applicable lenders in respect of any such covenant in order to avoid any breach or default that might otherwise result therefrom. If the Company defaults under any of the Credit Facilities and the default is not waived by the applicable lenders, the debt extended pursuant to all of its debt instruments could become due and payable prior to its stated due date. The Company cannot give any assurance that (i) its lenders will continue to agree to any covenant amendments or waive any covenant breaches or defaults that may occur under the applicable debt instruments, and (ii) it could pay this debt if it became due prior to its stated due date. Accordingly, any default by the Company under its existing debt that is not waived by the applicable lenders could materially adversely impact the Company's results of operations and financial results and may have a material adverse effect on the trading price of its common shares. See also "Risk Factors—Dependence Upon Credit Facilities" in the Company's current Annual Information Form.

Environmental, Health and Safety Risk

The Company's operations are subject to national, regional and local environmental, health and safety laws and regulations governing, among other things, discharge to air, land and water, the handling and storage of fresh produce, waste disposal, the protection of employee health, safety and the environment. The Company's greenhouse facilities could experience incidents, malfunctions or other unplanned events that could result in discharges in excess of

permitted levels resulting in personal injury, fines, penalties or other sanctions and property damage. The Company must maintain a number of environmental and other permits from various governmental authorities in order to operate. Failure to maintain compliance with these requirements could result in operational interruptions, fines or penalties, or the need to install potentially costly pollution control technology. Compliance with current and future environmental laws and regulations, which are likely to become more stringent over time, including those governing greenhouse gas emissions, may impose additional capital costs and financial expenditures, which could adversely affect the Company's operational results and profitability.

The Company is committed to protecting the health and safety of employees and the general public, and to sound environmental stewardship. The Company believes that prevention of incidents and injuries, and protection of the environment, benefits everyone and delivers increased value to its shareholders, customers and employees. The Company has health and safety and environmental management and systems and has established policies, programs and practices for conducting safe and environmentally sound operations. Regular reviews and audits are conducted to assess compliance with legislation and Company policy.

Overview

The forward-looking statements contained in this section and elsewhere in this MD&A are not historical facts, but rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. See the "Forward-Looking Statements" section of this MD&A.

On June 6, 2017, the Company announced an initiative into growing cannabis through a joint venture with an existing licensed producer, pursuant to which the Company would contribute rights to one of its Delta greenhouses and growing knowledge in exchange for a 50% equity position. Emerald has contributed CA$20 million for its 50% equity interest. The joint venture is named "Pure Sunfarms Corp." Pure Sunfarms received its cultivation license from Health Canada for the Delta 3 Greenhouse on March 2, 2018. Pure Sunfarms received its sales license from Health Canada on July 30, 2018. Pure Sunfarms has been harvesting cannabis since the middle of May 2018 and with its sales license has commenced the sales of dried bud to other Licensed Producers. Pure Sunfarms continues to convert the unlicensed sections of the Company's Delta 3 greenhouse to grow cannabis and meet the required security standards for licensing under the ACMPR. The entire facility is licensed and it is one the largest commercial cannabis production facilities in Canada. Management believes it will produce cannabis for CA$1 per gram with margins of 50% in late 2019. As such, the Company's 50% equity interest in Pure Sunfarms is capable of generating substantially higher revenue and profits than prior revenues and profits from the tomato crop previously grown in the facility.

Since July 2018, each of the Shareholders of Pure Sunfarms has provided CAD $13.0 million of capital in the form of demand shareholder loans.

Currently, management has no intention of growing cannabis at its U.S. greenhouse facilities or holding any equity investments in U.S. cannabis cultivation businesses, in each case until it is federally legal to do so.

The Company continues to focus on increasing its produce revenues and profits on its core crops – tomatoes, cucumbers and peppers. The Company also continues to actively explore whether to produce certain higher margin alternative crops at the Company's continuing produce facilities, such as hemp as well as evaluate other cannabis related business opportunities.

Growth expenditures

The Company expects to spend between $2.5 to $3.0 million on capital expenditures in 2019. These expenditures are to repair and enhance existing growing and pack house systems either due to obsolesces of the system or to improve operational efficiencies.

Under the terms of the VF Hemp Joint Venture Agreement, the Company will contribute approximately US$15 million to VF Hemp for start-up costs and working capital. Capital investment for extraction capabilities is to be determined and dependent on future decisions with respect to the locations of hemp production and the extraction operations.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information to be disclosed by the Company is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures. The Chief Executive Officer and Chief Financial Officer have concluded, as of the end of the period covered by the interim and year end filings, that the Company's disclosure controls and procedures are appropriately designed and operating effectively to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company.

Internal Control over Financial Reporting

NI 52-109 also requires CEOs and Chief Financial Officers ("CFOs") to certify, among other things, that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that the issuer has disclosed any changes to its internal controls during its most recent period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

For the year ended December 31, 2018, the Company's management evaluated the effectiveness of the Company's internal control over financial reporting, as defined under rules adopted by the Canadian Securities Administrators ("CSA"). This evaluation was performed under the supervision of, and with the participation of, the Company's CEO and CFO.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting, no matter how well designed has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable, not absolute, assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Based on this evaluation, the Company's CEO and CFO have concluded that, subject to the inherent limitations noted above, the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in the Company's internal control over financial reporting during the year ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Risks and Uncertainties

The Company is subject to various risks and uncertainties which are summarized below, as well as those discussed in this MD&A. Additional details are contained in the Company's current Annual Information Form dated March 13, 2019 filed on SEDAR, which can be accessed electronically at *www.sedar.com*.

Risks Relating to the Company

- Product Pricing
- Maintain Profitability
- Risks Inherent in the Agricultural Business
- Natural Catastrophes
- Covenant Risk
- Dependence Upon Credit Facilities
- Labour Availability
- Mexican Trade Agreement

- Competition
- Transportation Disruptions
- Key Executives
- Uninsured and Underinsured Losses
- Governmental Regulations
- Product Liability
- Cyber Security
- Vulnerability to Rising Energy Cost
- Risks of Regulatory Change
- Environmental, Health and Safety Risk
- Risks Associated with Cross Border Trade
- Retail Consolidation
- Foreign Exchange Exposure
- Technological Advances
- Accounting Estimates
- Growth
- Intellectual Property

Risks Related to VF Hemp

- State Legalization
- FDA and USDA regulation
- Risks Inherent in the Agricultural Business
- Key Executives of VF Hemp
- Risk Related to VF Hemp
- Failure to Realize Growth Strategy
- Research and Development and Product Obsolescence
- Intellectual Property Protection May Be Suboptimal
- Product Liability
- Product Recalls
- Fluctuating Prices of Raw Materials
- Environmental Regulations and Risks

Risks Related to the Joint Venture

- Reliance on Licenses
- Risks Associated with Changes in Laws, Regulations and Guidelines
- Regulatory Compliance Risks
- Failure of Regulatory Compliance
- Failure of Supplier Standards Compliance
- Marketing Restrictions
- Unfavourable Publicity or Consumer Perception
- Third Party Reputational Risks
- Rapid Growth and Consolidation in the Cannabis Industry
- Competition
- Risks Inherent in an Agricultural Business
- Risks Related to the Joint Venture
- Reliance on a Single Facility

- Limited Operating History in the Cannabis Industry
- Failure to Realize Growth Strategy
- Ongoing Costs and Obligations Related to Infrastructure, Growth, Regulatory Compliance and Operations
- No Assurance of Profitability or Immediate Revenues
- Attracting and Retaining Key Personnel
- Research and Development and Product Obsolescence

- Understanding of CBD and THC May Change
- Consumer Preferences May Change
- Products May Not Have Intended Effects
- Product Liability
- Product Recalls
- Fluctuating Prices of Raw Materials
- Supply and demand Fluctuations
- Reduced Market Due to Personal Cultivation
- Quantification of Size of Target Market
- Premium Segment of Cannabis Market
- Reliance of Third Party Transportation
- Reliance on Third Party Distributors
- Reliance on Key Inputs
- Reliance on Effective Quality Control
- Possible Restricted Trade by the Canadian Free Trade Agreement
- Environmental regulations and Risks
- Insurance Coverage in the Cannabis Industry
- Liability of Illegal Activities by Employees, Contractors or Consultants
- Use of Customer Information and Other Personal and Confidential Information
- Breach of Security

Risks Related to Tax

- Potential U.S. Permanent Establishment of VF Canada GP, VFCLP and VFF
- Advances by VF Operations Canada Inc. to U.S. Holdings
- Transfer Pricing
- U.S. Real Property Holding Corporation

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Critical Accounting Estimates

Trade Receivables

Trade receivables are measured at amortized cost, net of allowance for expected credit losses. Credit is extended based on an evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts are past due, the Company's previous loss history and the customer's current ability to pay its obligation to the Company. Trade receivables are recorded net of lifetime expected credit losses.

Inventories

Inventories of Company-grown produce consist of raw materials, labour and overhead costs incurred less costs charged to cost of sales throughout the various crop cycles, which end at various times throughout the year and exclude biological assets (see below). Cost of sales is based upon incurred and estimated costs to be incurred from each crop allocated to both actual and estimated future yields over each crop cycle. The cost of produce inventory purchased from third parties is valued at the lower of cost or net realizable value.

Biological Assets

Biological assets consist of the Company's produce on the vines at the period end. The produce on the vine is measured at fair value less costs to sell and complete, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell and complete the assets, including finishing and transportation costs.

Income Taxes

The Company utilizes the assets and liability method of accounting for income taxes under which future income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying value amount and the tax basis of assets and liabilities. Management uses judgment and estimates in determining the appropriate rates and amounts in recording future taxes, giving consideration to timing and probability. Actual taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities.

Future income tax assets are recognized to the extent that realization is considered more likely than not. The Company considers past results, current trends and outlooks for future years in assessing realization of income tax assets.

Impairment of Financial and Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its long lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The Company estimates the recoverable amounts of the cash-generating unit ("CGU") to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Identifiable cash flows are largely independent of the cash flows of other assets and liabilities. This was determined to be the Canadian and U.S. operations.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of income.

Due to the above-noted considerations, which are based on the Company's best available information, the Company has not recorded any impairment charge on its non-financial assets during the three months ended December 31, 2018.

Property, Plant and Equipment – Useful Lives

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

Land Revaluation

Management concluded that given significant changes in the fair market value of the Company's land assets, the revaluation method of accounting for land used in production is a more appropriate accounting policy than historical cost. IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, allows for prospective application of this policy change and therefore the policy change has been applied to year ended December 31, 2016.

Accounting Standards Issued and Not Applied

The IASB periodically issues new standards and amendments or interpretations to existing standards. The new pronouncements listed below are those policy changes that management considers relevant to the Company now or in the future. This is not intended to be a complete list of new pronouncements made during the year.

IFRS 16, *Leases*, issued in January 2016, replaces IAS 17, *Leases,* and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements. IFRS 16 may be implemented using a retrospective approach or a modified retrospective approach, which permits the use of certain practical expedients upon transition. The Company expects to use the modified retrospective method upon transition with no restatement of comparative financial information. Under this approach, the Company will recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at January 1, 2019. The Company will recognize a lease liability at the present value of the remaining lease payments discounted using the lease's incremental borrowing rate at January 1, 2019 and a right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date but discounted using the Company's incremental borrowing rate at January 1, 2019. Management expects that IFRS 16 will result in the following: a) an increase in assets and liabilities as fewer leases will be expensed as payments are made; b) an increase in depreciation expenses; and c) an increase in cash flow from operating activities as these lease payments will be recorded as financing outflows in the cash flow statements.

Amendends to IFRS 11, *Joint Arrangements*, and IAS 28, *Investments in Associates and Joint Ventures* establishes the criteria for accounting for joint ventures. Investments in joint ventures are accounted for using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the joint venture's net assets such as dividends. At each consolidated statement of financial position date, the Company will consider whether there is objective evidence that its investment in the joint venture is impaired. If there is such evidence of impairment, the Company will determine the amount of the impairment and a loss will be recorded in the consolidated statement of (loss) income. Amendments to IFRS 11 is effective for annual periods beginning on or after January 1, 2019. Management is currently assessing the impact of IFRS 11 on its consolidated financial statements.

Further details of new accounting standards and potential impact on the Company can be found in the Company's consolidated financial statements for the year ended December 31, 2018.

Changes in Accounting Policies

IFRS 9, *Financial Instruments* replaced the current IAS 39, *Financial Instruments Recognition and Measurement*. This standard sets out revised guidance for classifying and measuring financial assets and liabilities, introduces a new expected credit loss model for calculating impairment of financial assets and includes a reformed approach to hedge accounting. The standard also requires that when a financial liability at amortized cost is modified or exchanged, and such modification or exchange does not result in de-recognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss. IFRS 9 was adopted without restating comparative information. The reclassifications arising from the new rules are therefore not reflected in the statement of financial position as at December 31, 2017, but are recognized in the opening statement of financial position on January 1, 2018.

Following the adoption of IFRS 9, the Company could no longer defer and amortize financing fees that resulted from the refinancing of borrowings in periods prior to January 1, 2018. As a result, the Company has restated the beginning balances noted in the table below to properly account for $260 of financing fees in accordance with IFRS 9. The standard was applied retrospectively therefore approximately $260 of deferred financing costs, net of accumulated amortization, remain netted against long-term debt on the consolidated statement of financial position, as at December 31, 2017.

The following tables show the adjustments recognized for each individual line item:

Statement of Financial Position (extract)	December 31, 2017 As originally presented	IFRS 9 Adjustments	January 1, 2018 Restated
Non-current liabilities			
Long-term debt	$ 35,760	$ 260	$ 36,020
Total liabilities	61,298	260	61,558
Shareholders' Equity			
Retained earnings	39,272	(260)	39,012
Total shareholders' equity	$ 81,043	$ (260)	$ 80,783

IFRS 15, *Revenue from Contracts with Customers*, replaces IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, and the related Interpretations on revenue recognition. IFRS 15 establishes a single comprehensive model for recognizing revenues from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services.

The Company generates its revenue through the sale of produce, with standard shipping terms and discounts, and through the production and sale of power.

The Company's produce revenue transactions consist of single performance obligations to transfer promised goods. Quantities to be delivered to the customer are determined at a point near the date of delivery through purchase orders it receive from the customer. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the customer receives the goods and its performance obligation is complete. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring product. The amount of revenue recognized is reduced for estimated returns and other customer credits, such as discounts and rebates, based on the expected value to be realized. Payment terms are consistent with terms standard to the markets the Company serves. The Company maintains an allowance for doubtful accounts for the loss that would be incurred if a customer was unable to pay amounts due. The Company initially estimates the allowance required at the time of revenue recognition based on historical experience and makes changes to the allowance based on various factors, including changes in the customer's financial condition or payment patterns.

The Company sells electricity to British Columbia Hydro and Power Authority. Revenues are recognized as the electricity is delivered to/consumed by the customer and is based on contractual usage rates and meter readings that measure electricity consumption.

The Company adopted IFRS 15, as of January 1, 2018, using the modified retrospective transition method, which involves not restating periods prior to the date of initial application. The application of IFRS 15 required no change in amounts recognized in the Company's consolidated financial statements for the year ended December 31, 2018, as the amount and timing of substantially all of its revenues is, and will continue to be, recognized at a point in time. Disclosures required by IFRS 15 have been included in the financial statements.

Related Party Transactions

As at December 31, 2018, the Company had amounts due from its joint venture, Pure Sunfarms, totaling $1,103 (December 31, 2017—$411) primarily for consulting services and the reimbursement of expenses which occurred in the year. These amounts were non-interest bearing and were due on demand. On July 5, 2018, the Shareholders entered into a Loan Agreement with Pure Sunfarms, whereby, as at December 31, 2018, the Shareholders had each contributed

CA$13,000 (US$9,959) in the form of a demand loan to Pure Sunfarms. The loan amounts will initially bear simple interest at the rate of 8% per annum, calculated semi-annually. Interest accrues and will be payable upon demand being made by either Shareholder. These amounts are included in amounts due from the Joint Venture in the consolidated statements of financial position.

Included in other assets as at December 31, 2018, is a $64 (December 31, 2017—$70) promissory note that represents the unpaid amount the Company advanced to an employee in connection with a relocation at the request of the Company.

Outstanding Share Data

The beneficial interests in the Company are currently divided into interests of three classes, described and designated as “Common Shares”, “Special Shares” and “Preferred Shares”, respectively. An unlimited number of Common Shares, Special Shares and Preferred Shares are issuable pursuant to VFF’s constating documents.

On December 21, 2017, VFF issued 2,500,000 Common Shares pursuant to a “bought deal” short form prospectus offering at an issue price of CA$5.40 per Common Share for gross proceeds of CA$13,500,000. The offering was conducted by a syndicate of underwriters led by Beacon Securities Limited.

On May 24, 2018, VFF issued 1,886,793 Common Shares pursuant to a private placement offering at an issue price of CA$5.30 per Common Share for gross proceeds of CA$10,000,000.

On October 12, 2018, VFF issued 3,097,200 Common Shares pursuant to a “bought deal” short form prospectus offering at an issue price of CA$7.13 per Common Share for gross proceeds of CA$22,083,036. The offering was conducted by a syndicate of underwriters led by Beacon Securities Limited

As of the date hereof, VFF has outstanding: (i) 47,624,338 Common Shares carrying the right to one vote at a meeting of voting shareholders of VFF; (ii) nil (0) Special Shares; and (iii) nil (0) Preferred Shares. In conjunction with the formation of Pure Sunfarms Corp., the Company issued 300,000 common share purchase warrants to an affiliate of a Canadian financial institution as partial consideration for services provided in respect thereof. Each such warrant entitles the holder to purchase one Common Share at an exercise price of CA$2.07. Each such warrant is exercisable up to June 6, 2020.

For further details on the structure of the Company or the rights attached to each of the above-mentioned securities, please refer to the Company’s current Annual Information Form which is available electronically at www.sedar.com.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking information within the meaning of applicable securities laws (“ **forward-looking statements**”). Forward-looking statements may relate to the Company’s future outlook or financial position and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, litigation, projected production, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the Company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the Company, the greenhouse vegetable industry or the cannabis industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms as “outlook”, “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue”, “likely”, “schedule”, “objectives”, or the negative or grammatical variation thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: product pricing; maintaining profitability; risks inherent in the agricultural business; natural catastrophes; retail consolidation; covenant risk; dependence upon credit facilities; competition; transportation disruptions; labour; governmental regulations; product liability; key executives; uninsured and underinsured losses; vulnerability to rising energy costs; risks of regulatory change; environmental, health and safety risk, foreign exchange exposure, risks associated with cross-border trade; technological advances; accounting estimates; growth; tax risks; and risks related to the Joint Venture, including the Joint Venture’s ability to obtain licenses under the ACMPR, risks relating to conversion of the Company’s greenhouses to cannabis production, and the ability to cultivate and distribute cannabis.

The Company has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that interest rates will remain stable, that tax laws remain unchanged, that conditions within the greenhouse vegetable and cannabis industries generally will be consistent with the current climate, and that the Canadian capital markets will provide the Company with access to equity and/or debt at reasonable rates when required.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the Company's control, that may cause the Company's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors contained in the Company's filings with securities regulators, including this MD&A and the Company's annual information form.

When relying on forward-looking statements to make decisions, the Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Public Securities Filings

You may access other information about the Company, including its current Annual Information Form and other disclosure documents, reports, statements or other information that it files with the Canadian securities regulatory authorities, through SEDAR at www.sedar.com.

Exhibit 99.4

CERTIFICATION

I, Michael D. DeGiglio, certify that:

1. I have reviewed this annual report on Form 40-F of Village Farms International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 20, 2019

By: /s/ Michael D. DeGiglio
Michael D. DeGiglio
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.5

CERTIFICATION

I, Stephen C. Ruffini, certify that:

1. I have reviewed this annual report on Form 40-F of Village Farms International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5 The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 20, 2019

By: /s/ Stephen C. Ruffini
Stephen C. Ruffini
Chief Financial Officer
(Principal Executive Officer)

Exhibit 99.6

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Village Farms International, Inc. (the "Company") on Form 40-F for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. DeGiglio, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2019

By: /s/ Michael D. DeGiglio
Michael D. DeGiglio
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.7

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Village Farms International, Inc. (the "Company") on Form 40-F for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen C. Ruffini, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2019

By: /s/ Stephen C. Ruffini
Stephen C. Ruffini
Chief Financial Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.8

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2018 of Village Farms International, Inc. of our report dated March 13, 2019, relating to the consolidated financial statements which appears in Exhibit 99.1 incorporated by reference in this Annual Report.

We also consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-230298) of Village Farms International, Inc. of our report referred to above.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, Canada
March 20, 2019