MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (“MD&A”)

FOR THE YEAR ENDED JUNE 30, 2018

48NORTH CANNABIS CORP.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the year ended June 30, 2018

This management discussion and analysis of the financial condition and results of operations ("MD&A") of 48North Cannabis Corp. ("Company" or "48North"), is for the years ended June 30, 2018 and June 30, 2017 and is dated September 13, 2018. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the years ended June 30, 2018 and June 30, 2017. The annual financial statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors on September 13, 2018.

This MD&A provides information that the management of the Company believes is important to assess and understand the results of operations and financial conditions of the Company. All amounts are presented in Canadian dollars, unless otherwise noted. The Company's condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and annual information forms are available on-line at www.sedar.com.

Forward-Looking Statements

This MD&A may contain statements that are "forward-looking statements". These include statements about the Company's expectations, beliefs, plans, objectives and assumptions about future events or performance. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue", "anticipate", "believes", "estimate", "intend", "plan", "would", and "outlook" or statements to the effect that actions, events or results "will", "may", "should" or "would" be taken, occur or be achieved. Forward-looking statements are not historical facts, and are subject to a number of risks and uncertainties beyond the Company's control. Accordingly, the Company's actual results could differ materially from those suggested by these forward-looking statements for various reasons discussed throughout this analysis. Forward-looking statements are made on the basis of the beliefs, opinions and estimates of the Company's management on the date the statements are made and the Company does not undertake any obligation to update forward-looking statements if the circumstances or management's beliefs, opinions or estimates should change. Readers should not place undue reliance on forward-looking statements.

Corporate Information

48North, formerly Kramer Capital Corp., currently has one wholly owned subsidiary, 48North Amalco Ltd. ("Amalco"). The Company, through DelShen Therapeutics Corp. ("DelShen"), a wholly-owned subsidiary of Amalco, is licensed to produce and sell medical cannabis pursuant to the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). The head office, principal address, and records office are located at 243 Queen Street West, Suite 200, Toronto, Ontario, Canada, M5V 1Z4. 48North is a publicly traded corporation, incorporated in Canada. The Company's common shares are listed on the TSX Venture Exchange ("TSXV"), under the trading symbol "NRTH".

The Company was incorporated under the laws of Alberta on October 29, 2010, and continued into British Columbia in August 2016. The principal business of the Company at that time was to identify and evaluate business or assets with a view to completing a qualifying transaction ("Qualifying Transaction") under relevant policies of the TSXV. The Company had one wholly owned subsidiary, 2622752 Ontario Inc. ("752OI"), which was incorporated with the sole purpose of facilitating a future Qualifying Transaction.

On June 5, 2018, the Company completed its Qualifying Transaction with 2558107 Ontario Inc. (doing business as 48North Cannabis Corp.) ("48N"). As part of the Qualifying Transaction, the Company completed a continuance from the Business Corporations Act (British Columbia) to the *Canada Business Corporations Act*, changed its name to 48North Cannabis Corp. and consolidated its 1,775,000 shares on a 2 to 1 basis to 887,500 common shares. Following this change, 752OI amalgamated with 48N which resulted in the formation of Amalco. In connection with that amalgamation, Amalco acquired all of the issued and outstanding shares of 48N and the former shareholders and convertible debenture holders of 48N were issued a total of 76,930,037 post-consolidation common shares of the Company. Immediately following that amalgamation, 48North had a total 77,817,537 common shares outstanding.

Upon closing of the Qualifying Transaction, the shareholders of 48N owned 98.9% of the common shares of the Company and as a result, the Qualifying Transaction is considered a reverse acquisition of the Company by 48N. For accounting purposes 48N is considered the acquirer and the Company is considered the acquiree. Accordingly, the consolidated financial statements are in the name of 48North Cannabis Corp., however they are a continuation of the financial statements of 48N.

48N was incorporated on January 26, 2017 as 2558107 Ontario Inc. under the laws of the Province of Ontario and on December 14, 2017, changed its name to 48North Cannabis Corp. On July 1, 2017, 48N completed a corporate reorganization with DelShen. Each common share of DelShen was exchanged for one common share of 48N and DelShen became a wholly owned subsidiary of 48N. The Company's financial statements reflect the historical operations of DelShen. Prior to the reorganization, 48Nwas a shell company with no operations. The Health Canada licence pursuant to the ACMPR remained with DelShen. On June 1, 2018 the name was changed back to 2558107 Ontario Inc.

Business Overview

48North is a vertically integrated cannabis company. Its ACMPR licensed facility is located on 800 acres of owned land near Kirkland Lake, Ontario, and is operated by its wholly-owned subsidiary, DelShen. DelShen is a licensed producer of cannabis for medical purposes pursuant to the ACMPR. The Company has started to grow unique genetics sourced from MariPharm B.V., a Netherlands based phytopharmaceutical company with over 25 years of experience in the research and cultivation of cannabis for medical purposes. The genetics are grown to exacting standards in DelShen's state-of-the-art, closed box, 40,000 square foot facility.

DelShen planted its first two cannabis crops ("Initial Crops") in June 2017 and harvested the Initial Crops in November 2017. The Initial Crops were submitted to Health Canada for testing. DelShen's license to sell ("Sales License") was granted on June 22, 2018 under the ACMPR and is valid until February 26, 2021. As at June 30, 2018 the Company had no revenues from the sale of medical cannabis. Subsequent to year end, in July 2018, the Company began selling to cannabis to other licensed producers.

The Company's business is focused on Canada. It is a policy of the Company that the Company will not invest, directly or indirectly, in any business that derives revenue from the sale of cannabis or cannabis products in the United States or in any other jurisdiction where the sale of cannabis is federally unlawful.

On November 16, 2017, the Company imported its first seeds from Maripharm and has initiated germination of certain strains.

On February 28, 2018, Kramer Capital Corp. ("Kramer") and the Company signed an Acquisition Agreement, pursuant to which Kramer acquired 100% of the issued and outstanding securities of the Company in exchange for the issuance by Kramer of economically equivalent securities to the former securityholders of the Company. Kramer was a Capital Pool Corporation and a reporting issuer on the TSXV. The acquisition of the Company by Kramer constituted a Qualifying Transaction under relevant policies of the TSXV. On June 5, 2018, the Exchange approved the Qualifying Transaction. On June 11, 2018, the Company stared trading on the Exchange under the symbol "NRTH".

48North continues to invest significant time, effort, capital and resources in activities to prepare for the Canadian recreational cannabis market. These investments cover the Company's entire business operations including cultivation, production, marketing, sales and general administration. With the passing of Bill C-45 ("The Cannabis Act") on June 19, 2018 and the expected roll out of the recreational market on October 17, 2018, The Company believes the selling of its cannabis production to other licensed producers will provide the Company with revenues until such times as ancillary product offering, such as edibles, cosmetics, and health and wellness products are able to be sold into the Canadian market.

Results of Operations

On February 28, 2017, Health Canada granted the Company's DelShen facility a Cultivation License and subsequently extended the expiry of the license to February 26, 2021. The Company planted its Initial Crops in June 2017 and completed the harvesting of the Initial Crops in November 2017. The Company submitted the testing of the Initial Crops, together with the necessary documentation to Health Canada. Following successful testing and approval by Health Canada, the Company was granted a Sales License on June 22, 2018. Management began selling cannabis in the first fiscal quarter of fiscal 2019. The Company continues to harvest crops approximately every two weeks.

During the twelve months ended June 30, 2018 the Company did not generate any revenue. With the granting of its Sales License by Health Canada on June 22, 2018 the Company is now in a position to begin sales.

The Company started growing plants and expanded production during the year ended June 30, 2018. Production costs of $552,715 (2017 – $10,602) have been recognized for the year ended June 30, 2018.

The Company has recorded the cost of its Initial Crops as production costs and is growing additional plants. Prior to the Company receiving its sales license on June 22, 2018, all inventories and biological assets have been valued at zero. Biological assets have been recorded for the period from June 22, 2018 to June 30, 2018. Inventory has been recorded for the period from June 22, 2018 to June 30, 2018.

The Company strengthened its management team during the year ended June 30, 2018. Alison Gordon was promoted from Chief Marketing Officer to Chief Executive Officer. Ms. Gordon is a veteran of the Canadian cannabis industry, bringing a unique depth of experience and relationships to her role as Chief Executive Officer of the Corporation. A skilled marketer, she is celebrated for her unique ability to shift public opinion and consumer behaviour, and has been named one of Canada's Top 10 Marketers by Marketing Magazine. The Company also added a Chief Operating Officer, Kevin Helfand in September 2017 and a Vice-President Marketing, Kirsten Gauthier in October 2017 to the management team. Recently, in April 2018, the Company hired David Hackett as Chief Financial Officer. In addition, the Company added 14 production personnel to the DelShen facility, as it transitioned from facility construction to production.

General and administrative expenses were $5,370,212 for the year ended June 30, 2018 compared to $5,208,412 for the similar period in 2017. Salaries and benefits expense for the year ended June 30, 2018 increased to $3,006,704 from $2,138,757 incurred in the year ended June 30, 2017, reflecting the addition of the production staff and three additional marketing staff.

The Company utilized incentive stock options to attract and maintain key personnel, increasing the stock-based compensation expense to $1,666,535 for the year ended June 30, 2018 from $1,038,516 for the year ended June 30, 2017. Stock-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense.

Interest and accretion increased to $2,408,619 in fiscal 2018 from $194,380 in 2017. This is a non-cash expense and is related to the accounting for the convertible debentures. The debt components of the convertible debentures were measured upon initial recognition based on the present value of the cash flows associated with the debentures, using an annualized discount rate of 20%. Subsequent to initial recognition, the debt components are accreted to the face value of the debentures using the effective interest rate through periodic charges to finance expense over the term of the debentures. While the Company had outstanding convertible debentures during fiscal 2018, the debentures were converted as part of the Qualifying Transaction during June 2018.

Listing fees for the Qualifying Transaction of $1,544,254 (2017 - nil) were related to the reverse takeover of Kramer on the TSXV, of which $1,666,535 were non-cash expenses relating to the issuance of shares and fees associated with the transaction.

Construction of the facility was completed on June 30, 2017 and the Company began recognizing depreciation with $717,064 of depreciation expense during the year ended June 30, 2018 (2017 – $83,070).

The Company incurred a net and comprehensive loss of $12,420,331 and $7,178,100 for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018, the Company had an accumulated deficit of $26,224,981.

Selected Annual Financial Information

The following table sets forth a comparison of revenues and earnings on an annual basis for each of the three most recently completed years. The financial data for the 2018, 2017 and 2016 financial years was prepared in accordance with IFRS. The functional currency and the reporting currency of the Company is the Canadian dollar.

	Year Ended June 30, 2018 ($)	**Year Ended June 30, 2017 ($)**	**Year Ended June 30, 2016 ($)**
Revenue	Nil	Nil	Nil
Net loss	12,420,331	7,178,100	3,494,872
Loss per share	0.21	0.18	0.25
Total assets	25,862,870	17,486,375	10,941,054
Working capital (deficit)	11,995,428	4,191,841	1,309,205
Total non-current financial liabilities	Nil	Nil	3,626,496
Cash dividends declared	Nil	Nil	Nil

Operating, Financing and Investing Activities

The table below highlights the Company's cash flows for the year ended June 30, 2018 as compared to the year ended June 30, 2017:

	2018	**2017**
Net cash provided by (used in):		
Operating activities	(5,725,843)	(5,177,124)
Investing activities	(763,618)	(3,549,060)
Financing activities	14,844,068	11,748,839
Increase in cash	8,354,607	3,022,655

The following table sets forth, for the quarter indicated, information relating to the Company's revenue, net loss and loss per common share for the eight most recently completed fiscal quarters.

	Revenues $	Net Loss $	Basic and Diluted Net Loss / Share $
September 30, 2016	nil	(878,820)	(0.034)
December 31, 2016	nil	(1,927,313)	(0.053)
March 31, 2017	nil	(1,783,379)	(0.044)
June 30, 2017	nil	(2,588,588)	(0.064)
September 30, 2017	nil	(1,480,320)	(0.026)
December 31, 2017	nil	(2,236,409)	(0.038)
March 31, 2018	nil	(3,402,998)	(0.058)
June 30, 2018	nil	(5,300,604)	(0.096)

Construction of the Facility

Construction of the DelShen facility was substantially completed in June 2017, and the Company planted the Initial Crops in June 2017. The Company transferred the assets on the statement of financial position from construction in progress to property, plant and equipment, reflecting a capitalized expenditure for the facility of approximately $12.5 million.

Liquidity and Capital Resources
On January 26, 2018, the Company completed a $16,010,000 brokered private placement of units ("Unit") at a price of $1,000 per unit. Each Unit was comprised of one senior unsecured convertible debenture with a principal amount of $1,000 (each a "Debenture") and 556 common share purchase warrants (each a "Warrant"). Each Warrant will entitle the holder thereof to acquire one common share in the capital of the Company at a price of $1.15 for a period of 24 months following the completion of a listing by the Company on a recognized Canadian stock exchange. On June 5, 2018 the Debentures were automatically converted into common shares at a price of $0.90 per share with the completion of a listing by the Company on a recognized Canadian stock exchange (Transaction"). The Company issued compensation options to the brokers to purchase 1,245,222 Compensation Units. Each Compensation Option is exercisable to purchase one unit of 48North ("Compensation Unit") at an exercise price of $0.90 until the date that is 24 months following the completion of the Transaction, with each Compensation Unit being comprised of one 48North Common Share and one-half of one Unit Warrant. Each full Unit Warrant will entitle the holder thereof to acquire one common share in the capital of the Company at a price of $1.15 for a period of 24 months following the completion of the Transaction.

The Company continually monitors its capital resources to assess the liquidity necessary to fund operations and future strategy. As at June 30, 2018 the Company had a cash and cash equivalents balance of $12,231,484. The Company anticipates it will require additional funding to finance future growth and expansion of production capacity, to expand marketing awareness for the Company's brands and products and to look for acquisition opportunities. The Company has historically financed its working capital requirements primarily through equity and debt financings. The Company's ability to continue as a going concern is dependent upon being able to sell cannabis to other licensed producers, sell into the medical and recreational markets, provide products and brands to the women's health and wellness market place and thus, its ability to commence profitable operations, generate revenues there from and raise additional financing as needed to meet its obligations. While the Company has been successful in raising financing in the past, there is no assurance that it will be able to successfully obtain additional financing as needed. These factors cast significant doubt on the ability to continue as a going concern.

Related Party Transactions
The aggregate value of transactions relating to key management personnel were as follows:

Year ended	June 30, 2018	June 30, 2017
Consulting, salaries and wages	$986,480	$956,396
Share-based payment	$1,395,001	$748,300
Total	$2,381,481	$1,704,696

Included in consulting, salaries and wages are accrued severance expenses of $142,617 which are included in accrued liabilities at year end (2017 - $115,000).

Off-Balance Sheet Arrangements
The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect upon its results of operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

Use of Estimates and New Accounting Standards
The Company's significant accounting policies under IFRS are contained in note 4 of the audited financial statements for the year ended June 30, 2018 and 2017. Certain of these policies require management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the unaudited condensed interim financial statements relate to going concern assumptions, the estimated useful lives and depreciation of property, plant and equipment, valuation of convertible instruments and share-based payments and fair value measurements for inventory and biological assets.

Summary of Outstanding Share Data

The authorized capital of the company consists of an unlimited number of common shares. As of the date of this MD&A, the Company had the following securities issued and outstanding:

Securities	Number
Shares	79,192,536
Warrants	34,027,926
Broker compensation units (underlying shares)	1,867,833
Options	13,180,000
Total Outstanding	128,268,295

New Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. Updates that are not applicable or are not consequential to the Company have been excluded.

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective for accounting periods beginning on January 1, 2018. The Company has determined the adoption of this standard does not have a significant impact on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with a customer, regardless of type of revenue transaction or the industry. IFRS 15 will also apply to the recognition and measurement of gains and losses on sale of certain non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has determined the adoption of this standard does not have a significant impact on the consolidated financial statements.

IFRS 16 – Leases ("IFRS 16")

was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 – Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is still in the process of assessing the impact of this pronouncement.

Financial instruments and risk management

The Company's financial instruments consist of cash and cash equivalents, other receivables, and accounts payable and accrued liabilities. Cash and cash equivalents are classified as fair value through profit or loss or Other Comprehensive loss and recorded at fair value. Other receivables and accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost or amortized cost less any impairment losses related to other receivable. The fair value of cash and cash equivalents, accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of arms-length financial instruments approximates their carrying value due to the relatively short-term to maturity.

Risk Factors

Limited Studies on the Effects of Medical Cannabis

There has been limited study on the effects of medical cannabis and future clinical research studies may lead to conclusions that dispute or conflict with the current understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis. Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in relatively early stages. There have been few clinical trials on the benefits of cannabis or isolated cannabinoids conducted. Future research and clinical trials could reach 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 our products.

Reliance on License

On June 22, 2018, DelShen received its Sales License. The Company's ability to grow, store and sell medical cannabis in Canada is dependent on its Sales License. Failure to comply with the requirements of the Sales License or any failure to maintain the Sales License would have a material adverse impact on the business, financial condition and operating results of Company.

The Sales License is subject to renewal by Health Canada. Although Company believes it meets the requirements of the ACMPR for renewal of the Sales License, there can be no guarantee that Health Canada will extend or renew the Sales License or, if extended or renewed, the Sales License will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Sales License or should it renew the Sales License on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected. Furthermore, should Health Canada not amend the Sales License to allow for sale to the public, the business, financial condition and results of the operation of the Company would be materially and adversely affected.

Regulatory Risks

The Company operates in a new industry which is highly regulated and is in a market which is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. The Company's ability to grow, store and sell medical cannabis in Canada is dependent on the Sales License from Health Canada and the need to maintain the Sales License in good standing. Failure to comply with the requirements of the Sales License or any failure to maintain this Sales License would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, 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 industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company's business as a Licensed Producer under the ACMPR represents a new industry and new market resulting from the ACMPR and its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, the Company will need to continue to build brand awareness in the industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Company brand and products as effectively as intended. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

Environmental Regulations and Risks
The Company's operations are subject to environmental regulation. 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 that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical 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 Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Change in Laws, Regulations and Guidelines
The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of the Company's management, the Company is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations and the financial condition of the Company.

In June 2018, the government of Canada passed Bill C-45, or the Cannabis Act, the Canadian federal legislation allowing individuals over the age of 18 to legally purchase, process and cultivate limited amounts of cannabis for adult use in Canada. It is expected that the Cannabis Act will become effective in October 2018. As a result, individuals who currently rely upon the medical cannabis market to supply their medical cannabis and cannabis-based products may cease this reliance, and instead turn to the adult-use cannabis market to supply their cannabis and cannabis-based products. A decrease in the overall size of the medical cannabis market as a result of the adoption of the Cannabis Act and the legal adult-use market in Canada may reduce the Company's medical sales and revenue prospects in Canada.

While the impact of any of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that is materially different than the effect on similar-sized companies in the same business as the Company.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies that may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic.

Limited Operating History

The Company entered the medical cannabis business in 2017. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on a Single Facility

To date, the Company's proposed activities and resources have been primarily focused on the facility near Kirkland Lake, Ontario. The Company expects to continue the focus on the facility for the foreseeable future. Adverse changes or developments affecting the existing facility could have a material and adverse effect on the Company's ability to produce medical cannabis, its business, financial condition and prospects.

Reliance of Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

History of Net Losses

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

Competition

The Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

The government has only issued to date a limited number of licenses, under the ACMPR, to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada there were 116 Licensed Producer sites as of the date of this MD&A.

On May 25, 2017, Health Canada modified the application process for becoming a Licensed Producer in order to streamline the process for obtaining a license to cultivate medical cannabis. Because of this change, the Company will face increased competition from additional Licensed Producers as more companies are granted licenses under the ACMPR. The application process for becoming a Licensed Producer will be modified further under the Cannabis Act as Health Canada continues to try and create an efficient and streamlined application process.

If the number of users of medical 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 Company will require a continued level of investment in research and development, marketing, sales and client support. The Company 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 the business, financial condition and results of operations of the Company.

Risks Inherent in an Agriculture Business
The Company's business will involve the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although the Company proposes to grow its products indoors under climate-controlled conditions, and carefully monitor the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

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

Operating Risk and Insurance Coverage
The Company has insurance to protect its assets, operations and employees. Such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed.

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

Litigation
The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating, the market price for the Common Shares, and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

Dividends
Any decision to declare and pay dividends in the future will be made at the discretion of the Company's board of directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their shares of the Company for a price greater than that which such investors paid for them.

Limited Market for Securities
There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Volatile Market Price for Common Shares
The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;

- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident in the share price of publicly traded medical cannabis companies in Canada. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

Third Party Transportation
In order for customers of the Company to receive their product, Company must rely on third party transportation services. This can cause logistical problems with and delays in customers obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance.

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

Risks Related to Medical and Adult-Use Cannabis Industry

Legislative or Regulatory Reform
The Company's operations will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labeling, advertising, sale, transportation, storage and disposal of medical and/or adult-use 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. Due to matters beyond the control of the Company, these laws, regulations, guidelines and policies may cause adverse effects to its operations. The commercial medical and potentially adult-use cannabis industry is a new industry and the Company anticipates that such regulations will be subject to change as the Federal Government monitors Licensed Producers in action.

Restrictions on Sales Activities
The medical cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing

activities and could have a material adverse effect on the Company's business, operating results or financial condition.

Unfavorable Publicity or Consumer Perception

Management of the Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's proposed products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

If licensed as a distributor of products designed to be ingested or inhaled, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products would involve the risk of injury and loss to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to 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 protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

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

Legalization of Adult-Use Cannabis

The adult-use cannabis industry and market in Canada will be subject to certain risks that will be unique to this industry, as well as the risks that are currently applicable to the medical cannabis industry discussed above. If any of these shared risks occur, the Company's business, financial condition, results of operations and prospects could be adversely affected in a number of ways, including by not being able to successfully compete in the adult-use cannabis industry and by being subject to fines, damage awards and other penalties as a result of regulatory infractions or other claims brought against the Company.

The Cannabis Act may not be implemented, or may be implemented in a way that is significantly different from current expectations, resulting in a decreased ability, or inability, to competed in this market and industry. The Government of Canada has approved the Cannabis Act which is expected to allow for regulated and restricted access to cannabis for recreational adult use in Canada in October 2018. When implemented, it is expected that the Company will operate a part of its business in the adult-use cannabis industry and market.

There is no assurance that the implementation of the Cannabis Act permitting cannabis for adult use by the Government of Canada will occur as anticipated or at all. If it does occur, there will be significant restrictions on the marketing, branding, product formats and/or distribution channels allowed under the law, which may reduce the value of certain products and brands or negatively impact the Company's ability to complete in the adult-use cannabis market. Adult-use legislation includes a requirement for health warnings on product packaging, the limited ability to use logos and branding (only one logo and one brand name per package), and restrictions on types and avenues of marketing. Additional restrictions may be imposed at the provincial level. While the Company is reasonably certain it will be able to adapt its brands and products to satisfy these restrictions and to package and successfully distinguish its brands in the marketplace while remaining compliant with the approved or proposes legislation (including all provincial legislation) that has been proposed or passed to date, provincial or other legislation may contain additional restrictions, such as a complete ban on marketing, that impact our ability to do so. Such additional restrictions may impair the Company's ability to develop adult-use brands, and a complete ban on marketing may make it uneconomic or unfeasible to introduce certain brands or products into the Canadian market. Further, each province and territory of Canada has the ability to separately regulate the distribution of cannabis within such province or territory, and any rules adopted by these provinces or territories may vary significantly. Such variance may make participation in the adult-use cannabis market uneconomic or of limited economic benefit and could result in significant additional compliance or other costs and limitations on the Company's ability to compete successfully in each such market.

Upon the implementation of the Cannabis Act, any potential Canadian adult-use business that the Company may engage in could face enhanced competition from other Licensed Producers and those individuals and corporations who are licensed under the Cannabis Act to participate in the adult-use cannabis industry. The Cannabis Act establishes a licensing regime for the production, testing, packaging, labelling, delivery, transportation, sale, possession and disposal of cannabis for adult use. While it is currently proposed that existing holders of licenses relating to medical cannabis under the ACMPR, including the Company, will be automatically licensed under the Cannabis Act for these activities, other individuals and corporations would be able to apply for such licenses. Moreover, the Cannabis Act proposes to allow individuals to cultivate, propagate, harvest and distribute up to four cannabis plants per household, provided that each plant meets certain requirements. If the Company 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 Company's success in the adult-use business may be limited and may not fulfill the expectations of management. The Company will face competition from existing Licensed Producers and other producers licensed under the Cannabis Act. Certain of these competitors may have significantly greater financial, production, marketing, research and development and technical and human resources than the Company. As a result, competitors may be more successful than us in gaining market penetration and market share. The commercial opportunity in the adult-use market could be reduced or eliminated if 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 the Company may produce, have greater sales, marketing and distribution support than the Company's products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our products and receive more favorable publicity than our products. If, after the implementation of the Cannabis Act, the Company's adult-use products do not achieve an adequate level of acceptance by the adult-use market, the Company may not generate sufficient revenue from these products, and our proposed adult-use business may not become profitable.

In anticipation of a surge in demand for cannabis as a result of the expected implementation of the Cannabis Act and the legalization of adult cannabis use, the Company and other cannabis producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian medical and proposed adult-use markets, and the Company may be unable to export that oversupply into other markets where cannabis use is fully legal under all federal and state or provincial laws. 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 Company would be able to generate sufficient revenue from the sale of adult-use cannabis to result in profitability. Moreover, the Cannabis Act imposes further packaging, labelling and advertising restrictions on producers in the adult-use market. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for the Company's products, then sales and operating results could be adversely affected. Further, if the Company fails to comply with the packaging, labelling and advertising restrictions, the Company will be subject to monetary penalties, required to suspend sale of noncompliant products and/or be disqualified as a vendor by government-run provincial distributors.

Additional Information

This MD&A was prepared as of September 13, 2018. The Company regularly discloses additional information by filing press releases and quarterly financial statements on SEDAR (www.sedar.com). More information about the Company can be also found on SEDAR (www.sedar.com).