Micron Waste Technologies Inc.
(Formerly Finore Mining Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the six months ended June 30, 2018 and 2017

Dated August 22, 2018

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Micron Waste Technologies Inc., formerly Finore Mining Inc., ("Micron" or the "Company"), its operations, financial performance, current and future business environment and opportunities and risks. This MD&A is intended to supplement and complement the unaudited condensed interim consolidated financial statements and the accompanying notes (the "financial statements") for the six months ended June 30, 2018. It should be read in conjunction with the audited financial statements and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for the year ended December 31, 2017.

This MD&A is prepared as of August 22, 2018. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

For the purpose of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

Certain statements in this MD&A that are not based on historical facts constitute forward-looking information. Forward-looking information is not a promise or guarantee of future performance but is only a prediction that relates to future events, conditions or circumstances or the Company's future results, performance, achievements or developments and is subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause the Company's actual results, performance, achievements or developments in its business or industry to differ materially from those expressed, anticipated or implied by such forward-looking information. The forward-looking statements in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance and business prospects and opportunities. Specifically, management has assumed that the Company's performance will meet management's internal projections. While management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. Readers are also advised to consider such forward-looking statements in light of the risks factors and uncertainties that may affect the Company's actual results, performance, achievements or developments as described in Appendix 1.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and the Company's business may be found in the Company's other public filings which are available on the Canadian Securities Administrators' website at www.sedar.com and the Company's website at www.micronwaste.com.

Conflicts of Interest

Certain directors and officers of the Company are, or may become, directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

DESCRIPTION OF THE COMPANY'S BUSINESS

Micron Waste Technologies Inc., formerly Finore Mining Inc., (the "Company", "Micron" or "Finore"), was incorporated on November 29, 2006 pursuant to the *Business Corporations Act*, British Columbia. The Company's principal business activity has been the exploration of exploration and evaluation assets. On September 26, 2011, the Company changed its name from Otterburn Ventures Inc. to Finore Mining Inc. and the Company's common shares began trading on the Canadian National Stock Exchange, now known as Canadian Securities Exchange ("CSE") under the new symbol of "FIN." Effective January 1, 2014, the Company ceased trading on the OTC market.

The head office, principal address and registered office of the Company are located at Suite 915 - 700 West Pender Street, Vancouver, B.C., V6C 1G8.

On June 2, 2017, Finore and a private British Colombia company named Micron Waste Technologies Inc. ("Privateco") entered into an Amalgamation Agreement ("Agreement"). Privateco was incorporated on July 20, 2015 as "Effluent Water Technologies Inc." under the *Business Corporations Act*, British Columbia. On November 15, 2016, it changed its name to "Micron Waste Technologies Inc.". The Agreement was structured as a three-cornered amalgamation whereby Privateco was amalgamated with a newly incorporated British Columbia subsidiary of Finore ("Subco"), forming Amalco. The amalgamation resulted in all the issued and outstanding shares of Privateco and Subco being exchanged for common shares of the Company

The amalgamation transaction (the "Transaction") was completed on October 19, 2017 (the "Transaction Date"). Upon completion of the Transaction, Finore completed a consolidation of the Finore Shares (the "Consolidation") on the basis of one post-consolidated Finore Share (the "Resulting Issuer Share", "New Micron Share") for every two pre-consolidation Finore Shares and changed its name from "Finore Mining Inc." to "Micron Waste Technologies Inc." The shareholders of Privateco received one New Micron Share for each Privateco Share. The Company's common shares began trading on the CSE on October 26, 2017 under the new symbol of "MWM".

On December 5, 2017, Amalco changed its name to Micron Technologies Holding Inc. ("Micron Holding").

Upon the completion of the Consolidation, 62,773,521 of Finore Shares were consolidated into 31,386,765 New Micron Shares. Pursuant to the Transaction, the Company issued to the shareholders of Privateco an aggregate of 28,877,000 New Micron Shares. On October 19, 2017, the Company had 60,263,765 New Micron Shares issued and outstanding, without giving effect to:

(1) warrants to purchase 27,044,200 Resulting Issuer Shares pursuant to the outstanding common share warrants of Privateco (including 167,200 finders' warrants);
(2) warrants to purchase 17,404,870 New Micron Shares pursuant to the outstanding common share purchase warrants of the Issuer (the result of consolidating 34,809,739 Finore warrants on the basis of one New Micron warrant for every two pre-consolidation Finore warrants held.)
(3) options to purchase 500,000 New Micron Shares pursuant to the outstanding stock option of the Finore (the result of consolidating 1,000,000 Finore options on the basis of one New Micron option for every two pre-consolidation Finore options held).

The Transaction constituted a reverse takeover by Privateco. Consequently, the legal acquire is the accounting acquirer and the historical results of operations are those of Privateco.

Prior to the Transaction, the Company was primarily engaged in the exploration for, and the development of, mineral properties with gold, copper, nickel, and other minerals.

After the Transaction, the Company carries on the business of Privateco, as a technology company engaged in the development and commercialization of an on-site treatment system that can turn organic waste into clean water that meets municipal effluent discharge standards.

The Company's common shares began trading on the CSE on October 26, 2017 under the new symbol of "MWM"

BUSINESS TRANSACTION

The Nickel One Transaction – Assets held for sale and discontinued operations

The Company signed a Share Purchase Agreement (the "SPA") on January 31, 2017 with Nickel One Resources Inc. ("Nickel One"), a public company listed on the TSX Venture Exchange (the "TSX-V"), in connection with the acquisition by Nickel One of all of the issued and outstanding shares of Nortec Minerals Oy ("NMO"). NMO holds a 100% interest in the Lantinen Kollismaa Platinum Group Element-Copper project (the "LK Project") located in north-central Finland.

Pursuant to the SPA, Nickel One would issue to Finore 5,000,000 common shares in the capital of Nickel One and would issue 2,500,000 common share purchase warrants exercisable to acquire 2,500,000 additional common shares of Nickel One at a price of $0.12 per share for a period of 24 months from the closing of the SPA.

On October 19, 2017, Privateco acquired Finore and its wholly owned subsidiary, NMO. The NMO subsidiary was classified as held for sale on this date at a fair value of $196,284. The reclassified assets held for sale also met the criteria for discontinued operations. Additional expenditures incurred on the LK Project between the acquisition date and December 31, 2017 were capitalized.

On March 7, 2018, the transaction with Nickel One was completed. Company assessed the fair value less costs to sell and accordingly wrote up the carrying value of asset held for sale from $196,284 to $389,150 at December 31, 2017, based on the stock price of Nickel One on the transaction closing date. In addition, NMO owed $61,725 in liabilities on this date. Since the fair value of consideration received was equal to the fair value of subsidiary disposed, there was no gain or loss on disposition.

OPERATIONS REVIEW

<u>Operations</u>

The design and manufacturing of the Company's commercial-grade organic waste management system for the cannabis industry commenced in Q1 of 2018 and was delivered to the client at the end of Q2. The system is currently undergoing final on-site beta testing and optimization specific to the client's production cycles. At the end of Q2, the Company was awarded an Industrial Design Certificate of Registration from the Canadian Intellectual Property Office (CIPO) for its Organic Waste Digester Unit. Micron sought and won intellectual property protection for innovative features unique to Micron's unit, which processes both food waste and cannabis plant waste on a commercial scale. The Company's design patent is also pending in the United States.

<u>Business Development</u>

The Company's business development team continues to strengthen relationships with leading Licensed Producers ("LP's") as well as Pre-Licensed Producers ("PLP's") in Canada and in the United States. The Company has been working with industry groups to establish new wastewater standards from cannabis cultivation processes, which will be a key enabler in educating potential clients on the efficacy of the Company's solutions.

RESULTS OF OPERATIONS

Six months ended June 30, 2018 and 2017

For the six months ended June 30, 2018, the Company recorded a net loss and comprehensive loss of $1,412,097 compared to a net loss and comprehensive loss of $376,616 for the six months ended June 30, 2017.

The increase in net loss was mainly due to increases in share-based payment, business development expenses, consulting fees/salaries, transfer agent and filing fees, general and administration expenses, research expenses, professional fees and loss on held for trading investments.

Share-based payment for the six months ended June 30, 2018 were $359,249 (six months ended June 30, 2017 - $Nil). The increase over the same period in the previous year was due to the Company granting a total of 3,825,000 incentive stock options on October 25, 2017 to directors, officers, and consultants of the Company with an exercise price of $0.30 per share and graded vesting terms over one year. A total of $208,465 was recognized as share-based payment for this option grant for the six-month period in 2018. Furthermore, during the six months ended June 30, 2018, the Company granted additional 405,000 stock options to some employees and consultants of the Company with a weighted average exercise price of $0.30 per share, which can be exercised for a period of five years. These stock options vested immediately. Total fair value of these options was $150,784 which was also recognized as share-based payment for the six-month period.

Business development expenses for the six months ended June 30, 2018 were $191,861 (six months ended June 30, 2017 - $8,459). The increase in 2018 was due to fees paid for developing the Company's brand, maintaining the current projects and marketing the Company.

Consulting fees/salaries, which included fees paid to consultants for consultation on the Company's current and prospective projects and salaries paid to employees working in the Company's research and development team, were $395,587 (six months ended June 30, 2017 - $283,162). The increase in 2018 was a result of an increase in corporate development and operational activities of the Company. During the six-month period ended June 30, 2018, a total of three fill-time employees were added to the Company's research and development team.

Transfer agent and filing expenses of $98,284 (six months ended June 30, 2017 - $Nil) related to expenses paid for transfer agent services, filing fees, and shareholder communication services for compliance activities and reporting of the Company. The increase was mainly due to additional expenditures in connection with the Company being a publicly traded company after the amalgamation transaction.

Office and general expenses of $112,174 (six months ended June 30, 2017 - $22,571) related to expenses paid for administration and support such as office rent, insurance, website hosting and maintenance fees, business fees and licenses, and bank charges. The increase in 2018 was primarily due to additional rent, utilities, and fitout expenses incurred for leasing a warehouse to conduct the research and development activities in. The increase could also be attributed to overall increase in corporate development and operational activities of the Company.

Research expenses of $59,036 (six months ended June 30, 2017 - $884) related to expenses paid for laboratory analysis, laboratory and safety supplies, and small tools and equipment. The increase over the same period in the previous year was mainly due to the commencement of the design and manufacturing of the Company's commercial-grade organic waste management system for the cannabis industry in the first quarter of 2018 and continued into the second quarter of 2018.

Professional fees of $95,632 (six months ended June 30, 2017 - $61,046) included expenses relating to the Company's financial recording and reporting activities, and legal expenses in connection with legal advice and guidance for the operations of the Company and its compliance. The increase in 2018 was primarily due to increase in the general operational, management and compliance activities of the Company.

Loss on held for trading investments of $129,368 (six months ended June 30, 2017 - $Nil) related to the common shares and share purchase warrants received from Nickel One in connection with the sale transaction of the Company's Finnish subsidiary to Nickel One. There were no held for trading investments in the same period last year.

Three months ended June 30, 2018 and 2017

For the three months ended June 30, 2018 ("Q2 2018"), the Company recorded a net loss and comprehensive loss of $794,147 compared to a net loss and comprehensive loss of $249,328 in the three months ended June 30, 2017 ("Q2 2017").

The increase in net loss could be attributed mainly to increases in share-based payment, business development expenses, consulting fees/salaries, transfer agent and filing fees, general and administration expenses, research expenses, and loss on held for trading investments.

Share-based payment of $216,314 (Q2 2017 - $Nil) increased as compared to the same period in the previous year due to the Company granting a total of 3,825,000 incentive stock options on October 25, 2017 to directors, officers, and consultants of the Company with an exercise price of $0.30 per share and graded vesting terms over one year. The increase was also due to the option grant on April 25, 2018 of additional 405,000 stock options, fully vested immediately, to some employees and consultants of the Company with a weighted average exercise price of $0.30 per share.

Business development expenses of $61,450 (Q2 2017 - $8,520) increased compared to the same period in the previous year mainly due to fees paid for product design and marketing.

Consulting fees/salaries in the three months ended June 30, 2018 were $224,774 (Q2 2017 - $182,893). The increase in Q2 2018 from the same period last year was mainly due to salaries and payroll expenses resulting from the addition of three full-time employees to the Company's research and development team.

Transfer agent and filing expenses in Q2 2018 were $35,861 (Q2 2017 - $Nil). The increase was mainly due to issuer trading services fees and shareholder communication expenses relating to the Company's annual general meeting that was held in June 2018.

Office and general expenses in Q2 2018 were $68,379 (Q2 2017- $11,179). The increase could be attributed to the additional rent, utilities and fitout expenses incurred for leasing a warehouse to conduct the research and development activities in.

Research expenses in Q2 2018 were $45,848 (Q2 2017 – $543). The increase was a result of increased activities of the Company's research and development team in the design and manufacturing of the Company's commercial-grade organic waste management system for the cannabis industry.

Professional fees in Q2-2018 was $53,453 (Q2 2017 – $45,946). It was comparable to the professions fees incurred in Q2 2017.

Loss on held for trading investments of $35,861 (Q2 2017 - $Nil) related to the common shares and share purchase warrants received from Nickel One in connection with the sale transaction of the Company's Finnish subsidiary to Nickel One. There were no held for trading investments in the same period last year.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters:

	2018	2018	2017	2017
Quarter Ended	**Jun. 30(6)**	**Mar. 31(5)**	**Dec. 31(4)**	**Sep. 30**
Total revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss	794,147	617,950	7,833,395	226,399
Loss and comprehensive loss per share, basic and diluted	0.011	0.009	0.145	0.008

	2017	2016	2016	2016
Quarter Ended	**Jun. 30(3)**	**Mar. 31(2)**	**Dec. 31(1)**	**Sep. 30**
Total revenue	$ Nil	$ Nil	$ Nil	$ Nil
Loss and comprehensive loss	249,328	127,288	247,859	9,173
Loss and comprehensive loss per share, basic and diluted	0.011	0.064	0.124	0.005

(1) The increased loss and comprehensive loss in the quarter ended December 31, 2016 as compared with the quarter ended September 30, 2016 was primarily due to the professional fees of $13,000, consulting fees of $216,667, and business development of $5,577 incurred in the quarter ended December 31, 2016. The significant increase in consulting fees was attributed to an increase in corporate development and operational activities of the Company. The increase in professional fees was due to increase in accounting fees for year-end audit necessary for the Transaction.

(2) The decreased loss and comprehensive loss in the quarter ended March 31, 2017 as compared with the quarter ended December 31, 2016 was primarily due to reduction of consulting fees from $216,667 to $92, 500.

(3) The increased loss and comprehensive loss in the quarter ended June 30, 2017 as compared with the quarter ended March 31, 2017 was primarily due to increases in professional and consulting fees. The increase in consulting fees was attributed to an increase in corporate development and operational activities of the Company. The increase in professional fees was due to fees associated with the Transaction and share capital related activities.

(4) The increased loss and comprehensive loss for the quarter ended December 31, 2017 as compared with the quarter ended September 30, 2017 was mainly due to a transaction expense of $6,572,801 resulting form the reverse takeover in the quarter ended December 31, 2017; share-based payment of $916,480; and business development expenses of $256,223.

(5) The decreased loss and comprehensive loss for the quarter ended March 31, 2018 as compared with the quarter ended December 31, 2017 was primarily due to a transaction expense of $6,572,801 resulting from the reverse takeover in the quarter ended December 31, 2017 and a decrease in share-based payment in the quarter ended March 31, 2018.

(6) The increased loss and comprehensive loss for the quarter ended June 30, 2018 as compared with the quarter ended March 31, 2018 was primarily due to increases in share-based payment, loss on held for trading investments and consulting fees/salaries. The increase in loss on held for trading investments was due to further decline in market value of the Nickel One shares the Company received in connection with the sale transaction of the Company's Finnish subsidiary to Nickel One. The increase in consulting fees/salaries was primarily due to the salaries and payroll expenses associated with the addition of new employees to the Company's research and development team.

LIQUIDITYAND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

The Company had working capital of $6,745,698 at June 30, 2018, compared to $5,089,079 at December 31, 2017. The increase in working capital for the six months ended June 30, 2018 was mainly due to funds received from the private placement subscription in January 2018 and funds received from the exercise of warrants by shareholders.

At present, the Company has no current operating income. The Company has financed its operations to date through the issuance of common shares. The Company anticipates significant increase in the following expenditures in the next quarters: research and development, business development and marketing, investors relations, and facility. For the Company to have sufficient liquidity to fund its ongoing operations and complete development activities. the Company intends to continue financing its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. The Company estimates it will have sufficient capital to continue operations for the upcoming year.

OUTSTANDING SHARE DATA

As at June 30, 2018 and the date of this report, the Company has:

	June 30, 2018	August 22, 2018
Issued and outstanding common shares	74,296,728	74,566,728
Warrants outstanding	44,271,107	44,001,107
Stock options outstanding	4,455,000	5,220,000

OFF BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

COMMITMENTS

The Company has the following commitments:

	2018	**2019**	**2020**	**2021**	**2022**	**Total**
Warehouse lease	$29,067	$58,135	$ 58,135	$ 60,777	$60,778	$266,892

RELATED PARTY TRANSACTIONS

Key management personnel include senior officers and directors of the Company.

Compensation to key management personnel is as follows:

Six Months ended June 30		2018		2017
Consulting fees – key management personnel	$	246,000	$	233,810
Share-based compensations		88,994		-
	$	334,994	$	233,810

Other related party compensation is as follows:

Six Months ended June 30		2018		2017
Accounting fees(1)	$	-	$	8,472
Consulting fees – other(2)		5,700		-
Rent(3)		12,000		15,000
	$	17,700	$	23,472

Accounts payables and accrued liabilities of the Company include the following amounts due to related parties:

		June 30, 2018		December 31, 2017
Key management personnel – expense reimbursement	$	133	$	15,276
Other related parties		-		-
	$	133	$	15,276

(1) Fees of $Nil (Q2 2017 - $8,472) for bookkeeping and accounting services paid to a company controlled by former CFO.
(2) Fess of $5,700 (Q2 2017 - $Nil) for tax services paid to a partnership which a senior officer is a partner.
(3) Fees of $12,000 (Q2 2017 - $15,00) for office rent paid to a company that the Chairman and director of the Company and a senior officer are principals.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2017 and 2016.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period.

Actual outcomes could differ from these estimates, and as such, 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 and the revision affects both the current and future periods.

For a detailed summary of the accounting polices subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position – see Note 3 of the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016.

FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The Company classified its financial instruments at Level 1 and as follow:

	Financial Assets	Loans and Receivables	Other Financial Liabilities
	Fair Value Through Profit or Loss	Measured at Amortized Cost	Measured at Amortized Cost
June 30, 2018			
Cash and cash equivalents	$ 3,451,225	$ -	$ -
Short-term investments	3,000,012		
Marketable securities and investments (shares)	175,000	-	-
Accounts receivable	-	22,115	-
Accounts payable and accrued liabilities	-	-	(207,312)
	$ 6,626,237	$ 22,115	$ (207,312)

Marketable securities and investments consisting of warrants have a fair value of $23,057 which has been determined using Level 3 inputs.

Fair Value
The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments.

RISKS AND UNCERTAINTIES

(a) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding demand deposits in high credit quality banking institutions in Canada. The Company does not have any asset-backed commercial paper included in cash. Management believes that the credit risk with respect to receivables is remote.

(b) 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 risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of its short-term investment nature.

(c) Foreign Exchange Rate Risk

The Company has certain consulting fees and exploration and evaluation assets that are denominated in US dollars, European Euros and other operating expenses that are mainly in Canadian dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar, the US dollar and the European Euro. The exposure to foreign exchange rate risk is considered low. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

(d) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities are carried at market value and are therefore directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 35% change in the market price would result in a $129,000 gain or loss on the condensed interim consolidated statements of operations and comprehensive loss.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

(f) Management of Capital

Capital comprises the Company's shareholders equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues or cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended June 30, 2018. The Company is not subject to externally imposed capital requirements.

(g) Uninsurable Risks

The business of the Company may not be insurable, or the insurance may not be purchased due to high cost. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company.

(h) Financing and Share Price Fluctuation Risks

The market price of the Company's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's common shares.

(i) Risks Associated with Acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

(j) Economic Environment

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's future sales and profitability.

SUBSEQUENT EVENTS

1) Subsequent to June 30, 2018, 270,000 warrants were exercised for gross proceeds of $135,000.

2) On July 6, 2018, the Company granted 865,000 options to purchase common stock to various directors, employees, and consultants, at an exercise price of $0.55, for a term of five years, pursuant to the Company's incentive stock option plan.

3) 100,000 stock options expired with a weighted average exercise price of $0.30 per option following the termination of a consultant.

APPENDIX 1

RISKS RELATED TO THE BUSINESS

Regulatory Risks

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

Change in Laws, Regulations and Guidelines

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

Lack of Operating History

The Company has only recently started to carry on its business. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Company to meet any of these conditions could have a materially adverse effect on the Company and may force it to reduce, curtail, or discontinue operations. 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. The Company may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Company fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Company accomplishes these objectives, the Company may not generate the anticipated positive cash flows or profits. No assurance can be given that the Company can or will ever be successful in its operations and operate profitably.

Competition

There is potential that the Company will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. See "*Narrative Description of the Business - Competition*" for further details about the competition faced and to be faced by the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Growth and Consolidation in the Industry

The Company expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Company. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or user of competing technology consolidate with the Company's current or potential customers. Furthermore, the Company's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.

Intellectual Property Risks

The Company`s ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for 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 Company's 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 will have detailed procedures in place for testing finished 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 regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs

The Company's business will be 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 Company and the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. 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.

Environmental and Employee Health and Safety Regulations

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

Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Payment of Dividends Unlikely

There is no assurance that the Company will pay dividends on its shares in the near future or ever. The Company will likely require all its funds to further the development of its business.

Management of Growth

Any expansion of the Company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Company will be able to manage growth successfully. Any ability of the Company to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Key Personnel and Consultants

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it 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 Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Shareholders' Interest may be Diluted in the Future

The Company will require additional funds for its planned activities. If the Company raises additional funding by issuing equity securities, which is highly likely, such financing could substantially dilute the interests of the Company's shareholders. Sales of substantial amounts of shares, or the availability of securities for sale, could adversely affect the prevailing market prices for the Company's shares. A decline in the market prices of the Company's shares could impair the ability of the Company to raise additional capital through the sale of new common shares should the Company desire to do so.

Conflicts of Interest

Certain of the proposed directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company. Furthermore, because the content of most of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, the Company may face additional difficulties in depending its intellectual property rights.

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