BODY AND MIND, INC.
(formerly DEPLOY TECHNOLOGIES INC.)
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION
FOR NINE MONTHS ENDED APRIL 30, 2018
Filed JUNE 29, 2018

The following is Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Body and Mind, Inc. (formerly Deploy Technologies Inc.) ("BaM", "Deploy" or the "Company") for the nine months ended April 30, 2018. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the accompanying notes for the nine months ended April 30, 2018 and the audited consolidated financial statements and accompanying notes for the year ended July 31, 2017. The unaudited condensed consolidated interim financial statements for the nine months ended April 30, 2018 have been prepared in accordance with IAS 34 and International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in U.S. Dollars unless otherwise indicated.

INTRODUCTION

The Company is a development stage company and will employ a system of internal controls, consistent with reasonable costs, to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable, and timely financial information. These financial statements have been reviewed with management and have been approved for issuance by the Board of Directors on June 29, 2018. The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The MD&A provides readers with information essential to understand BaM's current operations, results and financial performance, and to evaluate the future prospects of the Company. The preparation of the financial statements and related disclosures in conformity with IFRS requires management to make estimates that affect the reported amounts of assets, liabilities, revenue, expenses and contingencies.

Management bases its estimates on historical experience and on other assumptions that are believed, at the time, to be reasonable under the circumstances.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information based on management's best estimates and the current operating environment.

These forward-looking statements relate to anticipated financial performance, business prospects and strategies. With the exception of historical data, information and statements in this report, certain information and statements in this report that covers expected results of the Company should be considered forward-looking. Such forward-looking statements involve risks, uncertainties and other factors, which may cause actual results, performance or achievements of BaM to be materially different from future results, performance or achievements expected or implied by such forward-looking statements. Some of the factors contributing to this uncertainty are fluctuations in quarterly and annual results, the ability of BaM to identify, complete and then efficiently integrate acquisitions and strategic activities over the long term, demand for the products and service offered by BaM, industry price pressure, as well as market forces, economic cycle, and the strength of regional economies in Canada, United States and elsewhere where BaM conducts its business. The foregoing list of important factors is not exhausting.

BUSINESS ACQUISITION

On 15 May 2017, the Company entered into an assignment and novation agreement (the "Assignment Agreement") with Toro Pacific Management Inc. (the "Transferor") pursuant to which the Transferor assigned a letter of intent (the "LOI") effective 12 May 2017 to the Company in accordance with its terms. The Assignment Agreement and the LOI contemplated a business combination transaction (the "Acquisition") to acquire all of the issued and outstanding securities of Nevada Medical Group LLC ("NMG"), an arm's length Nevada-based licensed producer of medical marijuana.

As consideration for the Assignment Agreement, the Company issued to the Transferor 1,000,000 common shares of the Company at a deemed price of CAD$0.66 per share.

The concurrent financing consisted of subscription receipts of the Company (the "Subscription Receipts"), at an issue price of CAD$0.66 per Subscription Receipt, with each Subscription Receipt being automatically converted, at no additional cost to the subscriber, upon the completion of the Acquisition for one common share and one share purchase warrant exercisable at a price of CAD$0.90 for a period of 24 months from the date of issuance. Each warrant is subject to acceleration provisions following the six-month anniversary of the date of closing, if the closing trading price of the common shares is equal to or greater than $1.20 for seven consecutive trading days, at which time the Company may accelerate the expiry date of the warrants by issuing a press release announcing the reduced warrant term whereupon the warrant will expire 21 calendar days after the date of such press release.

On 14 September 2017, the Company and Dep Nevada entered into a definitive agreement (the "Share Exchange Agreement") with NMG. Pursuant to the Share Exchange Agreement, Dep Nevada acquired all of the issued and outstanding securities of NMG in exchange for the issuance of the Company's common shares and certain cash and other non-cash consideration (the "Acquisition"). On 14 November 2017, the Company closed the Acquisition, and acquired all of the issued and outstanding membership units of NMG (the "Units") through DEP Nevada.

In consideration for the Units, the Company issued to the NMG Members an aggregate of 16,000,000 common shares at a deemed value of CDN $0.66 per common share as well as a cash payment of $2,084,000 pro rata amongst the NMG Members and a promissory note to the NMG members in the aggregate amount of $2,000,000.

The Company also issued 2,037,879 common shares to TI Nevada, LLC, 212,121 common shares to Charles Fox, 47,000 common shares to Toro Pacific Management Inc., 60,000 common shares to Chris Hunt, and 470,000 common shares to Benjamin Rutledge in connection with the Acquisition. In addition, the Company paid the amount of $225,000 and issued a promissory note in the amount of $175,000 to TI Nevada as repayment for a loan made by TI Nevada to NMG. In connection with the closing of the Acquisition, the net proceeds of the Company's private placements of Subscription Receipts in support of the Acquisition, (the "Offering") have been released to the Company from escrow. Immediately prior to closing of the Acquisition, the Company completed a consolidation of its common shares on the basis of three (3) pre-consolidation common shares to one (1) post-consolidation common share, as well a name change, changing the name of the Company from Deploy Technologies, Inc. to Body and Mind Inc. The Company eliminated its authorized Class A Preferred shares.

As a result of the acquisition of NMG, the Company changed its business focus to growing and supplying medical and recreational marijuana in the state of Nevada. The acquisition of NMG was accounted for as a business combination, in which the assets acquired and the liabilities assumed are recorded at their estimated fair values. These values are based on preliminary management estimates and are subject to final valuation adjustments. The allocation of the purchase consideration is as follows:

Purchase consideration	**$**
Share considerations	10,164,000
Cash considerations	2,309,000
Promissory notes issued	1,826,537
Total	14,299,537
Assets acquired:	
Cash	260,842
Amounts receivable	253,697
Prepaid expenses	69,138
Biological assets	348,184
Property and equipment	1,951,696
Liabilities assumed:	
Trade payable and accrued liabilities	(367,385)
Loans payable	(250,000)
Net assets acquired:	2,266,172
Brand and licenses	12,033,365
Total	14,299,537

On December 21, 2017, the Company and Friday Night Inc. (“Friday Night” or “TGIF”) announced an all-stock acquisition. The transaction was expected to be structured by way of an amalgamation between the Company and a wholly owned Nevada subsidiary of TGIF, in which the shareholders of the Company will receive common shares in the capital of TGIF (the “TGIF Shares”) in exchange for their shares of the Company (“BAM Shares”). In February 2018, the LOI with Friday Night was mutually terminated.

BaM maintains current reporting and disclosure through SEDAR and the Canadian Securities Exchange (“CSE”).

RESULTS OF OPERATIONS

Revenues

On November 14, 2017, the Company closed the Acquisition of NMG and, as a result, consolidated the result of operations of NMG from the date of acquisition. For the period from November 15, 2017 to April 30, 2018, the Company reported total sales of $1,618,967 and cost of sales of $670,880 for a gross margin of $948,087.

For the nine months ended April 30, 2017, the Company had no revenue generating activities.

Operating Expenses

Operating expenses totaled $2,559,020 for the nine months ended April 30, 2018 compared with $130,302 for nine months ended April 30, 2017. The change in general and administrative expenses relate to a number of factors, but mainly attributed to the process of finalizing its acquisition agreement with NMG which resulted in an increased listing fees, professional fees and consulting fees. The Acquisition was completed on November 14, 2017 and, as a result, the results for the nine months ended April 30, 2018 are consolidated with the results of NMG from the date of acquisition.

Of the $2,559,020 expenses for the nine months ended April 30, 2018, a total of $471,408 relates to non-recurring listing fees as part of the Acquisition of NMG. In addition, the Company granted stock options to various officers, directors, employees and/or consultants, resulting in a non-cash stock-based compensation of $733,679 calculated using the Black-Scholes Option Pricing Model.

A total of $254,252 relates to management and consulting fees paid/accrued to the Chief Executive Officer, Chief Financial Officer and former Chief Executive Officer and $22,088 relates to accounting fees paid/accrued to the former Chief Financial Officer and a director.

Another factor contributing to the change in the general and administrative expenses was the variation in exchange rates. The Company's functional currency is the Canadian dollar and its reporting currency is the United States dollar.

For the quarter ended April 30, 2018, operating expenses totaled $646,157 compared with $83,789 for the quarter ended April 30, 2017. Commencing November 14, 2017, the Company consolidated its results of operation with the results of NMG. Included in the results for the quarter ended April 30, 2018 is $119,131 in accretion expense related to the various promissory notes issued to acquire NMG.

Net Loss

Net loss for the nine months ended April 30, 2018 totaled $1,701,058 compared with a net loss of $142,744 for the nine months ended April 30, 2017.

Net loss for the quarter ended April 30, 2018 totaled $281,123 compared with a net loss of $31,145 for the quarter ended April 30, 2017.

In 2017, the Company recorded other income of $61,983 related to settlement of liabilities.

The increase in net loss is mainly due to the increase in general and administrative expenses as discussed above.

Other Comprehensive Income

The Company's functional currency is the Canadian dollar and its reporting currency is the U.S. dollar. At each balance sheet date, assets and liabilities that are denominated in a currency other than U.S. dollars are adjusted to reflect the current exchange rate which may give rise to a foreign currency translation adjustment accounted for as a separate component of shareholders' equity and included in other comprehensive income. The Company recorded translation adjustments loss of $16,936 and translation adjustment gain of $55,396 for the nine months ended April 30, 2018 and 2017, respectively. The amounts are included in the statement of operations as other comprehensive loss/gain for the respective periods.

Total Assets

The Company's total assets amounted to $17,079,829 at April 30, 2018, compared with $515,905 at July 31, 2017. The increase is largely attributable to the business combination on November 14, 2017 with NMG. As part of the Acquisition, the Company recorded an intangible assets, brand and licenses, in the amount of $12,033,365. In addition, there was an increase in cash as a result of the various private placements related to the concurrent financing in connection to the Acquisition and an additional financing in December 2017 resulting in aggregate proceeds of $4,920,291.

Authorized and Issued Shares:

Authorized Capital:

The authorized capital of the Company consists of 900,000,000 Common Shares with a par value of $0.0001.

In connection with the Acquisition, on November 14, 2017, the Company eliminated its authorized Class A Preferred shares and completed a consolidation of its common shares on the basis of three (3) pre-Consolidation common shares to one (1) post-Consolidation common share. Unless otherwise noted, all figures in the financial statements are retroactively adjusted to reflect the consolidation.

Issued and Outstanding Shares

47,704,317 Common Shares at April 30, 2018 (July 31, 2017 – 19,137,783) and as at the date of this report.

On March 13, 2017, a total of 150,000 Class A preferred shares were converted into 500,000 common shares of the Company.

On May 8, 2017, the remaining 2,325,500 Class A preferred shares were converted into 7,751,792 common shares of the Company.

On August 15, 2017 and August 16, 2017, the Company closed the first two of four tranches of a non-brokered private placement and issued 8,276,294 Subscription Receipts at a price of CAD$0.66 per Subscription Receipt for aggregate gross proceeds of CAD$5,462,369.

On October 31, 2017, the Company closed a third tranche of a non-brokered private placement and issued 757,666 Subscription Receipts at a price of CAD$0.66 per Subscription Receipt for aggregate gross proceeds of CAD$500,060.

On November 1, 2017, the Company closed a fourth and final tranche of a non-brokered private placement and issued 68,181 Subscription Receipts at a price of CAD$0.66 per Subscription Receipt for aggregate gross proceeds of CAD$45,000.

On November 14, 2017, the Company issued a total of 18,827,000 common shares valued at $9,940,656 in connection with the Acquisition of NMG.

On November 14, 2017, a total of 9,739,534 Subscription Receipts converted to 9,739,534 common shares and 9,739,534 share purchase warrants exercisable at CAD$0.90 for a period of 24 months pursuant to the closing of the Acquisition of NMG. The Company issued a total of 367,286 brokers' warrants with a fair value of $62,138 (CAD$78,122) in connection with these financings.

On December 1, 2017, the Company closed a non-brokered private placement of 637,393 units at a price of CAD$0.66 per unit for aggregate gross proceeds of CAD$420,680. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.90 per warrant for a period of 24 months from the closing.

Stock Options and Share Purchase Warrants

On November 24, 2017, the Company issued an aggregate of 3,850,000 stock options in accordance with the Company's stock option plan at an exercise price of CAD $0.66 per share for a five year term expiring November 24, 2022. The options were granted to officers, directors and consultants of the Company. The fair value of the stock options was calculated to be $733,679 using the Black-Scholes Option Pricing Model.

As at the date of this report, the Company had 3,850,000 stock options exercisable at CAD$0.66 per share, 175,000 stock options exercisable at CAD$0.41 per share, 367,286 share purchase warrants exercisable at CAD$0.66 per share and 9,739,534 share purchase warrants exercisable at CAD$0.90 per share.

As at the date of this report, the Company had the following warrants outstanding:

Number of warrants outstanding and exercisable	Exercise price	Expiry dates
248,350	CAD$0.66	15 August 2019
58,324	CAD$0.66	16 August 2019
60,612	CAD$0.66	3 November 2019
9,102,141	CAD$0.90	14 November 2019
637,393	CAD$0.90	1 December 2019
10,106,820		

Related Party Transactions

Except as disclosed elsewhere in the Company's financial statements, related party transactions for the nine months ended April 30, 2018 and 2017 are as follows:

a) During the nine months ended 30 April 2018, accounting fees of $22,088 (2017 - $8,680) were paid/accrued to a company controlled by the former Chief Financial Officer and a director of the Company.

b) During the nine months ended 30 April 2018, consulting fees of $69,000 (2017 - $Nil) and management fees of $43,544 (2017 - $Nil) were paid/accrued to companies related to the Chief Executive Officer of the Company.

c) During the nine months ended 30 April 2018, management fees of $93,869 (2017 - $Nil) were paid/accrued to a company controlled by a director of the Company.

d) During the nine months ended 30 April 2018, management fees of $35,627 (2017 - $7,547) were paid/accrued to a company controlled by the Chief Financial Officer of the Company.

e) During the nine months ended 30 April 2018, management fees of $2,712 (2017 - $Nil) were paid/accrued to a former Chief Executive Officer of the Company.

f) During the nine months ended 30 April 2018, management fees of $9,500 (2017 - $Nil) were paid/accrued to a company controlled by the former Chief Executive Officer of the Company.

g) During the nine months ended 30 April 2018, management fees of $Nil (2017 - $36,794) were paid/accrued to a former Chief Executive Officer of the Company.

h) As at 30 April 2018, the Company owed $Nil (31 July 2017 - $4,805) to the former Chief Executive Officer of the Company.

i) As at 30 April 2018, the Company owed $32,595 (31 July 2017 - $Nil) to the Chief Executive Officer of the Company and his company.

j) As at 30 April 2018, the Company owed $4,090 (31 July 2017 - $Nil) to the Chief Financial Officer of the Company.

a) During the nine months ended April 30, 2018, the Company paid a deposit of $250,000 as an initial capital contribution to Pepper Lane North LLC (see *Proposed Transactions*).

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Cash Flow Information

a) Operating Activities

Cash flow used in operating activities totaled $1,284,195 and $268,425 during the nine months ended April 30, 2018 and 2017, respectively.

Cash used in operating activities increased significantly in 2018 as a result of the Company's finalization of the Assignment Agreement and the Share Exchange Agreement with NMG.

b) Investing Activities

On November 14, 2017, the Company closed the Acquisition of NMG and resulted in net cash outflow of $2,194,663 (2017 - $Nil). In addition, following the business combination, the Company purchased additional property and equipment for $494,141 (2017 - $Nil).

On December 18, 2017, the Company entered into an agreement with a real estate investment group, led by the Company's President, who will purchase a building adjacent to the existing facility and lease it back to a newly formed partnership called Pepper Lane North LLC ("PLN" or "Partnership"). PLN is a strategic partnership between the Company and one of the preeminent dispensary chains in the State of Nevada. The PLN's partner will also transfer an active cultivation license to the facility and all expenditures under the PLN will be funded on a 50/50 basis. Under the Partnership, each party has provided an initial capital contribution to PLN in the amount of $250,000.

c) Financing Activities

From August 2017 to November 2017, as part of the Concurrent Financing requirement of the Share Exchange Agreement with NMG, the Company raised CAD$6,007,429 by issuing 9,102,165 Subscription Receipts at a price of CAD$0.66 per Subscription Receipt. On November 14, 2017, each Subscription Receipt converted into one common share of the Company and one share purchase warrant of the Company exercisable at a price of CAD$0.90 for a period of 24 months from the date of issuance.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's quarterly results for each of its eight most recently completed quarters.

	Quarters Ended							
	30 April 2018	31 January 2018	31 October 2017	31 July 2017	30 April 2017	31 January 2017	31 October 2016	31 July 2016
Net Income (Loss)	$ (281,123)	$ (969,427)	$ (450,508)	$ (214,324)	$ (31,145)	$ (32,777)	$ (78,822)	$ 612,631
Foreign Currency Translation Adjustment	$ (149,856)	$ 206,648	$ (73,728)	$ 34,683	$ (9,482)	$ (11,123)	$ 76,001	$ 50,554
Comprehensive Income (Loss)	$ (430,979)	$ (762,779)	$ (524,236)	$ (179,641)	$ (40,627)	$ (43,900)	$ (2,821)	$ 663,185
Basic and Fully Diluted Income (Loss) per share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.28
Weighted average number of shares outstanding	47,704,317	43,239,457	19,137,658	6,628,958	3,546,218	2,185,991	2,185,991	2,185,991

During the fourth quarter ended July 31, 2017, the Company's General and Administrative expenses were $221,982, of which $127,766 relates to consulting fees in connection with the Share Exchange Agreement with NMG. The increased consulting and professional fees continued into the first quarter ended October 31, 2017.

On November 14, 2017, the Company closed the Acquisition of NMG, resulting in a significant increase in operating activities with the new medical and recreational marijuana operation in the state of Nevada. During the quarter ended April 30, 2018, the Company reported a net income of $357,333 from its NMG operations; and net loss of $2,058,391 from the Canadian head office for management, consulting, stock-based compensation, listing costs, legal and accounting, and other office related expenses.

During the fourth quarter ended July 31, 2016, the Company recorded a gain of $651,053 from settlement of liabilities with its former officers and directors resulting in a significant net income for the quarter.

During the three months ended April 30, 2018, the Company recorded a gross margin of $384,807 (2017 - $Nil). Other significant expenses include $144,830 (2017 - $Nil) for salaries and wages, $168,754 (2017 - $16,643) for Office and miscellaneous and $119,131 (2017 - $Nil) for accretion expense related to the $2,175,000 promissory notes issued on the acquisition of NMG.

During the nine months ended April 30, 2018, the Company recorded $733,679 (2017 - $Nil) for stock-based compensation as fair value for 3,850,000 stock options granted. The Company also incurred $471,408 (2017 - $Nil) in listing costs related to the acquisition of NMG.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital deficiency was $224,674 as of April 30, 2018 and had working capital of $218,928 as of July 31, 2017.

The Company issued a promissory note in the amount of $2,000,000 and another for $175,000 in connection with the Acquisition of NMG and is included in current liabilities.

There were no long-term payable as of April 30, 2018 or July 31, 2017.

SUBSEQUENT EVENTS

In May 2018, the real estate investment group completed the purchase of the building adjacent to the existing NMG facility ("PLN Facility"). The Company made the decision to terminate its lease back agreement regarding the PLN Facility as it was unable to relocate a church that was in close proximity to the PLN Facility.

The PLN Facility may still be an opportunity for the Company to lease storage and administrative space and the Company will continue to evaluate this opportunity. The Company initiated a claim with the surveyor's insurance company stating the surveyor made an error and did not disclose the church location in their report to the Company. The primary claim, amongst other damages, is to recover the non-refundable $200,000 deposits made by each member of the Partnership.

On 7 June 2018, the Company received a notification that the State of Ohio awarded a medical cannabis dispensary license to NMG, Ohio LLC ("NMG Ohio"). The Company currently has a 30% ownership interest in NMG Ohio. The Company, with its NMG Ohio partners, also have 1 production license application submitted and still in progress and one cultivation license currently going through an appeal process.

On 12 June 2018, the Company granted 175,000 stock options with an exercise price of CAD$0.41 per common share for a period of five years to a consultant of the Company.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company classifies all financial instruments as either financial assets or liabilities at fair value through profit or loss ("FVTPL"), held to maturity, loans and receivables, available-for-sale and other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in accumulated other comprehensive income. FVTPL instruments are measured at fair value with unrealized gains and losses recognized on the statement of loss and comprehensive loss. The Company has designated cash as FVTPL, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Trade payables and loans payable are classified as other financial liabilities which are measured at amortized cost.

NEW STANDARDS NOT YET ADOPTED

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption.

In addition, the elements of IFRS 9 related to presentation of gains from changes in an entity's own credit risk can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company does not expect any significant impact on the adoption of IFRS 9.

The IASB issued IFRS 15, Revenue Recognition, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any significant impact on the adoption of IFRS 15.

The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of assessing the impact of IFRS 16 and has not yet determined when it will adopt the new standard.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company has completed an agreement with another company for the application of new medical licenses in Arkansas.

Arkansas Application – An in-state investor group ("Investor Group") has agreed to fund the Arkansas application. In the event the Arkansas application is successful, the Company and the Investor Group will endeavour to complete a definitive partnership and operating agreement. The cultivation application was denied; however, an Arkansas judge barred the issuance of any license. The Company is still processing 2 dispensary applications.

COMMITMENTS

On 11 November 2014, NMG entered into a five year lease for its premises. The Company has five options to extend the lease and each option is for five years. The monthly rent was $12,500, increased to $15,000 on 1 January 2018.

On 18 December 2017, the Company reached an agreement with a real estate investment group, led by the Company's President, who will purchase a building adjacent to the existing facility and lease it back to a newly formed partnership called Pepper Lane North LLC ("PLN" or "Partnership") on a long-term basis with renewal options. PLN is a strategic partnership between the Company and one of the preeminent dispensary chains in the State of Nevada. The PLN's partner will also transfer an active cultivation license to the facility and all expenditures under PLN will be funded on a 50/50 basis. The new facility will primarily consist of flowering rooms as production, packaging, distribution, and head office functions will remain at the existing facility. The Company has also earmarked approximately 4,000 square feet of frontage for a dispensary upon receipt of a retail license. It is contemplated that at least half of the sales under PLN will be sold to the PNL partner through their existing dispensary network. In addition, the Company has signed an operating and management agreement with PLN and will receive the greater of $15,000/month or 10% of PLN's net profits. Prior to entering the Partnership, the Company engaged surveyors to ensure compliance with permitting procedures and received the necessary approvals to move forward. The Company was later notified that a church was located in close proximity of the building and that permitting was unlikely to proceed. The Company has put an insurance claim to recover damages. Subsequent to April 30, 2018 the Company terminated its operating and management agreements with PLN. Under the Partnership, each party has provided an initial capital contribution to PLN in the amount of $250,000.

On 21 December 2017, the Company and Friday Night Inc. ("Friday Night" or "TGIF") announced an all-stock acquisition (the "LOI"). The transaction was to be structured by way of an amalgamation between the Company and a wholly owned Nevada subsidiary of TGIF, in which the shareholders of the Company will receive common shares in the capital of TGIF in exchange for their shares of the Company. In February 2018, the LOI with Friday Night was mutually terminated.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

During the nine months ended April 30, 2018, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely.

They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's financial statements for the period ended April 30, 2018 (together the "Interim Filings").

The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at www.sedar.com.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

GOING CONCERN

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are stated in U.S. dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for the period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates.

The Company's interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several adverse conditions cast significant doubt upon the validity of this assumption. Consistent with other entities in the development stage, the Company has incurred operating losses since inception, is generating minimal revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and continue its development activities. The Company's ability to continue as a going concern is dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in future.

If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classifications on the statement of financial position used, and such adjustments would be material.

RISK FACTORS

Marijuana Industry and Operational Risks

The Company operates in the cannabis industry in the State of Nevada, United States. Nevada was one of the first states to legalize adult-use cannabis and is projected to remain a significant market in the U.S., largely due to the tourism industry.

There are certain risks involved with such business activities, including:

- Cannabis is illegal under US federal law, but has been legalized by many US states;
- the activities of the Company would be subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- third parties with which the Company does business, including banks and other financial entities, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- the operation of the Company can be impacted by adverse changes and developments affecting the Company's interests;
- the Company has a history of net losses, may incur significant losses in the future and may not achieve or maintain profitability;
- even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.
- there is potential that the Company will face intense competition from 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;
- the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that the 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;

- the Company will face 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.
- the Company's 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.
- the Company carries insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed;
- the Company and other interests face 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;
- 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;
- the Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada or the United States. A failure in the demand for its products to materialize because of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- the Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems of controls;
- the Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- the Company could fail to integrate subsidiaries and other interests into the business of the Company;
- completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- certain of the 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;
- the Company, its other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- 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;
- there can be no assurance that an active liquid market for the shares will be maintained and an investor may find it difficult to resell any securities of the Company;

- the Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings; and
- the Canadian Depository for Securities Limited ("CDS") may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company's current operations and/or disqualify its ability to settle its securities with CDS.

Disclosure Regarding the Company's Business in the United States Cannabis Industry

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – Issuers with U.S. Marijuana-Related Activities. The Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in the public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Nature of the Company's Involvement in the U.S. Cannabis Industry

The Company is directly involved (through its wholly-owned subsidiary Nevada Medical Group LLC) in the cannabis industry in the State of Nevada, United States, where local and state law permits such activities. Currently, the Company is directly engaged in the cultivation, manufacture, importation, possession, use, sale or distribution of cannabis in the medical or recreational cannabis marketplace in the United States.

Illegality under U.S. Federal Law

Almost half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or recreational level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, activities within the cannabis industry are illegal under U.S. Federal Law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis related businesses in the United States are subject to a higher degree of uncertainty and risk. Unless and until the US federal government amends the CSA with respect to cannabis, there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

Such proceedings could have a material adverse effect on the Issuer's business, revenues, operating results and financial condition as well as the Issuer's reputation, even if such proceedings were concluded successfully in favour of the Issuer.

There is also the risk that the Issuer's investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

U.S. Federal Enforcement Priorities

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") acknowledging that although cannabis is a controlled substance at the federal level, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice ("DOJ") has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.
In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, however, he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memorandum framework going forward. After taking office, Attorney General Jeff Sessions established a task force to study cannabis but so far, they have issued no final conclusions. As such, the enforcement of US federal laws with respect to cannabis remains uncertain and subject to change.

The Company's involvement in the US cannabis industry will be made (i) only in those states that have enacted laws legalizing cannabis in an appropriate manner; and (ii) only after it has fully complied with such state (and local) laws and regulations and have the licences, permits or authorizations to properly carry on each element of their business.

Additional Disclosure for Junior Issuers

Ability to Access Private and Public Capital

The Issuer has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Issuer expects to continue to rely almost exclusively on the capital markets to finance its investments in the US cannabis industry. Although such investments carry a higher degree of risk, and despite the illegal nature of cannabis under U.S. federal laws, Canadian based issuers involved in making U.S. cannabis based investments have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Issuer will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate US federal laws.

OUTLOOK

In November 2017, the Company completed the acquisition of NMG as well as the concurrent financing. The acquisition represents a “fundamental change” and was structured as a business combination.

The Company now shifts its focus to its new business, being the Nevada-based licensed producer of medical and recreational marijuana.