LIFESTYLE DELIVERY SYSTEMS INC.

MANAGEMENT'S DISCUSSION

AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2018

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Lifestyle Delivery Systems Inc. (the "Company" or "LDS"), has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of May 5, 2019, and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2018, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS").

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.lifestyledeliverysystems.com.

All financial information in this MD&A has been prepared in accordance with IFRS. All dollar amounts are quoted in Canadian dollars, the reporting currency of the Company, unless specifically noted.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in the foregoing MD&A constitute forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

COMPANY OVERVIEW AND DESCRIPTION OF BUSINESS

Lifestyle Delivery Systems Inc. was incorporated on September 14, 2010, pursuant to the Business Corporations Act, British Columbia. The Company is a technology and intellectual property company participating in a strategic alliance, comprising of a licensed and state-compliant vertically integrated operations. The Company's main focus is its technology, which allows to produce infused strips (similar to breath strips) that are not only a safer, healthier option to any other form of delivery but also allows for inclusion of a wide spectrum of ingredients from over the counter medications to homeopathic, nutraceutical, vitamins and supplements. The technology provides a new way to accurately meter the dosage and assure the purity of the selected product.

The Company operates in two geographical locations; California, USA, and British Columbia, Canada. Majority of the assets of the Company as well as daily operations are located in the City of Adelanto, California. The Parent Company operates in British Columbia; its primary function is the financing of the day-to-day operations in California as well as holding and development of intellectual property of the Company, being technology to produce CannaStrips™ and its Track and Trace software. As of the date of the filing of this MD&A, the Company has the following subsidiaries:

Name	Jurisdiction of Incorporation	Interest	Function
Canna Delivery Systems Inc.	Nevada	100%	Holding company
LDS Agrotech Inc.	Nevada	75%	Consulting services – cultivation
LDS Scientific Inc.	Nevada	75%	Consulting services - extraction

Name	Jurisdiction of Incorporation	Interest	Function
			and manufacturing
Rêveur Holdings Inc. (formerly Adelanto Agricultural Advisors Inc.)	California	100%	Holding company
LDS Development Corporation	California	100%	Real estate holdings; equipment
Lifestyle Capital Corporation	California	100%	Financing
Omni Distribution Inc.	California	100%	No current operating activities
Optimus Prime Design Corp.	Canada	100%	Holding company
CSPA Group, Inc.	California	100%	Manufacturing and transportation
Core Isogenics Inc.	California	100%	Nursery and cultivation

The Company's shares trade on the Canadian Securities Exchange under the trading symbol "LDS"; on OTC Link alternative trading system OTCQX platform under the trading symbol "LDSYF"; and on the Frankfurt Stock Exchange under the symbol "LD6, WKN: A14XHT".

Acquisition of Technology from Canna Delivery Systems Inc.

On May 1, 2015, the Company acquired all the issued and outstanding shares in the capital of Canna Delivery Systems Inc. ("CDS"), a company incorporated under the State of Nevada. As consideration for the Canna Acquisition, on May 1, 2015 (the "Closing Date"), the Company issued to the Canna Shareholders, 7,800,000 shares of the Company (the "Performance Shares") at a deemed price of $0.15 per share. The Performance Shares were issued in escrow on the Closing Date and were being released from escrow upon the Company achieving certain financial milestones (the "Milestones").

Milestone	Number of Shares to be released
US$50,000 in cumulative gross revenues	1,500,000 (released, with fair value of $225,000)
US$200,000 in cumulative gross revenues	2,100,000 (released, with fair value of $1,260,000[1])
US$600,000 in cumulative gross revenues	2,100,000 (released, with fair value of $1,260,000[1])
US$1,000,000 in cumulative gross revenues	2,100,000 (released, with fair value of $997,500[2])

(1) *The fair market value of released shares was calculated based on $0.60 per share, the trading price of the Company's common shares on the date the shares were released from escrow.*
(2) *The fair market value of released shares was calculated based on $0.475 per share, the trading price of the Company's common shares on the date the shares were released from escrow.*

The Company incurred $80,398 in costs associated with the Acquisition, and agreed to issue 648,333 shares of the Company with an estimated fair value of $67,344 in finder's fees as follows:

	Number of shares to be issued
At the Closing Date	83,333 (Issued)
US$50,000 in cumulative gross revenues	141,667 (Issued)
US$200,000 in cumulative gross revenues	157,500 (Issued)
US$600,000 in cumulative gross revenues	157,500 (Issued)
US$1,000,000 in cumulative gross revenues	108,333 (Issued, with fair value of $51,458[1])

(1) *The fair market value of issued shares was calculated based on $0.475 per share, the trading price of the Company's common shares on the date the final Milestone was achieved.*

License Agreement to Enhance Technology

In November 2016, the Company entered into a provisional patent license agreement with Nanostrips, Inc., an entity controlled by the Company's Chief Science Officer (the "CSO"), Dr. Sanderson, to acquire a worldwide, exclusive, royalty-free license to use a patent-pending method developed by Dr. Sanderson, which allows for improved delivery of biological molecules through mucous membranes, which can target specific processes in the body (the "CannaStrips™ Technology"). On May 3, 2017, the original license agreement was amended and superseded by a revised license agreement (the "License Agreement"). Under the terms of the License Agreement, the Company agreed to issue to Dr. Sanderson 1,000,000 common shares of the Company in exchange for the license rights, and a further 1,000,000 common shares upon the

granting of a patent by the U.S. Patent and Trademark Office for the process developed by Dr. Sanderson. The licensing of this technology from Dr. Sanderson allowed the Company to refine its CannaStrips™ formula further.

On December 18, 2017, Dr. Sanderson filed an enhanced provisional patent for CannaStrips™ Technology. The new provisional patent filing added additional enhanced capabilities to the then current CannaStrips™ formula, which have been implemented into the 2018 CannaStrips™ product line.

On December 18, 2018, Dr. Sanderson and Nanostrips filed the patent application entitled *Transmucosal Delivery Device and Method of Manufacturing Same.* As of the date of this MD&A, the patent application is being reviewed by the US Patent and Trademark Office.

Adelanto Operations

On August 19, 2016, the Company entered into a memorandum of understanding (the "Original MOU") with NHMC to set up a joint venture (the "JV") for the development, manufacturing, production, and commercialization of products based on the CannaStrips™ Technology. On October 6, 2016, the Company signed an additional letter of intent (the "LOI") with NHMC and CSPA Group Inc. ("CSPA"), which, at the time of the signing of agreements, were affiliated non-profit mutual benefit organizations. The LOI confirmed the intention of the parties to enter into the JV, as contemplated under the Original MOU.

Pursuant to the terms set out in the Original MOU, the Company agreed to design and retrofit a 20,000 square-foot facility (the "Adelanto Facility") located in the City of Adelanto, California to meet California energy efficiency standards and provide the JV with all equipment necessary to run the operations.

At the date of this MD&A, the Adelanto Facility is the Company's main operating facility, which houses a full manufacturing cycle starting with nursery, cultivation, extraction, distillation, strip coating, and packaging line. The Facility is divided into three distinct divisions, nursery, cultivation, and manufacturing, of which retrofitting/construction of the manufacturing division has been completed in the summer of 2018. The nursery and cultivation divisions of the Adelanto Facility are expected to be completed in the early Summer of 2019.

In preparation for the JV with CSPA and NHMC, in January of 2017, the Company incorporated two majority-owned subsidiaries, LDS Agrotech Inc. ("LDS Agrotech") and LDS Scientific Inc. ("LDS Scientific"). On May 1, 2017, the Company, LDS Agrotech, LDS Scientific, NHMC and CSPA agreed to replace the original JV arrangements with Management Services Agreements, which continue to define the business relationship and structure of the current operations of the Company.

LDS Agrotech entered into a management services agreement with NHMC, whereby LDS Agrotech agreed to act as the sole manager of NHMC's medicinal marijuana cultivation operations. Concurrently, LDS Scientific entered into a substantially identical management services agreement with CSPA, whereby LDS Scientific acts as the sole manager of CSPA's medicinal marijuana extraction and manufacturing operations. Under the terms of the management services agreements, LDS Agrotech and LDS Scientific supervise and cause to be performed all functions related to the cultivation, extraction and manufacturing operations of NHMC and CSPA, respectively. LDS Agrotech and LDS Scientific are primarily responsible for advancing the operating costs of those operations until such time that CSPA and NHMC's operations are generating positive cash flows, at which point both, LDS Agrotech and LDS Scientific, will be reimbursed for the operating costs out of NHMC's and CSPA's respective revenues. In addition to the recovery of operating costs, LDS Agrotech and LDS Scientific will receive management fees equal to 75% of the excess of revenues over operating expenses, as defined in the respective management services agreements, with NHMC and CSPA retaining the remaining 25%. Neither NHMC nor CSPA may disburse funds held by them without the consent of LDS Agrotech or LDS Scientific, respectively. Both the NHMC/LDS Agrotech's cultivation operations and CSPA/LDS Scientific's extraction and manufacturing operations operate out of the same indoor Adelanto Facility.

Membership Acquisition

Concurrent with the execution of the management services agreements, the Company entered into separate agreements to purchase the sole outstanding membership interests of each of NHMC and CSPA. The Company has agreed to purchase the sole membership interest of each of NHMC and CSPA in exchange for 3,000,000 common shares of the Company and US$1,400,000 in cash, each (for a total of 6,000,000 common shares and US$2,800,000 in cash). One-third (1/3) of the share consideration and cash purchase price for NHMC was to be paid upon the grant of a Certificate of Occupancy for the cultivation division of the Adelanto Facility, and one-third (1/3) of the share consideration and cash purchase price for CSPA was to be paid upon the grant of a Certificate of Occupancy for the extraction and manufacturing division of the Adelanto Facility. CSPA received its Certificate of Occupancy in September 2017, and therefore the Company released the agreed upon shares to CSPA and made a partial cash payment towards the acquisition of the membership. The balance of the purchase price for NHMC and CSPA was to be paid in equal annual installments during the two years after the granting of the respective Certificates of Occupancy. The Company had the right to accelerate payment of the purchase price for NHMC and CSPA and acquire the outstanding membership interests earlier than scheduled. The agreements provided that if at any time prior to the payment of the full purchase price, NHMC or CSPA breach their respective management services agreements or the provisions of their governing documents, or their respective cultivation and extraction, and manufacturing permits are revoked, then the Company would have the right to acquire NHMC or CSPA without the payment of any additional consideration.

On February 21, 2018, the Company reached an agreement with former principals of CSPA and NHMC (the “Sellers”) to restructure the membership purchase agreements, whereby the Company agreed to a one-time cash payment of US$1,250,000 and a release of 3,000,000 previously escrowed shares of the Company’s common stock to members of CSPA. In addition, the Company and the Sellers agreed to an additional one-time payment of US$120,000, to pay the salaries for service as officers of each of NHMC and CSPA up to January 31, 2018.

Three million (3,000,000) shares of the Company’s common stock previously granted to NHMC under the Membership Purchase Agreement to acquire membership in NHMC, which were held in escrow pending receipt of COO, were returned to the treasury of the Company and were canceled in March of 2018. The Company’s obligation to pay an additional US$1,400,000 was also canceled.

Options to Acquire Minority Interest in Subsidiaries

As previously discussed, the Company owns a 75% interest in each of LDS Agrotech, LDS Scientific, and Omni Distribution. The remaining 25% of LDS Agrotech is owned by its President, Matthew Fergusson, the remaining 25% of LDS Scientific is owned by its President, Jonathan Hunt, who replaced Crystal Elrod in that position in July 2018. In connection with the change in responsibilities, Mr. Hunt obtained the shares previously held by Ms. Elrod in a private transaction in exchange for the 25% shares Mr. Hunt held in Omni Distribution Inc., the Company’s subsidiary, which was formed on August 14, 2017 and organized in June 2018.

On May 1, 2017, the Company entered into separate option and first right of refusal agreements with each of Mr. Fergusson and Ms. Elrod (the “Minority Shareholders”), pursuant to which the Company was granted options to purchase the remaining 25% of each of LDS Agrotech and LDS Scientific from Mr. Fergusson and Ms. Elrod, respectively (the “LDS Agrotech Option” and the “LDS Scientific Option”, respectively). In July 2018 Ms. Elrod assigned the LDS Scientific Option to Mr. Hunt in connection with the share transfer. The LDS Agrotech Option and the LDS Scientific Option were subsequently amended on July 31, 2017, August 31, 2017, January 28, 2018, and on July 12, 2018.

To exercise the LDS Agrotech Option and the LDS Scientific Option, the Company is required to:

(a) issue a total of 2,500,000 common shares to each Minority Shareholder; and

(b) make the following cash payments:

  (i) US$500,000 in cash, if the options are exercised on or before July 31, 2019, per amended LDS Agrotech Option and LDS Scientific Option agreements), or

  (ii) US$1,000,000 in cash, if the options are exercised after July 31, 2019, but on or before July 31, 2020, (the “Option Price”).

The LDS Agrotech Option and the LDS Scientific Option, as amended, may be exercised in whole or in part, with the Option Price being allocated pro rata to the number of shares being purchased. Upon exercise of the LDS Agrotech Option and the LDS Scientific Option, in whole or in part, the Company will have the immediate right to vote and receive distributions on the LDS Agrotech and LDS Scientific shares acquired, with the Option Price being payable in five (5) annual installments from the date of exercise. The LDS Agrotech Option and the LDS Scientific Option, as amended, expire on July 31, 2020, after which the Company will have a right of first refusal over any proposed sale of the 25% interest in LDS Agrotech held by Mr. Fergusson, and 25% interest in LDS Scientific held by Mr. Hunt expiring July 31, 2023.

The Option Agreement to acquire shares of Omni Distribution (the "Omni Option") was dated for reference June 25, 2018.

To exercise the Omni Option, the Company is required to:

(a) issue to the Minority Shareholder 2,500,000 common shares of the Company; and
(b) make the following cash payments:
  (i) US$500,000 if the option is exercised on or before December 31, 2019, or
  (ii) US$1,000,000 if the option is exercised after December 31, 2019, but on or before December 31, 2020, (the "Option Price").

All other terms of the Omni Option are substantially same as the terms of the LDS Agrotech Option and the LDS Scientific Option. In July 2018 Mr. Hunt assigned the Omni Option to Ms. Elrod in connection with the share transfer.

Adelanto Facility

The Company started retrofitting the Adelanto Facility in late November of 2016 pursuant to the original JV arrangements with NHMC and CSPA, and continued under the May 1, 2017, agreements without substantial changes. In September of 2017, the majority of required improvements for the extraction and manufacturing division were completed, allowing the Company to schedule a required facility inspection, which was completed on September 13, 2017. The fire department of San Bernardino County carried out an inspection of the Adelanto Facility, and on September 18, 2017, CSPA was granted a Certificate of Occupancy ("COO"). The approval of the facility in Adelanto, California allowed CSPA to begin operations managed by LDS Scientific. Upon receipt of the COO by CSPA, the Company recorded $1,560,000, being the fair value of the 3,000,000 shares issued as part of the May 1, 2017, Membership Agreement with Rêveur, and made cash payment of $187,575 (US$150,000).

On December 21, 2017, the Manufactured Cannabis Safety Branch of the California Department of Public Health issued CSPA a Temporary Category M Type 7 Manufacturing with Volatile Solvents License which became effective on January 1, 2018 and was good through April 30, 2018. On April 30, 2018, CSPA filed an application with the California Department of Public Health for a permanent license. The approval to extend the Temporary State Volatile and Non-Volatile Extraction and Manufacturing License to July 28, 2018, was granted on May 1, 2018, and was extended at July 28, 2018. The temporary license allows CSPA to continue to operate while the application for an annual license is being reviewed.

On January 16, 2018, the Mojave Desert Air Quality Management District ("MDAQMD") issued a permit to LDS Scientific, Inc., to operate under the Temporary Category M Type 7 Manufacturing with Volatile Solvents License. The MDAQMD Permit was valid through June 2018 and upon expiration was extended for an additional year.

Private Placement Financing

On January 11, 2018, the Company closed a non-brokered private placement (the "January Offering") for a total of 5,500,000 units (the "January Units") at a price of $0.50 per January Unit for total gross proceeds of $2,750,000. Each January Unit sold in the January Offering consisted of one common share of the Company (each a "January Unit Share") and one common share purchase warrant (each a "January Warrant") entitling the holder to purchase one additional common share (a "January Warrant Share") at a price of $0.75 per

January Warrant Share for a period ending on January 11, 2019. The Company had a right to accelerate the expiration date of the January Warrants if the daily volume weighted average share price of the Company's common shares on the Canadian Securities Exchange (or such other stock exchange as the Company's common shares are then trading on) was equal to or greater than $1.50 for 10 consecutive trading days. During the year ended December 31, 2018, 200,000 January Warrants were exercised; remaining January Warrants expired unexercised on January 11, 2019.

On March 5, 2019, the Company announced a non-brokered private placement offering of up to 14,285,715 units of the Company (the "2019 Units"), at a price of $0.35 per 2019 Unit for aggregate gross proceeds to the Company of up to $5,000,000 (the "2019 Offering").

As amended, each 2019 Unit consists of one common share of the Company (a "2019 Share") and one 2019 Share purchase warrant (a "2019 Warrant"). Each 2019 Warrant will entitle the holder to purchase one 2019 Share (a "2019 Warrant Share") for a period of one year from the date of issuance at an exercise price of $0.50 per 2019 Warrant Share. The Company may accelerate the expiry of the 2019 Warrants if the Company's daily volume weighted average share price on the Canadian Stock Exchange (or such other stock exchange the Company may be trading on) is equal to or greater than $1.00 for 10 consecutive trading days.

The Company agreed to finders' fees of 7% cash and 7% warrants. The Company is planning to close the 2019 Offering on or before May 9, 2019.

Debt Financing Activities Applicable to the Year Ended December 31, 2018

On November 13, 2017, the Company arranged a US$500,000 secured credit facility (the "Credit Facility") with an unrelated third-party creditor. Outstanding principal under the Credit Facility accrued interest at a rate of 3% per month, compounded monthly and was payable on maturity on May 16, 2018. The Company had a right to prepay the Credit Facility at any time, subject to the payment of US$50,000 in minimum interest. The Credit Facility was secured by a general security agreement covering all of the Company's personal property, and first deeds of trust on three parcels of unimproved real property totaling 20.5 acres owned by LDS Development Corporation in the City of Adelanto.

The Company repaid the Credit Facility on June 4, 2018, in accordance with a verbal extension granted by the lender. At the time of the repayment, the total due under the Credit Facility was $788,710 (US$608,385) and consisted of US$500,000 principal and US$108,385 in accrued interest.

On December 13, 2018, the Company entered into a loan agreement (the "Loan Agreement") with an arms-length entity for $700,000 (the "Loan"). Outstanding principal under the Loan accrues interest at a rate of 3% per month, compounded monthly and is payable on maturity on June 13, 2019. The Company may prepay the Loan at any time, subject to the payment of $70,000 in minimum interest. The Loan is secured by a general security agreement covering first deeds of trust on three parcels of unimproved real property totaling 20.5 acres owned by the Company's wholly-owned subsidiary, LDS Development Corporation, in the City of Adelanto.

Introduction of New Luxury Product Line

In March 2018, the Company announced that CSPA Group, Inc., under LDS Scientific's management, launched *Rêveur*, a new luxury brand of cannabis products for the California market. Rêveur was designed to focus on the higher upscale luxury market using only fresh frozen organically grown cannabis strains processed at -50˚ Celsius preserving all the natural terpenes and flavonoids.

In September 2018 the Company was issued a temporary distribution and transportation license from the Bureau of Cannabis Control of California, which allowed the Company to start selling its extracted distillates and *Rêveur* line of products and begin generating revenue from the Company's manufacturing operations. The Smart Weed dispensary in Beverly Hills, California was the first retailer to offer the Rêveur brand to the public.

On December 1, 2018, the Company, through CSPA Group, Inc. entered into a distribution services agreement with Rise Logistics LLC, for distribution of its products into the California cannabis market,

strengthening one of the Company's major objectives to supply its products through legal, fully licensed and regulatory compliant distribution channels.

In addition to distributing Rêveur products, in December the Company began selling its CannaStrips™ in one of Sacramento's collectives, *All About Wellness*, which became the first dispensary to carry the Company's brand of CannaStrips™ products. CannaStrips™ retails in packages of ten (10) individual strips.

During the first quarter of its Fiscal 2019, the Company continued to increase its distribution channels, and as of the date of this MD&A, the Company's CannaStrips™ and *Rêveur* products are being sold in 20 dispensaries in California, with the number of the dispensaries growing as the products are being accepted by general public.

Nursery and Cultivation Operations

On December 12, 2018, Bureau of Cannabis Control of California issued Core Isogenics Inc., the Company's wholly-owned subsidiary focussed on developing isogenic seed strains and automated cultivation methods, temporary nursery and cultivation licenses (the "Temporary Licenses"). The Temporary Licenses allow the Company to control all aspects of seed genetics, cultivation, and formulation of the Company's products.

Developing its proprietary plant genetics and the germination and grow technology allows the Company to produce seeds and plants with properties identical to those used in CannaStrips™ formula, thereby reducing the number of extraction steps that would be required to extract ingredients from conventional plants.

The nursery will utilize the seeds grown based on the Core Isogenics process. These seeds will be grown inside the Company's climate-controlled, negatively-pressurized, and remotely-monitored rooms to ensure contaminant-free plant development. The Company is planning to develop both indoor and outdoor strains with a focus on future large outdoor cultivations.

The Cultivation License will allow the Company to utilize its current facility by taking the seedlings from the nursery to the Company's automated growing environment. The automated cultivation environment will maximize plant growth and shorten grow cycles. The Company's proprietary Flexible Path technology of single-aisle movable plant beds will allow the Company to optimize utilization of cultivation area for the most efficient use of space.

On April 18, 2019, the Company announced that Core Isogenics signed a contract with a licensed California cannabis farm consisting of over two acres of outdoor cultivation and three-quarters of an acre of covered canopy cultivation land in Sacramento, CA. Core Isogenics will supply expertise, seedlings, and nutrients to the farm. The farm has two years of successful contaminant-free growth and all the necessary infrastructure to immediately begin cultivation of cannabis for Core Isogenics. The planting of seedlings is anticipated in early May 2019 immediately after soil preparation, and drip line irrigation installation is completed.

Planned Geographical Expansion

On February 27, 2019, the Company signed a Memorandum of Understanding to enter into a Joint Venture (the "JV") with National Green Biomed Ltd ("NGB") to build a manufacturing facility in Mission, British Columbia, to start production of CannaStrips™ for markets in Canada and internationally.

Under the terms of the proposed JV agreement, NGB will provide an extension of its Rosebud Health Canada License to the JV and land for the new facility to manufacture CannaStrips™. Upon completion of a definitive agreement, the Company will invest a total of $255,000 in a private placement for shares of common stock of NGB at $0.30 per share. The Company will contribute funds for the permits, design, and build-out of the facility. NGB will receive a 5% royalty on sales in Canada and a 3% royalty on all sales outside of Canada. The Mission facility will be required to purchase raw material from NGB and provide custom processing for future products or business opportunities presented by NGB.

Construction of Dispensary and Increase of Distribution Operations

On February 28, 2019, the Company's affiliate, Highway 395 Dispensary, filed plans with the Planning Department of the City of Adelanto for the construction of a freestanding structure for dispensary and

delivery operations. The property is owned by LDS Development Corporation, a wholly-owned subsidiary of LDS ("LDS DevCo"). The construction will be the responsibility of Highway 395 Dispensary and ownership of the completed project will remain an asset of LDS DevCo. As at the date of the filing of this MD&A Highway 395 Dispensary has received approvals for environmental impact and yucca tree preservation requirements, as well as approval for its construction plans from the San Bernardino County Fire Department. The City of Adelanto approved the addition of a Conditional Adult use permit to complement Highway 395 Dispensary's existing Medical Use permit for the dispensary, as well as delivery operations. The Conditional Adult Use permit is subject to the planning commission's approval of the construction plans.

On April 10, 2019, the Company signed a five-year lease agreement for 20,000 square feet of warehouse space conveniently located on the lot adjacent to the current Adelanto Facility. The monthly cost of the new warehouse is US$40,000 per month at US$2 per square foot per month. The new facility will be used to expand the Company's transportation and distribution operations.

The decision to increase the square footage for the Company's transportation and distribution operations was made to accommodate the expected start of operations of Highway 395 Dispensary and 420 Prime Delivery Service, which are scheduled for the 3rd quarter of 2019.

The Company estimated its initial transportation and distribution space requirements to be approximately 10,000 square feet, therefore on April 10, 2019, the Company entered into a sub-lease agreement with TCM Distribution Inc., the wholly-owned subsidiary of Transcanna Holdings Inc. to sub-lease a portion of the warehouse space to Transcanna at a monthly fee of US$20,000.

Stock Option Grants

On January 11, 2018, the Company granted an option to acquire up to 500,000 stock options to Mr. Johannson, the Company's former consultant and a director. The option was exercisable into common shares of the Company at an exercise price of $1.15 per common share and was expiring on the two-year anniversary of the grant. Mr. Johannson resigned from his positions with the Company on March 15, 2019, therefore, pursuant to the Company's stock option plan, the option expired on April 14, 2019.

On August 15, 2018, the Company granted an option to acquire up to 2,825,820 common shares to its Chief Executive Officer, and options to acquire up to 35,000 of its common shares to the members of the Company's Scientific Advisory Board. The options vested immediately and may be exercised at a price of $0.58 per share expiring on August 15, 2020.

On February 7, 2019, the Company granted an option to acquire up to 2,000,000 shares of the Company's common stock to its President, Mr. Fenwick and granted an option to acquire up to 1,000,000 shares of the Company's common stock to its consultant. The Company also granted warrants to acquire up to 3,000,000 shares of the Company's common stock to its consultants. The options and warrants vest over a two-year period in equal installments beginning on February 7, 2019 and may be exercised at a price of $0.465 per share expiring five years after each vesting date. The above options and warrants were granted outside of the Company's Stock Option Plan.

Change in Management

On November 16, 2018, James Pakulis resigned as the Company's President and a director, positions he held since November 2015. The resignation of Mr. Pakulis did not result from any disagreements relating to the Company's operations, policies or practices.

On February 1, 2019, CSPA entered into an employment agreement with Mr. Fenwick (the "Fenwick Agreement"), for an initial period ending on January 31, 2020, and renewing on a month-to-month basis thereafter. Pursuant to the Fenwick Agreement, Mr. Fenwick agreed to serve as the Company's President as well as the Director of Northern California Operations and Marketing Director for CSPA, the positions Mr. Fenwick held from September 1, 2018.

The Company agreed to a base annual salary of USD$180,000, payable monthly. In addition, the Company agreed to grant Mr. Fenwick an option to acquire up to 2,000,000 shares of its common stock, which was

granted on February 7, 2019. The option vests over a two-year period from the date of grant, at 250,000 shares per quarter, and may be exercised at a price of $0.465 per share expiring five years after each vesting date.

On April 25, 2019, at the Company's Annual General Meeting, the shareholders of the Company resolved to appoint Mr. Fenwick director of the Company.

Mr. Fenwick has been in sales and marketing for most of his professional career. Mr. Fenwick brings with him a wealth of knowledge he accumulated from working within various industries, which span large oil and gas projects to high profile digital advertising companies all over the world. In recent years Mr. Fenwick has worked closely with several cannabis manufacturing companies.

During the first quarter of Fiscal 2019, Arni Johannson and David Velisek resigned from the board of directors of the Company.

SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information derived from the Company's audited financial statements for the three most recently completed financial years, prepared in accordance with IFRS.

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Total Revenue	$ 4,080,747	$ 191,126	$ 56,086
Net Loss	$ 13,153,386	$ 13,164,157	$ 2,866,344
Loss per Share	$ 0.12	$ 0.19	$ 0.09
Working Capital (Deficit)	$ (916,432)	$ 820,738	$ 325,190
Total Assets	$ 21,064,193	$ 13,130,426	$ 1,669,646
Property, Plant, and Equipment	$ 17,198,355	$ 10,067,238	$ 336,693
Total Liabilities	$ 4,782,270	$ 2,242,450	$ 253,568
Share Capital and Reserves	$ 47,299,815	$ 27,688,532	$ 6,503,111
Non-controlling interests	$ (1,495,623)	$ (538,507)	$ -
Deficit	$ 30,426,172	$ 18,139,295	$ 5,543,027

OVERALL PERFORMANCE

The statements of financial position as of December 31, 2018 and December 31, 2017, indicated a cash position of $452,295 and $2,754,308, respectively, and total current assets of $3,865,838 and $3,063,188, respectively. The change in total current assets was mainly associated with $730,000 in cash receipts from the January Financing, and with $14,657,598 and $199,838 the Company received on exercise of warrants and options, respectively. These cash injections were offset by the funds the Company used on retrofitting and additional improvements to the Adelanto Facility in order to facilitate CSPA's operations; to acquire and set up production and manufacturing equipment, and to advance funds to two affiliated companies with a director and senior management in common.

The long-term assets of the Company totaled $17,198,355 (2017 - $10,067,238), and included $2,057,974 (2017 - $1,889,349) recorded as cost of four undeveloped land parcels varying in size from 4 to 10 acres for a total of 24.5 acres and an acquisition of membership interest in CSPA pursuant to the membership purchase agreement between the Company and CSPA, which was recorded at $3,315,075 (2017 – $1,747,575); production equipment recorded at $5,292,952 (2017 - $2,074,466); and $6,532,354 (2017 - $4,355,848) recorded as cost of the Adelanto Facility which included cost of the future operating offices located in Costa Mesa, California as well as cost to acquire conditional use permits ("CUP").

As at the date of this MD&A, the Company has completed retrofitting its manufacturing and nursery divisions and continues to work on final upgrades to the cultivation division of the permitted Adelanto Facility for use by Core Isogenics.

At December 31, 2018, current liabilities totaled $4,782,270 (2017 - $2,242,450) and included $3,130,246 in accounts payable and accrued liabilities (2017 - $1,207,334), $160,670 in amounts due to related parties (2017 - $143,099), $79,799 (2017 - $Nil) in wages payable, and $10,050 in advances payable (2017 - $9,282). In addition to the above, at December 31, 2018, the Company's current liabilities included $680,505 (2017 – $227,289) in unearned revenue, which was associated with deposits the Company collected from its customers. Of the total unearned revenue, $75,448(US$55,305) related to a deposit for the future services the Company received from an entity of which the Company's CEO is a sole director of. Remaining $605,057 in unearned revenue consisted of $63,820 (US$50,000) cash payment and $541,237, being a fair market value of 1,082,474 common shares of Transcanna Holdings Inc. ("Transcanna") the Company received pursuant to the Intellectual Property License and Royalty Agreement dated for reference November 15, 2017, and as amended on February 20, 2018. Transcanna is a related corporation to the Company through its former director, who is currently a director of Transcanna, the Company's former President, who is the CEO and a director of Transcanna, and through the Company's CEO, who is a major shareholder of Transcanna.

During the year ended December 31, 2018, the Company repaid its Credit Facility which, at the time of the payment, totaled $788,710, or US$608,385, and consisted of US$500,000 principal and US$108,385 in accrued interest. In December 2018 the Company borrowed an additional $700,000 under a loan agreement with an unrelated party, which accumulates interest at 3% per month compounded monthly.

At December 31, 2018, the Company had working capital deficit of $916,432, as compared to working capital of $820,738 at December 31, 2017. Based on the current operation and expansion plans, the Company is required to generate funds from an alternative source of financing before it will be in a position to support its operations from its core business activities. Once the construction and retrofitting of the Adelanto Facility are completed, the Company believes it will be able to generate sufficient revenue to fund its day-to-day operations as well as support its affiliates' overhead costs required to carry out the cultivation and extraction operations. The equity and/or debt financing may still be required to fund the expansion of the facility, to support JV in Canada, and to construct Highway 395 Dispensary, along with its delivery service entity, 420 Prime Delivery Service.

Parent shareholders' equity was comprised of share capital of $42,797,498 (2017 - $23,990,089), reserves of $4,502,317 (2017 - $3,698,443), accumulated other comprehensive income of $903,903 (2017 - $146,817 loss) and accumulated deficit of $30,426,172 (2017 - $18,139,295); during the comparative year ended December 31, 2017, the Company also recorded $2,024,063 as an obligation to issue shares. The total parent shareholders' equity at December 31, 2018 was $17,777,546 (2017 – $11,426,483). In addition, the Company recorded $1,495,623 (2017 – $538,507) in non-controlling interests associated with 25% allocations to LDS Agrotech, LDS Scientific, and Omni Distribution, which are in part controlled by minority shareholders.

The weighted average number of common shares outstanding for the year ended December 31, 2018, was 111,737,032 (2017 – 69,007,717) resulting in a net loss per common share of $0.12 (2017 - $0.19).

COMPARISON OF RESULTS OF OPERATIONS

Net Loss

During the year ended December 31, 2018, the Company reported a net loss of $13,153,386 ($0.12 basic and diluted loss per share) and a total comprehensive loss of $12,196,564 compared to a net loss of $13,164,157 ($0.19 basic and diluted loss per share) and a total comprehensive loss of $13,283,603 during the year ended December 31, 2017.

The net loss for the year ended December 31, 2018 was comparable to the net loss for the year ended December 31, 2017. Main changes between the years ended December 31, 2018 and 2017 were associated with reduced stock-based compensation as well as advertising and promotion expenses, these decreases were in part offset by overall increase in business activity related to the current operations of the Company and its subsidiaries, which resulted in increased cost of sales, as well as operating costs associated with wages and salaries, office and general costs, legal and consulting fees, as well as the fees for advertising and investor relation services and IT development.

Revenue

During the year ended December 31, 2018, the Company recognized $4,080,747 in revenue, of which $155,484 was associated with design and project management services provided by LDS Agrotech to its customers up to and including the second quarter of the Company's Fiscal 2018, and $3,925,263 recorded in revenue during the year ended December 31, 2018, was associated with revenue from sales generated by CSPA under the management of LDS Scientific. The cost of sales was determined to be $5,770,218 and consisted of $4,047,423 direct costs, $901,713 allocated overhead costs, $131,478 associated with cannabis business tax imposed by the City of Adelanto, and $689,604 in inventory impairment charges. The gross margin the Company generated during its Fiscal 2018 was negative $1,689,471 (2017 - $191,126).

Operating Expenses

During the year ended December 31, 2018, the Company's operating expenses were $10,235,932 (2017 - $13,181,255). The largest factor contributing to the operating expenses during the year ended December 31, 2018, was associated with $2,142,819 (2017 - $5,430,805) in share-based compensation of which $1,202,924 was associated with fair market value of options to acquire up to 3,360,820 common shares the Company granted to its CEO, former director, and members of the scientific advisory board, $892,500 in adjustment to fair value of 2,100,000 shares released from escrow for technology, as well as $47,395 in adjustment to fair value of 108,333 finder's shares associated with acquisition of technology from CDS.

In addition, the Company incurred $1,477,989 (2017 – 850,064) in general operating expenses including, but not limited to, insurance costs, office expenses, rental fees, and other miscellaneous expenses; and $1,116,986 (2017 - $2,710,620) in research and development fees associated with testing the technology to achieve the best quality extracted product, as well as to fine-tune production and packaging operations; $1,292,337 (2017 - $1,775,860) in advertising and promotion expenses; $1,298,314 (2017 - $957,340) in consulting fees, and $861,306 (2017 - $548,461) and $272,192 (2017 - $162,606) in legal and regulatory fees, respectively. In addition to these expenses the Company incurred $787,187 (2017 - $Nil) in salaries and wages for the management team receiving payroll, as well as for the employees working at the Adelanto Facility not directly associated with manufacturing operations; $470,244 (2017 - $296,187) on meals and travel expenses, $311,776 (2017 - $262,967) on supporting its IT infrastructure, and $150,038 (2017 - $159,700) on accounting fees.

The Company's current operations started generating considerable revenue in the late 3rd quarter of the Company's Fiscal 2018. However, due to the growth stage of the operations and the market itself, the costs of revenue during the year ended December 31, 2018, exceeded the revenue generated from sales, largely due to the lack of economies of scale which did not provide the Company with a bargaining power to lower the cost of inputs, in part due to uncertain legal and regulatory environment within the industry, which was driving up costs of raw material and packaging requirements, and in part due to inefficient use of material due to lack of prior operating history. Until such time that the Company can successfully control costs of its revenue-generating inputs, the Company will continue relying on equity and debt financing in order to meet its ongoing day-to-day operating requirements. The Company's current cash reserves, which include funds generated on subscription to the 2019 Units being sold as part of the Company's 2019 Offering, are sufficient to be able to support its operations for the next twelve-month period. Should anticipated revenue from production be delayed, the Company will be required to seek additional financing either through debt or equity. There can be no assurance that such financing will be available to the Company in the amount required at any particular time, or, if available, it can be obtained on terms satisfactory to the Company.

Non-controlling Interests

Of $13,153,386 net loss the Company recorded during the year ended December 31, 2018 (2017 - $13,164,157), loss of $866,509 (2017 – $567,889) was attributed to the non-controlling interests associated with 25% control of LDS Agrotech, LDS Scientific, and Omni Distribution by Minority Shareholders. In addition, the total other comprehensive income of $956,822 (2017 – loss of $119,446) included a loss of $93,898 (2017 - $22,766 income) associated with the non-controlling interests.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth selected financial information of the Company for the eight most recently completed quarters. This information is derived from unaudited quarterly financial statements and audited annual financial statements prepared by management in accordance with IFRS.

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total Revenue	$ 3,164,407	$ 600,649	$ 315,691	$ -
Net Loss	$ 4,404,795	$ 3,720,279	$ 2,857,996	$ 2,170,316
Loss per Share	$ 0.04	$ 0.03	$ 0.03	$ 0.02
Total Assets	$ 21,064,193	$ 20,888,963	$ 23,121,383	$ 16,679,237
Working Capital	$ (916,432)	$ 3,498,939	$ 6,503,661	$ 798,391

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total Revenue	$ (628,134)	$ -	$ 641,871	$ 177,389
Net Loss	$ 7,022,216	$ 4,037,546	$ 1,505,318	$ 599,077
Loss per Share	$ 0.08	$ 0.05	$ 0.02	$ 0.01
Total Assets	$ 13,130,426	$ 11,518,299	$ 10,407,476	$ 2,252,321
Working Capital	$ 820,738	$ 2,249,312	$ 6,426,526	$ (128,354)

Overall, during the eight recently completed quarters, consulting, accounting, legal, regulatory fees, amortization, research and development, and office and general expenses, advertising and marketing were the major components that caused variances in net losses from quarter to quarter. At the end of the 3rd quarter of its Fiscal 2018 the Company started its manufacturing operations, therefore the quarter ended December 31, 2018, saw a spike in revenue and costs of sales associated with it. The quarters ended September 30, 2018, March 31, 2018, December 31, 2017, and September 30, 2017, were also significantly affected by non-cash share-based compensation issued to the Company's management team, and for shares released from escrow for the Canna Acquisition, as well as for options granted to consultants for advertising and marketing services.

During the quarter ended December 31, 2018, the Company generated $3,164,407 in sales from its cannabis products. The cost of revenue was calculated to be $5,351,335 and included $901,713 in allocated overhead costs, $131,478 in City of Adelanto tax on gross revenue from cannabis business operations, and $689,604 in inventory impairment costs. The Company's operating expenses totaled $1,074,569 and comprised of $326,237 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the top management, $273,723 in consulting fees payable to management and external consultants for their services, $135,529 in meals and entertainment expenses, $113,211 in advertising, promotions, and corporate awareness fees. In addition to the above operating expenses, the Company recorded $21,000 in interest expense accrued on the note payable issued as part of the Loan Agreement with an arms-length entity for $700,000, and $1,204,405 impairment of its advances receivable from a related company.

During the quarter ended September 30, 2018, the Company's operating expenses totaled $3,868,308 and comprised of $1,790,688 in share-based compensation of which $850,793 was associated with the fair market value of options to acquire up to 2,825,820 common shares the Company granted to its director and CEO, $892,500 in adjusted fair value of 1,200,000 shares released from escrow for technology, as well as $47,395 in adjusted fair value of 108,333 finder's shares associated with acquisition of technology from CDS; $561,123 in office and other general expenses the Company incurred during the quarter, $460,950 in wages and salaries paid to employees working in the Adelanto facility, $180,685 in research and development costs, $289,872 in consulting fees, of which $208,525 included consulting fees paid to the top management team, and $233,879 the Company incurred in legal fees. During the quarter ended September 30, 2018, CSPA received a temporary distribution and transportation license from the Bureau of Cannabis Control of California, which allowed CSPA to start its operations resulting in total sales of $1,007,187, of

this revenue $755,390 were attributed to LDS Scientific under the management agreement between LDS Scientific and CSPA.

During the quarter ended June 30, 2018, the Company's operating expenses totaled $3,169,180 and comprised of $615,807 the Company incurred in research and development costs, $294,013 in consulting fees, which included $206,700 in consulting fees paid to the top management team, $50,508 in share-based compensation which included an adjustment to a fair market value of an option to acquire up to 500,000 shares the Company granted to its director and market value of the services provided to the Company by the new members of the Company's advisory board, $602,316 in office and other general expenses, and $932,798 the Company spent on its advertising and investor relation activities.

During the quarter ended March 31, 2018, the Company's operating expenses totaled $2,123,875 and comprised of $528,673 the Company incurred in research and development costs, $440,706 in consulting fees, which included $202,593 in consulting fees paid to the top management team, $301,623 in share-based compensation for an option to acquire up to 500,000 shares the Company granted to its director, $246,830 in office and other general expenses, and $181,683 the Company spent on its advertising and investor relation activities.

During the quarter ended December 31, 2017, the Company's operating expenses totaled $6,867,801. The largest expense item during the quarter ended December 31, 2017, was associated with $2,679,469 share-based compensation the Company recorded on 4,200,000 shares released from escrow associated with the Canna Acquisition, and for 315,000 shares the Company issued as finders' fees for the Canna Acquisition. Research and development costs amounted to $1,443,744 and included $1,132,928 the Company paid for fresh frozen whole plant material; advertising and promotion fees amounted to $1,407,382, of which $595,453 was attributed to vested portion of options to acquire up to 1,532,900 common shares issued to the consultants for investor relations. The research and development, and advertising and promotion expenses were followed by office and other general expenses of $387,913, which included rent of Adelanto Facility, among other general expenses, and consulting fees of $291,283. Other significant items included meals and entertainment expenses for a total of $91,698, costs of maintaining IT infrastructure for a total of $77,332, audit and accounting fees of $70,000, and regulatory fees of $32,752. The restructuring of the Company's organization and setting up strategic partnerships to streamline the operations in anticipation of the completion of the Adelanto Facility resulted in $203,394 in legal fees. During the quarter ended December 31, 2017, the Company's net loss was further increased by $54,385 reversal of net revenue, as the Company determined that certain long-term projects that were initially recorded through revenue were not completed as at December 31, 2017, and as such the revenue was deferred to future periods.

During the quarter ended September 30, 2017, the Company's operating expenses totaled $4,006,387, and included $2,751,336 in share-based compensation the Company recognized in association with the options to acquire up to 7,311,000 common shares the Company granted to its executive officers and directors, consulting fees of $213,274, research and development costs of $220,715, advertising and promotion of $215,635, of which $80,303 was associated with vested portion of options to acquire up to 1,532,900 common shares issued to the consultants for investor relations, office and other general expenses of $215,642, regulatory fees of $83,842, and audit and accounting fees of $26,000. The restructuring of the Company's organization and setting up strategic partnerships to streamline the operations in anticipation of the completion of the Adelanto Facility resulted in $143,899 in legal fees.

During the quarter ended June 30, 2017, the Company recorded $641,871 in revenue associated with design and construction services provided by LDS Agrotech, the cost of these services amounted to $573,749. Net loss totaled $1,505,318 and included $742,165 in research and development costs, of which $590,000 were associated with a fair value of 1,000,000 common shares the Company issued to Dr. Sanderson for licensing agreement; consulting fees of $231,437, amortization expense of $1,554, office and other general expenses of $157,117, of which $146,269 was associated with the rental fees the Company paid for its Adelanto Facility and the office facility, regulatory fees of $23,785, and accounting fees of $40,500. The restructuring of the Company's organization and setting up strategic partnerships to streamline the operations in anticipation of the completion of the Adelanto Facility resulted in $171,762 legal fees.

During the quarter ended March 31, 2017, the Company recorded $177,389 in revenue which was associated with the design and building services provided by LDS Agrotech. Operating expenses totaled $758,684 and included consulting fees of $221,346, amortization expense of $1,537, office and other

general expenses of $90,174, of which $55,725 was associated with the rental fees the Company paid for its Adelanto Facility and the office facility, regulatory fees of $22,227, accounting fees of $23,200, legal fees of $29,406 and research and development costs of $142,970.

During its first and second quarters of Fiscal 2017, the Company was working with Canaccord Genuity Corp. on the due-diligence process for its Brokered Private Placement, which closed on May 31, 2017. The Company incurred a total of $238,189 in legal and regulatory fees, which were offset against the proceeds received on the close of the financing. In addition, the Company continued working on retrofitting and rebuilding its Adelanto Facility, for which the majority of fees has been capitalized as part of the equipment and production facility costs.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had $452,295 (2017 – $2,754,308) in cash and cash equivalents and had a working capital deficit of $916,432 (2017 – working capital of $820,738). Of the total cash balance $11,500 (2017 - $11,500) were held in Guaranteed Investment Certificate ("GIC") at floating interest rate with reference to the market. The Company's share capital was $42,797,498 (2017 - $23,990,089) representing 119,741,031 (2017 – 95,672,919) common shares, reserves of $4,502,317 (2017 - $3,698,443); the Company did not have any obligations to issue shares as at December 31, 2018 (2017 - $2,024,063). As at December 31, 2018, the Company had accumulated $30,426,172 in deficit (2017 – $18,139,295), recorded other comprehensive income of $903,903 (2017 - $146,817 loss) and allocated a portion of its comprehensive loss and equity totaling $1,495,623 (2017 - $538,507) to non-controlling interests associated with 25% ownership of LDS Agrotech, LDS Scientific, and Omni Distribution by Minority Shareholders of these subsidiaries.

During the year ended December 31, 2018, the Company generated $4,080,747 in revenue from its operations, which was offset by the cost of sales totaling $5,770,218; therefore, the revenue generated was not substantial to support the working capital needs of the Company. As such the Company continues to depend on the equity and debt markets as its additional source of operating capital.

Until the Company is able to increase its revenue from the main business activities and effectively control costs associated with generating the revenue, the Company will have to continue relying on equity and debt financing. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS

A summary of the Company`s contractual obligations at December 31, 2018, is detailed in the table below.

Payments Due by Period					
	Total	**Less than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Accounts Payable	$ 2,929,846	$ 2,929,846	n/a	n/a	n/a
Accrued Liabilities	$ 200,400	$ 200,400	n/a	n/a	n/a
Wages Payable	$ 79,799	$ 79,799	n/a	n/a	n/a
Amounts due to Related Parties	$ 160,670	$ 160,670	n/a	n/a	n/a
Advances Payable	$ 10,050	$ 10,050	n/a	n/a	n/a
Note Payable	$ 721,000	$ 721,000	n/a	n/a	n/a
Unearned Revenue	$ 680,505	$ 680,505	n/a	n/a	n/a
Other Commitments(1)	$ 5,103,647	$ 677,058	$1,787,664	$1,968,006	$670,919
Total	**$ 9,885,917**	**$ 5,459,328**	**$1,787,664**	**$1,968,006**	**$670,919**

(1) Other Commitments are associated with office and facility rent as contemplated under operating lease agreements and do not include additional rental fees associated with a new warehouse space the Company leased in April 2019. In addition, the commitments include property taxes payable for facility and vacant land the Company acquired during its fiscal 2017.

Management believes that the Company will be able to generate sufficient cash to meet its current obligations for the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

RELATED PARTY TRANSACTIONS

		December 31, 2018	December 31, 2017
Management consulting fees	a)	$ 822,767	$ 549,412
Consulting services for research and development and	b)	$ 453,497	$ 406,462
Share-based compensation	c)	$ 1,193,185	$ 2,751,336
Shares issued for license	d)	$ -	$ 590,000

a) Management consulting services consist of the following:

- $390,125 (2017 – $389,580) in consulting fees paid or accrued to Mr. Eckenweiler, the Chief Executive Officer ("CEO") and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services for a term expiring on February 28, 2021, and automatically renewable for successive one-year periods thereafter. In case the Company decides to terminate the consulting agreement with Mr. Eckenweiler without due cause, the Company agreed to pay Mr. Eckenweiler a lump sum amount equal to the product of monthly remuneration otherwise payable to Mr. Eckenweiler under the consulting agreement multiplied by 18 months regardless of the length of time remaining under the then current term.

- $70,740 (2017 – $77,916) in consulting fees paid or accrued to Mr. Pakulis, the Company's former President and a member of the board of directors. The Company agreed to pay Mr. Pakulis US$5,000 per month for his services pursuant to a management consulting agreement expiring on May 1, 2019, with automatic renewals for successive one-year periods thereafter. Mr. Pakulis resigned from his management and directorship positions with the Company on November 16, 2018, effectively terminating the management consulting agreement.

- $116,125 (2017 - $81,916) in consulting fees paid to Ms. Silina, the Company's Chief Financial Officer ("CFO"). The Company agreed to pay Ms. Silina US$7,500 per month for her services pursuant to a management consulting agreement expiring May 1, 2019, with automatic renewals for successive one-year periods thereafter.

- $60,000 (2017 - $Nil) in consulting fees paid to Mr. Johannson, a member of the board of directors of the Company. The Company agreed to pay Mr. Johannson $5,000 per month for his services pursuant to a consulting agreement expiring January 1, 2020, with automatic renewals for successive one-year periods thereafter. Mr. Johannson resigned as a director of the Company subsequent to December 31, 2018, effectively terminating his management consulting agreement with the Company.

- $185,777 (2017 - $Nil) in consulting fees paid to Mr. McEnulty, director and executive officer of the Company's wholly-owned California subsidiaries. The Company agreed to pay Mr. McEnulty US$12,000 per month for his services pursuant to a consulting agreement expiring December 30, 2020, with automatic renewals for successive one-year periods thereafter.

b) Consulting services for research and development consist of the following:

- $113,374 (2017 – $210,373) in consulting fees paid to Ms. Elrod, former President and a 25% shareholder of LDS Scientific, and 25% owner of Omni Distribution Inc. The Company agreed to

pay Ms. Elrod US$12,500 per month for her services. As of August 1, 2018, Ms. Elrod chose to receive her fees as part of regular monthly payroll, and as such her remuneration is included as part of salaries and wages expense. Subsequent to December 31, 2018, Ms. Elrod resigned from the management positions she held with the Company.

- $104,304 (2017 – $157,131) in consulting fees paid or accrued to Mr. Ferguson, President and a 25% shareholder of LDS Agrotech. The Company agreed to pay Mr. Ferguson US$11,000 per month for his services. As of January 1, 2018, the Company agreed to increase Mr. Ferguson's consulting fee to US$11,500 per month. As of August 1, 2018, Mr. Ferguson chose to receive his fees as part of regular monthly payroll, and as such his remuneration is included as part of salaries and wages expense.

- $113,374 (2017 – n/a) in consulting fees paid to Mr. Hunt, President and a 25% shareholder of LDS Scientific. The Company agreed to pay Mr. Hunt US$12,500 per month for his services. As of August 1, 2018, Mr. Hunt chose to receive his fees as part of regular monthly payroll, and as such his remuneration is included as part of salaries and wages expense.

- $78,811 (2017 – $38,958) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer ("CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on June 30, 2020, with automatic renewals for successive one-year periods thereafter.

- $43,634 (2017 - $Nil) in consulting fees paid or accrued to Nanostrips Inc. a company controlled by Dr. Sanderson, CSO of the Company ("Nanostrips").

c) Share-based compensation consists of the following:

- On January 11, 2018, the Company granted an option to acquire up to 500,000 common shares to Mr. Johannson, the former director and a consultant. The option was valued at $342,391 and may be exercised at a price of $1.15 per share expiring on January 11, 2020.

- On August 15, 2018, the Company granted an option to acquire up to 2,825,820 common shares to its CEO and a director. The option was valued at $850,794 and may be exercised at a price of $0.58 per share expiring on August 15, 2020.

- During the comparative period ended December 31, 2017, the share-based compensation consisted of the fair market value of options to acquire up to 7,311,000 common shares the Company granted to its executive officers and directors. The options were valued at $2,751,336 and may be exercised at a price of $0.50 per share expiring on July 27, 2019.

d) Shares issued for intangibles:

On May 3, 2017, the Company entered into an exclusive worldwide license agreement with the Company's CSO and Nanostrips (the "Sanderson License Agreement"). Under the terms of the Sanderson License Agreement, the Company was granted a worldwide exclusive license to the technology described in the provisional patent application relating to the transmucosal delivery of biologically active substances filed by Dr. Sanderson on November 6, 2016, and on December 18, 2017, and any technologies deriving therefrom, in the field of cannabis and cannabis extract related products.

In consideration for the license, on May 23, 2017, the Company issued Dr. Sanderson 1,000,000 common shares (the "License Shares"); the shares were valued at $590,000 and were recorded as part of research and development costs.

In addition to the License Shares, the Company agreed to issue Dr. Sanderson an additional 1,000,000 shares of its common stock (the "Patent Shares") upon the grant of a United States patent containing claims directed to the new and innovative subject matter described in the provisional patent application filed on November 6, 2016. As of the date of these financial statements, the patent

application is being reviewed by the United States Patent and Trademark Office, and therefore the Patent Shares have not been issued and remain an obligation.

Related party payables

	December 31, 2018	December 31, 2017
Brad Eckenweiler	$ 37,424	$ 116,727
Dr. Sanderson	20,463	17,470
James Pakulis	57,903	3,067
Yanika Silina	1,581	5,835
Arni Johannson	36,750	-
Frank McEnulty	81,852	-
Crystal Elrod	(99,450)	-
Jonathan Hunt[(1)]	6,139	n/a
Nanostrips Inc.	18,008	-
Total payable to related parties	**$ 160,670**	**$ 143,099**

[(1)] Mr. Hunt became a related party to the Company in June 2018, at the time of organizing Omni Distribution, as he obtained 25% control of Omni Distribution.

Related party advances receivable

During the year ended December 31, 2018, the Company advanced a total of $1,093,394 (US$882,865) to a company with a director in common to acquire equipment. At December 31, 2018, the Company impaired the full amount receivable, being $1,204,405. In addition, the Company advanced $9,070 (US$7,000) for working capital to an affiliated company with senior management in common. The advances are due on demand and do not accumulate interest.

As at December 31, 2018 a total of $9,549 was receivable from the related entity (Note 6).

Related party loans payable

During the year ended December 31, 2017, the Company borrowed $285,123 (US$214,000) from its CEO and director. The loans were due on demand, unsecured and bore interest at 6% per annum. At May 31, 2017, Mr. Eckenweiler chose to convert $200,000 of the amount owed to him into 400,000 units as part of the May financing.

Mr. Eckenweiler chose to use the remaining $86,964 (US$68,245) in outstanding principal and $838 (US$658) in accrued interest to exercise his option to acquire up to 1,450,000 shares of the Company's common stock at $0.12 per share as to a portion of those shares.

During the year ended December 31, 2018, the Company did not borrow any funds from its related parties.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

All significant accounting policies and critical accounting estimates are fully disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2018.

FINANCIAL INSTRUMENTS

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date

of initial application. The change did not impact the carry value of any of the financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Unearned revenue	Amortized cost	Amortized cost
Marketable securities	n/a	FVTPL
Accounts payables	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholder's equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 1, 2018.

ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Fair Value Measurement

The Company classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The fair values of the risk management contracts are estimated based on the mark-to-market method of accounting, using publicly quoted market prices or, in their absence, third-party market indications and forecasts priced on the last trading day of the applicable period.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels during the years ended December 31, 2018, and 2017.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2018, as follows:

	Fair Value Measurements Using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, December 31, 2018	Balance, December 31, 2017
	$	$	$	$	$
Cash	420,180	-	-	420,180	2,742,808
Funds held in trust	20,615	-	-	20,615	-
Term deposit	11,500	-	-	11,500	11,500
Marketable securities	541,237			541,237	-
Total Fair Value	993,532	-	-	993,532	2,754,308

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate, and currency risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale, and pattern of its operations would warrant such hedging activities.

Credit risk
Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and short-term investments. The Company limits its exposure to credit loss by placing its cash and short-term investment with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Interest rate risk
Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks, and GIC carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

As of the date of this MD&A, the Company has an interest-bearing loan with a third-party lender, which accumulates interest at 3% per month compounded monthly and is payable on maturity on June 13, 2019.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

Price Risk
The Company is not exposed to commodity price risk as its current business operations do not depend on fluctuations in the market price of commodities.

OUTSTANDING SHARE DATA

As of May 5, 2019, the Company had the following securities issued and outstanding:

Type	Amount	Exercise Price	Expiry Date
Common shares[1]	120,041,031	n/a	Issued and outstanding
Stock options	7,711,000	$0.50	July 27, 2019
Stock options	2,860,820	$0.58	August 15, 2020
Stock options	3,000,000	$0.465	Vest over 2 years in 8 equal quarterly tranches beginning on Feb 7, 2019; As at April 29, 2019, options to acquire up to 375,000 have vested
Stock warrants	3,000,000	$0.465	Vest over 2 years in 8 equal quarterly tranches beginning on Feb 7, 2019; As at April 29, 2019, warrants to acquire up to 375,000 have vested
	136,612,851		Total shares outstanding (fully diluted)

[1] *Authorized: Unlimited common shares without par value.*

ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published and are fully disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2018. Management is assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

RISKS AND UNCERTAINTIES

The following are certain risk factors relating to the business carried out by the Company which prospective investors should carefully consider before deciding whether to purchase the Company's securities. The risks presented below may not be all of the risks that the Company may face. The Company will face a number of challenges in the development of its business. Due to the nature of the Company's business and the present stage of the business, the Company may be subject to significant risks. Sometimes new risks emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Readers should not rely upon forward-looking statements as a prediction of future results. Readers should carefully consider all such risks, including those set out in the discussion below.

Regulatory Risks
The activities of the Company will be subject to strict regulation by governmental authorities imposed on the affiliates of the Company. Achievement of the Company's business objectives is contingent, in part, upon compliance of its affiliates with regulatory requirements enacted by various governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of their products. The Company cannot predict the time required for its affiliates and itself to secure all appropriate regulatory approvals for the Company's technology and the related 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 by the Company and its affiliates and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Although the Company and mainly its affiliates actively seek to comply with U.S. local and state marijuana laws, marijuana remains a Schedule I drug under the United States Controlled Substances Act of 1970 (the "CSA") and the cultivation and distribution of marijuana and marijuana-related products remains illegal under U.S. federal law. Although the State of California has enacted laws legalizing the use, cultivation, extraction, manufacture, and distribution of cannabis and cannabis products, U.S. federal law criminalizing the use of marijuana may pre-empt state laws that legalize its use and production. Although Congress has prohibited the US Justice Department from spending federal funds to interfere with the implementation of state medical marijuana laws, this prohibition must be renewed each year to remain in effect. There are no assurances that these spending prohibitions will continue in the future. If these spending prohibitions are not renewed, unless the CSA is amended, of which there can be no assurance, the Company's operations and operations of its affiliates may be deemed to be in violation of United States federal law and the Company and/or its affiliates could become subject to enforcement proceedings under United States federal law. Active enforcement of United States federal law as it currently exists could adversely affect the Company's future business prospects, cash flows, earnings, results of operations and financial condition and would likely prevent the Company from being able to proceed with its current business plan.

Change in Laws, Regulations, and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the business activities of its affiliates, the acquisition, manufacture, management, transportation, storage and disposal of cannabis and cannabis-related products as well as 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 and its affiliates and may cause adverse effects to the operations of the Company's affiliates thereby affecting the results of operations of the Company.

As of the date of this MD&A, thirty-three states and the District of Columbia allow the use of cannabis.

These jurisdictions have passed laws either decriminalizing or legalizing the medicinal and/or recreational use of cannabis. While the Company believes that the number of states legalizing the use of cannabis will increase, there is no assurance of the trend. There is no assurance that the thirty-three existing states or the District of Columbia will not reverse their position on cannabis and revoke the legal use of cannabis. These changes would materially impact the growth of the Company's business, and the Company may experience declining revenues if the market for its product and services declines as a result of such changes.

Even in areas where the recreational and/or medicinal use of cannabis is legal under state law, there are local laws and regulations that affect the Company's licensees. In some municipalities, a retail cannabis dispensary is prohibited from being located within a certain distance from schools, community centers and/or churches. These local laws and regulations may cause some of the licensee's customers to close, which will impact the revenue of the Company and have a material effect on the Company's business and operations. The enforcement of identical rules or regulations with respect to cannabis may vary from municipality to municipality or city to city.

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

Internet websites are accessible everywhere, not just in jurisdictions where the activities described therein are considered legal. The assets of the Company include several domain names and websites which provide information about the Company's business and business and products of its affiliates. The Company may face legal action from a state or other jurisdiction for engaging in an activity or abiding the activity that is illegal in that state or jurisdiction by way of its website.

Summary of California Regulatory Environment for Marijuana-Related Businesses

Currently, California's medicinal and adult-use cannabis regulatory frameworks are merged under one licensing structure under the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA").

Pursuant to MAUCRSA: (1) the California Department of Food and Agriculture, via CalCannabis, issues licenses to cannabis cultivators: (2) the California Department of Public Health, via the Manufactured

Cannabis Safety Branch (the "MCSB"), issues licenses to cannabis manufacturers and (3) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the "BCC"), issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses.

To operate legally under state law, cannabis operators must obtain a state license and local approval. A local authorization is a prerequisite to obtaining state licensure, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive, and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license.

Under California state law, all state-licensed cannabis businesses are entitled to rely on certain transition provisions until June 30, 2018. These provisions were included to ease the transition of businesses into the new regulatory regime introduced on January 1, 2018, in California. The provisions grandfather the sale of certain products compliantly produced prior to January 1, 2018, and, among other things, also allow state licensees to transact with other state licensees regardless of the parties' adult-use (A) or medical (M) license until July 1, 2018.

CSPA currently holds Conditional Use Permits from the City of Adelanto for the extraction and manufacturing of medicinal cannabis products at the Adelanto Facility.

As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law.

Risks Related to Conflicting Federal and State Laws

The cannabis industry is currently conducted in thirty-three states and the District of Columbia. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal or recreational use of cannabis. However, under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis remains illegal. The Federal, and, in some cases, State law enforcement authorities have frequently closed down retail dispensaries, growers, and producers of cannabis products and have investigated or closed physician offices that provide medicinal cannabis recommendations. To the extent that an affected retail dispensary, grower, producer, or physician office is a customer of the Company, it will affect the Company's revenue. Enforcement actions that impact new retail dispensaries, growers, producers and physician offices entering the cannabis industry may materially affect the Company's business and operations.

Banking Risks

As the use, cultivation, manufacture, and distribution of marijuana remain illegal under U.S. federal law. U.S. banks may not be able or willing to accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding banks willing to accept their business. An inability to open or maintain bank accounts in the U.S. may make it difficult for the Company to operate its business.

Liability, Enforcement Complaints, etc.

The participation of the Company's affiliates in the marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company, its subsidiaries, or its affiliates. Litigation, complaints, and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Operation Permits and Authorizations

The regulatory environment for marijuana operations in California remains complex. Although the Company's wholly-owned subsidiary, CSPA Group, Inc., currently has state and local licenses and permits for its existing operations, maintaining those licenses and permits can be a complex process. The Company, its subsidiaries, and affiliates may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its medical marijuana business. In addition, the Company its subsidiaries, or affiliates may not be able to comply fully with the wide variety of laws and regulations applicable to the marijuana industry. Failure to comply with or to obtain the

necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's ability to operate its business and ability to execute its business plan.

Supply of Raw Cannabis Material

The Company, its subsidiaries, and affiliates currently obtain raw cannabis materials from third parties. However, there can be no assurance that there will continue to be a supply of raw cannabis material available to meet the production needs. Additionally, the price of raw cannabis may be volatile which would increase the cost of goods. If the Company's affiliates are unable to acquire raw cannabis in amounts sufficient to meet its business needs or if the price of raw cannabis increases significantly, the Company's affiliates, as well as the Company's business prospects, operations and financial condition, could be adversely affected.

Lack of Operating History

The Company has only recently started to carry on its business and 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 material 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.

Reliance on Management and Key Personnel

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 the desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources 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.

Additional Financing

The Company's future capital requirements depend on many factors, including its ability to successfully market its products, cash flows from operations, locating and retaining talent, and competing for market developments. The Company's business model requires spending money (primarily on raw material, human capital, advertising and marketing) in order to generate revenue. Based on the Company's current financial situation, the Company may have difficulty continuing operations at the current level, or at all, if it does not start generating sufficient revenue from its operations and control its input costs in the near future.

In order to execute the Company's business plan, the Company will require some additional equity and/or debt financing to undertake capital expenditures. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing or earn revenue to support on-going operations or to fund capital expenditures could limit the Company's operations and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of current holders of the Company Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Company may be required to reduce, curtail, or discontinue operations. There is no assurance that the Company's existing cash flow will be adequate to satisfy its existing operating expenses and capital requirements.

Competition

There is potential that the Company and its affiliates 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. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of the early stage of the industry in which the Company provides its services, the Company expects to face additional competition from new entrants. If the number of users of medical or recreational marijuana in the United States increases, the demand for products based on the Company's technology or on similar technologies will increase and the Company expects that competition will become even more intense, as current and future competitors begin to offer an increasing number of diversified products and develop technologies similar to the Company's core technology. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Growth and Consolidation in the Industry

The cannabis industry is undergoing rapid growth and substantial change, which may result in increased consolidation and formation of strategic relationships. The Company expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Company and its affiliates. 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 users of competing technologies consolidate with the Company's current or potential customers and affiliates. 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.

Risks Inherent in an Agricultural Business

The Company's business will indirectly rely on the growing of cannabis, an agricultural product, for use by its subsidiaries and affiliates. As a result, the business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Unfavorable Publicity or Consumer Perception

The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy, and quality of the product. 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 medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research

findings or publicity will be favorable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy, and quality of marijuana in general, or the Company's products specifically, or associating the consumption of marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

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

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's affiliates' products based on the Company's technology are recalled due to an alleged product defect or for any other reason, the Company may be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company's affiliates 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 ensure that its affiliates 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 significant brands based on the Company's technology 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 technology 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 affiliate operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

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 labor, equipment, parts, and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, equipment, parts, and components.

Difficulty to Forecast

The Company will have to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in the United States. A

failure in demand for its products to materialize as a result 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.

Operating Risk and Insurance Coverage
The Company maintains insurance to protect its assets, operations, and employees. Due to the nature of the Company's business, insurance such as workers compensation, general liability, directors and officer's insurance, even though available, is more costly. There are no guarantees that the Company will be able to renew current insurance policies or that the cost will be affordable to the Company. While the Company believes its insurance coverage is adequate to protect it from the material risks to which it is exposed as of the date of this MD&A, no assurance can be given that such insurance will be adequate to cover the Company's future liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Growth Management
The Company and its affiliates have, and may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its technology and services. The Company and its affiliates may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company and its affiliates to manage growth effectively will require them to continue to implement and improve the operational and financial systems and to expand, train and manage their employee base. The inability of the Company and its affiliates to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of Interest
Certain 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 defending its intellectual property rights.

The Company may become a 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 its

operations, the market price for Company Shares, and could significantly drain the Company's resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The Market Price of the Company Shares may be Subject to Wide Price Fluctuations
The market price of the Company shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, 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 Company shares.

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 the Company's 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.

CONTINGENCIES

There are no contingent liabilities.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.