



BLOXLabs

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine Month Period ended December 31, 2018

Report Date – March 1, 2019

BLOX LABS INC.

Management's Discussion & Analysis

Nine Month Period Ended December 31, 2018

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of Blox Labs Inc. ("Blox" or the "Company") has been prepared by management in accordance with the requirements of National Instrument 51-102. This MD&A should be read in conjunction with the condensed interim consolidated financial statements for the nine month period ended December 31, 2018 and the audited annual financial statements for the years ended March 31, 2018 and 2017 and the related notes thereto.

The following information has been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). All financial results are expressed in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

Additional information relating to the Company, including the financial statements are available on the Blox website at www.bloxlabs.ca or on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis ("MD&A") contains statements which, to the extent that they are not recitations of historical facts, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information include financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions. Forward-looking statements and information relating to the Company are based on the beliefs of management as well as assumptions made by and information currently available to us. The words "may", "would", "could", "will", "likely", "expect", "anticipate", "intend", "plan", "forecast", "project", "estimate" and "believe" or other similar words and phrases may identify forward-looking statements or information. Persons reading this MD&A are cautioned that such statements or information are only predictions, and that the Company's actual future results or performance may be materially different. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital and the estimated cost and availability of funding. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the possibility of development or deployment difficulties or delays; the timing of entering into significant contracts; the performance of the global economy; industry analyst perception of the Company and its vision and future prospects; the success of certain business combinations engaged in by the Company or by its competitors; possible disruptive effects of organizational or personnel changes; new products and standards; risks related to acquisitions and international expansion; reliance on large customers; dependence upon key personnel and hiring; reliance on a limited number of suppliers; risks related to the Company's competition; the Company not adequately protecting its intellectual property; currency exchange rate risk; and including, but not limited to, other factors described in the Company's reports filed on SEDAR, its listing statement and those referred to under the heading "Risks and Uncertainties".

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FORWARD-LOOKING STATEMENTS (continued)

In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; timing of execution of outstanding or potential customer contracts by the Company; sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historical ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect the Company's forward-looking information. These factors should be considered carefully, and readers should not place undue reliance on forward-looking information. All forward-looking statements made in this MD&A are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. The Company disclaims any intention and obligation to update and revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

COMPANY OVERVIEW

Blox was incorporated on April 4, 2014 under the Business Corporations Act of British Columbia as Big Rock Labs Inc. and changed its name to Blox Labs Inc. on November 16, 2017. The Company owns 100% of Big Rock Technologies Inc. which was incorporated on February 13, 2014 under the Business Corporations Act of British Columbia. The head office of the Company is located at Suite 206 - 213 Sterling Road; Toronto, Ontario M6R 2B2.

The Company is listed for trading on the Canadian Securities Exchange (the "CSE") under the symbol "**BLOX**" and on the Frankfurt stock exchange in Germany under the symbol "**BR1B**". Blox was a technology development company focused on creating best-in-class software solutions driven by emerging trends in Blockchain, Smart Contracts and Decentralized Applications. However, on February 28, 2019, the Company entered into a definitive share exchange agreement pursuant to which Blox can acquire all of the issued and outstanding securities of Best Cannabis Products Inc. ("BCP"), a private Canadian company is engaged in the cannabis sector, in exchange for the issuance of 234,800,000 common shares of the Company. The transaction will function as a reverse takeover and result in a change of business for the Company.

On November 22, 2017, the Company completed a consolidation of its common shares at a ratio of one new share for every two old shares. On July 4, 2018, the Company completed a forward split of its common shares at a ratio of three new shares for every one old share. Consequently, all share and per share amounts in this MD&A have been restated to reflect these adjustments to share capital.

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REVERSE TAKEOVER – BEST CANNABIS PRODUCTS INC.

On February 28, 2019, the Company entered into a definitive share exchange agreement (the "Agreement") with BCP pursuant to which Blox can acquire all of the issued and outstanding securities of BCP in exchange for the issuance of 234,800,000 common shares of the Company.

BCP is a Canadian company headquartered in Toronto, Ontario that is backed by a group of successful entrepreneurs who have extensive experience in the areas of manufacturing, logistics and renewable energy. BCP recently completed a private financing round and has secured a state of the art agricultural facility (the "Existing Facility") in Leamington, Ontario – a preeminent locale for cannabis cultivation in Canada. The current facility consists of 180,000 square feet of cultivation space and is situated on 50 acres of land. BCP has engaged industry experts David Hyde and Associates along with Eurofins to assist with the implementation and compliance with the Licensed Producer application process. BCP is in the process of submitting its final Licensed Producer application under the Cannabis Act. Further, BCP is in active discussions with other Canadian Licensed Producer cannabis companies as potential partners for an expansion site location. Although, there can be no assurance that the current active discussions will lead to the solidification of a partnership.

The Agreement outlines the terms and conditions pursuant to which BLOX will acquire all of the outstanding securities of BCP. The transaction will function as a reverse takeover and result in a change of business for the Company. The transaction is subject to a number of conditions precedent including, but not limited to, completion of a minimum concurrent financing of up to \$3,000,000 ("Transaction Financing") and CSE approval.

BCP Business Objectives

The Existing Facility will be developed to suit cannabis cultivation and production in two phases. Upon completion of the first phase of development and improvements to the Existing Facility ("**Phase 1**"), the Existing Facility will be retrofitted to accommodate approximately 10,000 square feet of cultivation space. Based on the cultivation space available after completion of Phase 1, it is estimated that the New Issuer will be capable of producing approximately 5,000,000 grams of dried cannabis per year.

Upon completion of the second phase of development and improvements to the Existing Facility ("**Phase 2**"), the Existing Facility will be retrofitted to accommodate approximately 180,000 square feet of cultivation space. Phase 2 is expected to be completed within two years of the Existing facility becoming operational, at which time it is estimated that BCP will be capable of cultivating and producing 25,000,000 grams of dried cannabis per year. Conditional upon BCP receiving the License from Health Canada, BCP expects that it will begin cultivation and production within the next 12 months. After completing Phase 1 and Phase 2 and obtaining the License, BCP anticipates that the Existing Facility will have the potential to generate \$48,000,000 in earnings before taxes per annum once the Existing Facility is in full production.

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AGRAFLORA JOINT VENTURE

On January 7, 2019, as amended on February 18, 2019, the Company executed a letter of intent ("LOI") with AgraFlora Organics International Inc. ("AgraFlora") to negotiate in good faith a definitive agreement whereby AgraFlora and Blox intend to form a joint venture company to build a best-in-class team of professionals from the cannabis, agriculture and pharmaceutical sectors to manage and operate state-of-the-art agricultural greenhouse facilities.

The LOI contemplates that AgraFlora is to be named the manager of the Leamington cannabis greenhouse and will receive the following compensation assuming Blox completes its acquisition of BCP within a specified timeframe:

- (i) a management services fee of 4% of the total cost of annual operations; and
- (ii) a total of 57,091,440 special warrants ("**Special Warrants**") priced at a deemed value of \$0.05 per Special Warrant (for a total value of \$2,854,572).

The Special Warrants are comprised of Series A, Series B and Series C with each series containing 19,030,480 Specials Warrants. Each Special Warrant is convertible, subject a conversion limitation of AgraFlora Organics not owning more than 19.99% of Blox at any time, into one common share in the capital of Blox on the basis certain conditions and milestones being met including the completion of the acquisition of BCP by Blox.

AgraFlora will also provide services and resources related to propagation and genetics, greenhouse design and operation and large-scale cultivation to the Leamington cannabis project. In addition, AgraFlora will contribute rights relating to its existing cannabis operations and non-exclusive brands currently being sold in Canada.

The management contract of the Leamington cannabis greenhouse between AgraFlora and Blox is conditional upon the completion of the acquisition of BCP by Blox.

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TECHNOLOGY BUSINESS

Prior to the Company's change of business into the Cannabis sector, the Company's focus was on creating best-in-class software solutions driven by emerging trends in Blockchain, Smart Contracts and Decentralized Applications. Specific projects included:

CannaBLOX

In December 2017, the Company entered into an agreement with Liberty Leaf Holdings Ltd. ("Liberty Leaf") to develop a blockchain-based smart contracts ledger for the legalized cannabis industry. The CannaBLOX Blockchain software will aim to ease and obliterate logistical bottlenecks, ensure product safety and quality of supply, minimize fraud and potential criminal activity, and assist with taxation and regulatory compliance across various levels of government within the legalized Cannabis marketplace. Phase 1 development of CannaBLOX has begun and will include, among other things, refining project scope and modelling itemization, an environmental scan of the Canadian Cannabis landscape, CannaBLOX branding, and the completion of a Blockchain Whitepaper.

In a recent request for public feedback from the Government of British Columbia, IBM submitted a proposal suggesting the use of Blockchain technology as a means by which to track and document transactions across the Cannabis supply chain. In a November article from Bloomberg, IBM stated: "This type of transparency would bring a new level of visibility and control to the provincial regulators."

PetroBLOX

In May 2018, the Company entered into a partnership with Sonoro Energy Ltd. and has commenced development of PetroBLOX, a blockchain-based smart-contract supply chain management platform for the global oil and gas industry. Through the utilization of best-in-class smart contracts and decentralized application technologies, PetroBLOX will aim to enable and enhance workflow, maximize project management efficiency, and increase the level of transparency in the global exploration and production ("E&P") space. With applications to both the upstream and downstream verticals of the oil and gas sector, PetroBLOX will endeavour to assist and ease bottlenecks ranging from permitting, planning and procurement to rig mobilization and demobilization, all the way through to end-product commodity trading. Phase 1 development of PetroBLOX has begun and will include, among other things, refining project scope and modelling itemization, an environmental scan of the E&P industry status quo, PetroBLOX branding, and the completion of a blockchain white paper.

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SELECTED QUARTERLY INFORMATION

The table below summarized information reported for the most recent eight quarterly periods:

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	(\$)	(\$)	(\$)	(\$)
Total assets	685,378	931,315	1,476,843	550,388
Total liabilities	39,097	81,236	133,733	40,418
Revenue	62,500	-	-	-
Net loss	(428,198)	(492,806)	(587,007)	(121,326)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	(\$)	(\$)	(\$)	(\$)
Total assets	732,946	70,637	78,616	111,034
Total liabilities	98,446	22,638	22,153	21,647
Revenue	50,000	-	-	-
Net loss	(113,499)	(8,464)	(32,924)	(8,263)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Significant variations in the most recent eight quarters are discussed below:

- a) During the quarter ended June 30, 2018, the total assets of the Company increased due to the completion of an equity financing for gross proceeds of \$1,111,650. In addition, the net loss for the period increased due to the contracting of additional consultants to expand the Company's operations and market exposure.
- b) During the quarter ended December 31, 2017, revenue increased to \$50,000 due to the CannaBLOX contract with Liberty Leaf Holdings Ltd. In addition, total assets increased in the period due to the completion of a non-brokered equity financing for gross proceeds of \$700,000.
- c) During the quarters ended December 31, 2017 and March 31, 2018, net loss increased due to increased consulting fees incurred in the development of the CannaBLOX project as well as a newly initiated market awareness program for the Company.

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SELECTED ANNUAL INFORMATION

Selected annual information for the years ended March 31, 2018, 2017 and 2016 is presented below:

	2018	2017	2016
	(\$)	(\$)	(\$)
Total assets	550,388	111,034	289,348
Total liabilities	40,418	21,647	58,241
Shareholders' equity	509,970	89,387	231,107
Revenue	50,000	116	1,800
Net loss	(276,213)	(141,720)	(335,974)
Loss per share	(0.01)	(0.00)	(0.01)

RESULTS OF OPERATIONS**Three Month Period Ended December 31, 2018**Revenues

The Company generated revenue of \$62,500 during the three month period ended December 31, 2018 ("Current Quarter") versus \$50,000 in the three month period ended December 31, 2017 ("Prior Quarter"). The blockchain sector is in the early stages of development so identifying customers and generating revenue has been inconsistent.

Expenses

The Company's expenses for the Current Quarter increased by \$315,775 relative to the Prior Quarter. This was due primarily to stock-based compensation incurred in the Current Quarter as the Company granted 4,100,000 stock options that vested immediately. Furthermore, the Company incurred additional consulting fees in connection with a new market awareness campaign for the Company.

Nine Month Period Ended December 31, 2018Revenues

The Company generate revenue of \$62,500 during the nine month period ended December 31, 2018 ("Current Period") versus \$50,000 in the nine month period ended December 31, 2017 ("Prior Period"). The blockchain sector is in the early stages of development so identifying customers and generating revenue has been inconsistent.

Expenses

The Company's expenses for the Current Period increased by \$1,327,862 relative to the Prior Period. This was due primarily to increased consulting fees incurred in connection with a new market awareness campaign for the Company. Finally, a total of \$513,300 was recorded as stock-based compensation in connection with the granting of incentive options during the Current Period.

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LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital position of \$646,281 as at December 31, 2018, compared to \$509,970 as at March 31, 2018. The improvement in working capital was directly related to the equity financing completed in June 2018 for gross proceeds of \$1,111,650.

During the nine month period ended December 31, 2018, the Company reported a net loss of \$1,508,011. Furthermore, the Company reported a cash outflow from operations of \$1,190,925 for the period. The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent upon the continued financial support of its creditors, access to equity financial markets and ultimately, the attainment of profitable operations.

The Company has successfully utilized both debt and equity financing in the past, but there is no assurance that such funding will be available in the future or if it is that it will be on terms that are acceptable. Management anticipates that its working capital is sufficient to meet its expected ongoing obligations for the coming year. However, if the Company requires additional capital and is unable to obtain acceptable financing, it will experience liquidity problems and management expects that it will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Any additional equity financing may involve substantial dilution

OUTSTANDING SHARE DATA**Issued and**

As at the Report Date, there are 117,498,997 common shares issued and outstanding.

Stock Options

As at the Report Date, the total number of stock options outstanding are summarized below:

Number of Options	Exercise Price	Expiry Date
	(\$)	
7,290,000	0.04	May 25, 2023
4,090,000	0.06	October 16, 2023
11,380,000	0.05	

Share Purchase Warrants

As at the Report Date, the total number of share purchase warrants outstanding are summarized below:

Number of Warrants	Exercise Price	Expiry Date
	(\$)	
20,322,000	0.033	November 27, 2019
2,250,000	0.17	October 9, 2020
22,572,000	0.05	

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INVESTMENT

In March 2018, the Company acquired 2,000,000 units of Sonoro Energy Ltd., a Canadian publicly traded corporation, for an acquisition cost of \$100,000. Each unit consists of a common share and a share purchase warrant wherein each share purchase warrant is exercisable into an additional common share at \$0.10 for a period of two years from the date of closing.

RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the nine month periods ended December 31, 2018 and 2017:

	2018	2017
	(\$)	(\$)
<i>Key management compensation:</i>		
Consulting fees paid or accrued to Jeff Zanini, Chief Executive Officer ("CEO") of the Company	119,509	-
Consulting fees paid or accrued to Harald Seemann, former CEO of the Company	16,000	60,000
Consulting fees paid or accrued to Jens Brandt, former Chief Financial Officer ("CFO") of the Company	12,000	3,000
Consulting fees paid to Sean McGrath, CFO of the Company	73,744	-
Consulting fees paid or accrued to Curtis Ingleton, Chief Technology Officer ("CTO") of the Company	10,000	-
Consulting fees accrued to Jerry Habuda, a director of the Company	5,000	-
Consulting fees paid to Peter Karroll, a director of the Company	10,000	-
Share-based compensation vested for incentive stock options issued to directors and officers of the Company	392,384	-
	628,637	63,000

As at December 31, 2018, a total of \$34,091 (March 31, 2018 - \$Nil) was included in prepaids for management fees paid in advance to Jeff Zanini, CEO of the Company.

As at December 31, 2018, a total of \$4,000 (March 31, 2018 - \$Nil) was included in accounts payable and accrued liabilities owing to Curtis Ingleton, CTO of the Company, for consulting fees.

As at December 31, 2018, a total of \$Nil (March 31, 2018 - \$18,429) was included in accounts payable and accrued liabilities owing to Harald Seemann, former CEO of the Company, for consulting fees and reimbursable expenses.

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ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies used by Blox are disclosed in note 3 to the March 31, 2018 audited annual consolidated financial statements. Preparing financial statements in accordance with IFRS requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position. There were no changes to Blox's critical accounting estimates during the nine month period ended December 31, 2018.

SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Company:

- a) entered into a definitive share exchange agreement (the "Agreement") with Best Cannabis Products Inc. ("BCP"), pursuant to which Blox can acquire all of the outstanding securities in BCP in exchange for the issuance of 234,800,000 common shares of the Company. The transaction is subject to a number of conditions precedent including, but not limited to, completion of a concurrent financing of up to \$5,000,000 and CSE approval.
- b) issued 75,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$2,500.
- c) entered into a non-binding letter of intent ("LOI") with AgraFlora Organics International Inc. ("AgraFlora") to negotiate in good faith a definitive agreement whereby AgraFlora and Blox intend to form a joint venture company to build a best-in-class team of professionals from the cannabis, agriculture and pharmaceutical sectors to manage and operate state-of-the-art agricultural greenhouse facilities.

The LOI also includes the management of the Leamington cannabis greenhouse to be acquired in the BCP transaction whereby AgraFlora would receive a management services fee and 57,091,440 special warrants in Blox, subject to a 19.99% ownership limitation and the satisfaction of certain milestones.

NEW ACCOUNTING STANDARDS

The Company adopted the following standards effective April 1, 2018:

IFRS 9, Financial instruments

This new standard replaces International Accounting Standards ("IAS") 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.

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NEW ACCOUNTING STANDARDS (continued)

IFRS 9 requires financial assets to be classified into one of three measurement categories on initial recognition: FVTPL, fair value through OCI and amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The new standard retains most of the existing requirements for financial liabilities.

IFRS 9 introduces a new impairment model for financial assets. This new model may result in the earlier recognition of credit losses as it requires the Company to account for expected credit losses from the time the financial instruments are first recognized.

IFRS 15, Revenue from Contracts with Customers

This new standard is based on the principle that revenue should be recognized to depict the transfer of goods or services to customers at an amount that the entity expects it will be entitled to in exchange for those goods.

IFRS 15 introduces a new five step model for the recognition of revenue based on when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards and could result in changes in the timing of revenue recognition for certain contracts

The adoption of these standards did not have a material impact on the Company's financial statements.

The following standard has been issued for annual periods beginning on or after January 1, 2019 but is not yet effective:

IFRS 16, Leases

This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of earnings will be recognized on the consolidated statement of financial position.

The Company has not yet assessed the potential impact of the application of this standard.

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NEW ACCOUNTING STANDARDS (continued)

The following standard has been issued for annual periods beginning on or after January 1, 2021 but is not yet effective:

IFRS 17, Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

The Company has not yet assessed the potential impact of the application of this standard.

RISKS AND UNCERTAINTIES**Conflicts of Interest Risk**

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures in the technology industry through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the products the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with the Business Corporations Act of British Columbia, directors who have a material interest in any person who is a party to a material contract or where a proposed material contract is required, subject to certain exceptions, have to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to us.

Key Personnel Risk

The Company's success will depend on its directors and officers to develop the Company's business and manage its operations, and on the Company's ability to attract and retain key technical, sales and marketing staff or consultants. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations. There are no compensatory plans or arrangements with respect to the executive officers resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of named executive officers' responsibilities following a Change of Control. The Issuer has not granted any termination or change of control benefits. In case of termination of executive officers, common law and statutory law applies.

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RISKS AND UNCERTAINTIES (continued)**Uninsured or Uninsurable Risk**

The Company may become subject to liability for risks against which the Company cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Speculative Nature of Investment Risk

An investment in the Company's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Company is in the development phase of its business. The Company's operations are not yet sufficiently established such it can mitigate the risks associated with its planned activities.

Liquidity and Future Financing Risk

The Company may require additional financing to fund future operations and expansion plans. The Company plans to raise further funds to carry out its business plan, but it does not yet have a commitment from anyone to invest the funds. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in the Company's efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing common shares in the Company's authorized capital, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

Going Concern Risk

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Global Economy Risk

A potential economic slowdown and downturn of global capital markets can make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while the Company establishes a user and customer base for its products. Access to financing can be negatively impacted by a global economic downturn. As such, the Company is subject to liquidity risks in meeting the Company's development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's common shares on the Canadian Securities Exchange ("CSE").

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RISKS AND UNCERTAINTIES (continued)

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company plans to retain potential earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

The Company's common shares are listed for trading on the CSE. External factors outside of the Company's control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward technology sector stocks may have a significant impact on the market price of the Company's common shares. Global stock markets, including the CSE, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. The same applies to companies in the technology sector. There can be no assurance that an active or liquid market will develop or be sustained for the Company's common shares.

Increased Costs of Being a Publicly Traded Company

As a Company with publicly traded securities, the Company will incur significant legal, audit and filing fees. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which will significantly increase the Company's legal and financial compliance costs.

CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore all strategic options and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash. The Company expects its capital resources will be sufficient to carry its operations through the current operating period. The Company is not subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

The Company's cash and cash equivalents are held in large Canadian financial institutions. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not currently exposed to foreign exchange risk.

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FINANCIAL INSTRUMENTS (continued)**Interest rate risk**

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise additional funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Fair value

The carrying value of the cash and cash equivalents and accounts payable and accrued liabilities approximates their fair value, due to the short-term maturities of these instruments. The fair value of short-term investment is measured using level 1 of the fair value hierarchy.

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes to market prices (other than those arising from interest rate or currency risk) whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Company's short-term investment consists of common shares in Sonoro Energy Ltd. which is a publicly traded corporation on the Canadian Securities Exchange. Consequently, there is a risk that the fair value of this investment will fluctuate due to future price changes.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Report Date, the Company did not have any off-balance sheet debt nor did it have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons that may have material current or future effect on financial conditions, changes in the financial conditions, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses.

COMMITMENTS

As at the Report Date, the Company had no commitments.

OUTLOOK

Blox is focused on creating maximum value for its shareholders. As a result, the Company has been reviewing opportunities outside of its existing blockchain solutions business. The result of those efforts is the execution of an agreement with BCP for a potential merger to form a new company in the Cannabis sector. (Refer to Reverse Takeover – Best Cannabis Products Inc.)

BLOX LABS INC.

Management's Discussion & Analysis
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ADDITIONAL DISCLOSURE**Name Change**

On November 22, 2017, the Company changed its name from Big Rock Labs Inc. to Blox Labs Inc., and it changed its CSE trading symbol from "BLA" to "BLOX".

Board and Management Changes

Mr. Stephane Bigue resigned as director of the Company in November 2017, and Jeff Zanini was appointed to the Board of Directors. Mr. Zanini has more than 25 years of experience as a senior executive in supply chain logistics. He has a record for building best-in-class organizations with a relentless focus on growth strategies and profitability.

Mr. Zanini subsequently accepted the position of Chief Executive Officer after the resignation of Harald Seemann in March 2018. Jerry Habuda was concurrently appointed to the Board of Directors of the Company to replace Mr. Seemann. Mr. Habuda enjoyed a long and distinguished career with the Toronto police department and has over 35 years of experience in law enforcement and specialized units.

In April 2018, Philip Morrison resigned as a director of the Company, and he was replaced by Thomas Clarke. Mr. Clarke is registered as a professional geoscientist with APEGBC and APEGA. He is also registered as a professional natural scientist in geoscience with the South African Council for Natural Scientific Professions.

In May 2018, Sean McGrath accepted the position of Chief Financial Officer following the resignation of Jens Brandt. Mr. McGrath is a chartered professional accountant (CPA, CGA) who has spent the last 20 years providing financial management and consulting services to publicly traded companies.

Peter Karroll was appointed to the Board of Directors of the Company in May 2018. Mr. Karroll has a distinguished record of achievement in leadership roles with numerous companies over the last 25 years, primarily in the entertainment industry.

In August 2018, Curtis Ingleton accepted the position of Chief Technology Officer ("CTO") with Blox. Due to the proposed change of business to the Cannabis sector, Mr. Ingleton was terminated from the role of CTO in December 2018.

BLOX LABS INC.

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ADDITIONAL DISCLOSURE (continued)

Shareholder Lock-Up

In May 2018, certain major shareholders entered into voluntary pooling agreements, representing 18,600,000 common shares of the Company. These voluntarily pooled shares represent approximately 16% of the current issued and outstanding share capitalization of the Company. The terms of the pooling agreement will restrict resale of the shares for a period of 18 months, effective May 8, 2018. There will be no shares released in any tranches whatsoever during the 18 month period. In addition to the voluntarily pooled shares as noted above, under regulatory order, 18,499,314 common shares of the Company that are held by the former CEO have been subject to mandatory trading restriction for a period of 60 months, effective as of May 7, 2018. These additionally restricted shares represent a further 16% of the current issued and outstanding share capitalization of the Company. As a result, a total of approximately 32% of the currently issued and outstanding share capitalization of the company has been restricted from trading for between 18 and 60 months.

CORPORATE INFORMATION

Legal Counsel

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Auditor

RSM Canada LLP
Suite 700 - 11 King Street West
PO Box 27
Toronto, ON M5H 4C7

Officers

Jeff Zanini – *Chief Executive Officer*
Sean McGrath – *Chief Financial Officer*

Listings

Canadian Securities Exchange: **BLOX**
Frankfurt Stock Exchange: **BR1B**
OTC: **BLLXF**

Board of Directors

Jeff Zanini – *Chief Executive Officer*
Peter Karroll – *Independent*
Thomas Clarke – *Independent*
Jerry Habuda – *Independent*

Transfer Agent

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