NEWLEAF BRANDS INC.
(Formerly New Age Brands Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

DECEMBER 31, 2018 AND 2017

This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the year ended December 31, 2018, compared to the year ended December 31, 2017. This report prepared as at April 30, 2019 intends to complement and supplement our consolidated financial statements (the "financial statements") as at December 31, 2018 and should be read in conjunction with the financial statements and the accompanying notes. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" or "New Leaf", we mean New Leaf Brands Inc. and/or its subsidiaries, as it may apply.

Additional information, including news releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available under the Company's profile at www.sedar.com or the Company's website https://nabrandsinc.com/.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued development of our real estate holdings, among others, including those identified in the Risk Factors section. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions.

Readers are cautioned that these forward looking statements are neither promises nor guarantees, and are subject to risks and uncertainties that may cause future results to differ materially from those expected including, but not limited to

- *Fluctuations in the fair market value of land;*
- *Demand for CBD products and cannabis related derivatives;*
- *Expected number of users of CBD products and CBD related derivatives in the United States;*
- *Demand for the development of turnkey properties in the state of Washington;*
- *Product sales expectations and corresponding forecasted increases in revenues;*
- *Successful marketing and promotion of We are Kured's lifestyle brand and products;*
- *The Company's expectations regarding the adoption and impact of certain accounting pronouncement's;*
- *The availability of financing needed to complete the Company's planned improvements on commercially reasonable terms;*
- *Federal status that may contradict local and state legislation respecting legalized marijuana;*
- *The Company's expectations with respect to the Company's future financial and operating performance; and,*
- *The Company's expectations with respect to future performance, results and terms of strategic initiatives, strategic agreements and supply agreements.*

These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf except as may be required by securities laws.

NEWLEAF OPERATIONS

The Company was incorporated under the *Business Corporations Act* (British Columbia) on September 27, 2013, under the name 0981624 B.C. Ltd. The Company subsequently changed its name to New Age Brands Inc. on November 14, 2018 and to NewLeaf Brands Inc. on April 2, 2019.

The Company listed its common shares on the Canadian Securities Exchange and began trading under the symbol NF on August 18, 2014. The Company is also quoted on the Frankfurt Exchange under the symbol 0NF and on the OTC under the symbol NWGFF.

The Company has four subsidiaries:

- New Age Farm Washington, LLC (“NAF WA”);
- 1176392 B.C. Ltd. (“Oregon Properties”);
- Kured Latin America, LLC. (“Latin Kured”); and,
- We Are Kured LLC (“Kured”).

The Company is an innovative online Cannabidiol (“CBD”) and lifestyle Company. Through the Company’s wholly owned subsidiary, Kured, the Company’s main business activities encompass the development, market and distribution of CBD products including, but not limited to, CBD vaporizer pens, topicals, gel capsules and more. Kured launched its first product, a fully loaded, 250 mg disposable terpen infused, hemp derived CBD vaporizing pen and is available in three variations. In addition, the Company has land investments in Oregon.

We are Kured

The Company is primarily a CBD oil lifestyle Company that is interested in working with Kured to launch its products.

During the period ended December 31, 2017, the Company was approached by the principals of We Are Kured, LLC (“Kured”), a Colorado based CBD oil lifestyle company that was interested in working with the Company to launch its products. Management reviewed the proposal and the Company entered into a definitive agreement with Kured in December 2017 as a new division and to support its principal business. Kured is led by Benjamin Martch, a cannabis marketing entrepreneur. Kured has partnered with hemp cultivators, edible manufacturers, and product formulators to develop, market and distribute multiple lines of CBD products including, but not limited to, CBD vaporizer pens, topicals, gel capsules and more. Unlike THC, CBD, is a non-psychoactive cannabinoid and does not result in any type of high and can be legally extracted from the hemp plant and consumed. All of Kured’s products are 100% THC free and will be available for purchase internationally. THC, or tetrahydrocannabinol, is the primary active ingredient in cannabis.

In January 2018, Kured became a wholly owned subsidiary of New Leaf Brand. Since joining the New Leaf Brand’s family, Kured has launched its brand by attending trade shows, developing a fully built out ecommerce website at www.wearekured.com, and delivering its first product, the CBD oil vaporizer pen filled with terpene infused hemp derived CBD oil. Kured’s terpene blends were created by global terpene developer Eybna Technologies Ltd. Each of Kured’s vape pens is infused with one of three specific terpene flavour profiles. The three variations are Moonlight, an Indica blend infused with OG Kush Terpenes; Daylight, a Sativa blend infused with Pineapple Express Terpenes; and Allday, a Hybrid blend infused with Strawberry Diesel Terpenes. Kured has worked closely with the manufacturing and design team to ensure that the look, feel and overall experience of the pen would be both ergonomically and esthetically pleasing. Kured announced the launch a second generation vape pen in May 2018.

NEW LEAF FARM OPERATIONS (Continued)

General Development and New Leaf Brands' Business

During the year ended December 31, 2018, Kured was actively promoting the brand through attendance at trade shows, presentations and marketing outreach. Throughout the year, the Company's efforts to market its product has gained transaction. The Company is now working with various distributors and marketers to gain market share. Kured believes that as it launches the next generation pen and cements these relationships with retailers, marketers, and distributors that sales will increase and Kured will begin to see positive margins in future quarters.

In addition to the vape pens, Kured has been actively developing its product lines and the Company will report on these as information becomes available.

Latin America Subsidiary

During the year ended December 31, 2018, the Company incorporated a new subsidiary, Kured Latin America. The Company intends to convert users of CBD products from oils to Kured's product line. More information can be found on the Company's dedicated website for its Latin American subsidiary here: http://www.kured.cl.

Acquisition of 1175987 B.C. Ltd.

From time to time, the Company seeks for value- added real estate investments. These properties acquired are assets in which the Company hopes to be able to earn positive cash flows and gain appreciation on in their respective markets.

In August 2018, the Company acquired 1175987 B.C. Ltd. ("Oregon Properties") to further develop and grow its business. 1175987 B.C. Ltd. was later amalgamated with the Company's wholly owned subsidiary, 1176392 B.C. Ltd. Through the acquisition of the Oregon Properties, the Company acquired 111 acres of land, divided into two legal plots, located at Cave Junction, Oregon, and a start of the art outdoor and greenhouse cultivation facility. Cave Junction has been historically known as one of the best micro climates in the world for successful cultivation of cannabis.

Drink Fresh Water, LLC

On September 25, 2018, the Company signed a definitive agreement with Drink Fresh Water LLC. ("DFW"), a CBD infused beverage company. DFW further augments the Company's vision of creating a lifestyle brand using CBD products and other cannabis derivatives. DFW was established in California by a group of industry leaders and is known for their flagship product, a CBD infused, nano amplified alkaline water that is in over 100 unique retail store. The Company intends to provide its marketing and distribution expertise to create shareholder value.

On February 8, 2019, the Company completed the acquisition of Drink Fresh Water LLC and issued 345,280 common shares with a fair value of $1.009.994.

The acquisition of DFW does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 Business Combination. As a result, under IFRS 2 – *Share Based Payments*, the transaction is being measured at the fair value of equity consideration issued to acquire these entities.

NEW LEAF FARM OPERATIONS (Continued)

Acquisition of We Are Kured LLC

On December 17 2017, the Company entered into a share purchase agreement to purchase 100% interest in a company, We Are Kured, LLC ("WAK"), by issuing 222,222 common shares of the Company. In addition, the Company advanced $64,430 (USD $50,000) as part of the acquisition price. Based on the terms of the agreement, the Company had the following acquisition commitments:

- USD $50,000 60 days after the date of the agreement (paid)
- USD $50,000 90 days after the date of the agreement (paid).

On January 2, 2018 the Company issued 222,222 common shares with a fair value of $3,050,000 and advanced $64,430 (USD $50,000). The Company acquired net liabilities of $51,176 which were incurred in the development of WAK's business plan and website.

Business Rationale

The Company acquired WAK because the Company saw significant potential in the CBD and THC products WAK was in the process of developing in the United States. The Company made a decisive acquisition into a new and early stage business in the United States and in that process, the Company entered into a rapidly growing industry in a lucrative market segment. The Company's existing website and management expertise at WAK justified the purchase price.

The delay between entering the share purchase agreement on December 17, 2018 and the issuance of common stock on January 2, 2018 was due to administrative delays and constraints, and the Company noted that share price increased unexpectedly from $6.53 per share on December 17, 2018 to $13.73 per share on January 2, 2018. This resulted in a higher than expected valuation of WAK and that the Company originally valued the Company at approximately $1,500,000.

Accounting Treatment

The acquisition of WAK does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 Business Combination. As a result, under IFRS 2 – *Share Based Payments*, the transaction is being measured at the fair value of equity consideration issued to acquire these entities.

In connection with the acquisition, the Company recorded an expense of $3,101,176 for consideration paid in excess of net assets acquired from WAK. Despite the fact the Company believes in the potential of CBD and THC products, the Company concluded that the consideration paid in excess of net assets did not meet the intangible asset criteria and hence, recorded an expense of $3,101,176 for consideration paid in net assets acquired from WAK in the consolidated statement of comprehensive loss.

Acquisition of 1175987 B.C. Ltd.

On August 20, 2018, through the Company's wholly owned subsidiary, acquired 100% interest in 1175987 B.C. Ltd. ("Oregon Properties") via three cornered amalgamations with the Company's wholly owned subsidiary, 1176392 B.C. Ltd. The Company issued 1,625,867 common shares with a fair value of $4,389,840. The Company paid transaction costs of $19,728 and 81,293 finder common shares with a fair value of $3,658,200.

NEW LEAFFARM OPERATIONS (Continued)

Business Rationale

The Properties will be able to be deployed fairly immediately into the existing business of the company. With that said, a number of proactive steps were required to be taken, including but not limited to, working with the tenants to negotiate a reasonable and sustainable rental income. Working with the tenants to analyze their current financial situation, implementing working with the tenants on a forward-looking sustainable plan that benefits both the company as well as the tenants and revising written leases. These steps have been taken and as of March 1st of 2019 the properties are now generating cash flow

Accounting Treatment

The acquisition has been accounted for by the Company as a purchase of assets and assumption of liabilities. The acquisition did not qualify as a business combination under IFRS 3 – Business Combinations, as the significant inputs, processes and outputs, that together constitute a business, do not currently exist.

The purchase price was determined based on IFRS 2 - Share Based Payments and allocated as follows:

Land	$	3,061,800
Building		1,567,260
Net assets assumed	$	4,629,060
Transaction costs	$	19,728
81,293 Finder Common Shares		219,492
1,625,867 Common Shares		4,389,840
Consideration	$	4,629,060

Acquisition of Drink Fresh Water, LLC.

On September 25, 2018, the Company entered into a definitive agreement to acquire 100% of Drink Fresh Water LLC. (“DFW”). In consideration, the Company paid USD $75,000 (paid) in cash and USD $1,200,000 in common stock of the Company. Pursuant to the acquisition of DFW, the Company issued 345,280 common shares subsequent to December 31, 2018.

Business Rationale

DFW further augments the Company’s vision of creating a lifestyle brand using CBD products and other cannabis derivatives. DFW was established in California by a group of industry leaders and is known for their flagship product, a CBD infused, nano amplified alkaline water that is in over 100 unique retail store. The Company intends to provide its marketing and distribution expertise to create shareholder value.

Turnkey Properties

The Company’s current management inherited the following properties from former management:

- the Sumas Property;
- the Oroville Property and
- the Moses Lake Property.

As at December 31, 2018, the Company has determined that the development of these properties is not aligned with the Company’s current business objectives and is focused on the development of the Company’s CBD lifestyle brand through its wholly owned subsidiaries, We are Kured and Drink Fresh Water, LLC.

Significant Equity Transactions

During the year ended December 31, 2018, the Company has consolidated all of its issued and outstanding share capital on the basis of one (1) post- consolidation share for each forty-five (45) pre-consolidation common shares. Unless otherwise noted, all figures have been retroactively restated to reflect the share consolidation.

During the year ended December 31, 2018, 320,409 warrants at exercise prices ranging from $4.50 to $9.00 per share were exercised for gross proceeds of $2,165,171. Fair value of $1,449,129 was re-allocated from contributed surplus to share capital.

During the year ended December 31, 2018, the Company received subscription funds of $218,519 and services of $19,500.

During the year ended December 31, 2018, 238,888 options at exercise price ranging from $5.18 to $5.85 were exercised for gross proceeds of $752,500. Fair value of $608,742 was re-allocated from contributed surplus to share capital.

On January 2, 2018, 222,222 common shares at fair value of $3,050,000 were issued to acquire WAK.

On June 18, 2018, the Company entered into termination agreements with former management and issued 660,000 common shares with a fair value of $2,227,500 (Note 15).

On August 28, 2018, the Company issued 1,625,867 common shares at a fair value of $4,389,840 were issued to acquire the Oregon Properties. The Company issued 81,293 common finders shares with a fair value of $219,492.

SELECTED ANNUAL INFORMATION

The Company's selected financial information for the past three fiscal years is as follows:

	Year ended December 31, 2018 $	Year ended December 31, 2017 $	Year ended December 31, 2016 $
Statement of operations			
Revenue	207,655	-	-
Gross margin	97,833	-	-
Net loss for the year	(13,355,218)	(17,557,946)	(7,958,434)
Loss per share – basic and diluted	(2.44)	(6.30)	(4.95)
Balance sheet			
Total assets	5,207,790	2,785,706	2,645,337
Long term liabilities	-	70,643	82,603

Fluctuations in Assets are mostly due to cash on financing activities and deployed to consultants and marketing professionals to support Kured's business. Assets increased during the year ended December 31, 2018 relative to other years as the Company acquired land and building in Oregon and Portland. The Company incurred non-cash stock based compensation of $ 2,602,634 (2017 - $9,608,330). Through the Company's wholly owned subsidiary, We are Kured, the Company sells vape pens and recorded revenue of $207,655. The Company did not record any revenues in fiscal year 2016 or 2017. The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the availability of funding from investors or collaboration partners.

CONSOLIDATED RESULTS OF OPERATIONS

All of the balances set out in this and following sections, including the Summary of results conform to IFRS standards.

	Year Ended December 31, 2018 $	Year Ended December 31, 2017 $
Sales	**207,655**	-
Cost of goods sold	**(109,822)**	-
	97,833	-
Expenses		
Advertising	**730,220**	693,828
Amortization	**21,763**	246,578
Bank charges	**11,779**	2,346
Consulting	**1,655,762**	4,833,389
Directors' fees	**150,738**	99,000
Foreign exchange loss (gain)	**(97,320)**	46,180
Insurance	**9,850**	5,336
Interest	**69,947**	6,895
Office and miscellaneous	**175,763**	21,792
Rent	**25,854**	-
Professional fees	**166,775**	42,880
Utilities and property taxes	**6,153**	17,627
Transfer agent, listing and filing fees	**25,415**	28,900
Travel	**94,247**	3,699
Share based payments	**2,602,634**	9,608,330
	5,649,580	15,656,780
Other income (expense)		
Management termination cost	**(4,535,000)**	-
Reserve on loan receivable	-	(97,918)
Write off of property plant and equipment	**(68,354)**	(1,863,248)
Write-off of note payable	**83,277**	-
Consideration paid in excess of net assets acquired from WAK	**(3,101,176)**	-
Interest income	**18,616**	-
Gain (loss) on settlements of debts	**(200,834)**	60,000
Total expenses	**(13,453,051)**	(17,557,946)
Loss for the year	**(13,355,218)**	(17,557,946)
Foreign currency translation adjustment	**(55,656)**	-
Comprehensive loss for the year	**(13,410,874)**	(17,557,946)

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

For the year ended December 31, 2018 compared to the year ended December 31, 2017

The Company recorded net loss of $13,355,218 and and comprehensive loss of $13,410,874 for the year ended December 31, 2018 compared to a net loss and comprehensive loss $17,557,946 for the corresponding period in 2017. Some of the significant charges to operations are as follows:

- The Company incurred advertising and promotion expense in the amount of $730,220 (2017 - $693,828). The Company completed various brand awareness campaigns in connection to the development of We are Kured's lifestyle branding. As the Company is in the start-up stage and is focused on developing its lifestyle brand, advertising and marketing are necessary components to gain traction within the market.
- The Company incurred amortization of $21,763 (2017 - $246,578). The decrease is attributed to the write off of the Oroville and Sumas properties as at December 31, 2017. In contrast, the Company's depreciable assets consist of a building and equipment as at December 31, 2018.
- Foreign exchange gain of $97,320 (2017 – ($46,180)) is due to fluctuations in the USD and CAD foreign exchange rates. The Company's parent Company is denominated in Canadian whereas the US subsidiaries are denominated in the US dollar, resulting in fluctuations in foreign exchange.
- Director fees of $111,632 (2017 - $75,000) is attributed to the overall change in management and the cost to hire industry experts.
- Interest expense increased to $69,947 from $6,895 in the comparable period as the Company entered into convertible loan agreements with previous management bearing interest of 8% . Furthermore, the Company had an outstanding note payable balance as at December 31, 2017 of $Nil (2017 - $79,018) that is interest bearing.
- Office and miscellaneous increased to $175,763 from $21,792 in the comparable period are primarily attributed to the substantial costs incurred by Kured in marketing, travelling and general expenses associated with increasing awareness of Kured's lifestyle brand.
- Rent increased to $25,854 from $Nil as the Company is leasing a new office at the Company's head office in Colorado.
- Professional fees increased to $166,775 from 42,880 in the comparative period and relates to the due diligence and legal and accounting work in connection to the various completed acquisitions.
- Travel increased to $94,247 from $3,699 as the Company incurred travel expenses in raising awareness of Kured's lifestyle branding.
- The Company wrote off debts owing to an external creditor and realized a loss on debt settlement of $200,834 (2017 - $60,000) in the current period. These are one off transactions by nature.
- Share based payments decreased to $2,602,634 from $9,608,330 in the comparative period. During the year ended December 31, 2018, the Company granted stock options to directors, officers, and consultants of the Company.
- As a result of issuing 10,000,000 common shares to complete the acquisition of Kured, the Company incurred a loss of $3,101,176 by writing off unidentifiable assets from the acquisition because the Company determined the unidentifiable assets did not meet the definition of an intangible asset. WAK had no identifiable assets including any intangibles, therefore the consideration paid is for unidentifiable asset acquired which is written off as an impairment in the consolidated statement of comprehensive loss.
- During the year ended December 31, 2018, the Company settled a loan with an arm's length party and recorded a gain on settlement of debt of $37,901. This contrasts the comparative period where the Company settled debt and recorded a gain of $60,000.
- The Company recorded interest income of $18,616 (2017 - $Nil) as the Company entered into a 10% note receivable agreement with Tealief brand.
- The Company is no longer pursuing the Oroville property and has forfeited their claim to the property. The Company recorded a gain on write off of note payable as the note payable was secured against the property. As at December 31, 2018, the Company is not pursuing the Sumas or Oroville property and has written off the property plant and equipment.

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Management Termination Costs

- Management termination costs increased to $4,535,000 from $Nil in the comparable period due to management turnover. The Company turned the management team over without cause and based on former management's existing agreements, management was entitled to certain shares and fees from the Company. The Company issued cash, convertible loans, promissory notes and common shares pursuant to the termination of former management. A summary of management termination costs is below:

	Shares	Share Value	Cash	Convertible debt	Promissory note	Total
	#	$	$	$	$	$
Carmen Parente	14,125,000	1,059,375	210,000	1,079,375	160,000	2,508,750
Lorraine Pike	6,150,000	461,250	118,125	-	-	579,375
David Johnson	5,450,000	408,750	118,125	-	-	526,875
Anthony Chan	3,975,000	298,125	183,750	298,125	140,000	920,000
Total		2,227,500	630,000	1,377,500	300,000	4,535,000

Consulting Fees

- Consulting fees of $1,655,762 (2017 - $4,833,389) decrease by $3,177,627. A large portion of consulting fees is related to fees paid to management and other consultants. The Company is in the process of hiring consultants to assist with the development of Kured's lifestyle brand and to support the Company's business plan. During the year ended, the Company paid $235,176 (2017 - $731,558) to former directors, management and a former related Company. The decrease is due to management turnover mid-way through the year and the spin out of a former related Company. Furthermore, in the previous year, the Company had more funding resulting in an overall increase in activity. These expenses were incurred to support the Company's ongoing business operations. Current management charged fees of $382,706 (2017 - $Nil) as the Company changed its business plan to a CBD lifestyle brand. The remaining consulting fees were incurred to support the Company's ongoing business plan and leverage industry expertise to identify and perform due diligence for potential business opportunities. A breakdown of key consultants include:

	Three months ended		Year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Consultant Type	$	$	$	$
Operations consultant	51,938	-	92,481	-
Legal consultant	-	-	23,152	108,471
Strategic and planning consultant	(273,897)	744,966	628,027	1,511,134
Management consultant	23,497	197,500	408,541	432,715
Marketing consultant	49,438	1,815,479	128,637	1,854,365
Agricultural and product development consultant	-	-	374,924	447,281
Investor relations	-	72,000	-	479,423
	(149,564)	2,829,945	1,655,762	4,833,389

During the three months ended December 31, 2018, the Company recorded a recovery to strategic and planning consultant due to a reclassification of expenditures to better represent the Company's ongoing business activity.

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

For the three month period ended December 31, 2018 compared to the period ended December 31, 2017 – Expenses

The Company recorded net loss and comprehensive loss of $2,129,316 for the period ended December 31, 2018 compared to a net loss and comprehensive loss $6,973,893 for the corresponding period in 2017. During the three-month period ended, the Company worked to preserve cash. This contrasts the comparative quarter, where the Company had sufficient cash to run operations. In general, there is an overall decrease in expenditures, quarter over quarter which reflects the cash flow constraints in the current quarter. Many of the explanations and variances are similar to the above discussion, with the exception of the following:

- Advertising and promotion decreased from $69,108 to $4,496, as the Company had limited cash funding during Q4 of 2018. The Company looked to preserve cash from operations and only expended money when needed.
- Share based payments decreased from $5,412,330 to $1,886,632, as the Company granted a limited number of options in the current period. Furthermore, the Company experienced a sector-wide stock price increase, resulting in higher than normal stock based compensation values.
- During the fourth quarter of fiscal 2017, the Company wrote down its Sumas and Oroville properties by $1,863,248 as there was doubt of future economic benefit. During fiscal 2018, the Company wrote down the Sumas and Oroville property further by $68,354 as the Company is no longer pursuing this property.
- Consulting decreased significantly quarter over quarter, as the Company preserved cash in the current quarter. In the comparative quarter, the Company was in the process of acquiring We are Kured and incurred due diligence costs.

For the year ended December 31, 2018 compared to the year ended December 31, 2017 – Revenue

	Year Ended December 31, 2018 $	**December 31, 2017 $**
Sales	**207,655**	-
Cost of goods sold	**(109,822)**	-
Gross profit	**97,833**	-
Gross Margin	**47%**	0.0%

- Cost of sales include all expenditures related to the product. This includes shipping fees, import duties, storage costs, handling charges and the cost of the product itself.
- The Company's sales increased to $207,655 from $Nil in the comparative period and consist solely of the sale of vaporizers. During the year ended December 31, 2018, the Company acquired Kured and Kured sells vaporizers to customers in the United States of America. The Company attended trade shows and various events, promoting the increase in sales.
- The Company boasts a healthy gross margin of 47% as the Company works to expand on its sales. The gross margin shows the potential profitability of the business and the Company intends to invest and augment its business to become a CBD lifestyle brand.
- Sales and cost of goods sold are incurred in US dollar and are subject to fluctuating foreign exchange rate as the Company's presentation currency is Canadian.

SELECTED QUARTERLY INFORMATION

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

	Three months ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Sales revenue	$ 44,502	$ 66,649	$ 88,487	$ 8,017
Interest income	-	-	1,592	9,288
Expenses	2,136,524	1,489,180	1,309,311	4,008,839
Total assets	5,207,790	5,435,401	902,668	4,111,496
Total liabilities	1,844,640	1,837,550	1,790,792	1,365,540
Net loss	(2,129,316)	(1,424,908)	(5,841,339)	(4,009,289)
Net loss and comprehensive loss per share and diluted loss per share	(0.30)	(0.00)	(0.05)	(0.02)
	Three months ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total Revenue	$ -	$ -	$ -	$ -
Interest income	-	-	-	-
Expenses	5,072,727	357,063	6,772,596	3,454,394
Total assets	2,785,706	2,354,141	2,461,517	2,721,769
Total liabilities	1,531,838	1,230,765	1,340,078	1,312,727
Net loss	(6,973,893)	(357,063)	(6,772,596)	(3,454,394)
Net loss and comprehensive loss per share and diluted loss per share	(0.08)	(0.003)	(0.06)	(0.03)

Fluctuations in Assets are mostly due to cash on financing activities and deployed to consultants and marketing professionals to support Kured's business. The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the availability of funding from investors or collaboration partners.

Growth in sales quarter over quarter shows significant potential in Kured's development as a lifestyle brand. The Company is continuing to increase brand awareness through marketing campaigns in the United States. Furthermore, the Company anticipates increasing acceptance of CBD vaporizes as general acceptance of CBD products rises.

LIQUIDITY

The Company is a startup agricultural and CBD based company that has received minimal revenues to date and may have incidental interest income it may earn on funds invested in short-term deposits. As a result, its ability to conduct operations is based on its current cash and its ability to raise funds, primarily from equity sources, and there can be no assurance that the Company will be able to do so. The Company's continued existence is dependent upon its ability to raise additional capital, the continuing support of its creditors, and ultimately, the attainment of profitable operations and positive cash flows. The Company's loans, lease payments and debt covenants are in good standing as of the date of this MD&A.

LIQUIDITY (CONTINUED)

The Company was able to raise funds through equity issuances during 2018 which are set out under Capital Resources and the Subsequent Events section of this MD&A. These are insufficient cash reserves to implement the complete business plan therefore the Company will need to generate additional working capital.

At December 31, 2018, the Company's working capital deficiency is $1,351,296 (2017 – working capital of $1,191,727) and cash of $11,085 (2017 - $2,370,660)

Pursuant to the termination of the former CEO and CFO, the Company entered into promissory note and convertible debenture agreements. The Company has a short term promissory note agreements of $300,000 and convertible notes of $1,337,500. The promissory note matures 30 days after the next shareholder meeting and is non-interest bearing. The convertible note is due at the earlier of September 8, 2018 or 30 days after the next shareholder meeting. The convertible note bears interest of 8%. As of December 31, 2018, the convertible note has not been converted. As at December 31, 2018, the Company does not have sufficient cash to cover its short term trade payable and promissory notes. Management intends to pursue further equity financing to meet its working capital requirements in the short term and is reasonably confident that it will be able to continue to fund the Company in this manner. However, should the Company be unsuccessful in raising capital through equity financing it may need to consider borrowing funds from one or more directors or shareholders. At this time, the Company has no plans to borrow money and there have been no promises or arrangements made to fund the Company in this manner.

The Company currently has four wholly owned subsidiaries and these subsidiaries have not yet generated any significant income but revenues is expected to increase over time. This will contribute to the Company's overall liquidity and the Company intends to use income from operations to satisfy long term liquidity needs. Until these subsidiaries generate significant revenue, their ability to assist the Company by providing increased liquidity is very limited.

The agricultural and CBD business is risky and dependent on many factors. There is certain stigmatism to cannabis and cannabis derivatives and cannabis is federally illegal in the united states. The Company's revenue grew from $Nil in the comparative period to $207,655. This revenue will contribute to the Company's liquidity and the Company intends to collect rent to alleviate some of the liquidity issues. However, if the Company develops the Company's brand unsuccessfully, revenues will be limited. There is no assurance that the Company will successfully grow its brand.

LIQUIDITY AND CAPITAL RESOURCES – CASH FLOW

OPERATING ACTIVITIES:

Cash used in operating activities for the year ended December 31, 2018 and 2017 was $3,985,028 as compared to $5,304,074 in the prior period. The cash used in operating activities is mainly attributed to cost to terminate former management and increased marketing costs for Kured's product. Furthermore, the Company paid various consultants to advise on potential cannabis related deals and the required due diligence, legal and accounting work for the Company's various acquisitions.

LIQUIDITY AND CAPITAL RESOURCES – CASH FLOW (CONTINUED)

INVESTING ACTIVITIES:

Cash used in investing activities for the year ended December 31, 2018 was $261,096 as compared to $540,039 in the prior year. During the year ended, the Company acquired the Oregon Properties and incurred transaction costs of $19,728 which has been capitalized to the property. Furthermore, the Company initiated the acquisition of DrinkWater LLC., and paid a deposit on the transaction of $98,070. The Company purchased a state of the art filling machine and paid $9,126. Furthermore, the Company entered into a note receivable ("Note Receivable") agreement and advanced $140,172 to TeaLief Brands. The Note Receivable bears interest of 10% and matures on July 1, 2019. This contrasts the previous period as the Company invested in turnkey operation, paid for equipment to develop these properties amd advanced cash for the acquisition of We are Kured

FINANCING ACTIVITIES:

Cash provided by financing activities for the year ended December 31, 2018 was $1,939,346 as compared to $7,652,188 in the prior year. In connection to the spinout of NHS, the Company repaid the former CEO and a loan from NHS. During the year ended December 31, 2018, the Company raised gross proceeds from warrants and options for $2,040,171 and $752,500, respectively.

The Company entered into promissory and convertible debenture agreements with the former CEO and CFO. These transactions are non-cash in nature and are due within one year. The Company recorded interest expense of $63,409 on the convertible note.

CAPITAL RESOURCES

There are no known trends or expected fluctuations in the Company's capital resources, including expected changes in the mix and relative cost of such resources.

- During the year ended December 31, 2017, 23,678,000 warrants at exercise prices ranging from $0.05 to $0.24 per share were exercised for total proceeds of $2,682,600.
- During the year ended December 31, 2017, 40,600,000 options at exercise prices ranging from $0.095 to $0.14 were exercised for total proceeds of $4,684,000.
- During the year ended December 31, 2017, 776,260 common shares were issued at fair value from $0.065 to $0.15 to a director as compensation for his acceptance as a new director of the Company and for payment of his director fees.
- The Company also issued 3,000,000 common shares at fair value of $255,000 to settle loans due to NHS in the amount of $300,000.
- During the year ended December 31, 2018, 320,409 warrants at exercise prices ranging from $4.50 to $9.00 per share were exercised for gross proceeds of $2,165,171. Fair value of $1,449,129 was re-allocated from contributed surplus to share capital.
- During the year ended December 31, 2018, 238,888 options at exercise price ranging from $5.18 to $5.85 were exercised for gross proceeds of $752,500. Fair value of $608,742 was re-allocated from contributed surplus to share capital

  As of December 31, 2018, the Company does not have any commitments for capital expenditures.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2018, the Company had no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

There were no proposed transactions that have not been previously disclosed in subsequent events or disclosure.

TRANSACTIONS WITH RELATED PARTIES

The Directors and Executive Officers of the Company are as follows:

Benjamin Martch	CMO and Director
Joshua Bartch	CEO, Interim CFO and Director
Michael A. Connolly	Director
Erik Knutson	Director

In May 2018, Benjamin Martch, the CEO of the Company's subsidiary, Kured, was appointed as the Chief Marketing Official ("CMO") and Joshua Bartch was appointed as the Chief Executive Officer ("CEO") and interim CFO. Both the CMO and CEO joined the board of directors. The Company appointed Michael A. Connolly and Erik Knutson to the board of directors.

The CEO and CMO replaced the following members of former management:
- Carman Parente, Chief Executive Officer and Director;
- Anthony Chan, Chief Financial Officer and Director,
- David Johnson, Director; and,
- Lorraine Pike, Director.

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

Management Compensation *Year ended December 31, 2018*	Consulting fees $	Director fees $	Share Compensation $	Legal $
Carman Parente, former CEO	102,750	17,050	-	-
Anthony Chan, former CFO	54,538	13,500	-	-
David Johnson, former Director	23,152	10,600	-	-
Lorraine Pike, former Director	36,736	12,000	-	-
NHS Industries, former related Company	18,000	-	-	-
Company controlled by a director	-	39,193	93,495	13,805
Benjamin Martch, CEO of WAK	80,233	29,198	93,495	-
Joshua Bartch, CEO Of the Company	302,473	29,198	93,495	-
Total	617,882	150,739	280,485	13,805

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Management Compensation *Year ended December 31, 2017*	Consulting fees $	Director fees $	Share Compensation $
Carman Parente, CEO	180,000	24,000	92,300
Anthony Chan, CFO	94,500	24,000	127,800
David Johnson, former Director	15,593	27,000	156,900
Lorraine Pike, former Director	58,215	24,000	99,400
NHS Industries Ltd. – Common former Officers and Directors	383,250	-	
Total	731,558	99,000	476,400

b) As at December 31, 2018 accounts payable and accrued liabilities were due to related parties of $Nil (2017 - $nil).

c) On June 8, 2018, the Company entered into termination agreement with the following members of management:

- Carman Parente, former CEO and Director;
- Anthony Chan, former CFO;
- David Johnson, former Director; and,
- Lorraine Pike, former Director.

In connection with the agreements, the Company issued the following:

- Issued 313,889 common shares to the former CEO with a fair value of $1,059,375.
- Issued 88,333 common shares to the former CFO with a fair value of $298,125.
- Issued 257,778 common shares to former Directors with a fair value of $870,000.

The Company agreed to also pay the following:

- Paid $210,000 to the former CEO
- Paid $183,750 to the former CFO
- Paid $236,250 to former directors of the Company.
- Issued a $160,000 non-interest bearing promissory note to the former CEO.
- Issued a $140,000 non-interest bearing promissory note to the former CFO.

On June 8, 2018, the Company entered into convertible note agreements with the former CEO and CFO. The principal portion of the convertible note is $1,377,500, bear interest of 8% and is convertible at the discretion of the holder. The convertible note matures on September 8, 2018 or the next shareholder meeting that approves the rollback of common stock, whichever is earliest. As at December 31, 2018, the Company accrued interest of $63,409.

OUTSTANDING SHARE DATA

Issued and Outstanding:

As of the date of this MD&A the Company has 7,731,228 common shares, 430,889 stock options and 335,516 warrants outstanding.

CONTINGENCIES

Except for the commitments mentioned in Liquidity subsection (a), there is no other contingency outstanding as of date of this discussion.

RISKS AND UNCERTAINTIES

Selling vaporizers in the United States

Selling vaporizers in the United States can involve significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the demand for vaporizers is wide spread and can result in substantial reward, marketing will be a significant influencer in development of the Company. The Company is creating a lifestyle brand around the Company and is significantly influenced by how the Company appears in the market place. Significant expenses may be required to establish the lifestyle brand to be accepted in the market place.

Plant Growing, Warehousing and Processing Industry

The plant growing, warehousing and food processing industry involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the development of such facilities may result in substantial rewards, marketing will also play a significant role in developing the Company and its level of success. Major expenses may be required to establish the facilities to be accepted in the marketplace. It is impossible to ensure that the current facilities and market strategy planned by the Company will result in profitable commercial sales. Whether the Company will be commercially viable depends on a number of factors, some of which are the particular attributes of the industry the facilities is geared toward and the existing infrastructure, as well as competitors strategies and market factors. Some of these factors are cyclical and government regulated, including regulations relating to agriculture and food processing procedures and protocols.

Plant Growing, Warehousing and Processing Industry

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Agriculture and food processing operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the public health sectors inherited in the agriculture and food processing industry. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that are unforeseeable or beyond the company's control and their consequent liability.

Some of these risks include the following:

The Company is largely dependent on the success of constructing and marketing its warehousing and processing facilities and cannot be certain that its facilities will be successfully commercialized. NHS currently has minimal revenue from renting out its greenhouse facility. The successful addition of agriculture and food warehousing / processing facilities will also augment its ability to rent out unused greenhouse space and facilities. There is no guarantee that it will ever have marketable facilities.

Risks in design, development and manufacture of agriculture and food warehousing / processing facilities which may have adverse effect on public's health.

If a significant portion of these development efforts are not successfully completed, required regulatory approvals are not obtained, or any approved facilities are not commercially successful, the company's business, financial condition, and results of operations may be materially harmed.

RISKS AND UNCERTAINTIES (CONTINUED)

The Company's facilities may never achieve market acceptance even if the company obtains regulatory approvals.

The Company's activities are directed towards the warehousing and processing of agriculture and food. There is no certainty that any expenditure to be made by the Company as described herein will result in market acceptance of the Company's facilities offerings. There is aggressive competition within the agriculture and food warehousing / processing marketplace. The Company will compete with other interests, many of which have greater financial resources than it will have for marketing towards target customers. Significant capital investment is required to achieve commercialization from the current start-up and development stage of the Company.

Government Regulation

In addition to various trade organizations that the Company will be subject to, the consumer agriculture and food warehousing / processing industry is subject to various federal, and provincial laws and regulations on, standards, claims, safety, efficacy and other matters from regulatory bodies such as Canadian Food Inspection Agency **(**CFIA**),** BC FoodSafe Program and the department of Health Protection in Fraser Health. Regulatory approvals by government agencies on the Company's facilities may be withheld or not granted at all and if granted may be subject to recalls which would materially affect the Company.

Although the Company's activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development, production, manufacture, product claims, marketing or commercialization. Amendments to current laws and regulations governing operations and activities of the consumer health industry or more stringent implementation thereof could have a substantial adverse impact on the Company.

Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include key person insurance as the company heavily relies on the company officers.

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Negative Operating Cash Flows

As the Company is at the start-up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can be sufficiently developed to commercialize.

RISKS AND UNCERTAINTIES (CONTINUED)

Risks Related as a Going Concern

At December 31, 2018, the Company had not yet achieved profitable operations, has accumulated losses of $43,511,081 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned business and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these unaudited condensed interim consolidated financial statements.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Licenses, Patents and Proprietary Rights

The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.

Uncertainty Regarding Penetration of the Target Market

The commercial success of the Company's business as compared with those of its competitors depends on its acceptance by potential users and the consumer community. Market acceptance will largely depend on the reputation of the Company, its marketing strategy, consumer acceptance and the Company's services and performance. The Company's success will depend on its ability to commercialize and expand its network users. The Company will need to expand its marketing and sales operations and establish business relations with suppliers and users in a timely manner.

In order to meet its business objectives, the Company will have to ensure that its facilities and services are safe, reliable and cost-effective, and bring the expected return. There can be no assurance that the Company's facilities and services will be accepted and recommended.

RISKS AND UNCERTAINTIES (CONTINUED)

Competition, Technological Obsolescence

The agriculture and food warehousing / processing industries are competitive. Others in the field may have significantly more financial, technical, distribution and marketing resources. Technological progress and product development may cause the Company's services and facilities offerings to become obsolete or may reduce their market acceptance.

Operating History and Expected Losses

The Company expects to make significant investments in order to develop its services, increase marketing efforts, improve its operations, conduct research and development and update its equipment. As a result, start-up operating losses are expected and such losses may be greater than anticipated, which could have a significant effect on the long-term viability of the Company.

Reliance on Joint Ventures, License Assignors and Other Parties

The nature of the Company's operations requires it to enter into various agreements with partners, joint venture partners, other agriculture and food warehousing / processing facilities, and equipment suppliers in the business world, government agencies, licensors, licensees, and other parties for the successful operation of its businesses and the successful marketing of its services.

There is no guarantee that those with whom the Company needs to deal will not adopt other technologies or that they will not develop alternative business strategies, acting either alone or in conjunction with other parties, including the Company's competitors, in preference to those of the Company.

Growth Management

In executing the Company's business plan for the future, there will be significant pressure on management, operations and technical resources. The Company anticipates that its operating and personnel costs will increase in the future. In order to manage its growth, the Company will have to increase the number of its technical and operational employees and efficiently manage its employees, while at the same time efficiently maintaining a large number of relationships with third parties.

Potential Liability

The Company is subject to the risk of potential liability claims with respect to its agriculture and food warehousing / processing facilities. Should such claims be successful, plaintiffs could be awarded significant amounts of damages, which could exceed the limits of any liability insurance policies that may be held by the Company. There is no guarantee that the Company will be able to obtain, maintain in effect or increase any such insurance coverage on acceptable terms or at reasonable costs, or that such insurance will provide the Company with adequate protection against potential liability.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*.

Regulatory Risks

The U.S. legal cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. legal cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the participant and, thereby, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect the Company's ability to conduct its business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

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

The Company expects to derive its revenues from the U.S. legal cannabis industry, which industry is illegal under U.S. federal law. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation.

The Company's financings are expected to be focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use use cannabis, even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum (defined below) in January 2018.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Regulatory Risks (continued)

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's investments in such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana-related legislation could adversely affect the Company, its business and its investments. The Company's funding of businesses involved in the medical and adult-use cannabis industry may be illegal under the applicable federal laws of the United States and other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

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

Through the acquisition of WAK, the Company will have involvement in the cannabis industry in the United States. The Company is engaged in the distribution of vape pens and CBD and THC derivatives in the United States.

Illegality under U.S. Federal Law

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level. However, notwithstanding the permissive regulatory environment of cannabis at the state-level, cannabis continues to be categorized as a controlled substance under the CSA in the U.S. and, as such, activities within the cannabis industry are illegal under U.S. federal law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis-related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") acknowledging that although cannabis is a controlled substance at the federal level, several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice ("**DOJ**") has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum (the "**Sessions Memorandum**"). This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA. Adam Braverman, Interim U.S. Attorney for the Southern District of California, has stated that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the CSA. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity; and his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Illegality under U.S. Federal Law (continued)

The Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625–a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding ("Leahy Amendment"). The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018; however, Congress approved a nine-week continuing resolution from the 2018 fiscal year (the "Continuing Resolution"). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 fiscal year appropriations since February 2018. Although we expect that language protecting the medical cannabis industry will be included in the final 2019 fiscal year appropriations bill, there can be no assurance that the final 2019 fiscal year appropriations bill will include appropriations protecting the medical cannabis industry.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business, even those that have fully complied with state law, could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Rohrabacher-Farr Amendment in future budget resolutions, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital CSA violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's adult-use cannabis laws.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of laws related to cannabis may be subject to change or may not proceed as previously outlined.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

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

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold an investment, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial record-keeping and proceeds of crime, including the U.S. *Currency and Foreign Transactions Reporting Act* of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the FinCEN issued the FinCEN Memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance in a DOJ memorandum issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA (the "**2014 Cole Memo**"). The 2014 Cole Memo was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company's business.

The Company's activities, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Canadian Securities Regulatory Matters

The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid and, until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange, should the Common Shares have become listed on a stock exchange.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the Common Shares through the facilities of the applicable stock exchange.

Heightened Scrutiny

For the reasons set forth above, the Company's future investments in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the U.S. or any other jurisdiction, in addition to those described herein.

Change in Laws, Regulations and Guidelines

The Company's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the United States is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its proposed investment business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

During the year ended December 31, 2018, there has been no significant change in the Company's internal control over financial reporting since last year.

The management of the Company has filed the Venture Issuer Basic Certificate with the Interim Filings on SEDAR at www.sedar.com.

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