This management discussion and analysis ("MD&A") of the financial condition and results of operations of Sunniva Inc. (the "Company") is for the years ended December 31, 2017 and 2016. It is supplemental to, and should be read in conjunction with, the audited Consolidated Financial Statements of the Company and the accompanying notes for the years ended December 31, 2017 and 2016 (the "Consolidated Financial Statements").

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All amounts presented herein are stated in Canadian dollars, unless otherwise indicated. Additional information regarding the Company is available on our website at www.sunniva.com or through the SEDAR website at www.sedar.com.

This MD&A is prepared as of and dated April 30, 2018.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "expects", "estimates", "may", "could", "will" and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning the Company's expectations for recognizing revenue from advance sales under NHS's software-as-a-service technology in the next twelve months, Mr. Barker's expected interest in the SPCL lease, the estimated budget under the SPCL, the estimated commitment amount on the Goleta Facility Lease as at December 31, 2017 of $1.5 million, the Company's current financial resources being sufficient to fund operations and the Company's ability to obtain additional funds though the sale of equity or debt commitments.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: the legal status of cannabis cultivation, distribution and sales in the United States; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue

reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, will be included in the filings by the Company with securities regulatory authorities. As required by securities legislation applicable to public companies, it is the Company's policy to update, from time-to-time, forward-looking information in its periodic management discussions and analyses and provide updates on its activities to the public through the filing and dissemination of news releases.

COMPANY OVERVIEW

The Company was incorporated pursuant to the *Canada Business Corporations Act* (the "CBCA") on August 11, 2014. The Company's articles of incorporation were amended on August 14, 2017 to change its name from Sunniva Holdings Corp. to Sunniva Inc. and to remove certain transfer restrictions with respect to the Company's common shares (the "Common Shares"). The Common Shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "SNN" and on the OTCQX under the symbol "SNNVF".

The Company's head office is located at 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600, Vancouver, British Columbia, V7X 1T2.

As at December 31, 2017, the Company has ten wholly owned subsidiaries. The Company has three wholly owned Canadian subsidiaries: Sunniva Medical Inc. ("SMI"), Natural Health Services Ltd. ("NHS") and 1964433 Alberta Ltd. ("196"). The Company and SMI were incorporated under the CBCA. NHS and 196 were incorporated under the *Business Corporations Act* (Alberta). The Company and SMI are headquartered in Vancouver, British Columbia. NHS and 196 are headquartered in Calgary, Alberta.

Additionally, the Company has seven wholly owned United States subsidiaries: Sun Holdings Management, LLC (Delaware), CP Logistics, LLC (North Carolina) ("CPL"), Full-Scale Distributors, LLC (Florida) ("FSD"), Sunniva Full-Scale Distributors Corporation (California), Sun CA Holdings, Inc. (California) ("SCH"), A1 Perez, LLC (Delaware) ("APL") and Sunny People, LLC (California).

KEY DEVELOPMENTS IN THE FOURTH QUARTER 2017

- On October 20, 2017, CPL entered into a definitive lease agreement with a related party of the Barker Pacific Group, Inc. ("BPG") (refer to the related party section of the MD&A below) as part of the sale and lease back of its greenhouse facility. The lease term is 15 years with three five-year extensions with the total lease obligation during the initial term of approximately $12.0 million per annum. In conjunction with the lease agreement, CPL sold its land at Ramon Road, Cathedral City, CA, to BPG for total consideration of $6.9 million which facilitated the conclusion of the BPG related party's debt financing including the resolution of land title and ownership transfers.
- On October 23, 2017, the Company repaid $0.7 million in promissory notes resulting from the APL acquisition and $5.1 million in promissory notes resulting from the CPL acquisition.
- On November 17, 2017 the Company received final receipt for its final long form prospectus.
- On November 23, 2017, 86,253 special warrants of the Company qualified under the Company's November 16, 2017 prospectus were deemed to be exercised and were converted into 94,878 Common Shares.
- In November and December, the Company completed a private placement of unsecured convertible debentures in the aggregate principal amount of $12.1 million. The debentures bear

interest at 8% per annum, payable annually and mature on December 31, 2020. The debentures are convertible into Common Shares of the Company at a price of $4.60 per share at the holder's option.

- On December 28, 2017, the maturity date of the promissory note issued in connection with the FSD acquisition was extended to February 15, 2018.
- For the year ended December 31, 2017, the Company reported revenue of $16.1 million with its first revenue recognized in February 2017. In addition, the Company reported deferred revenue of $0.7 million resulting from advance sales under 196's software-as-a-service technology. The Company expects to recognize this revenue over the next 12 months.

RECENT DEVELOPMENTS SUBSEQUENT TO DECEMBER 31, 2017

- On January 10, 2018 the Company began trading its Common Shares on the CSE under the symbol "SNN". On February 15, 2018 the Company began trading its Common Shares on the OTCQX Market, operated by OTC Markets Group, under the symbol "SNNVF".
- On February 15, 2018, the Company repaid the FSD Note (as defined below) in cash of $2.8 million (US$2.2 million), plus accrued interest, and the remaining portion through the issuance of Common Shares at the conversion price of US$2.55 per share.
- On February 20, 2018, the Company entered into a definitive wholesale agreement with Canopy Growth Corporation ("Canopy") whereby the Company, through its wholly-owned subsidiary, SMI, has committed to sell Canopy 45,000 kilograms of premium quality cannabis annually over an initial two-year period commencing in calendar Q1 2019.
- On March 27, 2018 the Company completed a bought deal public offering for aggregate gross proceeds of $27.8 million (the "Bought Deal Offering"). A total of 2,850,900 units ("Units") and 50,000 Warrants (as defined below) were sold at a price of $9.75 per Unit and $0.02 per Warrant. Each Unit consisted of one Common Share and one-half of one common share purchase warrant (each whole warrant, a "Warrant") of the Company. Each whole Warrant entitles the holder thereof to acquire one Common Share at an exercise price per share of $12.50 for a period of 24 months from the date of issuance.
- In April 2018 the Company received all the necessary State of California temporary licenses for phase one and two for its purpose built state-of-the-art greenhouse cultivation facilities in Cathedral City, California.

GOING CONCERN

The Company is considered a development stage company and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offering in the cannabis industry and grow its revenue.

The Consolidated Financial Statements were prepared on a going concern basis and assume the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception through December 31, 2017 and, although it has begun to generate revenue during the past fiscal year, revenue is insufficient to cover the costs of operations, or to fund capital expenditures. As at December 31, 2017, the Company has an accumulated deficit of $28.5 million and incurred a net loss of $18.5 million for the year ended December 31, 2017. The Company also had a working capital deficit of $1.2 million.

The Company's ability to continue as a going concern is dependent upon its ability to grow its revenue and achieve profitable operations, to liquidate assets or obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due. Management plans to continue its efforts to secure external financing through the issuance of equity and debt as a source of financing the operations of the Company; however, there can be no certainty that such funds will be available on a timely basis and at terms acceptable to the Company, or at all. Subsequent to December 31, 2017, the Company closed a bought deal public offering for aggregate gross proceeds of $27.8 million.

FISCAL 2017 HIGHLIGHTS

The following table sets forth selected audited financial information of the Company for the years ended December 31, 2017, 2016 and 2015:

	For the years ended December 31		
(000s)	**2017**	**2016**	**2015**
Total revenue	$ 16,072	$ 38	$ -
Net loss	18,472	6,887	1,913
Comprehensive loss	18,702	6,920	1,913
Basic and diluted loss per share	0.74	0.41	0.18

	As at December 31		
(000s)	**2017**	**2016**	**2015**
Current assets	$ 14,532	$ 9,793	$ 1,267
Total assets	73,948	25,663	1,318
Current liabilities	15,739	10,654	2,073
Non-current liabilities	24,869	764	-
Total liabilities	40,608	11,418	2,073
Shareholders' equity	33,340	14,245	(755)

The table below summarizes the Company's cash flows for the years ended December 31, 2017, 2016 and 2015:

	For the years ended December 31		
(000s)	**2017**	**2016**	**2015**
Net cash provided (used in)			
Operating activities	$ (5,059)	$ (4,535)	$(2,974)
Investing activities	(15,379)	(6,519)	(51)
Financing activities	22,019	20,587	2,308
Effect of foreign exchange on cash	230	39	-

Increase (decrease) in cash		1,811		9,572		(717)
Cash and cash equivalents beginning of year		9,613		41		758
Cash and cash equivalents end of year	$	**11,424**	$	**9,613**	$	**41**

The Company did not declare any dividends in Fiscal 2017 and does not anticipate doing so in the foreseeable future.

Cash and cash equivalents as at December 31, 2017 was $11.4 million, which was $1.8 million higher than the balance at December 31, 2016. The increase in cash and cash equivalents during the year was due primarily to the private placement financing issuance of convertible notes, which was offset by operating losses, capital investment and the acquisitions of NHS, FSD and APL.

During the year, the fair value of the Company's secured convertible promissory notes decreased by $0.1 million due to the issuance of promissory notes in the acquisition of FSD (the "FSD Note"), offset by the Company's repayment of notes related to the CPL and APL acquisitions in October 2017.

The FSD Note is a compound financial instrument. Although the issue and repayment amount are fixed in United States dollars, when converted back to the Company's functional currency they result in a variable amount of cash and a variable carrying amount for the financial liability that arises from changes in U.S. to Canadian exchange rates. The conversion feature is therefore a derivative liability. The Company has elected to use the fair value option method and valued the embedded derivative and instrument collectively at fair value. The fair value of the FSD Note was determined on the date of the grant and at December 31, 2017.

In November and December 2017, the Company completed a private placement of unsecured convertible debentures in the aggregate principal amount of $12.1 million (the "Convertible Debenture Financing"). The debentures bear interest at 8% per annum, payable annually and mature on December 31, 2020. The debentures are convertible into Common Shares of the Company at a price of $4.60 per share at the holder's option. The liability component of the convertible debentures was valued using Company specific interest rates assuming no conversion feature exists. The debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented as a separate component of shareholders' equity. The amount included in equity at December 31, 2017 is $1.8 million.

The proceeds from the Convertible Debenture Financing were anticipated to be used as follows:

(a) $6.8 million to advance the CPL Facility (defined below);

(b) $1.4 million to advance the APL Facility (defined below);

(c) $0.5 million to advance the Canadian license application with Health Canada for the Sunniva Canada Campus (defined below); and

(d) the remainder for working capital.

The Company has spent approximately $1.0 million to advance the APL Facility, $0.1 million to advance the Sunniva Canada Campus location, including the Canadian license application with Health Canada, $3.8 million to fund working capital and $2.8 million for the repayment of the FSD Note, from the proceeds of the Convertible Debenture Financing. No expenditures were made from the proceeds of the Convertible Debenture Financing to advance the CPL Facility as under the Build to Suit Lease Agreement (defined below), certain capital funding initially estimated for the CPL Facility is being assumed by the landlord.

During the period, the Company incurred amortization expense of $2.5 million resulting from its acquisitions of NHS and FSD and the amortization of the intangible assets acquired.

The Company also recognized share-based payments of $4.0 million related to the issue of stock options. The total fair value of the options granted during the period was $11.3 million.

Summary of Results

During Fiscal 2017, the Company completed its first year of revenue generation with a total of $16.1 million in revenue for the year ended December 31, 2017. Revenue was generated from its two acquisitions during the period, NHS and FSD, which contributed $11.3 million and $4.8 million in revenue, respectively. Net loss for the year ended December 31, 2017 was $18.5 million as compared to $6.9 million during the year ended December 31, 2016.

The primary factors affecting the magnitude and variations of the Company's losses are as follows:

- In the year ended December 31, 2017 the Company incurred $14.3 million in selling, general and administrative expenses. The Company also incurred costs of goods sold of $9.4 million on a consolidated basis consisting primarily of contract physician compensation in NHS and product manufacturing costs in FSD.
- During the year ended December 31, 2017, the Company incurred non-cash expenses of $6.3 million resulting from a fair value increase in its convertible promissory notes and warrants; an expense of $2.5 million resulting from the amortization of intangible assets acquired with NHS and FSD; and share-based compensation expense of $4.0 million. The expenses were applied to the Consolidated Statements of Comprehensive Loss for the year.

Discussion of Operations

The Company incurred a net loss of $18.5 million for the year ended December 31, 2017. On a comparative basis, the net loss increased from the year ended December 31, 2016 by $11.6 million.

The key components contributing to the change in net loss from the year ended December 31, 2017 compared to the year ended December 31, 2016 was comprised of the following:

- Expense due to the revaluation of secured convertible promissory notes and warrants of $6.3 million that occurred in the year ended December 31, 2017.
- Costs of goods sold increased from $nil to $9.4 million resulting from the revenue generating activities of NHS and FSD.

- An increase in costs related to selling, general and administration expenses from $3.6 million to $14.3 million due to the acquisition of two operating companies NHS and FSD and the Company's overall growth.
- Expenses for the period resulting from the amortization of acquired intangible assets in the amount of $2.5 million for the year ended December 31, 2017.
- Expenses were offset by an increase in revenue from $nil to $16.1 million in the year ended December 31, 2017. In addition, deferred revenue increased from $nil as at December 31, 2016 to $0.7 million as at December 31, 2017, primarily resulting from customer deposits on sales of merchandise.

The Sunniva Canada Campus, a 700,000 square foot greenhouse facility in British Columbia, Canada (the "Sunniva Canada Campus"), is currently in the final review stage of receiving its licence from Health Canada. The Sunniva Canada Campus has an overall estimated project budget of approximately $120 million which includes: external physical structure costs of $25 million; internal structure costs including the automated table systems, irrigation, lighting and climate control of $49 million; contractor hard costs, architectural and engineering costs, project administration costs and contingency and reserves of $46 million. This does not include the purchase or lease cost of the land itself that will underlie the Sunniva Canada Campus which is dependent on the site selection. The final site selection and acquisition of the land via purchase or lease is expected to occur by mid-June 2018 with site work to commence concurrently or prior to closing. Construction is expected to commence in June 2018 with phased occupancy targeted for December 2018.

In early January 2018, APL received temporary licenses from the State of California Department of Public Health Manufactured Cannabis Safety Branch for its extraction facility for volatile and non-volatile extraction (the "APL Facility"). The licenses authorize the holder to engage in commercial cannabis-related activity. The APL Facility commenced operations in April 2018. The APL Facility is expected to process 500 lbs/day of bio mass for extraction. We anticipate revenues commencing in May 2018 and are currently negotiating contracts with leading brands.

CPL entered into a build-to-suit lease agreement (the "Build to Suit Lease") with Sunniva Production Campus, LLC ("SPCL") on October 20, 2017 for the construction of a greenhouse facility in Cathedral City, California (the "CPL Facility"), which will be owned by SPCL, which is related to BPG. The Build to Suit Lease and construction of the CPL Facility, among other things, were conditional on the receipt of funding by SPCL from third party investors and bankers. This funding was received on March 14, 2018.

The CPL Facility is planned in two phases and has been cGMP designed. Phase 1 is designed to be 325,000-square feet producing in excess of 60,000 kg of premium cannabis a year. The total campus is expected to produce over 100,000 kg of premium cannabis a year including trim after Phases 1 and 2 are complete. At this facility, it is estimated 30% of all product will be used for higher margin extracted products and all products will be produced free from the pesticides commonly used within today's industry.

Phase one is approximately $60 million and the Company anticipates being operational late Q3 2018.

Summary of Quarterly Results

The following table sets out the quarterly financial information for each of the last eight quarters:

(000s)	Q4'17	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16[1]	Q1'16
Total revenue	$ 5,857	$ 4,562	$ 3,280	$ 2,373	$ -	$ -	$ 38	$ -
Cost of goods sold	(3,353)	(2,834)	(2,044)	(1,158)	(12)	-	-	-
Selling, general and administrative	(5,170)	(9,382)	(3,981)	(2,254)	(855)	(817)	(1,096)	(828)
Research and development	(110)	-	-	-	(9)	-	(183)	(122)
Costs associated with terminated acquisition	-	-	-	-	113	-	(1,909)	(353)
Loss from operations	(2,776)	(7,654)	(2,745)	(1,039)	(763)	(817)	(3,150)	(1,303)
Fair value gain (loss) on derivative liability	2,354	251	(8,926)	-	75	-	-	-
Foreign exchange gain (loss)	(304)	459	275	(42)	(760)	(85)	(72)	(12)
Interest and other expenses	(271)	(31)	(9)	(2)	-	-	-	-
Deferred tax recovery	1,156	366	336	130				
Net income (loss)	159	(6,609)	(11,069)	(953)	(1,448)	(902)	(3,222)	(1,315)
Basic earnings (loss) per share	0.01	(0.25)	(0.43)	(0.04)	(0.11)	(0.06)	(0.16)	(0.07)

1. In Q4 2016 research and development costs were reclassified as costs associated with a terminated acquisition and correspondingly $38,000 in revenue was recognized for a brief period when the terminated acquisition was operating in Q2. This reclassification resulted in changes to previously reported Q2 2016 financial statements as noted above.

Summary of Results

During the fourth quarter of Fiscal 2017, the Company generated $5.9 million in revenue compared to $nil revenue in the fourth quarter of Fiscal 2016. Revenue was generated from its two acquisitions during Fiscal 2017, NHS and FSD, which contributed $3.9 million and $2.0 million in revenue respectively. Net income for the fourth quarter of Fiscal 2017 was $0.2 million as compared to a net loss of $1.4 million during the fourth quarter of Fiscal 2016.

The primary factors affecting the magnitude and variations of the Company's losses are as follows:

- In the fourth quarter of Fiscal 2017 the Company incurred $5.2 million in selling, general and administrative expenses. The Company also incurred costs of goods sold of $3.4 million on a consolidated basis consisting primarily of contract physician compensation in NHS and product manufacturing costs in FSD.
- During the fourth quarter of Fiscal 2017, the Company realized a non-cash recovery of $2.4 million resulting from a fair value decrease in its convertible promissory notes and warrant liability; a recovery of $1.4 million resulting from the finalization of the NHS purchase price allocation and the resulting impact on amortization of the intangible software assets; and share-based compensation expense of $0.7 million. The expenses were applied to the Consolidated Statements of Loss and Comprehensive Loss for the period.

Discussion of Operations

The Company earned net income of $0.2 million for the fourth quarter of Fiscal 2017 compared to a net loss of $1.4 million in the fourth quarter of Fiscal 2016. The key components contributing to the change in net loss from the fourth quarter of Fiscal 2017 compared to the fourth quarter of Fiscal 2016 was primarily related to:

- Recovery due to the revaluation of secured convertible promissory notes and warrants of $2.4 million that occurred in the fourth quarter of Fiscal 2017.
- Costs of goods sold increased from $nil to $3.4 million resulting from the revenue generating activities of NHS and FSD.
- An increase in costs related to selling, general and administration expenses from $0.9 million to $5.2 million due to the acquisition of two operating companies NHS and FSD, share-based compensation and the Company's overall growth. This was offset by an increase in revenue from $nil to $5.9 million in the period.
- Recovery for the period resulting from the amortization of acquired NHS software in the amount of $1.9 million for the fourth quarter of Fiscal 2017.

Liquidity

As at December 31, 2017 the Company had $14.5 million in current assets (December 31, 2016 - $9.8 million) and had a working capital deficit of $1.2 million compared to the prior year of $0.9 million.

The Company raised $5.9 million through the issuance of Common Shares by way of private placements, converted $6.6 million of special warrants to Common Shares, converted $333,000 in shareholder loans to Common Shares, settled $84,000 in share subscriptions outstanding; and incurred share issuance costs of $1.4 million during the year ended December 31, 2017. At December 31, 2017, the Company's net share capital was $53.5 million compared to $23.8 million as at December 31, 2016.

The Company also closed the issuance of 983,753 special warrants in the special warrant offering at $6.75 per special warrant for gross proceeds of $6.6 million. On November 17, 2017, the Company's final prospectus was receipted by the British Columbia Securities Commission thereby triggering the conversion of Special Warrants into Common Shares. The Company used proceeds from this offering to acquire 14 acres of land at Ramon Road under its CPL land purchase option agreement for $5.8 million.

On February 8, 2017, the Company issued secured promissory notes in an aggregate principal amount of $2.3 million to the former shareholders of NHS (the "NHS Note"). The Company settled its obligation on the NHS Note on August 8, 2017, thereby reducing its cash and secured promissory notes by $2.3 million each.

On February 10, 2017, the Company issued the FSD Note in an aggregate amount of $4.5 million (USD$3.5 million) to the former membership unit holder of FSD. The FSD Note had a maturity date of December 31, 2017 but was extended to February 15, 2018 before year-end 2017. The FSD Note accrued interest at a rate of 0.74% per annum and was secured by the acquired FSD membership interests.

The FSD Note was convertible, in whole or in part, into Common Shares of the Company at any time at the option of the holder at a conversion price of USD$2.55. On February 15, 2018, the Company repaid the FSD note partially in cash of $2.8 million (US$2.2 million), plus accrued interest, and the remaining portion through the issuance of Common Shares at the conversion price of $USD2.55.

On August 17, 2017, the Company issued secured promissory notes in an aggregate principal amount of $692,000 (USD$550,000) to the former membership unit holders of APL ("APL Notes"). These notes accrued interest at a rate of 0.50% per annum and were secured by the acquired membership units. On October 20, 2017, the Company repaid the APL Notes.

On December 15, 2016, the Company issued secured convertible promissory notes for an aggregate principal amount of $9.3 million (USD$7.0 million) as partial compensation for the acquisition of the membership units of CPL (the "CPL Notes"). On February 6, 2017, the Company repaid $3.9 million (USD$3.0 million) of the CPL Notes. On October 23, 2017, the Company repaid the balance of the CPL Notes outstanding of approximately $5.1 million (USD$4.0 million) including a currency gain of $276,000 due to the change in US dollar conversion rates at the time of repayment as compared to the time of issuance.

The FSD Note is a compound financial instrument. Although the issue and repayment amount are fixed in US currency amounts, when converted back to the Company's functional currency the result is a variable amount of cash. In other words, there is a variable carrying amount for the financial liability that arises from the changes in US dollar exchange rates. As a result, the conversion feature does not meet the "fixed-for-fixed" criteria for equity classification under IFRS. The conversion feature is therefore a derivative liability, where the value of the conversion feature is dependent on foreign exchange rates. The Company has elected to use the fair value option method and valued the embedded derivative and instrument collectively at fair value. As at December 31, 2017, the prevailing price per Common Share was $6.75 resulting from both the sale of special warrants and the concurrent private placement. When applied using the Black Scholes option pricing model as described in the Consolidated Financial Statements, the analysis results in an increase of the carrying amount to $9.3 million and a corresponding loss of $4.9 million applied to the Statement of Comprehensive Loss for the year ended December 31, 2017.

As at December 31, 2017, the Company had issued 3,695,000 stock options pursuant to the Company's stock option plan approved by shareholders on July 27, 2017 at the Company's annual general meeting. The Company has expensed $4.0 million in share-based payments due to its issuance of stock options under the plan.

Description of Security	Number	Exercise Price	Date of Issuance	Proceeds if Exercised
Stock Options	2,650,000	3.40	April 13, 2017	$ 9,010,000
Stock Options	100,000	3.40	June 15, 2017	340,000
Stock Options	100,000	6.75	July 4, 2017	675,000
Stock Options	50,000	6.75	July 31, 2017	337,500
Stock Options	120,000	6.75	August 14, 2017	810,000
Stock Options	50,000	6.75	August 25, 2017	337,500
Stock Options	50,000	6.75	September 11, 2017	337,500
Stock Options	400,000	6.75	October 23, 2017	2,700,000
Stock Options	175,000	6.75	December 8, 2017	1,181,250
Forfeited	(384,465)	3.40		(1,307,181)
Total	3,310,535			$ 14,421,569

As at December 31, 2017, the Company had 2,097,469 warrants outstanding which, upon exercise, convert into one common share each of the Company. The warrants are issued in both Canadian and US denominated currencies as follows:

Finders Warrants

Date	Number	Exercise Price	Expiry Date
December 20, 2016	38,941	$3.40	June 30, 2018
December 29, 2016	289,298	$3.40	June 30, 2018
February 7, 2017	14,525	$3.40	February 7, 2018
February 7, 2017	3,850	$3.40	February 8, 2018
June 22, 2017	100,000	$6.75	June 22, 2019
October 28, 2017	59,596	$6.75	June 27, 2019
	506,210		

Financing Warrants

Issue Date	Number	Exercise Price	Expiry Date
December 29, 2016	100,000	US $2.55	April 12,2019
December 29, 2016	100,000	US $2.55	May 1, 2019
December 29, 2016	300,000	US $2.55	July 19, 2019
	500,000		

Warrants issued in sale and lease back

Date	Number	Exercise Price	Expiry Date
October 23, 2017	1,091,259	$4.60	April 23, 2018

The US denominated warrants are classified as a liability as their exercise price is in US dollars, which is not the Company's functional currency. As at December 31, 2017, the fair value of the US denominated warrants is $2.1 million using the Black-Scholes option pricing model and applying a foreign exchange adjustment as provided in the Consolidated Financial Statements.

The Company is dependent on raising additional equity or debt to carry on its business operations for the next 12 months. The Company has $11.4 million in cash on hand as at December 31, 2017. Subsequent to year-end, the Company completed the Bought Deal Offering for aggregate gross proceeds of $27.8 million. A total of 2,850,900 Units and 50,000 Warrants were sold at a price of $9.75 per Unit and $0.02 per Warrant. Each Unit consisted of one common share in the capital of the Company and one-half of one "Warrant". Each whole Warrant entitles the holder thereof to acquire one common share at an exercise price per share of $12.50 for a period of 24 months, from the date of issuance.

There is no guarantee that the Company will be able to raise the additional equity or debt required to fund its ongoing operations and complete its planned capital expenditures.

Capital Resources

As at December 31, 2017, the Company had the following consolidated lease commitments:

($000s)

2018	$ 7,251
2019	13,185
2020	13,088
2021	12,535
Thereafter	155,175
	$ 201,234

The lease commitments include properties in Goleta and Cathedral City, California; medical clinics, office space and education centres for NHS in Alberta, Saskatchewan, Manitoba and Ontario; and a commitment for the Company's Calgary, Alberta-based corporate offices.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions between Related Parties

The Company's related parties, as defined by IAS 24, Related Party Disclosures, include the Company's controlling shareholders, directors, executive officers, key management personnel, and enterprises which are controlled by these individuals.

Related Party	Relationship
Anthony Holler, Chairman, CEO and Director	Director/Management
Leith Pedersen, President, Chief Strategy Officer and Director	Director/Management
Dan Vass, President of NHS and Director	Director/Management
Luke Stanton, Director	Director/Consultant/US Legal
Michael Barker, Director	Director
Todd Patrick, Director	Independent Director
Norm Mayr, Director	Independent Director
Ian Webb, Director	Independent Director
David Negus, Chief Financial Officer	Management
Duncan Gordon, Chief Operating Officer	Management
Ben Rootman, VP Legal, Compliance and Regulatory Affairs	Management
Hugh Ruthven, Chief Marketing Officer	Former Management
Mark Piesner, President USA	Former Management
R. Michael Steele, Chief Financial Officer and EVP Finance	Former Management
Jim Defer, Chief Financial Officer	Former Management
Robert Mills as Robert Mills Alter Ego Trust 1	Shareholder, note holder

The Company considers the executive officers and directors as the key management of the Company.

Total compensation of key Company personnel for the years ended December 31, 2017 and 2016 are as follows:

($000s)	December 31, 2017	December 31, 2016
Wages and consulting fees	$ 1,594	$ 747
Share-based payments	2,329	-
	$ 3,923	$ 747

On May 1, 2017, the Company hired a President USA to run its operations in the United States. The President was subsequently released from his duties on July 27, 2017. In addition to wages payable, the President USA received US$57,000 in severance pay.

On May 14, 2017, the Company's Chief Financial Officer stepped down and was replaced by another Chief Financial Officer. There was no severance payable related to the transition and the former CFO exercised 100,000 stock options for Common Shares.

The non-management directors have received in aggregate $914 in share-based compensation during the year ended December 31, 2017.

Amounts due to related parties is as follows as at December 31, 2017:

	December 31, 2017	December 31, 2016
Consulting fees and wages	$127	$27
Loans from shareholders	-	$336

Except as listed below, no related party had any material interest, direct or indirect, in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries:

Dr. Anthony Holler, the Company's Chairman and CEO, has guaranteed the Goleta Facility Lease on behalf of the Company with an estimated commitment as at December 31, 2017 of $1.5 million.

Daniel Vass, Director and President of NHS, held a secured promissory note payable by the Company resulting from his sale of NHS shares to the Company on February 8, 2017. The note was paid in full by the Company on August 8, 2017.

Michael Barker, a Director of the Company, has a material interest in BPG. The Company, through its subsidiary CPL, subsequently entered into the Build to Suite Lease with SPCL a related party to BPG, which was approved by the Board of Directors. The base rent under the lease is based on the budget for the facility (currently estimated at US$54 million) and is calculated based on 17.2% of the project costs as determined under the terms of the lease. The lease is for an initial 15-year term with three five-year extensions. Mr. Barker's interest in the transaction is expected to be approximately 10%.

Luke Stanton, a Director of the Company and a director and officer of SCH, is the Founder and Executive Chairman of Frontera Law Group and acts as the Company's US legal counsel. Mr. Stanton has also been separately retained as a consultant to conduct business development and government relations services on behalf of the Company in the United States for monthly compensation of $18. In addition, Mr. Stanton is a Partner of Skytree Capital Partners, LLC, a shareholder of the Company. As such Mr. Stanton has an interest in transactions considered or conducted by the Company.

Critical Accounting Estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the determination of functional currency, the fair value of the convertible promissory notes, the fair value of the warrant liabilities, and the Company's ability to continue as a going concern.

Changes in Accounting Policies Including Initial Adoption

No accounting policies were initially adopted during the year ended December 31, 2017.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing the financial statements.

- IFRS 9 – Financial Instruments: IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and will be applied retrospectively.
- IFRS 15 – Revenue from contracts with customers: IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 – Leases: IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of Common Shares without par value.

At the date of this MD&A, the Company has 31,735,410 (December 31, 2016 - 18,272,959) Common Shares issued and outstanding. In addition, the Company has 3,995,000 (December 31, 2016 – nil) stock options outstanding, 1,996,240 (December 31, 2016 – 328,239) warrants outstanding including warrants issued in connection with the Bought Deal Offering, 171,054 compensation options outstanding which were issued in connection with the Bought Deal Offering, and an $11,482,841 principal amount of convertible debentures outstanding which are convertible into 2,495,028 Common Shares not including Common Shares issuable in respect of accrued interest. Each of the Company's outstanding stock options, warrants, and compensation options are exercisable for one Common Share.

In 2017, the Board of Directors approved a stock option plan for key employees, consultants and directors at the Company's annual general meeting. The Board authorized 3,784,600 options for the purchase of Common Shares. Subsequently, the option plan was presented to a meeting of the shareholders of the Company on July 27, 2017 and the option plan was approved by the shareholders. The stock option plan was further amended by the Board on September 25, 2017 to allow for a maximum number of stock options to be issued based on a number equal to 15% of outstanding Common Shares on a fully-diluted basis less the amount of unexercised stock options currently issued and outstanding.

RISKS AND UNCERTAINTIES

The Company is pursuing commercial ventures in the cannabis business that encompass the biotechnology and agricultural industries and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Commencing in 2017, as a result if its acquisitions of NHS and FSD, the Company is expected to have ongoing revenue from operations. The Company continues to have limited capital resources and relies upon the sale of its assets or sale of its Common Shares for cash required to make new investments and to fund the operations of the Company.

Investing in our Common Shares involves significant risks. You should carefully consider the summary of risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in the Company's short form prospectus dated March 20, 2018, including the documents incorporated by reference therein. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of our Common Shares could decline, and you could lose part or all of your investment.

Risks Related to the Company

- The Company is a development stage company with little operating history, and the Company cannot assure profitability.

- Uncertainty about the Company's ability to continue as a going concern.
- The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.
- The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.
- There are factors which may prevent the Company from the realization of growth targets.
- The Company is reliant on its cultivation licenses to produce medical cannabis products.
- The Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.
- The Company's business plan involves a number of strategic partnerships. If these partnerships do not materialize, the Company may be unable to sell its products.
- The Company may not be able to develop its products, which could prevent it from ever becoming profitable.
- The Company's officers and directors control a large percentage of the Company's issued and outstanding Common Shares and such officers and directors may have the ability to control matters affecting the Company and its business.
- There is no assurance that the Company will turn a profit or generate immediate revenues.
- The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.
- The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.
- The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.
- The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.
- The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates.
- The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.
- If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.
- There is no assurance that the Company will obtain and retain any relevant licenses.
- Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition.
- The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.
- The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.

- The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.
- The Company may not be able to secure all necessary financing in time to begin, continue and complete the Sunniva Canada Campus on schedule.
- The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage.
- The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.
- The cultivation of Cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks.
- The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.
- The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results.
- The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the U.S. and is new to Canada.
- Under California and Canadian regulations, a licensed producer of cannabis may have restrictions on the type and form of marketing it can undertake which could materially impact sales performance.
- The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.
- The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks.
- The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws.
- The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.
- In certain circumstances, the Company's reputation could be damaged.

Risk Factors Related to the United States

- Some of the Company's planned business activities, while believed to be compliant with applicable U.S. state and local law, are illegal under federal law.
- There is uncertainty regarding existing protection from federal prosecution.
- There is uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.
- The Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed.
- The Company's business operations may come under additional scrutiny by governmental and non-governmental agencies.

- Due to the classification of cannabis as a Schedule II controlled substance under the Controlled Substances Act (the "CSA"), the property of the Company may be seized and the operations of the Company shut down.
- The Company may not be able to obtain all necessary California licenses and permits or complete construction of its facilities timely, which could, among other things, delay or prevent the Company from becoming profitable.
- The Company is reliant on its cultivation licenses in Cathedral City to produce medical cannabis products in California and will be reliant on its ability to secure licenses in the State of California under *Medicinal and Adult-Use Cannabis Regulation and Safety Act* in the future.
- The Company's operations in the United States cannabis market may become the subject of heightened scrutiny.
- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.
- There is no assurance of success or profitability under the new legal and regulatory structure in California.
- California Legislation states that once the regulations promulgated by the Bureau of Cannabis Control (the "Bureau"), and any other California state agency that may become involved, are implemented, no person can engage in commercial cannabis activity without possessing both a state license and either a local permit, license or other authorization, or otherwise in compliance with local law.
- California Legislation gives priority in respect of the issuances of licenses to facilities and entities in operation and in good standing with a local jurisdiction by September 1, 2016, which is not applicable to the Company.
- There are fees associated with acquiring, and renewing, licenses. However, the specific amount of such fees has yet to be determined and may vary based on several factors.
- Applicable legislation imposes state taxes on California's cannabis industry, and authorizes local jurisdictions to assess taxes and fees on such activities. There currently is no way to predict the tax regime that will apply when (and if) such legislation becomes effective.
- The Company may incur significant tax liabilities if the Internal Revenue Service ("IRS") continues to determine that certain expenses of cannabis businesses are not permitted tax deductions under section 280E of the tax code.
- State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in any state.
- The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate.
- The Company is reliant on third-party suppliers, manufacturers and contractors.
- Due to the classification of cannabis as a Schedule II controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.
- Any re-classification of cannabis or changes in U.S. controlled substance laws and regulations

may affect the Company's business.

- Cannabidiol is classified as Schedule I controlled substance. The Drug Enforcement Agency recently published a final rule in the Federal Register creating a new drug code for "marihuana extracts".
- U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.
- The Company's contracts may not be legally enforceable in the U.S.

Risks Related to Our Securities

- The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control.
- The Company is subject to uncertainty regarding legal and regulatory status and changes.
- The Company does not anticipate paying cash dividends.
- Future sales of Common Shares by existing shareholders could reduce the market price of the Common Shares.

For additional description of the risk factors affecting the Company, please see Company's continuous disclosure documents on www.sedar.com.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the CBCA that address conflicts of interest. The CBCA requires each director and officer to disclose in writing (or request to have entered in the minutes of the board meeting) the nature and extent of the director's or officer's interest in a material contract or transaction, whether made or proposed, with the Company. The CBCA further requires such a director to refrain from voting on a resolution to approve the contract or transaction except in narrow circumstances set out in the CBCA. In all circumstances, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

Additional Information

Additional information related to the Company is be available for view on the Company's website at www.sunniva.com and through its public filings on www.sedar.com.