This management discussion and analysis ("MD&A") of the financial condition and results of operations of Sunniva Inc. ("Sunniva", the "Company", "we", "our" or "us") is for the three and six months ended June 30, 2018 and 2017. It is supplemental to, and should be read in conjunction with, the unaudited Interim Consolidated Financial Statements of the Company and the accompanying notes for the three and six months ended June 30, 2018 and 2017 (the "Interim Consolidated Financial Statements").

The Interim 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 August 29, 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", "anticipates", "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, Mr. Barker's expected interest in the Build to Suit Lease (defined below), the estimated budget under the Build to Suit Lease and the Sunniva Canada Campus (as defined below), the expected production at the Sunniva California Campus (as defined below) and the Sunniva Canada Campus, the estimate that 30% of all product from Sunniva California Campus will be used for higher margin extracted products and all products will be free from the pesticides commonly used within today's industry, the Sunniva California Campus being operational in Q4 2018 with the first harvest expected in Q1 2019, the estimated commitment amount on the Goleta Facility Lease as at June 30, 2018 of $1.1 million, the Company's current financial resources being sufficient to fund operations, the Company's ability to obtain additional funds though the sale of equity or debt commitments, the Company's anticipated production at the Extraction Facility (as defined below), and the Company's policy regarding dividends.

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: receipt of licenses and permits for the Sunniva California Campus and the Sunniva Canada Campus, 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 under the symbol "SNN" and on the OTCQX under the symbol "SNNVF".

The Company's registered office is located at 1200-200 Burrard Street, Vancouver, British Columbia, V7X 1T2.

As at June 30, 2018, the Company has eleven wholly owned subsidiaries. The Company has four wholly owned Canadian subsidiaries: Sunniva Medical Inc. ("SMI"), Natural Health Services Ltd. ("NHS"), 1964433 Alberta Ltd. ("196") and 1167025 B.C. Ltd ("116"). The Company and SMI were incorporated under the CBCA. NHS and 196 were incorporated under the *Business Corporations Act* (Alberta) and 116 was incorporated under the *Business Corporations Act* (British Columbia). The Company, SMI and 116 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 SECOND QUARTER OF 2018

- On May 29, 2018, SMI received the Confirmation of Readiness ("COR") for a license under the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR") from Health Canada. This represents acceptance of our detailed application with the next step being an inspection upon site readiness in order to commence cultivation.

- On May 30, 2018, NHS had the grand opening of its seventh patient-centric clinic in Windsor, Ontario.

- The Company announced the closing of a 126-acre industrial zoned property for the Sunniva Canada Campus in Okanagan Falls, British Columbia for a purchase price of $7.0 million. The transaction closed on June 15, 2018 for consideration of $3.5 million in cash and the balance through a one-year vendor take back mortgage financing arrangement.

- In June 2018, the Company's wholly-owned subsidiary, CPL, secured 12-month extraction services agreements with two leading California cannabis brands, Cali Gold and Farmacy Phactory, for the Extraction Facility that became operational in the quarter.

- For the three and six months ended June 30, 2018, the Company generated $4.5 million and $9.6 million in revenue, respectively. NHS contributed $3.2 million and $5.8 million while FSD contributed $1.3 million and $3.8 million over these same periods. Net loss for the three and six months ended June 30, 2018 was $4.9 million and $11.2 million as compared to $10.7 million and $11.7 million during the three and six months ended June 30, 2017.

RECENT DEVELOPMENTS SUBSEQUENT TO JUNE 30, 2018

- CPL secured an additional 12-month extraction contract with Pure Applied Sciences for the Extraction Facility.

- Construction continues at the Sunniva California Campus. Phase one (50,000 kg per year) is expected to commence operations in Q4 2018, with the first harvest expected in Q1 2019. We continued our work on completion of our California licensing requirements for the facility.

- The Sunniva Canada Campus has commenced construction. Grading of the site is nearly completion and expected to be 100% complete by mid-September. Foundation work on Phase one has commenced and is approximately 40% complete.

- The Company's cash position is $11.9 million as of the date hereof.

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 Interim Consolidated Financial Statements have been prepared on a going concern basis, which assumes that 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 and as at June 30, 2018 has not generated sufficient revenue to fund operations or planned capital expenditures. As at June 30, 2018, the Company has an accumulated deficit of $39.7 million and incurred a net loss of $11.2 million for the six months ended June 30, 2018; however, the Company had a working capital surplus of $10.9 million at June 30, 2018 compared to a working capital deficit of $1.2 million at December 31, 2017.

The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, to convert its debentures into shares 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 to finance the operations and capital expenditures of the Company; however, there can be no certainty that such funds will be available on a timely basis and on terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

INTERIM MD&A – QUARTERLY HIGHLIGHTS

The following table sets forth selected unaudited financial information of the Company for the three and six-month periods ended June 30, 2018, 2017 and 2016:

	For the three months ended June 30		
(000s)	**2018**	**2017**	**2016**
Total revenue	$ 4,469	$ 3,280	$ -
Gross margin	2,788	1,236	-
Net loss	(4,910)	(10,744)	(3,222)
Comprehensive loss	(4,305)	(10,935)	(3,222)
Basic and diluted loss per share	(0.16)	(0.42)	(0.16)

	For the six months ended June 30		
(000s)	**2018**	**2017**	**2016**
Total revenue	$ 9,633	$ 5,654	$ 38
Gross margin	4, 881	2,451	38
Net loss	(11,178)	(11,706)	(4,537)
Comprehensive loss	(10,169)	(11,770)	(4,537)
Basic and diluted loss per share	(0.38)	(0.48)	(0.23)

		As at	
(000s)	**June 30, 2018**	**December 31, 2017**	**December 31, 2016**
Current assets	$ 21,975	$ 14,532	$ 9,793
Total assets	102,068	73,948	25,663
Current liabilities	11,060	15,739	10,654
Total liabilities	34,971	40,608	11,418
Shareholders' equity	67,097	33,340	14,245

The tables below summarize the Company's cash flows for the three and six month periods ended June 30, 2018, 2017 and 2016:

	For the three months ended June 30		
(000s)	**2018**	**2017**	**2016**
Net cash provided (used by)			
Operating activities	$ (4,937)	$ (1,404)	$ (1,921)
Investing activities	(16,533)	(5,472)	(2)
Financing activities	8,938	5,262	1,816
Effect of foreign exchange on cash	506	16	-
Decrease in cash	(12,026)	(1,598)	(107)
Cash and cash equivalents beginning of period	29,556	5,899	117
Cash and cash equivalents end of period	**$ 17,530**	**$ 4,301**	**$ 10**

	For the six months ended June 30		
(000s)	**2018**	**2017**	**2016**
Net cash provided (used in)			
Operating activities	$ (6,536)	$ (2,791)	$ (3,615)
Investing activities	(21,799)	(8,279)	(11,032)
Financing activities	33,679	5,794	14,616
Effect of foreign exchange on cash	762	(36)	-
Increase (decrease) in cash	6,106	(5,312)	(31)
Cash and cash equivalents beginning of period	11,424	9,613	41
Cash and cash equivalents end of period	**$ 17,530**	**$ 4,301**	**$ 10**

The Company did not declare any dividends in the three or six months ended June 30, 2018 and does not anticipate doing so in the foreseeable future.

Cash and cash equivalents as at June 30, 2018 was $17.5 million, which was $6.1 million higher than the balance at December 31, 2017. The increase in cash and cash equivalents during the period was due primarily to the Company's bought deal public offering for aggregate gross proceeds of $27.8 million which closed on March 27, 2018 (the "Bought Deal Offering") and conversions of warrants, which was partially offset by the repayment of promissory notes, operating losses and capital investment. The Company has spent approximately $3.7 million to advance the Sunniva California Campus, $12.0 million to advance the Sunniva Canada Campus, and $2.8 million for the repayment of a secured convertible promissory note in connection with the acquisition of FSD (the "FSD Note"), from the proceeds of the Bought Deal Offering.

For the three and six months ended June 30, 2018, the Company also recognized share-based payment expenses of $1.9 million and $4.1 million related to the issue of stock options. The total fair value of the options granted during the three and six months ended was $3.5 million and $6.9 million, respectively.

Summary of Quarterly Results

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

(000s)	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16
Total revenue	$ 4,469	$ 5,164	$ 5,856	$ 4,562	$ 3,280	$ 2,374	$ -	$ -
Cost of goods sold	(1,681)	(3,071)	(3,352)	(2,834)	(2,044)	(1,159)	(12)	-
Selling, general and administrative	(7,609)	(8,429)	(5,854)	(9,060)	(3,717)	(2,156)	(855)	(817)
Research and development	-	-	(110)	-	-	-	(9)	-
Costs associated with terminated acquisition	-	-	-	-	-	-	113	-
Loss from operations	(4,821)	(6,336)	(3,460)	(7,332)	(2,481)	(941)	(763)	(817)
Fair value gain (loss) on derivative liability	540	(868)	2,354	251	(8,865)	(61)	75	-
Foreign exchange gain (loss)	(183)	58	(344)	499	275	(42)	(760)	(85)
Gain on settlement of promissory note	-	1,011	-	-	-	-	-	-
Interest and other expenses	(450)	(432)	(271)	(31)	(9)	(2)	-	-
Deferred tax recovery	4	298	1,202	366	336	84	-	-
Net loss	(4,910)	(6,269)	(519)	(6,247)	(10,744)	(962)	(1,448)	(902)
Basic loss per share	(0.16)	(0.23)	(0.02)	(0.24)	(0.42)	(0.04)	(0.11)	(0.06)

Summary of Results

For the three and six months ended June 30, 2018, the Company generated $4.5 million and $9.6 million in revenue, respectively. NHS contributed $3.2 million and $5.8 million while FSD contributed $1.3 million and $3.8 million over these same periods. Net loss for the three and six months ended June 30, 2018 was $4.9 million and $11.2 million as compared to $10.7 million and $11.7 million during the three and six months ended June 30, 2017.

The key components contributing to the change in net loss from the three and six months ended June 30, 2018 compared to the prior comparative periods comprise the following:

- Revenue increased by $1.2 million and $4.0 million during the three and six months ended June 30, 2018. NHS revenue increased by $0.7 million and $1.7 million over these comparative periods due to an increase in the number of clinics and Licenced Producers ("LPs") under contract. FSD revenue increased by $0.5 million and $2.3 million over these comparative periods due to an increased customer base and strong first quarter 2018 results. The increase over the comparative six months ended June 30, 2017 is also due to the acquisitions of NHS and FSD midway through February 2017.

- Gross margin increased by $1.6 million and $2.4 million during the three and six months ended June 30, 2018 primarily due to the increase of LP revenue in NHS. LP revenue provides the highest margin of all the Company's revenue streams. On a percentage basis, gross margin increased from 38% and 43% in the three and six months ended June 30, 2017 to 62% and 51% in the three and six months ended June 30, 2018 due to the increase in LP revenue.

- Selling, general and administration expenses increased by $2.0 million and $5.9 million during the three and six months ended June 30, 2018. The increase is primarily due to an increase in operational spend with the Company's continued expansion, higher costs associated with being a publicly-listed company and increased consulting costs related to the development of the cultivation businesses in California and Canada. The most significant increase in costs relate to professional fees, personnel costs and rent. The increase over the comparative period is also due to the acquisitions of NHS and FSD occurring midway through the first quarter of fiscal 2017.

- Share-based payment expenses increased from $nil in the three and six months ended June 30, 2017 to $1.9 million and $4.1 million in the three and six months ended June 30, 2018 with the introduction of the Company's stock option plan mid-way through fiscal 2017.
- The Company realized a non-cash gain of $1.0 million on settlement of the FSD Note in the first quarter of fiscal 2018.
- Fair value changes in derivative instruments due to the revaluation of secured convertible promissory notes and warrants decreased from an expense of $8.9 million for the three and six months ended June 30, 2017 to a gain of $0.5 million and a loss of $0.3 million for the three and six months ended June 30, 2018. This was due to a decrease in share price in the second quarter of fiscal 2018 and significant fair value changes in fiscal 2017 with the Company's private share value increasing throughout fiscal 2017.
- Amortization and depreciation expense increased by $28,000 and $0.3 million during the three and six months ended June 30, 2018 due to a higher cost base of the assets in 2018 and the intangible assets being acquired midway through the first quarter of fiscal 2017.

Discussion of Operations

The Sunniva Canada Campus will be a 759,000 square foot greenhouse facility in British Columbia, Canada (the "Sunniva Canada Campus"). On May 3, 2018, the Company announced that it had selected the location to build its Sunniva Canada Campus in Okanagan Falls, British Columbia. On June 15, 2018, SMI completed the acquisition of a 126-acre industrial zoned property for a purchase price of $7.0 million. SMI received the required development permits for the construction of the Sunniva Canada Campus from the Regional District of Okanagan-Similkameen and has commenced the foundation phase of construction. The Sunniva Canada Campus has commenced construction and grading of the site, which is expected to be 100% complete by mid-September. The foundation work for Phase one has commenced and is approximately 40% complete. As previously announced, the Company has received its COR for a license under the ACMPR from Health Canada for the Company's wholly owned subsidiary, SMI. This represents acceptance of our detailed application with the next step being an inspection upon site readiness in order to commence cultivation.

In 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 "Extraction Facility"). The licenses authorize the holder to engage in commercial cannabis-related activity. The Extraction Facility is expected to process 500 lbs/day of biomass for extraction. CPL has secured three 12-month extraction contracts with leading California cannabis brands and FSD will also provide most of these customers with specialized vaporization hardware and accessories.

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 the Sunniva California Campus, which is owned by SPCL, an entity related to Barker Pacific Group, Inc. ("BPG"). At the Sunniva California Campus, 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. The Company anticipates phase one (50,000 kg per year) of the Sunniva California Campus will be operational in Q4 2018, with the first harvest expected in Q1 2019.

(In Canadian Dollars)

Liquidity

As at June 30, 2018 the Company had $22.0 million in current assets (December 31, 2017 - $14.5 million) and had a working capital surplus of $10.9 million compared to a deficit of $1.2 million at December 31, 2017.

During the second quarter of fiscal 2018, the Company received $5.0 million from the exercise of warrants issued in connection with the Build to Suit Lease, $259,000 from the exercise of finders' warrants and $159,000 from stock option exercises. Non-cash equity transactions during the second quarter of fiscal 2018 included $760,000 of convertible debenture conversions and equity reserve transfers of $96,000 and $124,000 from the exercise of finders' warrants and stock options, respectively. As at June 30, 2018, the Company's net share capital was $91.4 million compared to $53.5 million as at December 31, 2017.

The Company used the funds raised in the second quarter of fiscal 2018 to fund approximately $5.7 million to advance the Sunniva Canada Campus. The Company is actively working with Canadian banking institutions to raise the additional financing required to fund the Company's planned growth in Canada.

As at June 30, 2018, the Company has 4,304,500 stock options outstanding pursuant to the Company's stock option plan approved by shareholders at the Company's annual general meeting in fiscal 2017. The Company recorded a share-based payment expense of $1.9 million and $4.1 million in the three and six months ended June 30, 2018 ($nil in the three and six months ended June, 30 2017).

	Stock Options	Weighted Average Exercise Price
Balance, January 1, 2017	-	$ -
Granted	3,695,000	4.26
Forfeited	(384,375)	(3.40)
Balance, December 31, 2017	3,310,625	$ 4.36
Granted	1,209,500	7.30
Exercised	(215,625)	(3.40)
Balance, June 30, 2018	4,304,500	$ 5.23

As at June 30, 2018, the Company had 1,920,038 warrants and 171,054 compensation options outstanding which, upon exercise, each convert into one Common Share of the Company. The warrants outstanding in both Canadian and US denominated currencies as follows:

Finders' Warrants

Issue Date	Issued	Exercised	Outstanding	Exercise Price	Expiry Date
December 20, 2016	38,941	(38,941)	-	$3.40	June 30, 2018
December 29, 2016	289,298	(289,298)	-	$3.40	June 30, 2018
February 7, 2017	14,525	(14,525)	-	$3.40	February 7, 2018
February 7, 2017	3,850	(3,850)	-	$3.40	February 8, 2018
June 22, 2017	100,000	-	100,000	$6.75	June 22, 2019
October 28, 2017	59,596	(3,158)	56,438	$6.75	June 27, 2019
	506,210	(273,570)	156,438		

Financing Warrants

Issue Date	Issued	Exercised	Outstanding	Exercise Price	Expiry Date
December 29, 2016	100,000	-	100,000	US $2.55	April 12, 2019
December 29, 2016	100,000	(69,400)	30,600	US $2.55	May 1, 2019
December 29, 2016	300,000	-	300,000	US $2.55	July 19, 2019
	500,000	(69,400)	430,600		

Warrants issued in sale and lease back

Issue Date	Issued	Exercised	Outstanding	Exercise Price	Expiry Date
October 23, 2017	1,091,259	1,091,259	-	$4.60	April 23, 2018

Warrants and Options issued in the Bought Deal Offering

Issue Date	Issued	Exercised	Outstanding	Exercise Price	Expiry Date
March 27, 2018	1,283,000	-	1,283,000	$12.50	March 27, 2020
March 27, 2018	50,000	-	50,000	$12.50	March 27, 2020
March 27, 2018	171,054	-	171,054	$9.75	March 27, 2020
	1,504,054	-	1,504,054		

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 June 30, 2018, the fair value of the US denominated warrants is $2.2 million using the Black-Scholes option pricing model and applying a foreign exchange adjustment as provided in the Interim 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 $17.5 million in cash and cash equivalents as at June 30, 2018, but 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 June 30, 2018, the Company had the following consolidated lease commitments:

(000s)	Build to Suit Lease	Others	Total
2018	$ 1,992	$ 867	$ 2,859
2019	11,225	1,772	12,997
2020	12,245	1,682	13,927
2021	12,245	1,164	13,409
Thereafter	161,860	2,815	164,675
	$ 199,567	$ 8,300	$ 207,867

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 corporate offices in Vancouver, British Columbia and Calgary, Alberta.

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
Benjamin 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 three months ended June 30, 2018 and 2017 are as follows:

(000s)	Three months ended June 30, 2018	Three months ended June 30, 2017
Salaries and consulting fees	$ 676	$ 350
Share-based payments	1,193	-
	$ 1,869	$ 350

(000s)	Six months ended June 30, 2018	Six months ended June 30, 2017
Salaries and consulting fees	$ 1,536	$ 689
Share-based payments	2,144	-
	$ 3,680	$ 689

Amounts due to related parties is as follows as at:

	June 30, 2018	December 31, 2017
Consulting fees and wages	$ 74	$ 127

The non-management directors have received in aggregate $663,000 and $905,000 in share-based compensation during the three and six months ended June 30, 2018, respectively.

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 June 30, 2018 of $1.1 million.

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 Suit 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 Sunniva California Campus 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 is the Founder and Executive Chairman of Frontera Law Group, which provides legal services to the Company and its US subsidiaries and as such has an interest in transactions considered or conducted by the Company. In addition, Mr. Stanton is also a Partner of Skytree Capital Partners, LLC, a shareholder of the Company. Mr. Stanton is a shareholder in Skyfront Insurance, LLC, an insurance brokerage that provides services to the Company's U.S. subsidiaries. Mr. Stanton is also a shareholder of Composite Agency, LLC, a company that provides branding, marketing and content production services for the Sunniva California Campus and the Extraction Facility. Mr. Stanton has been separately retained by the Company as a consultant to conduct business development and government relations services on behalf of the Company in the United States for monthly compensation of US$17,500. Mr. Stanton is responsible for state licensing efforts, licensing applications plus supply contract negotiations with leading brands.

Critical Accounting Estimates

The preparation of the Interim 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 Interim Consolidated Financial Statements include the determination of functional currency, the fair value of the secured 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

Refer to Notes 2(G) and 2(H), *New and Amended Standards Adopted* and *New Standards and Interpretations Not Yet Effective,* to the Company's Interim Financial Statements for a full disclosure on its changes in accounting policies including initial adoption.

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 32,045,697 (December 31, 2017 - 26,636,073) Common Shares issued and outstanding. In addition, the Company has 4,209,750 (December 31, 2017 – nil) stock options outstanding, 1,920,038 (December 31, 2017 – 2,097,469) 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 $10,722,841 principal amount of convertible debentures outstanding which are convertible into 2,331,052 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.

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. 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 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 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.
- The Company is reliant on certain key members of management, the loss of any one of which could materially adversely affect its operations.
- 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 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, 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.