This management's 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 nine months ended September 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 nine months ended September 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 November 28, 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 Company's expectations regarding CPL's growth in the fourth quarter of 2018, 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 Q1 2019 with the first harvest expected in Q2 2019, the estimated commitment amount on the Goleta Facility Lease (as defined below) as at September 30, 2018 of $1.0 million, the ability of the Company to launch Sunniva branded product lines in California and propagate the Sunniva California Campus with clean clones, the conditions of closing for the acquisition of Vision (as defined below), the conditions of closing for the acquisition of LTYR (as defined below), the expectation that LTYR will continue to generate revenues and expand its existing relationships with over 120 licensed dispensaries throughout California, the timing of renovations and receipt of licensing requirements for the warehouse in Long Beach, California, the impact of the transaction with LTYR on the Company and LTYR's expected role as the Company's logistics and technology distribution platform, the Company's expectation that there will be no operational delays from the California licensing requirements for the Sunniva California Campus, the Company's current financial resources being sufficient to fund operations, the Company's ability to convert its outstanding convertible debentures into Common Shares (as defined below), the Company's plans and ability to obtain additional funds though the sale of equity or debt commitments for operations and planned growth, the Company's anticipated production at the Extraction Facility (as defined below), the Company's anticipated production and brand roll-out at the Extraction Facility, the reduction of reliance on purchases of third-party biomass as production from the Sunniva California Campus becomes available, the Company's goal to pursue other retail acquisitions in California, the Company's expected use of proceeds from the 2018 Offerings (as defined below), statements regarding the plans, timing and conditions of the Spin-Out (as defined below) and the Company's policy regarding dividends, are "forward-looking statements".

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; availability of debt or equity financing; receipt of shareholder and regulatory approvals for potential transactions; 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's 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 (the "CSE") under the symbol "SNN" and on the OTCQB under the symbol "SNNVF".

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

As at September 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), A1 Perez, LLC (Delaware) ("APL") and Sunny People, LLC (California).

KEY DEVELOPMENTS IN THE THIRD QUARTER OF 2018

- The Company's wholly-owned subsidiary, CPL, started earning revenue from its extraction suite in California for volatile and non-volatile extraction (the "Extraction Facility"). Revenue generation was limited to $0.1 million in the quarter due to the lack of availability of clean biomass. CPL was able to build its inventory of biomass near the end of the quarter and is well aligned for significant growth in future quarters.

- The Company intends to spin out its Canadian assets, including Natural Health Services Ltd. ("NHS") and SMI, into a separate Canadian entity ("Spinco") and apply to list the shares of Spinco on the TSX Venture

Exchange ("TSX-V") in Q2 2019 in an effort to unlock the underlying value of the Company's assets on both sides of the border (the "Spin-Out"). An information circular is scheduled to be completed by the end of Q1 2019 with the Spin-Out completed by the end of the first half 2019. The Canadian medicinal cannabis market is expected to reach over two million patients over the next three years. NHS currently has 105,000 registered patients and, along with the Sunniva Canada Campus, are expected to provide Spinco with sufficient infrastructure to increase Spinco's market share within the medicinal cannabis market in Canada. Several conditions will require satisfaction before the Spin-Out can proceed including, but not limited to, Company shareholder approval, CSE approval and other stock exchange approvals, none of which can be assured.

- For the three and nine months ended September 30, 2018, the Company generated $3.7 million and $13.4 million in revenue, respectively. NHS contributed $2.5 million and $8.4 million, FSD contributed $1.1 million and $4.9 million and CPL contributed $0.1 million over these same periods. Net loss for the three and nine months ended September 30, 2018 was $6.5 million and $17.6 million as compared to $6.3 million and $18.0 million during the three and nine months ended September 30, 2017.

RECENT DEVELOPMENTS SUBSEQUENT TO SEPTEMBER 30, 2018

- On October 12, 2018 the Company completed a bought deal public offering for aggregate gross proceeds of $23.0 million (the "October 2018 Offering"). A total of 4,370,000 units ("Units") were sold at a price of $5.27 per Unit. Each Unit consisted of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at an exercise price per Common Share of $6.85 for a period of 24 months. The Company intends to use the net proceeds from the October 2018 Offering to advance construction and operations at the Sunniva Canada Campus and Sunniva California Campus, with the remaining amount funding working capital.

- On October 16, 2018 the Company signed a non-arm's length binding letter of intent with a related party, the Oakland Vision Project ("Vision"), to acquire all the issued and outstanding equity interests of the companies that comprise Vision. Vision is jointly owned by Vinayak Shastry, the Company's President of U.S. Operations. Vision operates a licensed cultivation facility located in Oakland, California and would enable the Company to launch Sunniva branded product lines in California and propagate the Sunniva California Campus with clean clones. Completion of the acquisition remains subject to a number of conditions including, among other things: the negotiation and execution of a definitive agreement between Sunniva and Vision, completion of due diligence and receipt of regulatory approvals, including approval of the CSE.

- Construction at the Sunniva California Campus has progressed with the first harvest expected in Q2 2019. Phase one has a production capacity of 50,000 kg per year. We continued our work on completion of our California licencing requirements for the Sunniva California Campus. The cultivation licenses are currently being processed and the remaining licenses are being prepared for submission to the state of California. No operational delays are expected from these licensing requirements.

- The grading and foundation stages for the greenhouse were completed at the Sunniva Canada Campus. Development plans have been changed as we have defined a clear path to accelerate our licensing and production timelines through SMI at the Sunniva Canada Campus by starting construction of a smaller modular phased approach. Full development of Phase one will consist of several pods that will have an aggregate production capacity of 5,000 kg of flower per year and will require initial capital of $1.5 million with additional production modules to be vendor financed. The first harvest is expected in Q3 2019.

Subsequent development to increase future production capacity will be completed through phased development of the Sunniva Canada Campus.

- Effective November 2018, the Company transitioned from the OTCQX to the OTCQB as a consequence of the decrease in the Company's share price on the OTCQX which resulted in the Company no longer meeting the qualification requirement that it relied on for the purposes of listing. The Company will continue to trade under the symbol "SNNVF" and it will have no effect on the reporting obligations of the Company in the United States.

- On November 26, 2018, the Company signed a binding letter of intent with LTYR, a cannabis distribution company in California that is expected to become Sunniva's logistics and technology distribution platform to drive sales from Sunniva's large-scale cannabis production and manufacturing facilities and the launch of Sunniva-branded products commencing Q1 2019. LTYR will also utilize Sunniva's Cathedral City distribution and delivery license. The principal members of LTYR will also perform key management and sales roles in California. LTYR will continue to generate revenues and expand its existing relationships with over 120 licensed dispensaries throughout California. Concurrently, Sunniva is purchasing a 4,200 sq. ft warehouse in Long Beach, California that, once licensed and operational, will serve as an additional distribution hub for Sunniva and will expand the Company's distribution reach from the southern border to San Francisco. The City of Long Beach is a cannabis friendly region and the warehouse is situated in an industrial district that has been zoned for cannabis business operations. Renovations and receipt of licensing requirements are expected to be completed in Q2 2019. Completion of the acquisition remains subject to a number of conditions including, among other things: the negotiation and execution of a definitive agreement between the Company and LTYR, completion of due diligence and receipt of regulatory approvals, including approval of the CSE.

- The Company's cash position is $11.2 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 September 30, 2018 has not generated sufficient revenue to fund operations or planned capital expenditures. As at September 30, 2018, the Company has an accumulated deficit of $46.3 million and incurred a net loss of $18.0 million for the nine months ended September 30, 2018.

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 outstanding convertible debentures into Common 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 nine-month periods ended September 30, 2018, 2017 and 2016:

	For the three months ended September 30		
(000s)	**2018**	**2017**	**2016**
Total revenue	$ 3,739	$ 4,562	$ -
Gross margin	2,105	1,728	-
Net loss	(6,781)	(6,247)	(902)
Comprehensive loss	(7,121)	(6,278)	(900)
Basic and diluted loss per share	(0.21)	(0.25)	(0.06)

	For the nine months ended September 30		
(000s)	**2018**	**2017**	**2016**
Total revenue	$ 13,372	$ 10,215	$ -
Gross margin	6,986	4,179	-
Net loss	(17,961)	(17,953)	(5,477)
Comprehensive loss	(17,291)	(17,982)	(5,477)
Basic and diluted loss per share	(0.59)	(0.72)	(0.31)

		As at	
(000s)	**September 30, 2018**	**December 31, 2017**	**December 31, 2016**
Current assets	$ 9,201	$ 14,532	$ 9,793
Total assets	100,345	73,948	25,663
Current liabilities	15,729	15,739	10,654
Total liabilities	37,006	40,608	11,418
Shareholders' equity	63,339	33,340	14,245

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

	For the three months ended September 30		
(000s)	**2018**	**2017**	**2016**
Net cash provided (used by)			
Operating activities	$ (2,092)	$ (641)	$ (762)
Investing activities	(12,985)	(1,999)	10,811
Financing activities	132	(428)	(9,820)
Effect of foreign exchange on cash	967	(519)	-
Decrease in cash	(13,978)	(3,587)	229
Cash and cash equivalents beginning of period	17,530	4,301	10
Cash and cash equivalents end of period	**$ 3,552**	**$ 714**	**$ 239**

	For the nine months ended September 30		
(000s)	**2018**	**2017**	**2016**
Net cash provided (used in)			
Operating activities	$ (8,627)	$ (3,432)	$ (4,377)
Investing activities	(34,784)	(10,278)	(221)
Financing activities	33,813	5,366	4,796
Effect of foreign exchange on cash	1,726	(555)	-
Increase (decrease) in cash	(7,872)	(8,899)	198
Cash and cash equivalents beginning of period	11,424	9,613	41
Cash and cash equivalents end of period	**$ 3,552**	**$ 714**	**$ 239**

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

Cash and cash equivalents as at September 30, 2018 was $3.6 million, which was $7.9 million lower than the balance at December 31, 2017. The decrease in cash and cash equivalents during the period was due primarily to the Company's advancement of the Sunniva California Campus and the Sunniva Canada Campus. The Company has spent approximately $5.1 million on the Sunniva California Campus and $24.9 million on the Sunniva Canada Campus. Capital expenditures were funded by the March 27, 2018 bought deal public offering, which raised aggregate gross proceeds of $27.8 million (the "March 2018 Offering" and, together with the October 2018 Offering, the "2018 Offerings") and conversions of warrants.

For the three and nine months ended September 30, 2018, the Company also recognized share-based payment expenses of $2.3 million and $6.4 million related to the issue of stock options. The total fair value of the options granted during the three and nine months ended was $0.9 million and $7.8 million, respectively.

Summary of Quarterly Results

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

(000s)	Q3'18	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17	Q4'16
Total revenue	$ 3,739	$ 4,469	$ 5,164	$ 5,856	$ 4,562	$ 3,280	$ 2,374	$ -
Cost of goods sold	(1,634)	(1,681)	(3,071)	(3,352)	(2,834)	(2,044)	(1,159)	(12)
Selling, general and administrative	(9,474)	(7,609)	(8,429)	(5,854)	(9,060)	(3,717)	(2,156)	(855)
Research and development	-	-	-	(110)	-	-	-	(9)
Costs associated with terminated acquisition	-	-	-	-	-	-	-	113
Loss from operations	(7,369)	(4,821)	(6,336)	(3,460)	(7,332)	(2,481)	(941)	(763)
Fair value gain (loss) on derivative liability	1,078	540	(868)	2,354	251	(8,865)	(61)	75
Foreign exchange gain (loss)	77	(184)	58	(344)	499	275	(42)	(760)
Gain on settlement of promissory note	-	-	1,011	-	-	-	-	-
Interest and other expenses	(385)	(450)	(432)	(271)	(31)	(9)	(2)	-
Deferred tax recovery (expense)	(182)	4	298	1,202	366	336	84	-
Net loss	(6,781)	(4,911)	(6,269)	(519)	(6,247)	(10,744)	(962)	(1,448)
Basic loss per share	(0.21)	(0.16)	(0.23)	(0.02)	(0.24)	(0.42)	(0.04)	(0.11)

Summary of Results

For the three and nine months ended September 30, 2018, the Company generated $3.7 million and $13.4 million in revenue, respectively. NHS contributed $2.5 million and $8.4 million, FSD contributed $1.1 million and $4.9 million, and CPL contributed $0.1 million over these same periods. Net loss for the three and nine months ended September 30, 2018 was $6.8 million and $18.0 million as compared to $6.3 million and $18.0 million during the three and nine months ended September 30, 2017.

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

- Revenue decreased by $0.8 million during the three months ended September 30, 2018 and increased by $3.2 million during the nine months ended September 30, 2018 as compared to the respective comparative periods. NHS revenue decreased by $0.7 million during the three months ended September 30, 2018 due to a decline in the number of prescriptions written over the comparative period; however, NHS revenue increased by $1.0 million during the nine months ended September 30, 2018 due to an increase in the number of clinics and Licenced Producers ("LPs") under contract over the comparative period. FSD revenue decreased slightly by $0.2 million during the three months ended September 30, 2018 but increased by $2.1 million during the nine months ended September 30, 2018 due to an increased customer base and strong first quarter 2018 results. The increase over the comparative nine months ended September 30, 2017 is also due to the acquisitions of NHS and FSD midway through February 2017.

- Gross margin increased by $0.4 million and $2.8 million during the three and nine months ended September 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 41% in the three and nine months ended September 30, 2017 to 56% and 52% in the three and nine months ended September 30, 2018 due to the increase in LP revenue.

- Selling, general and administration expenses increased by $1.3 million and $7.1 million during the three and nine months ended September 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 advisory 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 were $2.3 million and $6.4 million in the three and nine months ended September 30, 2018 compared to $3.3 million in the three and nine months ended September 30, 2017 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 a secured convertible promissory note issued in connection with the acquisition of FSD in the first quarter of fiscal 2018.

- Fair value changes in derivative instruments due to the revaluation of secured convertible promissory notes and warrants went from a gain of $0.3 million and an expense of $8.7 million for the three and nine months ended September 30, 2017 to gains of $1.1 million and $0.8 million for the three and nine months ended September 30, 2018. This was due to a decrease in the Common Share price in the third quarter of fiscal 2018 and significant fair value changes in fiscal 2017 with the Common Share value increasing throughout fiscal 2017.

- Amortization and depreciation expense increased by $0.1 million and $0.4 million during the three and nine months ended September 30, 2018 due to a higher cost base of the assets in fiscal 2018 and the intangible assets being acquired midway through the first quarter of fiscal 2017.

Discussion of Operations

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 and 10,000 kg of trim per year) of the Sunniva California Campus is expected to be completed in Q1 2019, with the first harvest expected in Q2 2019. The Sunniva California Campus has an estimated project budget of $78.0 million, which has increased from the previously reported costs of $54.0 million due to additional costs expected for the temperature control and lighting systems.

In early January 2018, APL received temporary licenses from the State of California Department of Public Health Manufactured Cannabis Safety Branch for the Extraction Facility. The licenses were subsequently re-issued to CPL in connection with the transfer of the leases of the Extraction Facility. The licenses authorize the holder to engage in commercial cannabis-related activity. The Extraction Facility became operational in July 2018. The Extraction Facility has the capacity to process 500 lbs/day of bio mass.

The Sunniva Canada Campus will be a 759,000 square foot greenhouse facility in British Columbia, Canada (the "Sunniva Canada Campus"). The Sunniva Canada Campus will be included in the Spin-Out and its production schedule has evolved accordingly. We have defined a clear path to accelerate our licensing and production timelines through SMI at the Sunniva Canada Campus by starting construction of a smaller modular phased approach that will require less than $1.5 million in cash capital expenditures. Full development of Phase one will consist of several pods that will have an aggregate production capacity of 5,000 kg of flower per year and will require initial capital of $1.5 million with additional production modules to be vendor financed. The first harvest is expected in Q3 2019. Phase two (50,000 kg plus 10,000 kg of trim per year) of the Sunniva Canada Campus will be 458,000 square feet and Phase three (50,000 kg plus 10,000 kg of trim per year) will be 301,000 square feet. The pods from phase one will be replaced after Phase 2 is operational. Future funding for Phases two and three is anticipated to be completed through future strategic alternatives, which the Company is continuing to pursue, and a combination of debt, mezzanine and equity financing.

Liquidity

As at September 30, 2018 the Company had $9.2 million in current assets (December 31, 2017 - $14.5 million) and had a working capital deficit of $6.5 million compared to a deficit of $1.2 million at December 31, 2017.

During the third quarter of fiscal 2018, the Company received $53,000 from stock option exercises. Non-cash equity transactions during the third quarter of fiscal 2018 included $86,000 of convertible debenture conversions and equity reserve transfers of $28,000 from the exercise of stock options. As at September 30, 2018, the Company's net share capital was $92.5 million compared to $53.5 million as at December 31, 2017.

The Company invested approximately $10.3 million and $1.9 million to advance the Sunniva Canada Campus and Sunniva California Campus, respectively, during the third quarter of fiscal 2018. Subsequent to September 30, 2018, the Company completed a bought deal public offering for aggregate gross proceeds of $23 million to continue the advancement of these facilities. 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 September 30, 2018, the Company has 4,336,875 stock options outstanding pursuant to the Company's stock option plan. The Company recorded a share-based payment expense of $2.3 million and $6.4 million in the three and nine months ended September 30, 2018 ($3.3 million in the three and nine months ended September 30, 2017).

(In Canadian Dollars)

	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	1,359,500	7.24
Exercised	(231,250)	(3.40)
Forfeited	(80,125)	(6.78)
Expired	(21,875)	(6.75)
Balance, September 30, 2018	4,336,875	$ 5.25

As at September 30, 2018, the Company had 2,062,488 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 are 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 Compensation Options issued in the March 2018 Offering

Issue Date	Issued	Exercised	Outstanding	Exercise Price	Expiry Date
March 27, 2018	1,425,450	-	1,425,450	$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
	1,646,504	-	1,646,504		

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 September 30, 2018, the fair value of the US denominated warrants is $1.1 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 $3.6 million in cash and cash equivalents as at September 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 September 30, 2018, the Company had the following consolidated lease commitments:

(000s)	Build to Suit Lease	Others	Total
2018	$ 980	$ 550	$ 1,530
2019	10,074	1,879	11,953
2020	12,089	1,891	13,980
2021	12,089	1,229	13,318
Thereafter	161,767	2,829	164,596
	$ 196,999	$ 8,378	$ 205,377

The lease commitments include properties in Goleta (the "Goleta Facility Lease") 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

Related Party	Relationship
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 and nine months ended September 30, 2018 and 2017 are as follows:

(000s)	Three months ended September 30, 2018	Three months ended September 30, 2017
Salaries and consulting fees	$ 743	$ 568
Share-based payments	1,401	1,853
	$ 2,145	$ 2,422

(000s)	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Salaries and consulting fees	$ 2,130	$ 1,257
Share-based payments	3,546	1,853
	$ 5,675	$ 3,111

Amounts due to related parties is as follows as at:

	September 30, 2018	December 31, 2017
Consulting fees and wages	$ 185	$ 59

The non-management directors have received in aggregate $1.0 million and $1.9 million in share-based compensation during the three and nine months ended September 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 September 30, 2018 of $1.0 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.

The Company has entered into an agreement with a group of entities controlled by Vinayak Shastry, President of U.S. Operations whereby the Company funds the expenses associated with a licensed cannabis cultivation facility in Oakland, California owned by these entities in exchange for access to cannabis genetic and propagating materials produced at that facility (the "Genetics Arrangement"). The cannabis genetic and propagating materials will be used at the Sunniva California Campus. The expenses paid by the Company pursuant to the Genetics Arrangement are approximately USD$75,000 per month, paid on a month-to-month basis.

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 full disclosure on the 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 36,623,157 (December 31, 2017 - 26,636,073) Common Shares issued and outstanding. In addition, the Company has 4,250,626 (December 31, 2017 – nil) stock options outstanding, 4,247,488 (December 31, 2017 – 2,097,469) warrants outstanding, including warrants issued in connection with the 2018 Offerings, 433,254 compensation options outstanding which were issued in connection with the 2018 Offerings, and a $9,839,437 principal amount of convertible debentures outstanding which are convertible into 2,139,088 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 October 4, 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.
- There is no assurance that the Company will turn a profit or generate immediate revenues.
- 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.
- There are factors which may prevent the Company from completing certain strategic initiatives.
- The Company is reliant on its cultivation licenses to produce medical cannabis products in Canada.
- If the Company fails to meet its contraction obligations to sell cannabis produced at the Sunniva Canada Campus, this may have a material adverse effect on the Company.
- 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 impact of the potential development of an adult-use cannabis market in Canada on the Company's future business, financial condition and results of operations in uncertain.
- 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.
- 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 acquisitions.
- 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 securities 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.
- 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 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 United States.
- The Company may lack access to United States bankruptcy protections.
- Canadian investors in the Common Shares and the Company's directors, officers and employees may be subject to travel and entry bans into the United States.

Risks Related to Our Securities

- There is currently no market for warrants.
- Holders of warrants have no rights as shareholders.
- 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.