Nextleaf Solutions Ltd.

(formerly Legion Metals Corp.)

Management's Discussion & Analysis

For the six months ended

March 31, 2020

NEXTLEAF SOLUTIONS LTD.

(formerly Legion Metals Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis of the financial condition and results of operations of Nextleaf Solutions Ltd. (formerly Legion Metals Corp.) ("Legion" or the "Company") for the six months ended March 31, 2020 should be read in conjunction with the Company's annual audited financial statements and related notes for the year ended September 30, 2019, and the Company's condensed interim financial statements for the six months ended March 31, 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts in this MD&A are expressed in Canadian dollars, or as otherwise indicated.

The information contained herein is presented as at **July 14, 2020** (the "MD&A Date"), unless otherwise indicated.

For the purposes of preparing this MD&A, Management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Nextleaf's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and on the Company's website at www.nextleafsolutions.com.

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical fact may be deemed to be forward looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. Forward-looking statements are not historical facts but reflect management's expectations regarding future events. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations.

COMPANY OVERVIEW

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.) ("Legion", the "Company") was incorporated under the laws of the province of British Columbia on December 8, 2016. The Company changed its name to Nextleaf Solutions Ltd., ("Nextleaf") on March 14, 2019. The Company's head office is located at #304 – 68 Water Street, Vancouver, British Columbia, V6B 1A4 and its registered and records office is located at #600 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. The Company's common shares trade on the Canadian Securities Exchange under the trading symbol "OILS", on the OTCQB Markets under the trading symbol "OILFF", and on the Frankfurt Stock Exchange under the trading symbol "L0MA".

Nextleaf is Canada's most innovative cannabis extractor, developing technology for extracting and distilling cannabinoids. Nextleaf's industrial-scale extraction plant in Metro Vancouver has a design capacity to process 219,000 kg of dried cannabis biomass into distilled oils per year. The Company owns a portfolio of 40 issued patents and over 60 pending patents for the extraction and distillation of cannabinoids. Nextleaf Solutions commercializes its patent portfolio through IP licensing, and the wholesale of THC and CBD oils through Nextleaf Labs, a Health Canada licensed standard processor.

Nextleaf Labs Ltd.

The Company's commercialization efforts are through Nextleaf Labs Ltd., a Health Canada licensed Standard Processor in which the Company is in the process of acquiring (see below).

On September 9, 2019, Health Canada issued a Standard Processing Licence to the Company's facility to Nextleaf Labs Ltd. ("Labs") located in Coquitlam, BC. Labs is a private company incorporated in the province of British Columbia and wholly-owned by a consultant of the Company. On October 11, 2019, the Company entered into a Share Purchase Agreement to acquire Labs (see below).

On January 22, 2020, Health Canada granted a Cannabis Research Licence to Nextleaf Labs Ltd., on the Company's Standard Processing Facility.

Processing and Manufacturing Facility

The Company's facility has been designed with an annual production capacity to process 219,000 kg of dried cannabis biomass. The Company's facility also includes dedicated research and laboratory infrastructure, allowing for the continued and rapid development of new intellectual property related to cannabis processing technologies and formulations.

Installation and assembly of the Company's large molecular distillation plant was completed in November 2019. The Company has setup a vape oil cartridge manufacturing line, with capacity to fill 3,000 vape cartridges per hour.

Intellectual Property

As at the MD&A Date, the Company owns a total of **40 issued patents** from a number of international patent offices including but not limited to Canada, the United States of America, Australia, Germany, Italy, Cambodia, U.K., Spain, New Zealand, and Colombia. The portfolio of issued patents pertains generally to the industrial-scale production of high-purity, cannabinoid-rich distillate, the key ingredient used in the manufacturing of standardized THC and CBD based products.

The Company is commercializing its intellectual property portfolio of issued and pending patents through licensing of intellectual property, providing toll processing services to licensed cultivators of cannabis and hemp, and supplying cannabis oil to qualified Canadian and international business-to-business partners under their own brand, see "Overall Performance" below for agreements relating to the commercialization of the Company's intellectual property.

Over the past two years (2018 to 2019), Nextleaf's research and development team has focused on developing a proprietary system for industrial-scale extraction, refinement, and distillation of cannabinoids for what the Company believes to be the most efficient methods for producing THC and CBD distillate at scale within a highly-regulated environment. As legal cannabis becomes commoditized, efficiency and price are critical. The Company believes its patented solution is differentiated and will position Nextleaf as a low-cost supplier of high purity, standardized THC and CBD molecules. The Company's patented technology and market-validated formulations help cultivators increase revenue and profitability through extraction and purification of biomass into tasteless, and odourless cannabinoid distillate oil. Containing a cannabinoid concentration of up to 95%, the resulting distillate is easy to dose, formulate, and develop into innovative, value-added products for medical and adult-use markets.

The second chapter of Nextleaf's R&D roadmap is focused on leveraging innovative technology to power production of cannabis 2.0 formulated products at scale. Nextleaf believes formulation of fast-acting THC and CBD in cannabis beverage and edible format will prove disruptive to the alcohol and beverage industry. The Company plans to continue protecting intellectual property around its innovative technology.

To the MD&A date, Nextleaf has been issued patents in the United States, Canada, and Australia.

The Company believes it will be in position to recognize significant revenue by licensing its intellectual property to companies operating legally within Canada and other countries where cannabis is legal.

OVERALL PERFORMANCE

For the current 2020 fiscal year to the MD&A Date, the Company's performance is highlighted by the milestones and achievements listed below.

Share Purchase Agreement – Nextleaf Labs Ltd.

On October 11, 2019, the Company entered into a Share Purchase Agreement to acquire all of the issued and outstanding shares of Labs. Consideration payable by the Company is $385,000 by way of issuing common shares of the Company. Other than owning the Standard Processing Licence issued by Health Canada on the Company's facility, Labs does not own other material assets or liabilities. The acquisition has not yet closed and is subject to standard approval procedures.

Licensing

On January 22, 2020, Health Canada granted a Cannabis Research Licence to Nextleaf Labs Ltd., on the Company's Standard Processing Facility.

Commercial Contracts and Revenue

- Supply Agreement with BevCanna Enterprises Inc. (September 2019);
- Royalty Agreement with a private British Columbia company (December 2019);
- Cannabis Extraction Agreement with a cannabis producer based in Ontario (April 2020);
- Cannabis Extraction Agreement with a cannabis producer based in Atlantic Canada (April 2020); and
- Bulk THC Distillate Supply Agreement with a multi-license cannabis producer based in British Columbia (July 2020).

The Company is beginning to formalize agreements, including those for toll processing as well as bulk cannabis concentrate supply agreements. The industry has seen a strong demand for extraction and distillation services due to the legalization of cannabis 2.0 derivative products along with an ample supply across the industry of lower-quality dried cannabis and hemp biomass that has a shorter shelf life than oils. Nextleaf is in discussion with licensed cultivators and distributors that utilize third-party extractors under non-exclusive arrangements. The cost per milligram of molecules such as THC and CBD, and speed of processing services, are the primary decision drivers when customers select a third-party extractor. We expect to continue to announce additional commercial contracts through the end of the year to provide utilization for fiscal 2020.

During the six months ended March 31, 2020, the Company recognized revenue of $105,217 in licensing (royalty) fees, for the initial month of the Royalty Agreement entered into with a private British Columbia company. In the most recent quarter, due to supply chain challenges and general market demand as a result of COVID-19, initial traction has slowed which will impact Management's initial annual guidance of $3,000,000 in revenue to be generated from the contract in fiscal 2020. Management has revised annual guidance to $1,000,000 in revenue to be generated from the contract in fiscal 2020.

Patent Issuances

During the six months ended March 31, 2020 and subsequently through to the MD&A Date, the Company has been granted 40 patents, with over 60 patents that remain pending.

Private Placement – May 2020

On May 28, 2020, the Company closed the second and final tranche of its non-brokered private placement of units (the "Units") pursuant to which the Company issued 10,200,738 Units at $0.30 per Unit for gross proceeds of approximately $3,060,000. Each Unit comprised of one common share and one common share purchase warrant, with each warrant exercisable at $0.50 per share until either May 22, 2020 or May 28, 2020.

In conjunction with the financing, the Company paid an aggregate of $58,742 in finder's fees and issued 195,807 finders' warrants which are exercisable at $0.30 each until either May 22, 2020 or May 28, 2020.

SUMMARY OF QUARTERLY RESULTS

The following table shows results from the last eight quarters:

Period Ending	Revenue $	Loss and comprehensive loss $	Basic and Diluted Loss Per Share $
March 31, 2020	105,217	(1,343,476)	(0.01)
December 31, 2019	350,000	(1,320,462)	(0.01)
September 30, 2019	-	(2,050,650)	(0.02)
June 30, 2019	-	(1,489,458)	(0.04)
March 31, 2019	-	(4,473,406)	(0.11)
December 31, 2018	-	(732,121)	(0.01)
September 30, 2018	182,000	(769,437)	(0.01)
June 30, 2018	90,172	(428,424)	(0.01)

RESULTS OF OPERATIONS

For the six months ended March 31, 2020 and March 31, 2019

The following table summarizes the Company's results of operations and cash flows for the six months ended March 31, 2020 and March 31, 2019 (amounts are rounded):

	March 31, 2020 $	March 31, 2019 $	Change $
Revenue	455,000	-	455,000
Loss from operating expenses	(3,129,000)	(3,872,000)	743,000
Loss and comprehensive loss	(2,664,000)	(5,206,000)	2,542,000
Cash used in operating activities	(1,589,000)	(2,045,000)	456,000
Cash used in investing activities	(1,899,000)	(735,000)	(1,164,000)
Cash provided by financing activities	(32,000)	5,498,000	(5,530,000)

The significant components and/or significant fluctuations of loss from operating expenses for the six months ended March 31, 2020 and March 31, 2019 were as follows (amounts are rounded):

	March 31, 2020 $	March 31, 2019 $	Increase (decrease) $
Depreciation	**411,000**	190,000	221,000
Foreign exchange (gain) loss	**(55,000)**	131,000	(186,000)
Share-based payments	**96,000**	1,933,000	(1,837,000)
Wages and salaries	**516,000**	253,000	263,000

Explanations for the changes illustrated in the table above are as follows:

- Depreciation expense of $411,136 increased by approximately $221,000. This is attributable to an increase in property and equipment subject to depreciation during the period, as well as the transition to IFRS 16 relating to the Company's facility lease which causes the recognition of the facility lease as a right-of-use asset and the related depreciation of the right-of-use asset over the term of the lease.
- Foreign exchange gain of $54,808 decreased by approximately $186,000. This is largely attributable to the Company's translation of foreign denominated assets and liabilities that have had positive foreign exchange fluctuations during the period.
- Share-based payment expense of $796,085 comprises the fair value of stock options vested during the period. The reduction of approximately $1,837,000 is the result of fewer stock options being granted or vesting during the current six month period ended March 31, 2020 versus the comparative period. Share-based payment expense is a non-cash expense.
- Wages and salaries increased by approximately $263,000 to $516,147 as the Company hired additional staffing at its facility and head office in various departments to facilitate growth efforts.

The main contributing factor to the decrease in loss and comprehensive loss was in respect of a one-time listing expense of approximately $1,370,000 recognized during the six months ended March 31, 2019. This expense was in connection with the RTO completed with Legion Metals. The overall decrease was partially offset by increases in certain other operating expense items, which was mainly attributable to the Company increasing operations since completing the RTO and becoming a reporting issuer, which drives increases in overhead and professional fees in general. Subsequent to completion of the RTO effective March 14, 2019, the Company also undertook advertising initiatives which increased investor relations and advertising.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objectives when managing its liquidity and capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

Cash and working capital

As at March 31, 2020, the Company had cash of approximately $776,000 and working capital of approximately $148,000. Subsequent to the end of the period, the Company completed a non-brokered private placement financing for gross proceeds of $3,060,221 (Refer to Note 19 within the Company's financial statements).

Cash flow activity

For six months ended March 31, 2020, cash decreased by approximately $3,520,000, which was driven by the following:

- Cash used in operating activities of approximately $1,589,000, driven by cash-based expenditures and fluctuations in working capital items; and
- Cash used in investing activities of approximately $1,899,000, driven by purchases of extraction equipment and leasehold improvements totaling approximately $1,702,000.
- Cash used in financing activities of approximately $32,000, which was in respect of lease payments made during the period.

SHARE CAPITAL INFORMATION

Authorized: Unlimited number of common shares with no par value.

Issued and Outstanding

As at the MD&A Date, total issued, and outstanding common shares consists of 119,261,282 common shares. During the six months ended March 31, 2020 and subsequent thereto, the Company had the following share issuances:

- On February 6, 2020, the Company issued 937,500 common shares with an aggregate fair value of $300,000 for the acquisition of cannabinoid formulations; and
- On May 28, 2020, the Company completed a non-brokered private placement of units comprising two tranches for the aggregate issuance of 10,200,738 units at a price of $0.30 per unit for gross proceeds of $3,060,221. Each unit consists one common share and one common share purchase warrant with each warrant exercisable into one common share at an exercise price of $0.50 until either May 22, 2022 or May 28, 2022.

Stock options

As at the MD&A Date, the Company has 14,439,287 stock options outstanding.

Warrants

At the MD&A Date, the Company had 35,866,850 warrants outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

Nextleaf does not utilize off-balance-sheet arrangements.

PROPOSED TRANSACTIONS

There are no proposed transaction as at the MD&A Date.

TRANSACTIONS WITH RELATED PARTIES

The remuneration of key management for the six months ended March 31, 2020 and March 31, 2019 are as follows:

	March 31, 2020	March 31, 2019
	$	$
Directors' fees	31,800	-
Management fees	220,800	272,000
Share-based payments	796,085	1,426,345
	1,048,685	1,698,345

Management fees and share-based payments comprise amounts paid/accrued to the officers and directors of the Company either directly, or to companies controlled by them for their services as executive officers and/or directors of the Company which includes the CEO, CFO, CTO and other directors. Legal fees comprise amounts paid to a former director until the date which the individual ceased to be a director.

Amounts payable to related parties

The following amounts are payable to related parties and included in accounts payable and accrued liabilities as at March 31, 2020 and September 30, 2019:

	March 31, 2020	September 30, 2019
	$	$
Amounts payable to for directors' fees	33,000	-
Amounts payable to for management fees	122,600	50,345
Amounts payable to an Officer and Director for expense reimbursements	12,372	-
	167,972	50,345

Amounts are due to CEO, CFO, and CTO, and certain directors relating to management fees and/or directors' fees presented above.

Amounts receivable from/prepaid to related parties

The following amounts are prepaid to related parties as at March 31, 2020 and September 30, 2019:

	March 31, 2020	September 30, 2019
	$	$
Prepaid management fees to an Officer and Director	60,000	60,000
Expense advances to an Officer and Director	-	8,573
	60,000	68,573

Prepaid management fees were those paid to the Company's CTO.

Facility lease

The Company has an agreement to lease its centralized processing facility and corporate office. The lease is for the period from July 1, 2018 to June 30, 2023. The Company's minimum annual commitments are as follows:

Fiscal Year	**Total Commitment**
	$
2020 (remaining)	32,229
2021	66,012
2022	69,120
2023	52,763
Undiscounted amount of lease liability	**220,124**
Future finance charges	(41,196)
Total	**178,928**

NEW ACCOUNTING STANDARDS

New accounting policies

The Company adopted the following accounting standards that were effective for the Company beginning on October 1, 2019.

New standard IFRS 16 - Leases

IFRS 16 - *Leases* ("IFRS 16") replaced IAS 17, *Leases*. It became effective for the Company on October 1, 2019 (Q1 2020). IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The most significant effect of the new standard is the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use ("ROU") assets and lease liabilities on the statement of financial position, including those for most leases that would have formerly been accounted for as operating leases.

The Company has a lease on its processing facility including corporate offices. In the context of IFRS 16, a ROU asset of $188,316 and a lease liability of $201,278 were recognized as at October 1, 2019, in accordance with the modified retrospective approach. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of approximately 10% on October 1, 2019. The ROU asset (recognized within property and equipment) was measured at an amount equal to the corresponding initial lease liability.

Refer to Note 2 within the Company's financial statements for more details on IFRS 16, and the Company's significant accounting policy in connection therewith.

New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

There were no reporting changes as a result of adopting the new Interpretation.

FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of the following:

Financial assets:	Classification:	Subsequent measurement:
Cash	FVTPL	Fair value
Trade receivables	Amortized cost	Amortized cost
Loans receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost

Financial liabilities:	Classification:	Subsequent measurement:
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Lease liability	Other financial liabilities	Amortized cost

The Company's financial instruments with the exception of cash approximate their fair values. Cash, under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying levels and degrees of risk, including credit risk, liquidity risk, and market risk as detailed in Note 11 to the financial statements.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Nextleaf prepares its financial statements in conformity with IFRS which requires management to make judgments estimates and assumptions that affect the report amounts of assets, liabilities and contingent liabilities at each reporting date and the reporting amounts of income and expenses during each reporting period. Nextleaf details its significant areas of estimation uncertainty, and significant areas of judgment within its significant accounting policies in Note 3 to its annual audited financial statements for the year ended September 30, 2019.

RISKS AND UNCERTAINTIES

The Company operates in rapidly changing environment that involves risks and uncertainties and as a result management expectation may not be realized for a number of reasons. An investment in Nextleaf common shares is speculative and involves a high degree of risk and uncertainty. The current regulatory uncertainty poses additional risks and uncertainties which may materially affect management's expectations.

Regulatory Risks

The operations of the Company will be subject to various laws governing the production and distribution of cannabis oil, taxes, labour standards and occupational health, toxic substances, land use, water use, and other matters.

The *Cannabis Act* is a new regime and as such, revisions to the regime could be implemented which could have an impact on operations.

Furthermore, although the operations of each of Nextleaf are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the ability to produce cannabis oil and related products. Amendments to current laws and regulations governing the distribution, transportation and/or production of cannabis oil or related products, or more stringent implementation thereof could have a substantial adverse impact.

Ongoing Need for Financing

As the Company has recently commenced generating revenues, its ability to continue operations will be largely reliant on its continued attractiveness to equity investors. The Company is expected to incur operating losses as it continues to expend funds to develop its business operations. Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of Nextleaf is expected to require additional financing to fund further growth. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the going out of business. The primary source of funding available to the Company will consist of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards.

Requirement for Licences

The Company's facility received Health Canada licensing (Standard Processing Licence) on September 9, 2019, and on January 22, 2020, Health Canada granted a Cannabis Research Licence to Nextleaf Labs Ltd., on the Company's Standard Processing Facility. The licenses are held by Nextleaf Labs Ltd. (see pending acquisition of Nextleaf Labs Ltd. by the Company, "Share Purchase Agreement – Nextleaf Labs Ltd." within "Overall Performance").

The Company is required to remain in compliance with current and evolving Health Canada Regulations and City of Coquitlam requirements to ensure it operates in compliance with licensing and regulatory requirements for the duration of the licence period and subsequent thereto in order to remain ongoing licensing and renewal. The Company's commercial operations and the ability to continue as a going concern are dependent on the Company acquiring the licence from Nextleaf Labs Ltd., and remaining compliant.

Competition

The cannabis production industry is competitive in all of its phases. The Company will face strong competition from other companies in connection with such matters. Many of these companies have greater financial resources, operational experience and technical capabilities than Nextleaf. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Company could be materially adversely affected.

Because of early stage of the industry in which Nextleaf operates, the Company may face additional competition from new entrants. If the number of users of cannabis in Canada increases, the demand for products will increase and expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations.

APPROVAL

The Board of Directors of Nextleaf have approved the disclosures in this MD&A.