

**CANNABIS STRATEGIES ACQUISITION CORP.**  
**(A SPECIAL PURPOSE ACQUISITION CORPORATION)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTHS ENDED**  
**DECEMBER 31, 2017**  
**(EXPRESSED IN CANADIAN DOLLARS)**

**Cannabis Strategies Acquisition Corp.  
(A Special Purpose Acquisition Corporation)  
Management’s Discussion and Analysis  
Three Months Ended December 31, 2017  
Discussion dated: February 8, 2018**

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**Introduction**

The following management’s discussion and analysis (“MD&A”) of the financial condition and results of the operations of Cannabis Strategies Acquisition Corp. (“Cannabis”, the “Corporation”, “we”, “our” or “us”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for the three months ended December 31, 2017. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed interim financial statements for the Corporation for the three months ended December 31, 2017, and the related notes thereto and the audited financial statements of the Corporation as at September 30, 2017 and from commencement of operations on July 31, 2017 to September 30, 2017, and the related notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three months ended December 31, 2017, are not necessarily indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). Further information about the Corporation and its operations can be obtained on [www.sedar.com](http://www.sedar.com).

The Corporation intends to focus its search for target businesses that focus on marijuana production and/or distribution and related sectors; however, it is not limited to a particular industry or geographic region for purposes of completing its Qualifying Transaction. Please refer to the Corporation’s final prospectus dated December 14, 2017 (the “Prospectus”) for risk factors and regulatory updates regarding the cannabis industry, including cannabis-related activities in the United States.

**Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
The Corporation expects to complete a Qualifying Transaction (defined below)	The Corporation expects to identify an asset or business to acquire and close a Qualifying Transaction, on terms favourable to the Corporation	The Corporation’s inability to find a target to complete a Qualifying Transaction, within the Permitted Timeline (defined below). If we are unable to consummate our

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		Qualifying Transaction within the Permitted Timeline, we will be required to redeem 100% of the outstanding Class A Restricted Voting Shares, as described herein.
The Corporation’s ability to meet its working capital needs at the current level for the twelve-month period ending December 31, 2018	The operating activities of the Corporation for the twelve-month period ending December 31, 2018, and the costs associated therewith, will be consistent with the Corporation’s current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Corporation	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; regulatory compliance and changes in regulatory compliance and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Corporation’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Corporation’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

**Description of Business**

Cannabis is a special purpose acquisition corporation which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a “Qualifying Transaction”). The Corporation’s business activities are carried out in a single business segment.

The Corporation was incorporated on July 31, 2017 under the Business Corporations Act (Ontario), commenced operations on July 31, 2017, and is domiciled in Canada. The registered office of the Corporation is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, M5L 1B9. The head office of the Sponsor (as defined below) is located at 590 Madison Avenue, 26<sup>th</sup> Floor, New York, New York, 10022.

On December 21, 2017, the Corporation completed its initial public offering (the “Offering”) of 12,500,000 Class A Restricted Voting Units at \$10.00 per Class A Restricted Voting Unit. Each Class A Restricted Voting Unit consisted of one Class A restricted voting share of the Corporation (each, a

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“Class A Restricted Voting Share”), one share purchase warrant of the Corporation (each, a “Warrant”) and one right of the Corporation (each, a “Right”). Each Class A Restricted Voting Share, unless previously redeemed, will be automatically converted into one Class B share of the Corporation (each, a “Class B Share”) following the closing of a Qualifying Transaction. All Warrants will become exercisable at a price of \$11.50 per share, commencing 65 days after the completion of a Qualifying Transaction and will expire on the day that is five years after the completion of a Qualifying Transaction or may expire earlier if a Qualifying Transaction does not occur within the permitted timeline of 18 months (“Permitted Timeline”) (subject to extension, as further described herein) from the closing of the Offering or if the expiry date is accelerated. Each Warrant is exercisable to purchase one Class A Restricted Voting Share (which, following the closing of the Qualifying Transaction, will become one Class B Share and each Right would represent the entitlement to automatically receive, for no additional consideration, one-tenth (1/10) of one Class A Restricted Voting Share (following the closing of a Qualifying Transaction, which at such time will be one-tenth (1/10) of a Class B Share).

In connection with the Offering, the Corporation granted the underwriter a 30-day non-transferable option to purchase up to an additional 1,875,000 Class A Restricted Voting Units, at a price of \$10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes.

Concurrent with the completion of the Offering, Mercer Park CB, L.P. (the “Sponsor”), a limited partnership formed under the laws of the State of Delaware, indirectly controlled by Mercer Park, L.P., a privately-held family office based in New York, New York, and Kamaldeep Thindal and Charles Miles (or persons or companies controlled by them) (collectively with the Sponsor, the “Founders”) purchased an aggregate of 3,662,109 Class B Shares (“Founders’ Shares”), consisting of 3,642,109 Class B Shares purchased by the Sponsor, 10,000 Class B Shares purchased by Kamaldeep Thindal, and 10,000 Class B Shares purchased by Charles Miles, in each case assuming that the over-allotment option is exercised in full. In addition, the Sponsor purchased an aggregate of 250,000 Class B units of the Corporation (the “Class B Units”) at \$10.00 per Class B Unit and 2,500,000 Warrants (“Founders’ Warrants”) at \$1.00 per Founders’ Warrant. Each Class B Unit consists of one Class B Share, one Warrant and one Right. The Founders’ Warrants will be subject to the same terms and conditions as the Warrants underlying the Class A Restricted Voting Units and Class B Units. The Rights underlying the Class B Units will be subject to the same terms and conditions as the Rights underlying the Class A Restricted Voting Units.

On January 19, 2018, the underwriter exercised its over-allotment option to purchase an additional 975,000 Class A Restricted Voting Units for aggregate proceeds of \$9,750,000. As a result of the exercise of the over-allotment option, an aggregate of 13,475,000 Class A Restricted Voting Units of the Corporation were issued for aggregate proceeds of \$134,750,000.

Concurrent with the exercise of the over-allotment option, the Sponsor purchased an additional 121,870 Founders’ Warrants (for an aggregate purchase price of \$121,870) and 12,188 Class B Units (for an aggregate purchase price of \$121,880) for aggregate proceeds of \$243,750.

Due to the partial exercise of the over-allotment option, an aggregate of 227,812 Class B Shares (also known as Founders’ Shares) were forfeited without compensation by the Founders on January 19, 2018. As a result, following the exercise of the over-allotment option and forfeiture of the 227,812 Founders’ Shares, the Founders own an aggregate of 3,434,297 Class B Shares, 262,188 Class B Units and 2,621,870 Founders’ Warrants.

Each Class A Restricted Voting Unit commenced trading on December 21, 2017 on the Aequitas NEO Exchange Inc. (the “Exchange”) under the symbol “CSA.UN”, and separated into Class A Restricted

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Voting Shares, Warrants and Rights following the close of business on January 30, 2018, being 40 days following the closing of the Offering, which trade under the symbols "CSA.A", "CSA.WT" and "CSA.RT", respectively. The Class B Shares issued to the Founders and the Class B Units and Founders' Warrants issued to the Sponsor will not be listed prior to the Qualifying Transaction.

The proceeds of \$134,750,000 from the Offering and over-allotment are held by Odyssey Trust Company, as escrow agent, in an escrow account (the "Escrow Account") at a Canadian chartered bank or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the Corporation prior to the closing of a Qualifying Transaction. The escrowed funds will be held to enable the Corporation to (i) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a Qualifying Transaction or an extension to the Permitted Timeline or up to 36 months with shareholder approval from the holders of Class A Restricted Shares and the Corporation's board of directors, or in the event a Qualifying Transaction does not occur within the Permitted Timeline), (ii) fund a Qualifying Transaction with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the Corporation. These escrowed funds will also be used to pay the deferred underwriting commissions in the amount of \$4,375,000, 50% of which will be payable by the Corporation to the underwriter only upon the closing of a Qualifying Transaction (subject to availability, failing which any short fall would be required to be made up from other sources and the remaining 50% of which (or, if a lesser amount, the balance of the non-redeemed shares' portion of the Escrow Account, less tax liabilities on amounts earned on the escrowed funds and certain expenses directly related to redemptions) will be payable by the Corporation as it sees fit, including for payment to other agents or advisors who have assisted with or participated in the sourcing, diligence and completion of its Qualifying Transaction).

In connection with consummating a Qualifying Transaction, the Corporation will require (i) approval by a majority of the directors unrelated to the Qualifying Transaction, and (ii) approval by a majority of the holders of the Class A Restricted Voting Shares and Class B Shares, voting together as if they were a single class of shares, at a shareholders meeting held to consider the Qualifying Transaction, if required by the Exchange's rules at the time of the Qualifying Transaction. Irrespective of whether they vote for or against, or do not vote on, the proposed Qualifying Transaction, holders of Class A Restricted Voting Shares may elect to redeem all or a portion of their Class A Restricted Voting Shares at a per share price, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the escrowed funds available in the Escrow Account at the time of the shareholders meeting (if required by the rules of the Exchange at the time of the Qualifying Transaction, or if no such shareholders' meeting is required, at the time immediately prior to the redemption deposit timeline), including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by the Corporation, subject to certain limitations. Each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or any other person with whom such holder or affiliate is acting jointly or in concert, will be subject to a redemption limitation of an aggregate 15% of the number of Class A Restricted Voting Shares issued and outstanding. Class B Shares will not be redeemable in connection with a Qualifying Transaction or an extension to the Permitted Timeline and holders of Class B Shares shall not be entitled to access the Escrow Account should a Qualifying Transaction not occur within the Permitted Timeline.

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If the Corporation is unable to complete its Qualifying Transaction within the Permitted Timeline (or an extension of the Permitted Timeline), the Corporation will liquidate and dissolve and distribute its assets in the Escrow Account to the holders of the Class A Restricted Voting Shares. In such case, each holder of a Class A Restricted Voting Share will receive for an amount, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the Escrow Account, including any interest and other amounts earned; less (B) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account, (ii) any taxes of the Corporation arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of \$50,000 of interest and other amounts earned to pay actual and expected expenses related to the dissolution, and certain other related costs as reasonably determined by the Corporation. The underwriter will have no right to the deferred underwriting commissions held in the Escrow Account in such circumstances.

**Overall Performance**

The Corporation has not conducted commercial operations and it is focused on the identification and evaluation of businesses or assets to acquire and there were no notable events that occurred during the reporting periods presented.

During the three months ended December 31, 2017, the Corporation earned interest income of \$30,822 and reported a loss of \$7,907,251 (\$11.23 basic and diluted loss per share). There is no comparative figures as the Corporation was incorporated on July 31, 2017. The loss in the current period primary related to transaction costs of \$8,546,051, general and administrative expenses of \$17,022 and net unrealized gain on changes in the fair value of financial liabilities of \$625,000.

Current liabilities at December 31, 2017 total \$1,127,484. Shareholders' deficiency at December 31, 2017 is comprised of share capital of \$2,181,061 (September 30, 2017 - \$10) and a deficit of \$7,907,251 for a net of \$5,726,190 (September 30, 2017 - \$10) in shareholders' deficit.

Working capital, which is current assets less current liabilities, is \$680,488 at December 31, 2017 (September 30, 2017 - \$10). Management believes the Corporation's working capital is sufficient for the Corporation to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction.

The weighted average number of Class B Shares outstanding for the three months ended December 31, 2017 was 703,869.

**Liquidity and Capital Resources**

<b>Restricted cash and short-term investments held in escrow</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Investment in Flexible Guaranteed Investment Certificate due December 31, 2018	\$125,000,000	\$nil
Accrued interest	\$30,822	\$nil
<b>Total restricted cash and short-term investments held in escrow</b>	<b>\$125,030,822</b>	<b>\$nil</b>
<b>Per Class A Restricted Voting Shares subject to redemption</b>	<b>\$10.00</b>	<b>\$nil</b>
<b>Cash held outside the Escrow Account</b>	<b>\$1,785,372</b>	<b>\$10</b>

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We intend to use substantially all of the funds held in the Escrow Account, including interest (which interest shall be net of taxes payable and certain expenses) to consummate a Qualifying Transaction. To the extent that, after redemptions, our share capital or debt is used, in whole or in part, as consideration to consummate a Qualifying Transaction, the remaining proceeds held in the Escrow Account may be used as working capital to finance the operations of the target business or businesses, make other acquisitions and/or pursue a growth strategy.

As at December 31, 2017, we had cash held outside of our Escrow Account of \$1,785,372, which is available to fund our working capital requirements, including any further transaction costs that may be incurred. We expect to generate negative cash flow from operating activities in the future until our Qualifying Transaction is completed and we commence revenue generation. We currently anticipate incurring further expenses for the following purposes:

- Ability to build an institutional-quality cannabis corporation;
- Companies that have exporting expertise or abilities or that will benefit from exporting opportunities;
- Companies that will benefit from consolidation in the marijuana industry;
- Under-financed businesses to acquire or with which to partner;
- Opportunity to provide rescue financing for undercapitalized operators;
- Opportunities to form a platform for a future roll-up strategy;
- Companies that will benefit from a defined branding strategy; and
- Companies that will benefit from being a public company.

Management seeks to ensure that our operational and administrative costs are minimal prior to the completion of a Qualifying Transaction, with a view to preserving the Corporation's working capital.

We do not believe that we will need to raise additional funds to meet expenditures required for operating our business until the consummation of our Qualifying Transaction. We believe that we will have sufficient available funds outside of the Escrow Account to operate the business. However, we cannot be assured that this will be the case. To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Transaction, we may seek funding by way of unsecured loans from our Sponsor and/or its affiliates, subject to the consent of the Exchange, which loans would, unless approved otherwise by the Exchange, bear interest at no more than the prime rate plus 1%. Our Sponsor will not have recourse under such loans against the amounts in escrow. Such loans will collectively be subject to a maximum principal amount of \$1.0 million in the aggregate and may be repayable in cash following the closing of a Qualifying Transaction.

## **Discussion of Operations**

### Three months ended December 31, 2017

The Corporation's net loss totaled \$7,907,251 for the three months ended December 31, 2017, with basic and diluted loss per Class B Share of \$11.23. Activities for the three months ended December 31, 2017, principally related to transaction costs of \$8,546,051, general and administrative expenses of \$17,022 and net unrealized gain on changes in the fair value of financial liabilities of \$625,000.

### Transaction Costs

The Corporation incurred \$8,702,500 in transaction costs associated with the Offering, including \$7,500,000 in the underwriter's commission equal to 6.0% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. Other transaction costs included professional fees, underwriter's and management out-of-pocket expenditures associated with completion of the Offering. Of the total transaction costs incurred, \$8,546,051 has been included in the December 31, 2017 Interim Financial Statements as a transaction cost, while \$156,449 was allocated as a charge to shareholders' equity, as it was associated with the issuance of equity.

### Interest Income

Since completion of the Offering, the Corporation's activity has been limited to the evaluation of business acquisition candidates, and we do not expect to generate any operating revenues until the closing and completion of a Qualifying Transaction. In the interim, we expect to generate small amounts of non-operating income in the form of interest income on cash and short-term investments, including restricted cash and short-term investments held in escrow. In accordance with the Corporation's Prospectus and the terms of the Corporation's escrow agreement, the Corporation's restricted cash amounts are in a flexible guaranteed investment certificate due December 31, 2018. Interest income on these investments is not expected to be significant in view of current low interest rates.

During the period from commencement of operations of the Corporation on July 31, 2017 to September 30, 2017, the Corporation earned interest income of \$30,822.

### General and Administrative Expenses

The Corporation's general and administrative expenses consist of costs required to maintain its public company status in good standing, and expenses incurred to evaluate and identify companies, businesses, assets or properties for potential acquisition. General and administrative costs were \$17,022 during the three months ended December 31, 2017.

### Net Unrealized Loss on Changes in the Fair Value of Financial Liabilities

Certain financial instruments are recorded in the Corporation's statement of financial position at values that are representative of or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price. If the financial instrument does not trade on an active market, the Corporation will use an option-pricing model to measure the fair value of the financial instrument. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instrument. Changes in the underlying trading value or estimates may significantly affect the amount of net income or loss for a particular period. Furthermore, the quoted market price or option price of a financial liability may not be equal to the amount that the Corporation



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may have to pay in settlement of the underlying obligation, should such obligation become immediately payable. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for determination of fair value is appropriate. As at December 31, 2017, the Warrants of the Corporation were not trading and were valued using an option-pricing model and accordingly, the Corporation recognized an unrealized gain of \$625,000 in its net loss for the three months ended December 31, 2017.

### **Off-Balance Sheet Arrangements**

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### **Proposed Transactions**

Although the Corporation has commenced the process of identifying potential acquisitions with a view to completing a Qualifying Transaction, the Corporation has not yet entered into a definitive agreement.

### **Selected Quarterly Information**

A summary of selected information for each of the quarters presented below is as follows:

<b>Three Months Ended</b>	<b>Net Revenues (\$)</b>	<b>Net Loss</b>	
		<b>Total (\$)</b>	<b>Basic and Diluted Loss per Class B Share (\$)<sup>(2)</sup></b>
December 31, 2017	-	(7,907,251) <sup>(1)</sup>	(11.23)
July 31, 2017 to September 30, 2017	-	nil	(0.00)

#### **Notes:**

<sup>(1)</sup> During the three months ended December 31, 2017, the Corporation earned interest income of \$30,822 and reported a loss of \$7,907,251 (\$11.23 basic and diluted loss per Class B share). The loss in the current period primary related to transaction costs of \$8,546,051, general and administrative expenses of \$17,022 and net unrealized gain on changes in the fair value of financial liabilities of \$625,000.

<sup>(2)</sup> Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

### **Related Party Transactions**

The Corporation has entered into an administrative services agreement with the Sponsor for an initial term of 18 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Transaction. The Corporation has agreed

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to pay \$10,000 per month, plus applicable taxes for such services. As at December 31, 2017, the Corporation accrued \$3,226 in respect of these services.

As at December 31, 2017, the amount due to the Sponsor was \$579,363, for out-of-pocket expenses paid by the Sponsor on behalf of the Corporation. The amounts due to the Sponsor are non-interest bearing and are payable no later than the date of the consummation of a Qualifying Transaction. Due to the short-term nature of this arrangement, the fair value of the amounts due to related party approximates their carrying amount.

The Sponsor has executed a make whole agreement and undertaking in favour of the Corporation, whereby the Sponsor has agreed to indemnify the Corporation in certain limited circumstances where the funds held in the Escrow Account are reduced to below \$10.00 per Class A Restricted Voting Share.

### **Risk Factors**

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position. Please refer to the section entitled "Risk Factors" in the Corporation's Prospectus, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Accounting Policies and Critical Accounting Estimates**

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and items in net income or loss and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in note 4 to the December 31, 2017 Interim Financial Statements.

### **Disclosure Controls and Procedures**

Management has designed and evaluated the effectiveness of the Corporation's disclosure controls and procedures and the internal controls on financial reporting and has concluded that, based on its evaluation, they are sufficiently effective as of December 31, 2017, to provide reasonable assurance that material information relating to the Corporation is made known to management and disclosed in accordance with applicable securities regulations.

### **Internal Controls over Financial Reporting ("ICFR")**

Management is responsible for certifying the design of the Corporation's ICFR as required by Multilateral Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" and CSA staff notice 52-316 – "Certification of Design of Internal Control over Financial Reporting". The Corporation's

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ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting standards. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail that accurately and fairly reflect the transactions and dispositions of the Corporation's assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable accounting standards;
- receipts and expenditures are only being made in accordance with authorizations of management and the board of directors of the Corporation; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the consolidated financial statements.

Because of their inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the design of the Corporation's internal controls over financial reporting as of December 31, 2017, pursuant to the requirements of Multilateral Instrument 52-109. Management follows the Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation has designed appropriate ICFR for the nature and size of its business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with applicable accounting standards.

There have been no changes in ICFR during the three months ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

## **Financial Instruments**

### **Fair value measurements**

The following table summarizes those assets and liabilities that are included at their fair values in the Corporation's statement of financial position as at December 31, 2017, or those assets and liabilities for which fair value is otherwise disclosed in the accompanying notes to the December 31, 2017 Interim Financial Statements. These assets and liabilities have been categorized into hierarchal levels, according to the significance of the inputs used in determining fair value measurements.

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	<b>Carrying value as at December 31, 2017 (\$)</b>	<b>Level 1 (*) (\$)</b>	<b>Level 2 (*) (\$)</b>	<b>Level 3 (*) (\$)</b>
<b>Financial assets</b>				
Cash and cash equivalents	1,785,372	1,785,372	nil	nil
Restricted cash and short-term investments in escrow	125,030,822	125,030,822	nil	nil
<b>Financial liabilities</b>				
Class A Restricted Voting Shares subject to redemption	115,625,000	nil	115,625,000	nil
Warrants	11,437,500	nil	11,437,500	nil

(\*) Fair values as at December 31, 2017

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Corporation's overall risk management strategy seeks to minimize potential adverse effects of the Corporation's financial performance.

**Market risk**

**Fair value risk**

Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign exchange rates, because of changes in market prices. The Corporation is exposed to fair value risk in respect of its Class A Restricted Voting Shares subject to redemption and warrant liability, which are carried in the Corporation's financial statements at their fair value. A 1% increase in the fair value of Class A Restricted Voting Shares and warrant liability would result in an increase in net loss for the three months ended December 31, 2017 of \$1,270,625. A 1% decrease in the fair value of Class A Restricted Voting Shares and warrant liability would result in a decrease in net loss for the three months ended December 31, 2017 of \$1,258,045.

**Interest rate risk**

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the fixed interest rate on the Corporation's restricted cash and short-term balance held in escrow, its exposure to interest rate risk is nominal.

**Currency risk**

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates relative to the Corporation's presentation currency of the Canadian dollar. The Corporation does not currently have any exposure to currency risk as the Corporation does not transact in any currency other than the Canadian dollar.

### **Capital Management**

(a) The Corporation defines the capital that it manages as its shareholders' deficiency, net of its Class A Restricted Voting Shares subject to redemption and Warrants. The following table summarizes the carrying value of the Corporation's capital as at December 31, 2017:

	\$
Shareholders' deficiency	(5,726,190)
Class A Restricted Voting Shares subject to redemption	115,625,000
Warrant liability	11,437,500
<b>Balance, December 31, 2017</b>	<b>121,336,310</b>

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise.

#### (b) Liquidity

As at December 31, 2017, the Corporation had \$1,785,372 in cash and cash equivalents. The Corporation expects to incur significant costs in pursuit of its acquisition plans.

To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Transaction, the Corporation may obtain such funding by way of unsecured loans from the Sponsor and/or its affiliates, subject to consent of the Exchange, which loans would, unless approved otherwise by the Exchange, bear interest at no more than the prime rate plus 1%. The Sponsor would not have recourse under such loans against the Escrow Account, and thus the loans would not reduce the value of such Escrow Account. Such loans would collectively be subject to a maximum principal amount of \$1,000,000 in the aggregate, and may be repayable in cash following the closing of a Qualifying Transaction and may only be convertible into Class B Shares and/or Warrants in connection with the closing of a Qualifying Transaction, subject to Exchange consent.

Otherwise, and subject to any relief granted by the Exchange, the Corporation may seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable Exchange rules.

### **Outlook**

For the immediate future, the Corporation intends to identify and evaluate potential Qualifying Transactions. The Corporation continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

### **Share Capital**

As of the date of this MD&A, the Corporation had 13,475,000 Class A Restricted Voting Shares of the Corporation issued and outstanding. In addition the Corporation had an aggregate of 3,434,298 Class B Shares, 262,188 Class B Units, 16,359,058 Warrants and 13,475,000 Rights issued and outstanding.

**Subsequent event**

On January 19, 2018, the underwriter exercised its over-allotment option to purchase an additional 975,000 Class A Restricted Voting Units for aggregate proceeds of \$9,750,000. As a result of the exercise of the over-allotment option, an aggregate of 13,475,000 Class A Restricted Voting Units of the Corporation were issued for aggregate proceeds of \$134,750,000.

Concurrent with the exercise of the over-allotment option, the Sponsor purchased an additional 121,870 Founders' Warrants (for an aggregate purchase price of \$121,870) and 12,188 Class B Units (for an aggregate purchase price of \$121,880) for aggregate proceeds of \$243,750.

Due to the partial exercise of the over-allotment option, an aggregate of 227,812 Class B Shares (also known as Founders' Shares) were forfeited without compensation by the Founders on January 19, 2018. As a result, following the exercise of the over-allotment option and forfeiture of the 227,812 Founders' Shares, the Founders own an aggregate of 3,434,297 Class B Shares, 262,188 Class B Units and 2,621,870 Founders' Warrants.