

COMMONWEALTH CANNABIS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2019

January 24, 2020

This Management Discussion and Analysis ("MD&A") of Commonwealth Cannabis Corp. ("Commonwealth" or the "Company") has been prepared by management as of January 24, 2020 and should be read together with the annual financial statements and related notes for the period ended September 30, 2019 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information regarding the Company can be found on SEDAR at www.sedar.com. All of the following amounts are expressed in Canadian dollars unless otherwise stated.

FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company may not provide updates or revise any forward-looking statements, except those otherwise required under paragraph 5.8(2) of NI 51-102, whether written or oral that may be made by or on the Company's behalf.

Overall Performance

Commonwealth operates in the cannabis sector.

Commonwealth is actively evaluating assets involved in the cultivation of industrial hemp, as well as the extraction of Cannabidiol (“CBD”). The Company is looking to pursue opportunities surrounding the complete lifecycle of industrial hemp cultivation, including growing, harvesting, drying, curing, inspecting, and packaging. In contrast to cannabis for medical use, varieties grown for fiber and seed have less than 0.3% THC and are unsuitable for producing hashish and marijuana. Present in industrial hemp, cannabidiol is a major constituent among some 560 compounds found in hemp.

The Company’s office is located at 372-1917 West 4th Ave. Vancouver, BC V6J 1M7

Background

On September 30, 2016, prior to incorporation of the Company, Monterey Minerals Inc. (“Monterey”) signed a letter of intent (“LOI”) with Railhead Resources Ltd. (the “Purchaser”) to form a newly incorporated wholly-owned subsidiary (Subco) to a facilitate transaction in which Subco would purchase all of the issued and outstanding capital stock from the Purchaser’s shareholders and be spun-out from Monterey as a separate reporting issuer pursuant to a court approved plan of arrangement (the “Arrangement”).

On October 19, 2016, the Company was incorporated as 1093684 B.C. Ltd., under the laws of British Columbia, Canada, as the Subco of Monterey to conduct the Arrangement transaction.

On November 29, 2016, Monterey received court approval for its 2016 Plan of Arrangement (“2016 PoA”) pursuant to which the LOI and \$1,000 cash (the “Assets”) are to be transferred to Blue Aqua and subsequently divested (spun out) pursuant to the 2016 PoA. The Company has set the share distribution record date for the 2016 PoA as holders of record of Monterey as of close of business on April 18, 2018. The LOI has no determinable fair market value.

On March 28, 2018, the Company changed its name to Blue Aqua Holdings Ltd.

On June 12, 2018, the spin out of the Company from Monterey was completed through the authorization and issuance of 101,054 common shares to Monterey shareholders and the 10 incorporator shares were returned to treasury and cancelled pursuant to divesting the Company from Monterey under the Arrangement.

SELECT ANNUAL INFORMATION AND RESULTS OF OPERATIONS

As at September 30, 2019, the Company had total assets of \$873,918 (2018: \$424,058). As at September 30, 2019, the Company did not have any non-current liabilities (2018: \$nil).

For the year ended September 30, 2019, the Company reported a net loss of \$434,718 (2018: \$32,689). The losses for the year ended September 30, 2019 comprised of general and administrative fees of \$28,391 (2018, \$6,300), professional fees of \$68,546 (2018, \$14,739), consulting fees of \$119,395 (2018: \$11,650), impairment of loan receivable of \$236,647 (2018: \$nil), and loss on foreign currency of \$17,491 (2018: \$nil).

SUMMARY OF QUARTERLY RESULTS

	September 30, 2019	June 30, 2019	March 30, 2019	December 31, 2018
	\$	\$	\$	\$
Net income (loss)	(244,892)	(36,279)	(101,936)	(51,611)
Basic and diluted earnings (loss) per share	(0.06)	(0.00)	(0.01)	(0.34)
	2018	2018	2018	2017
	\$	\$	\$	\$
Net income (loss)	(14,233)	(18,456)	-	-
Basic and diluted earnings (loss) per share	(7.20)	(0.05)	-	-

LIQUIDITY AND CAPITAL RESOURCES

The Company reported working capital of \$864,640 at September 30, 2019 and cash of \$743,813.

Current liabilities as at September 30, 2019 consisted of accounts payable & accrued liabilities of \$9,078.

During the year ended September 30, 2019, the Company issued 8,552,000 common shares for total proceeds of \$855,200.

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the year ended September 30, 2019, the Company paid the following advisory and consulting fees:

- \$12,000 (2018: \$Nil) to Lucas Birdsall, the CFO and director of the Company; and
- \$4,500 (2018: \$Nil) to Patrick O’Flaherty, an independent director of the Company.

During the year ended September 30, 2018, the Company paid \$11,650 in management fees to directors of the Company, which is included in consulting expense in the statement of comprehensive loss.

At September 30, 2019, the Company owed \$2,625 (2018: \$1,000) to directors of the Company, which is included in accounts payable. These amounts are unsecured, bear no interest and are due on demand.

CRITICAL ACCOUNTING ESTIMATES

Not applicable for Venture Issuers.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The Company enters into financial instruments to finance its operations in the normal course of business. The fair value of accounts payable approximates their carrying values due to the short-term maturity of these instruments.

The fair value of the Company’s financial instruments has been classified within the fair value hierarchy as at September 30, 2019 as follows:

	Level 1	Level 2	Level 3
Financial Assets			
Cash	\$743,813	-	-
Investment	-	\$125,000	-
	\$743,813	\$125,000	-

SUBSEQUENT EVENTS

None

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The information provided in this report as referenced from the Company's consolidated financial statements for the referenced reporting period is the sole responsibility of management. In the preparation of the information along with related and accompanying statements and estimates contained herein, management uses careful judgement in assessing the values (or future values) of certain assets or liabilities. It is the opinion of management that such estimates are fair and accurate as presented.

OTHER REQUIREMENTS

Summary of Outstanding Securities as at January 24, 2020

Authorized: Unlimited number of common shares without par value.

Issued and outstanding: 11,035,054 Common Shares