



ALLIANCE GROWERS CORP.

*Suite 500 – 666 Burrard Street
Vancouver, BC V6C 3P6*

Management’s Discussion & Analysis

For the six months ended February 28, 2018

Date of Report: April 29, 2019

The following Management’s Discussion & Analysis (“MD&A”) has been prepared by management in accordance with the requirements of National Instrument 51-102 for the six months ended February 28, 2019 and should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the six months ended February 28, 2019, as well as the audited consolidated financial statements and accompanying notes for the year ended August 31, 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to them. When used in this document, the words “*anticipate*”, “*believe*”, “*estimate*”, “*expect*” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for its operations. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

BACKGROUND AND CORE BUSINESS

Alliance Growers Corp. (formerly Sheslay Mining Inc.) (the "Company" or "Alliance") was incorporated under the British Columbia *Business Corporation Act* on June 19, 2014. On October 3, 2014, the Company became a reporting issuer in British Columbia and Alberta. The head office of the Company and records office is 500-666 Burrard Street, Vancouver, British Columbia V6C 2P6.

AMALGAMATION

On June 8, 2015, the Company completed an amalgamation with Sheslay Acquisition Corp., The Company changed its name from Sheslay Mining Inc. to Alliance Growers Corp. on June 8, 2015 in conjunction with the amalgamation. The Company's common shares are listed on the Canadian Securities Exchange under the symbol "ACG", on the OTCQB under the Symbol "ALGWF", and on the Frankfurt Stock Exchange under the Symbol 1LA (WKN: A2DFYX; ISIN: CA01861C1095).

ALLIANCE GROWERS BUSINESS MODEL AND INVESTMENTS

Alliance Growers' strategy for achieving global leadership in the cannabis space is supported by its "Four Pillars" business model announced on May 26, 2016. Alliance Growers has continued to evolve the model since then to take advantage of the future opportunities within the Cannabis sector. The Company has organized into four prospective divisions, referred to as the 'Four Pillars' Organization Plan – Cannabis Biotech Complex, Strategic Licensed Producer and Applicant Investments, CBD Oil Supply and Distribution, and Research and Technology. In addition to acquiring both minority and control positions in Licensed Producer applicants, the Company is seeking opportunities to develop the operational side of its business in both CBD oil supply and distribution contracts as well as the planned operation of Biocannatech Inc., once it receives its cultivation and sales licenses from Health Canada.

INVESTMENT IN BIOTECH COMPLEX

On January 25, 2019, the Company signed an arms-length Option Agreement (the "Option Agreement") with WFS Pharmagreen Inc. and 1155097 B.C. Ltd., a private company owned by Pharmagreen, (the "Subsidiary") (together "Pharmagreen"). Pursuant to the Option Agreement, Alliance has exercised a First Option and purchased 8 Class A Shares of the Subsidiary (a 10% equity interest) for a purchase price of \$1,350,000, which has been paid.

Pursuant to the Option Agreement, the parties agreed in principle to a Second Option to acquire up to an additional 20% interest in the Class A shares by the purchase of 22 Class A Shares for a purchase price equal to 30% of Construction and Equipment Costs minus \$1,350,000 ("Second Option Purchase Price") which must be formally agreed to.

The Parties agree to enter into a formal agreement by way of an addendum to the Option Agreement by June 30, 2019 (the "Addendum"), to grant the Second Option, conclude the terms of the Second Option including the Second Option Purchase Price, a schedule specifying the date and amounts of each payment adding up to the Second Option Purchase Price and closing documents.

In the event the Second Option is not exercised according to the terms contained in the Addendum, the parties agree that Alliance Growers' 10% interest will be subject to dilution to a percentage equal to: \$1,350,000 divided by that figure which is the final Construction and Equipment Costs.

On October 1, 2018, Pharmagreen announced the receipt of final board approval from the regional government to apply for the development permit for its Cannabis Biotech Tissue Culture Complex project in Deroche BC. It was approved by the Fraser Valley Regional District Board at its September 25th, 2018 meeting. Pharmagreen commenced pre-construction ground work, including the site work for the drilling of three water wells that will supply the Cannabis Biotech Complex on October 31, 2018. Two wells will be used for primary water supply and the third well will be for back up. The water discharge from the irrigation system will be recycled, filtered and reused to minimize the facility's demand on the natural water supply. The entire facility is being engineered with 100% redundancy to ensure there is no disruption to the operations 365 days a year. This state-of-the-art facility is designed to include the latest cannabis cultivation technologies and the latest cannabis-related green technologies.

An integral part of the ultimate Biotech Complex will be an R&D facility that will undertake research of new products, cultivation improvements and the development of new strains. Alliance will seek to participate in such R&D, and develop relationships with Universities and Cannabis companies in Canada and abroad to develop new products and markets.

Joint development of a Commercial Hemp Operation with WFS Pharmagreen

The CBD market is growing at a very high rate and is expected to reach over \$2 billion by 2020. Alliance is pursuing vertically integrated additions to its revenue model and profit potential through expansion of its business relationship with Pharmagreen. The two companies are evaluating the joint development of the proprietary high yield CBD DANA strain in a profitable industrial hemp operation that would begin with tissue culture plantlets produced and grown in the Cannabis Biotech Complex on the property in Deroche BC.

BIOCANNATECH – QUEBEC LICENSED PRODUCER APPLICANT

Effective April 25, 2018, Alliance Growers completed a purchase agreement to acquire BiocannaTech Inc., a late-stage licensed producer applicant to become a licensed producer under Health Canada's Cannabis Regulations in Quebec. Alliance Growers will supply financing and resources to build out the medical marijuana facility in preparation for the inspection required to obtain a growing license. Once Health Canada is satisfied with a successful crop, Alliance Growers will be granted its distribution license.

Alliance Growers has acquired an initial 99% interest in BiocannaTech Inc., a Quebec Licensed Producer applicant, with the final 1% being transferred on receipt of a Health Canada Producer license, for the following consideration:

1. \$238,637 down payment, already paid;
2. \$50,000 in shares at a deemed price of \$0.295 (169,491 shares) to Canna Technology and 1,200,000 shares to the Recipients;
3. \$250,000 in shares at a deemed price of \$0.15 (1,666,666 shares) to Canna Technology and 1,200,000 shares to the Recipients released at Health Canada approval for Ready to Build stage;
4. \$500,000 paid to Canna Technology and 1,200,000 shares to the Recipients at City building permits approved stage to start construction;
5. \$500,000 in shares to Canna Technology and 1,200,000 shares to the Recipients at Health Canada approval of Cultivation stage;
6. \$500,000 in shares to Canna Technology and 1,200,000 shares to the Recipients at Health Canada Permit approval stage. At this stage, the remaining 1% interest will be transferred to Alliance Growers.

This acquisition allows the Company an opportunity to become a Licensed Producer in the province of Quebec. The build out of the planned facility and its inspection by Health Canada are the last principal steps for the issue of a cultivation license. The build out of the facility is on hold due to lack of funds.

NEW MAPLE HOLDINGS – ONTARIO LICENSED PRODUCER APPLICANT

On February 22, 2018, Alliance Growers has completed its initial commitment to acquire 375,000 shares of New Maple for \$375,000 at \$1.00 per share and subsequently acquired an additional 122,449 shares at \$2.45 per share with an additional payment of \$300,000, representing 4.24% of New Maple as of the date of this report. The funds were used by Canwe to prepare its application for a producer's license in accordance with Health Canada Regulations.

New Maple Holdings. Ltd. ("New Maple"), is the parent company of Canwe Growers Inc. ("Canwe"). Canwe is an Ontario-based company preparing to apply for a producer's license under the Health Canada Cannabis Regulations.

Canwe has access to a 22 acre property 1.5 hours north-west of Toronto, where it plans to build a facility focused on producing clean, premium quality cannabis. Canwe has amassed a stellar team which includes licensed producer MedReleaf Corp.'s former Head Grower and his number two aide, both of whom are expert cannabis growers who intimately know the cannabis cultivation cycle from seed to sale. With Alliance Growers' four-pillar strategy and Canwe's experienced team, the two companies plan to work together to form business synergies with the goal of creating a strong presence in Canada's fast-growing medical cannabis space.

Canwe, is now in the enhanced review stage under the Licensing process. Canwe submitted its application to produce and sell cannabis in July 2017. In January 2018, Canwe received confirmation from Health Canada that it has completed the security clearance stage and that it has entered the final Review stage of the application process. In December 2017, Canwe obtained the necessary permits to begin ground works on its 22-acre site in south-western Ontario, and it expects to receive full site plan approval imminently from the local township. Canwe has retained an experienced project management firm to oversee the design and build of its planned state-of-the-art production facility.

ISODIOL INTERNATIONAL INC.

As at August 31, 2015, the Company had loaned \$105,000 to Isodiol International Inc. (formerly Laguna Blends Inc. "Isodiol"). On January 30, 2015, the Company converted the \$105,000 loan into 3,000,000 common shares of Isodiol (1,200,000 common shares after Isodiol shares' 2.5:1 consolidation in January, 2016). This investment was designated as available-for-sale measured at fair value on initial recognition with the related unrealized gains and losses recorded as a component of other comprehensive income. In July, 2018 Isodiol shares were further consolidated on a 10:1 basis.

During the six months ended February 28, 2019 the Company sold 11,750 shares of Isodiol at a realized gain of \$17,500.

As at February 28, 2019 and August 31, 2018, the Company had 36,000 and 47,750 common shares of Isodiol with a fair value of \$53,280 and \$171,423, respectively.

INVESTMENTS IN LICENSED PRODUCER APPLICANTS

As part of its Four Pillars plan, the Company is pursuing a series of strategic alliances and investments in Licensed Producers at various stages in the license process. Alliance Growers is working towards securing long term plantlet supply contracts and offtake agreements at wholesale cost for flower to be used for CBD oil extraction. At this time no formal agreements exist other than as disclosed herein.

SUMMARY OF QUARTERLY RESULTS

Description	Three months ended Feb. 28, 2019 \$	Three months ended Nov 30, 2018 \$	Three months ended Aug 31, 2018 \$	Three months ended May 31, 2018 \$
Total Revenue	Nil	Nil	Nil	Nil
Total Expenses	257,820	1,069,536	597,031	362,260
Total loss	(247,786)	(1,050,215)	(1,294,841)	(311,911)
Loss per share	(0.00)	(0.02)	(0.02)	(0.01)

Description	Three months ended Feb 28, 2018 \$	Three months ended Nov 30, 2017 \$	Three months ended Aug 31, 2017 \$	Three months ended May 31, 2017 \$
Total Revenue	Nil	Nil	Nil	Nil
Total Expenses	2,844,684	241,446	566,140	422,640
Total loss	(2,844,684)	(237,033)	(547,212)	(439,076)
Loss per share	(0.05)	(0.00)	(0.02)	(0.01)

Since inception the Company has not generated revenue.

Total expenses were significantly higher in the quarters ended November 30, 2018 and February 28, 2018 than the other quarters, as we recorded operating costs for BiocannaTech of \$608,884 and stock-based compensation of \$2,574,158 for options granted and vested, respectively for the two quarters. During the quarter ended August 31, 2018 we recorded cost for BioCannaTech acquisition of \$629,022, which was included in other expenses.

RESULTS OF OPERATIONS

Six months ended February 28, 2019 compared to six months ended February 28, 2018

The Company had a net loss of 1,298,001 for the six months ended February 28, 2019, compared to a net loss of \$3,121,717 for the six months ended February 28, 2018. Details of the operating expenses are as follows:

	Six Months Ended February 28, 2019	Six Months Ended February 28, 2018
Professional fees	\$ 28,698	\$ 17,375
Consulting fees	227,141	174,175
General and administrative	108,677	58,604
Shareholder communication	135,247	65,613
Management fees	126,000	147,075
Director fees	24,000	20,100
Rent and office facility	9,229	13,155
Meals, entertainment and travel	16,352	15,019
Medical cannabis facility right to build	415,667	-
Medical cannabis facility development	193,217	-
Option based compensation	43,128	2,615,014
Total expenses	1,327,356	3,126,130

All expenses except management fees, rent and office facility cost, and option-based compensation increased significantly from the six months ended February 28, 2018 to the six months ended February 28, 2019, as we incurred operating expenses in relation to BioCanna Tech in the current period, which did not take place in the six months ended February 28, 2018. Director fees increased from \$20,100 to \$24,000 in the current period, as monthly fees were increased for each director. Management fees decreased from \$147,075 in 2018 to \$126,000 in 2019 as CFO's monthly fees were decreased and in 2018 management was rewarded with stock-based compensation which was cancelled in 2019. Option based compensation decreased from \$2,615,014 in 2018 to \$43,128 in 2019, as 4,550,000 options were granted of which 4,300,000 vested in 2018, while 2,200,000 options were granted and vested during the current period. The options were granted as incentive to directors, management and consultants with their fair values calculated using Black-Scholes model.

For non-operating income, in the current period we recorded interest income of \$5,409 on promissory note receivable from a related party, which did not incur in the previous period. We also recorded gain of \$17,500 on debt settlement with the issuance of common shares, an increase from \$4,413 from the previous period, and gain on sale of Isodiol shares of \$6,446 which did not take place in 2018.

During the six months ended February 28, 2019 and 2018, basic and diluted loss per share was \$0.02 and \$0.06 respectively.

During the six months ended February 28, 2019 the Company recorded unrealized loss of \$107,862 on the fair value of its Isodiol shares based on the change in their market trading prices during the period. For the six months ended February 28, 2018 the Company recorded an unrealized gain of \$459,000.

Three months ended February 28, 2019 compared to three months ended February 28, 2018

The Company had a net loss of \$230,286 for the three months ended February 28, 2019, compared to a net loss of \$2,844,684 for the three months ended February 28, 2018. Details of the operating expenses are as follows:

	Three Months Ended February 28, 2019	Three Months Ended February 28, 2018
Professional fees	\$ 23,446	\$ 16,718
Consulting fees	66,416	71,375
General and administrative	35,514	46,932
Shareholder communication	9,141	37,605
Management fees	63,000	70,500
Director fees	12,000	6,000
Rent and office facility	4,500	7,967
Meals, entertainment and travel	675	13,439
Option based compensation	43,128	2,574,148
Total expenses	257,820	2,844,684

All expenses except director fees and professional fees decreased from the three months ended February 28, 2018 to the three months ended February 28, 2019, as we incurred additional operating expenses in relation to the acquisitions and due diligence on acquisitions in 2018, which did not take place in the three months ended February 28, 2019. Director fees increased from \$6,000 to \$12,000 in the current period, as monthly fees were increased for each director. Professional fees increased as we engaged additional legal services in the current period for filings with the BC Securities Commission and the CSE. Management fees decreased from \$70,500 in 2018 to \$63,000 in 2019 as CFO's monthly fees were decreased. Option based compensation decreased from \$2,574,148 in 2018 to \$43,128 in 2019, as 3,950,000 options were granted of which 4,025,000 vested in the 2018, while 2,200,000 options were granted and vested during the current period. The options were granted as incentive to directors, management and consultants and are calculated using Black-Scholes model.

For non-operating income, in the current period we recorded interest income of \$3,588 on promissory note receivable from a related party, which did not incur in the previous period. We also recorded gain on sale of Isodiol shares of \$6,446 which did not take place in 2018.

During the quarter ended February 28, 2019 and February 28, 2018, basic and diluted loss per share was \$0.00 and \$0.05 respectively.

During the three months ended February 28, 2019 the Company recorded unrealized loss of \$13,794 on the fair value of its Isodiol shares based on the change in their market trading prices during the year. For the three months ended February 28, 2018 the Company recorded an unrealized loss of \$162,000.

Year ended August 31, 2018 compared to year ended August 31, 2017

The Company had a net loss of \$4,688,469 for the year ended August 31, 2018, compared to a net loss of \$1,830,057 for the year ended August 31, 2017. As the Company's operation expanded significantly from 2017 to 2018. Details of the operating expenses are as follows:

	August 31, 2018	August 31, 2017
	\$	\$
Professional fees	67,999	67,554
Consulting	345,884	295,981
General and administrative	236,280	57,135
Shareholder communication	353,769	170,564
Management fees	265,575	336,375
Director fees	50,100	52,525
Rent and office facility	18,000	18,000
Meals, entertainment and travel	50,987	13,038
Stock based compensation	2,656,827	791,200
Total expenses	4,045,421	1,802,372

Professional fees, rent and office facility have been consistent from 2017 to 2018. Consulting fees, general and administrative expenses, meals, entertainment and travel expense all increased significantly from 2017 to 2018, as we have expanded operations and investments in 2018. Management fees and director fees decreased from \$336,375 in 2017 to \$265,575 in 2018 as we terminated the share-based compensation after November 30, 2017. Option based compensation increased from \$791,200 in 2017 to \$2,656,827 in 2018, as we granted more options in 2018 as incentive to directors, management and consultants, and although options granted in January and February of 2018 with a total value of \$2,532,508 were cancelled, they are still included in the expenses in accordance with IFRS.

In addition, for non-operating income and expenses:

- In 2017 we recorded financing expense of \$3,199 for warrant repricing, which did not take place in 2018.
- In 2018 we recorded gain on debt settlement of \$4,413, while in 2017 we recorded loss on debt settlement of \$43,101.
- We recorded gain on sale of Isodiol shares of \$56,561 in 2018, increased from gain of \$18,615 in 2017.
- In 2018 recorded cost of acquiring BioCannaTech of \$629,022 as other expense.
- In 2018 our license and consulting agreement with BRIM was superseded by the Biotech Complex LOI with WFS Pharmagreen. The \$75,000 paid for the BRIM License Agreement will be applied as a credit to the Company's portion of license fees to be charged to the BC Co. by BRIM. Due to the uncertainty associated with the realizable value of the credit, the Company recorded an impairment of the full amount during the year ended August 31, 2018.

During the year ended August 31, 2018 and August 31, 2017, basic and diluted loss per share was \$0.08 and \$0.05 respectively.

During the year ended August 31, 2018 the Company recorded unrealized gain of \$4,092 on the fair value of its Isodiol shares based on the change in their market trading prices during the year. For the year ended August 31, 2017 the Company recorded an unrealized gain of \$8,550.

During the year ended August 31, 2018 the Company recorded unrealized gain of \$543,753 on the fair value of its common shares of New Maple Holdings Ltd. In 2017 we did not have these shares.

Cash flows for the quarter ended February 28, 2019

Operating Activities

During the six months ended February 28, 2019 and 2018, operating activities used cash of \$921,976 and \$546,821, respectively.

Investing Activities

During the six months ended February 28, 2019 Alliance used \$710,000 for its investment in Biotech Complex and \$100,000 for its investment in New Maple, and generated \$16,727 from sale of Isodiol shares.

During the six months ended February 28, 2018 Alliance used \$485,000 for investment in Pharmagreen, \$10,000 for investment in Biotech Complex, and \$3215,500 for investment in New Maple.

Financing Activities

During the six months ended February 28, 2019 the Company received \$1,375,599 from private placements net of issuance costs, \$47,500 from warrant exercise, \$150,000 from option exercise, and used \$873 for net purchase of treasury shares.

During the six months ended February 28, 2018 the Company received \$902,162 from private placements net of issuance costs, \$702,768 from warrant exercise, \$455,000 from option exercise, \$5,000 for subscription received in advance for warrant exercise, and used \$7,223 for net purchase of treasury shares.

LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2019, the Company had a working capital of \$178,572 compared to working capital of \$262,724 at August 31, 2018.

As at February 28, 2019 the Company had cash balance of \$145,144 compared to cash balance of \$288,167 at August 31, 2018.

The Company's continued development is contingent upon its ability to raise sufficient financing both in the short and long-term. There are no guarantees that additional sources of funding will be available to the Company; however, management is committed to pursuing all possible sources of financing in order to execute its business plan. Due to the uncertainty of its ability to meet its current operating and capital expenses, in the notes to its audited financial statements for the year ended August 31, 2018, the Company's independent auditors included an explanatory paragraph regarding their substantial doubt about the Company's ability to continue as a going concern.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not had any off-balance sheet arrangements as of February 28, 2019 or the date of this report.

RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and responsibility for planning and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company incurred the following fees to related parties during the six months ended February 28, 2019

- a) Management fees:
 - (i) \$120,000 cash-based fees (2018 - \$120,000 cash-based fees and 30,000 common shares fair valued at \$4,050) to the CEO who is also a director of the Company; and
 - (ii) \$6,000 (2018 - \$21,000 cash-based fees and 15,000 common shares fair valued at \$2,025) to the CFO of the Company.
- b) Consulting fees to the directors of the Company:
 - (i) \$36,000 cash-based fees (2018 - \$30,000 cash-based fees and 30,000 common shares fair valued at \$4,050) to a director of the Company; and
 - (ii) \$18,000 cash-based fees (2018 - \$15,000) to a director of the Company.
- c) Directors fees:

\$24,000 cash-based fees (2018 - cash based fees of \$12,000 and 60,000 common shares fair valued at \$8,100) to the directors of the Company.

As at February 28, 2019 the Company had the following amounts owed to /from related parties:

- (i) \$303,872 was advanced (August 31, 2018 - \$232,471) to the CEO of the Company;
- (ii) \$8,250 (August 31, 2018 - \$9,450) was owed to the CFO of the Company;
- (iii) \$88,460 (August 31, 2018 - \$141,543) was owed to the three non-executive directors of the Company; and
- (iv) \$3,500 (August 31, 2018 - \$3,500) was owed to a former director of the Company.

The amount advanced to the CEO is to be repaid to the Company in the form of a promissory note, secured against the CEO's ownership of the Company's common stocks, bearing annual interest rate of 4.7% compounded annually, and repayable at \$5,000 per month starting from January 1, 2019. As at February 28, 2019 interest of \$5,409 was accrued on the promissory note.

The amounts due to related parties are unsecured, non-interest bearing, and have no fixed terms of repayment.

DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares without par value.

Common shares

September 1, 2018 to the Date of This Report

During the six months ended February 28, 2019, the Company issued a total of 9,143,911 units of private placement at \$0.14 per unit for gross proceeds of \$1,280,148, with each unit comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.20 per share for a period of three years from the closing of the private placements. Finder's fees of \$81,386 and legal fees of \$2,328 were paid in connection with this placement and recorded as share issuance cost. In addition, these issuances included 147,852 units, 12,000 common shares and 12,000 warrants with the same terms as those of the units' warrants, issued as finders' fees.

During the six months ended February 28, 2019, the Company issued a total of 2,000,000 units of private placement at \$0.10 per unit for gross proceeds of \$200,000, with each unit comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.15 per share for a period of two years from the closing of the private placements. Finder's fees of \$16,000 and remonstrative costs of \$5,000 were paid in connection with this placement and recorded as share issuance cost. In addition, 80,000 units with the same terms were issued as finders' fees in March, 2019.

During the six months ended February 28, 2019 the Company issued a total of 425,000 common shares for 100,000 and 325,000 warrants exercised at \$0.15 and \$0.10, respectively, for total proceeds of \$47,500.

During the six months ended February 28, 2019 the Company issued a total of 1,500,000 common shares for 1,500,000 options exercised at \$0.10 for total proceeds of \$150,000.

On October 19, 2018 the Company issued 875,000 common shares fair valued at \$157,500 to settle outstanding debt of \$175,000 resulting in a gain on debt settlement of \$17,500.

On November 2, 2018 the Company issued 2,866,666 shares in connection with the agreement to acquire BioCannaTech Inc. These shares were recorded at their value of \$415,667.

From December 1, 2018 to the date of this report, the Company purchased 288,000 and sold 233,500 of treasury shares for net cost of \$3,048.

Year Ended August 31, 2018

On November 3, 2017 the Company issued 932,500 common shares fair valued at \$93,250 to settle outstanding debt of \$88,837 resulting in a gain on debt settlement of \$4,413 and 455,000 shares fair valued at \$45,500 for services provided by directors, management and consultants.

On November 7, 2017 the Company issued 1,490,000 units of private placement at \$0.11 per unit for gross proceeds of \$163,900, with each unit comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.21 per share for a period of two years from the closing of the private placement.

On December 18, 2017 the Company issued 7,580,453 units of private placement at \$0.11 per unit for gross proceeds of \$833,850, with each unit comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.21 per share for a period of two years from the closing of the private placement.

On March 13, 2018 the Company issued 180,000 common shares for private placement at \$0.50 per share for gross proceeds of \$90,000.

On April 20, 2018 the Company issued 497,000 units of private placement at \$0.30 per unit for gross proceeds of \$149,100, with each unit comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.40 per share for a period of three years from the closing of the private placement.

On April 25, 2018 the Company issued 1,369,491 shares in connection with the agreement to acquire BioCannaTech Inc. These shares were recorded at their value of \$390,305.

On May 4, 2018, the Company issued 650,000 units of private placement at \$0.30 per unit for gross proceeds of \$195,000, with each unit comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.40 per share for a period of three years from the closing of the private placement. A finder's fee of \$12,380 was paid and 41,600 broker warrants were issued in relation to this private placement and are recorded as share issuance cost.

During the quarter ended February 28, 2019, the Company issued 3,679,900 units of private placement at \$0.14 per unit for gross proceeds of \$515,186, with each unit comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.20 per share for a period of three years from the closing of the private placement. 80,000 units were issued as finders' fees.

On August 31, 2018 the Company issued 345,000 common shares having a fair value of \$62,100 for services rendered.

As at the date of this report the Company had 86,106,361 and 85,681,861 common shares issued and outstanding, respectively.

Options

September 1, 2018 to the Date of This Report

During September, 2018, the Company granted 5,650,000 options to directors, officers and consultants of the Company. The options vested immediately and are exercisable into the Company's common stock at \$0.20 per share for five years from their grants.

On December 17, 2018, the Company granted 1,500,000 options to consultants of the Company. The options vested immediately and are exercisable into the Company's common stock at \$0.10 per share until December 16, 2019.

Year Ended August 31, 2018

During the year ended August 31, 2018, the Company recorded stock-based compensation of \$2,656,827 for options granted and vested during the period which is included in general and administrative expense.

On November 30, 2017 the Company granted 650,000 options to consultants of the Company exercisable into the Company's common stock at \$0.20 per share until November 30, 2022. 150,000 of these options vested immediately and 500,000 of these options vested over nine months of which 125,000 options vested upon grant, and 125,000 options vest on each of three, six and nine months after the grant.

On December 19, 2017, the Company granted 2,000,000 options to directors, officers and consultants of the Company. The options vested immediately and are exercisable into the Company's common stock at \$0.46 per share until December 19, 2022. These options were cancelled on August 28, 2018.

On January 24, 2018, the Company granted 1,900,000 options to consultants of the Company. The options vested immediately and are exercisable into the Company's common stock at \$0.90 per share until January 24, 2023. These options were cancelled on August 28, 2018.

The following is a summary of option activities during the year ended August 31, 2018 and from September 1, 2018 to the date of this report.

	Number of options	Weighted average exercise price \$
Outstanding at August 31, 2017	4,000,000	0.11
Granted	4,550,000	0.61
Cancelled	(3,700,000)	0.69
Exercised	(3,625,000)	0.14
Outstanding at August 31, 2018	1,225,000	0.13
Granted	7,850,000	0.18
Cancelled	(200,000)	0.20
Exercised	(1,500,000)	0.10
Outstanding at the date of this report	7,375,000	0.19

The following options are outstanding at the date of this report:

Expiry Date	Exercise price	Number of options
	\$	
December 30, 2019	0.15	500,000
September 15, 2021	0.05	300,000
April 24, 2022	0.11	100,000
July 31, 2022	0.13	400,000
November 30, 2022	0.20	425,000
September 24 and 26, 2023	0.20	5,450,000
February 19, 2014	0.15	200,000
Options Outstanding		<u>7,575,000</u>
Options Exercisable		<u>7,375,000</u>

Warrants

The following is a summary of warrant activities during the year ended August 31, 2018, three months ended November 30, 2018 and from December 1, 2018 to the date of this report:

	Number of warrants	Weighted average exercise price
		\$
Outstanding at August 31, 2017	5,771,688	0.16
Issued	14,442,989	0.22
Exercised	(6,392,178)	0.18
Outstanding at August 31, 2018	13,822,499	0.22
Issued	11,441,305	0.19
Exercised	(425,000)	0.11
Expired	(188,000)	0.13
Outstanding at the date of this report	<u>24,650,804</u>	<u>0.21</u>

The following warrants are outstanding at the date of this report:

Expiry Date	Exercise price	Number of warrants
May 10, 2019	\$ 0.21	813,600
November 7, 2019	\$ 0.21	602,000
December 19, 2019	\$ 0.21	6,795,799
February 27, 2021	\$ 0.15	2,080,000
April 20, 2021	\$ 0.40	497,000
May 4, 2021	\$ 0.40	691,600
August 31, 2021	\$ 0.20	3,809,500
September 14, 2021	\$ 0.20	801,143
September 24, 2021	\$ 0.20	5,380,250
November 2, 2021	\$ 0.20	3,179,912
Warrants Outstanding		<u>24,650,804</u>
Warrants Exercisable		<u>24,650,804</u>

Critical Accounting Policies and Estimates

Significant estimates and assumptions

The preparation of these consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include, fair value measurements for financial instruments, stock-based compensation, recoverability and measurement of deferred tax assets, and contingent liabilities.

Significant judgments

The preparation of these consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the determination of whether an acquisition constitutes a business combination or an acquisition of assets;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiary.

New Accounting Standards and Interpretations

Please refer to Note 3 of the unaudited interim consolidated financial statements for the six months ended February 28, 2019.

FINANCIAL INSTRUMENTS RISKS AND CAPITAL MANAGEMENT

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at November 30, 2018 are summarized below. The board of directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company is not exposed to significant currency risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash and other receivables.

Credit risk associated with cash is minimized by ensuring these financial assets are maintained with financial institutions of reputable credit and may be redeemed upon demand.

Management measures the expected credit loss based upon historic default rate of receivables and estimates the credit loss over the expected life of the receivables. At February 28, 2019, the Company had a promissory note receivable balance of \$303,872 from a related party.

Liquidity Risk

The Company intends to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at February 28, 2019, the Company had a cash balance of \$145,144 to settle current liabilities of \$358,327. The Company will need to source additional financing to pay its obligations as they come due.

Investment Risks

For a full discussion of risk factors affecting the Company please refer to the Company's Annual Information Form dated and filed on [sedar.com](http://www.sedar.com) on April 5, 2019.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its projects and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the development stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the components of shareholders' equity (deficiency), net of cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint arrangements, acquire or dispose of assets or adjust the amount of cash and investments. There were no changes in the Company's approach to capital management during the year.

SUBSEQUENT EVENTS

In March, 2019, 80,000 units were issued as finders' fee for the private placement closed in February, 2019. Each unit comprises of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of \$0.15 per share for a period of two years from February 27, 2019.

ADDITIONAL INFORMATION

The information provided in this MD&A is not intended to be a comprehensive review of all matters concerning the Company. This MD&A should be read in conjunction with other disclosure documents provided by the Company, which can be accessed at www.sedar.com

No securities commission or regulatory body has reviewed the accuracy or adequacy of the information presented herein.