

NORTH BUD FARMS INC.

Management's Discussion and Analysis

For the three and nine month periods ended August 31, 2019

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This Management's Discussion and Analysis ("MD&A") for North Bud Farms Inc. (the "Company" or "North Bud") should be read in conjunction with the condensed consolidated interim financial statements for the three and nine month periods ended August 31, 2019 and the consolidated financial statements for the years ended November 30, 2018 and 2017 and the notes thereto.

The financial information in this MD&A is derived from the Company's condensed consolidated interim financial statements for the three and nine month periods ended August 31, 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The effective date of this MD&A is October 21, 2019.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain of the information contained in this document may contain "forward-looking statements". Forward-looking statements may include, among others, statements regarding the Company's future plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. In this document, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events and are subject to known or unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Company's control. These risks and uncertainties include, but are not limited to, those described under the headings "Risk Management" and "Inherent Risk Factors" in this MD&A and could cause actual events or results to differ materially from those projected in any forward-looking statements. The Company does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events or circumstances or otherwise, except if required by applicable law.

BUSINESS OVERVIEW

North Bud Farms Inc. (the "Company" or "North Bud"), formerly 10002402 Canada Inc., was incorporated on November 29, 2016 under the Canada Business Corporations Act.

North Bud, through its wholly-owned subsidiary GrowPros MMP Inc. ("GrowPros"), has applied for a cultivation license under the Cannabis Act for its newly completed facility in Venosta, Quebec. The Company is focused on pharmaceutical-grade cannabis production as well as food grade cannabinoid infused inputs for both the international pharmaceutical market and the pending consumer goods and consumables segment of the recreational cannabis market. The address of the Company's corporate office is 4400-181 Bay Street, Toronto, Ontario, Canada, M5J 2T3. North Bud's common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol NBUD and also trade on the OTCQB under the symbol NOBDF.

GOING CONCERN

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at August 31, 2019, the Company had not yet generated any revenues from operations. The Company has no income or cash inflow from operations. Continued operation of the Company is dependent on becoming a licensed producer of cannabis, which requires continued financial support through equity and/or debt financings, or the achievement of profitable operations in the future. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. The financial statements do not include any adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

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CORPORATE DEVELOPMENT HIGHLIGHTS

CLOSING OF PRIVATE PLACEMENTS

On January 15, 2018, the Company closed a private placement for gross proceeds of \$500,000. The private placement was comprised of 10,000,000 shares at a price of \$0.05 per share. Directors of the Company (or corporations controlled by directors of the Company) participated in the private placement for a total amount of \$500,000.

On February 14, 2018, the Company closed a private placement for gross proceeds of \$1,100,000. The private placement was comprised of 11,000,000 shares at a price of \$0.10 per share. A Director of the Company participated in the private placement for an amount of \$25,000.

On April 20, 2018, the Company closed a private placement for gross proceeds of \$150,000. The private placement was comprised of 1,500,000 shares at a price of \$0.10 per share.

On July 25, 2018, the Company closed a private placement for gross proceeds of \$3,239,500. The private placement was comprised of 12,958,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 until September 20, 2020

On September 20, 2018, the Company closed a private placement for gross proceeds of \$994,500. The private placement was comprised of 3,778,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 until September 20, 2020. A Director of the Company participated in the private placement for an amount of \$50,000.

On June 19, 2019, the Company closed a first tranche of a private placement for gross proceeds of \$1,208,000. The private placement was comprised of 4,026,664 units at a price of \$0.30 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 until June 19, 2021. North Bud Capital Holdings Ltd., a significant and founding shareholder of the Company, participated in the private placement for \$1,000,000.

On July 3, 2019, the Company closed a second tranche of a private placement for gross proceeds of \$1,122,000. The private placement was comprised of 3,740,000 units at a price of \$0.30 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 until July 3, 2021.

ACQUISITION OF LICENSE APPLICANT

On February 16, 2018, the Company entered into a share purchase agreement ("SPA") with Tetra Bio-Pharma ("Tetra"), to acquire all of the issued and outstanding shares of GrowPros MMP Inc. ("GrowPros") for \$350,000 and 15,000,000 common shares of North Bud. The transaction was conditional on North Bud listing its shares on a recognized Canadian stock exchange. Effective July 31, 2018, the Company and Tetra executed an amendment to the SPA, whereby it was agreed that North Bud would issue 550,000 additional common shares to Tetra as consideration under the SPA. This measure was agreed to by the Company and Tetra so as to respect the anti-dilution covenant found in the SPA, which stipulated that Tetra should maintain ownership over a number of common shares representing at least 30% of all issued and outstanding shares of the Company on a non-diluted basis following the completion of the GrowPros acquisition and immediately prior to the listing of the common shares on a recognized Canadian stock exchange.

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On August 23, 2018, further to receiving notice of final receipt for its non-offering prospectus from the Ontario Securities Commission (the "OSC") and listing approval from the Canadian Securities Exchange (the "CSE"), North Bud completed the acquisition of GrowPros.

The acquisition does not meet the definition of a business combination under IFRS and, as such, has been accounted for as an acquisition of assets. Total consideration paid to Tetra was \$1,850,000, which included \$350,000 in cash and 15,000,000 common shares with an estimated fair value of \$1,500,000, or \$0.10 per share, based on the price of the shares issued in the Company's private placement that closed two days prior to the execution of the SPA, on February 14, 2018. The 550,000 additional common shares issued to Tetra, so as to respect the anti-dilution covenant in the SPA, have been excluded from the acquisition cost and instead recorded as a reduction of share capital given that they became issuable only when Tetra's ownership interest fell below 30% as a result of the private placement closed by the Company on September 20, 2018. On acquisition, the Company recorded an intangible asset in the amount of \$1,849,087, related to GrowPros' license application with Health Canada.

GrowPros has an application pending with Health Canada for a license under the Cannabis Act for the indoor cultivation of medical-grade cannabis. The Company intends to amend its application to include outdoor cultivation of medical-grade cannabis as well.

ACQUISITION OF LAND IN VENOSTA, QUEBEC

On June 7, 2018, the Company acquired all of the issued and outstanding shares of 9366-4027 Quebec Inc. ("9366-4027"), a company controlled by Ryan Brown, North Bud's CEO, in consideration for 760,000 common shares of North Bud. 9366-4027 is a holding company which owns 130 acres of farmland in Venosta, Quebec, where the Company recently completed building its future production facility. The acquisition does not meet the definition of a business combination under IFRS and, as such, has been accounted for as an asset acquisition. The land was recorded at an amount of \$159,600, being the estimated fair value of the 760,000 common shares issued, based on the Company's private placement that was ongoing at that time.

COMPLETION OF CONSTRUCTION OF FACILITY IN VENOSTA, QUEBEC

On August 14, 2019, the Company announced the completion of its 24,500 sq ft phase one indoor cultivation facility, located on 130 acres of farmland in Venosta, Quebec. The Company began construction of its production facility in October 2018, with NGA Construction Inc. ("NGA"), based out of Drummondville, Quebec, contracted to manage the project.

SUBMISSION OF EVIDENCE PACKAGE TO HEALTH CANADA

On September 12, 2019, the Company announced that it had submitted its Evidence of Readiness package to Health Canada, which represents a major milestone in the license application process. The Company has applied for a standard cultivation license.

GRANTING OF STOCK OPTIONS

On September 18, 2018, 4,650,000 stock options were granted to directors, officers, employees and consultants of the Company at an exercise price of \$0.25 per share, which all vested immediately and expire on September 18, 2023.

On September 18, 2018, 500,000 stock options were granted to certain consultants of the Company at an exercise price of \$0.25 per share, which all vested immediately and expire on September 18, 2020.

On September 27, 2018, 85,000 stock options were granted to a consultant of the Company at an exercise price of \$0.60 per share, which vest over a twenty-four month period and expire on September 27, 2023

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On March 6, 2019, 150,000 stock options were granted to an employee and a consultant of the Company at an exercise price of \$0.35 per share, which all vested immediately and expire on March 6, 2024.

BINDING LETTER OF INTENT TO ACQUIRE NEVADA BOTANICAL SCIENCE INC.

On June 25, 2019, North Bud announced the signing of a binding letter of intent ("LOI"), effective June 23, 2019, to acquire all of the issued and outstanding securities of Nevada Botanical Science, Inc. ("NBS"), located in Reno, Nevada. NBS holds medical and adult use licenses for cultivation extraction and distribution. NBS' operation is located on 3.2 acres of land within the Reno green zone industrial park. NBS currently operates a 5,000 sq. ft. indoor cultivation facility and have been approved for expansion of up to 100,000 sq. ft. The property also houses an extraction facility and commercial kitchen capable of manufacturing beverages and edibles. Operated by healthcare professionals, NBS has been primarily focused on the cultivation and manufacturing of medical cannabis products. NBS currently manufactures and sells topical pain creams, balms and lotions under the Trichomic brand.

The proposed transaction (the "Transaction") is currently structured as a share purchase agreement whereby in exchange for the purchase of all of the securities of NBS, North Bud will pay USD\$6M in cash and issue USD\$1M in common shares ("Common Shares") to the shareholders of Nevada Botanical Science (the "NBS Shareholders") with the price per Common Share to be determined based on a formula of the higher of (a) CAD\$0.35 per Common Share and (b) the 30-day volume weighted average price ("VWAP") calculated on the closing date (the "Closing Date") of a definitive agreement in respect of the Transaction (the "Definitive Agreement").

In addition, North Bud has agreed to loan up to USD\$500,000 under a promissory note to NBS while the companies work towards a definitive agreement. Specific terms of the promissory note are not yet determined, however any amounts loaned to NBS under the promissory note will be fully refundable and may be converted into equity in NBS, at the option of North Bud, in the event that the transaction is not completed. As at August 31, 2019, the Company has loaned NBS USD\$295,000, the equivalent of CAD\$389,213, which is included in loan receivable in the statement of financial position in the Company's condensed consolidated interim financial statements.

The Transaction is a significant acquisition but will not result in a "Fundamental Change" pursuant to the policies of the Canadian Securities Exchange ("CSE"). North Bud will be preparing the necessary corporate and securities filings in order to secure the required approvals for the Transaction. North Bud has agreed to pay up to USD\$280,000 in broker/finder fees to arm's length parties in connection with the closing of the Transaction. The closing of the Transaction is conditional on the receipt by the parties of applicable corporate and regulatory approvals including that of the CSE.

LAND PURCHASE AGREEMENT

On September 12, 2019, North Bud announced that Bonfire Brands USA, a wholly owned subsidiary of North Bud, has entered into a land purchase agreement with the Qlora Group to acquire a fully operational Cannabis farm consisting of approximately 300,000 sq. ft. of greenhouse capacity located in Salinas, California. With the near 11-acre cultivation facility comes additional licenses for processing and distribution. The facility in Salinas, California is currently licensed and operating a 60,000 sq. ft. greenhouse capable of producing 12,000 kg a year and holds the approval to expand up to approximately 300,000 sq. ft. of capacity with estimated yields of 60,000 kg a year. This infrastructure will serve as the primary operation for Bonfire Brands USA within the state of California.

Bonfire Brands USA entered into the land purchase agreement effective September 9, 2019. The purchase price of the land is USD\$8M. As part of the 60-day escrow agreement Bonfire Brands USA will make an initial deposit of USD\$500,000. The remaining USD\$7.5M mortgage will be held by the seller at a fixed interest rate. Over the first 12 months, Bonfire Brands USA will make interest only payments before entering into a traditional principal and interest mortgage. Upon successfully transferring all licenses from Monterey Holdings

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to Bonfire Brands USA, the Company will issue a convertible debt note in the amount of CAD\$2.5M. The debt note will be redeemable in four equal instalments to be paid in cash or common shares of North Bud (valued at the 30-day VWAP of the common shares on the CSE) at the discretion of the note holder. If the note holder chooses to redeem in cash, then the instalment will be paid in monthly instalments over a 3-month period. Any issuance of common shares of the Company will be subject to receipt of applicable regulatory approvals, including that of the CSE, and standard restrictions on resale.

Upon closing of the real estate transaction, it is expected that Bonfire Brands USA will begin to immediately operate the facilities under an operations agreement until the license transfer is complete

In addition, Bonfire Brands USA intends to acquire the remaining assets of the Qlora Group related to the brands "California Bud Co." and "Live For The Day" (LFTD) in exchange for common shares of North Bud. Qlora Group advises that the brands accounted for USD\$4.5M in unaudited revenue in 2018. This transaction is expected to take approximately six months to complete for a consideration of USD\$500,000.

The Transaction is a significant acquisition but will not result in a "Fundamental Change" pursuant to the policies of the CSE. North Bud will be preparing the necessary corporate and securities filings in order to secure the required approvals for the Transaction. The Company has agreed to pay up to 5% in finder fees to arm's length parties in connection with the closing of the Transaction. The fee is payable in common shares of North Bud. The closing of the Transaction is conditional on the receipt by the parties of applicable corporate and regulatory approvals including that of the CSE.

BINDING LETTER OF INTENT TO ACQUIRE EUREKA VAPOR LLC.

On March 6, 2019, the Company announced the signing of a binding letter of intent ("LOI"), dated March 3, 2019, to acquire all the issued and outstanding shares of Eureka Vapor LLC and all of its subsidiaries ("Eureka"), a U.S. multi-state cannabis operator, and arm's length to the Company. Eureka, through its wholly-owned subsidiaries holds manufacturing and distribution licenses in the states of California and Colorado. Eureka manufactures and sells a premium line of disposable vapor pens as well as multi-use cartridge-style vapor pens and hardware.

On September 12, 2019, the Company announced that the parties had mutually agreed to terminate the LOI.

BINDING LETTER OF INTENT TO ACQUIRE TANFORAN VENTURES LLC.

On June 18, 2019, the Company announced the signing of a binding letter of intent ("LOI"), effective June 15, 2019, to acquire all of the issued and outstanding securities of Tanforan Ventures LLC ("Tanforan"). Tanforan holds manufacturing and distribution licenses in the state of California and is in the final stages of completing its new Category 7 licensed extraction facility in Woodland, California.

On September 12, 2019, the Company announced that the parties had mutually agreed to terminate the LOI.

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SELECTED FINANCIAL INFORMATION

The following selected financial information is derived from the Company's condensed consolidated interim financial statements for the three and nine month periods ended August 31, 2019, which were prepared in accordance with IFRS:

	Three months		Nine months	
	ended August 31,		ended August 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net loss	(452,356)	(338,647)	(1,089,700)	(458,908)
Comprehensive loss	(452,356)	(338,647)	(1,089,700)	(458,908)
Basic and diluted loss per common share	(0.007)	(0.008)	(0.019)	(0.015)

	August 31,	November 30,
As at	2019	2018
	\$	\$
Total assets	9,279,500	7,691,156
Total liabilities	1,289,864	1,008,259

PAYMENT OF DIVIDENDS

The Company's current policy is to retain earnings to finance the development of its business. Therefore, the Company does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board of Directors in the context of its earnings, financial condition and other relevant factors. Until the time that the Company does pay dividends, which it may never do, shareholders will not be able to receive a return on their Common Shares unless they sell them.

RESULTS OF OPERATIONS

During the three and nine month periods ended August 31, 2019, the Company recorded a net loss and total comprehensive loss of \$452,356 and \$1,089,700, respectively, compared to a net loss and total comprehensive loss of \$338,647 and \$458,908, respectively, during the three and nine month periods ended August 31, 2018. The increase is primarily attributable to increases in the following items: (i) management and consulting fees, (ii) salaries and benefits, (iii) travel and promotion, (iv) office expenses and (v) insurance, as further described below:

- During the three and nine month periods ended August 31, 2019, the Company recorded management and consulting fees of \$82,667 and \$261,806, respectively, as compared to \$107,193 and \$146,193 for the three and nine month periods ended August 31, 2018. The increase is due mainly to the fact that 2018 was North Bud's first year of operations and the Company has added/retained additional resources in the current year.
- During the three and nine month periods ended August 31, 2019, the Company recorded salaries and benefits of \$68,244 and \$108,240, respectively, as compared to \$Nil and \$Nil for the three and nine month periods ended August 31, 2018. The increase is also due mainly to the fact that 2018 was North Bud's first year of operations and the Company has added/retained additional resources in the current year.
- During the three and nine month periods ended August 31, 2019, the Company recorded travel and promotion expenses of \$72,820 and \$266,519, respectively, as compared to \$34,122 and \$34,122

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for the three and nine month periods ended August 31, 2018. The increased expenses incurred during the three and nine months ended August 31, 2019 are attributable primarily to executive travel for specific business reasons, including the pursuit of M&A opportunities in the United States, fundraising efforts, conferences, analyst and investor events, as well as marketing initiatives to reach a variety of investor audiences.

- During the three and nine month periods ended August 31, 2019, the Company recorded office expenses of \$37,866 and \$159,533, respectively, as compared to \$20,407 and \$31,268 for the three and nine month periods ended August 31, 2018. Office expenses recorded for the three and nine months ended August 31, 2019 include \$9,600 and \$53,800, respectively, in rent and \$28,266 and \$105,733, respectively, of general and administrative expenses.
- During the three and nine month periods ended August 31, 2019, the Company recorded insurance costs of \$119,377 and \$151,798, respectively, as compared to \$57,674 and \$57,674 for the three and nine month periods ended August 31, 2018. The increased insurance costs for the three and nine months ended August 31, 2019 are attributable to significant increases in directors and officers liability insurance, due in part to industry-wide conditions but also due to the Company's M&A activities in the United States.

SUMMARY OF QUARTERLY RESULTS

The following information has been derived from the eight most recently completed quarters, all presented in accordance with IFRS:

	August 31,	May 31,	February 28,	November 30,
For the three months ended	2019	2019	2019	2018
	\$	\$	\$	\$
Net loss	(452,356)	(367,693)	(269,651)	(1,345,632)
Comprehensive loss	(452,356)	(367,693)	(269,651)	(1,345,632)
Basic and diluted loss per common share	(0.007)	(0.007)	(0.005)	(0.025)

	August 31,	May 31,	February 28,	November 30,
For the three months ended	2018	2018	2018	2017
	\$	\$		\$
Net loss	(338,647)	(95,261)	(25,000)	-
Comprehensive loss	(338,647)	(95,261)	(25,000)	-
Basic and diluted loss per common share	(0.008)	(0.003)	(0.003)	-

During the year ended November 30, 2018, there was an increase in net loss and total comprehensive loss each quarter, as compared to the previous quarter, due to the fact that this was the Company's first year of operations and additional resources were required as the Company worked towards establishing its operations, prepared and filed its prospectus, listed its common shares for trading on the CSE and advanced its license application with Health Canada. The Company has yet to generate any revenue from operations. The net loss and total comprehensive loss during the three months ended November 30, 2018 (\$1,345,632) was particularly high, as compared to previous quarters, due to the grant of 5,150,000 stock options on September 18, 2018, all of which vested immediately, and for which the company recognized stock-based compensation in the amount of \$938,836.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity depends on existing cash reserves, supplemented as necessary by equity and/or debt financings. As at August 31, 2019, the Company had a working capital of \$1,413,761 (\$3,506,887 as at November 30, 2018), including cash of \$1,462,468 (\$4,015,098 as at November 30, 2018) and current liabilities of \$1,289,864 (\$1,008,259 as at November 30, 2018).

During the nine month period ended August 31, 2019, the Company used cash of \$1,464,765 to fund operating activities (2018 - \$382,367).

As the Company's focus has been primarily on advancing its license application with Health Canada and constructing its facility in Venosta, Quebec, as well as pursuing M&A opportunities in the United States, it has not generated any operating revenue and has relied exclusively on equity financings. The Company is dependent upon additional equity and/or debt financing to fund its ongoing operations until it can achieve profitable operations, which currently is dependent on the Company's success in securing a license from Health Canada. There can be no assurance that the Company's license will be approved by Health Canada.

COMMITMENTS AND CONTINGENCIES

Effective May 1, 2018, the Company entered into a lease agreement for office space in Chelsea, Quebec. The Company pays monthly rent of \$3,200. The lease term is for twenty-four months.

OFF-BALANCE SHEET ARRANGEMENTS

As at May 31, 2019 and as of the date of this MD&A, the Company does not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

As at the date of this MD&A, aside from the Letter of Intent to acquire Nevada Botanical Science Inc. and the Land Purchase Agreement with the Qlora Group (see Corporate Development Highlights section) there are no proposed asset or business acquisitions or dispositions.

RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Related parties include the Board of Directors and key management personnel, as well as close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

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Remuneration of directors and key management personnel of the Company was as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Consulting fees	37,500	30,000	112,500	45,000
	37,500	30,000	112,500	45,000

During the three and nine month periods ended August 31, 2019, consulting fees of \$15,000 and \$45,000, respectively, were paid/payable to Ryan Brown, the Company's CEO, for services rendered as CEO of the Company (2018 - \$Nil and \$Nil).

During the three and nine month periods ended August 31, 2019, consulting fees of \$22,500 and \$67,500, respectively, were paid/payable to Brendan Stutt, the Company's CFO, for services rendered as CFO of the Company (2018 - \$30,000 and \$45,000).

FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT*Financial instruments*

The Company's financial instruments consist of cash, other receivables, loan receivable and accounts payable and accrued liabilities. The fair value of the Company's financial instruments approximates their carrying value due to their short-term nature.

The classification of financial instruments is as follows:

	August 31, 2019	November 30, 2018
	\$	\$
Financial assets		
Amortized cost		
Cash	1,462,468	4,015,098
Other receivables	-	36,437
Loan receivable	389,213	-
Total financial assets	1,851,681	4,051,535
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	(1,289,864)	(1,008,259)
Total financial liabilities	(1,289,864)	(1,008,259)

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Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash and loan receivable. The Company's cash is held at reputable financial institutions with high external credit ratings. It is Management's opinion that the Company is not exposed to significant credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares through equity offerings or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There have been no changes to the Company's capital management approach during the nine month period ended August 31, 2019.

CHANGE IN ACCOUNTING POLICIES

The Company has not had any changes in accounting policies, other than the adoption of new mandatory standards under IFRS as well as amendments to existing standards, for the nine month period ended August 31, 2019.

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INHERENT RISK FACTORS

You should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating North Bud and its business before making any investment decision. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers, including investors considering a purchase of securities of the Company.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

The Company is reliant on a licence to produce cannabis products in Canada that it does not currently hold.

The Company's proposed business operations are predicated on Health Canada issuing a licence to GrowPros to enable the Company to grow, store and sell cannabis and other cannabis products in Canada. GrowPros has applied to Health Canada to become a Licensed Producer under the Cannabis Act, but as of the date of this MD&A, GrowPros' application is still under review with Health Canada. While the Company expects that GrowPros will receive a licence to produce in the future, the Company cannot guarantee that the licence will be granted and if granted, the timing of such grant. Failure to ultimately obtain the licence from Health Canada would have a material adverse impact on the future business, financial condition and operating results of the Company.

The Company has a limited operating history.

The Company has a limited operating history. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

The Company has a history of net losses since incorporation and may never turn a profit or be able to pay dividends.

The Company has incurred operating losses since incorporation and may not be able to achieve profitability. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operation of its business. If the Company does not achieve revenues to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will turn a profit or generate immediate revenues or pay dividends. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements.

The laws and regulations governing cannabis are still developing, including in ways that may not be foreseeable by the Company at present.

The Company's ability to achieve its business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and upon obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian cannabis industry. Similarly, the Company cannot predict how long it will take to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect

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on the Company's business, results of operations and financial condition. Any amendment to or replacement of existing laws may cause adverse effects to the Company's, operations. The risks to the Company's business represented by subsequent regulatory changes could reduce the addressable market for its proposed products and could materially and adversely affect the Company's business, financial condition and results of operations.

The Company's proposed business is subject to a high degree of regulation, which carries with it risks related to non-compliance as well as significant costs of compliance.

The Company will be operating in a new industry that is highly regulated and in a market that is very competitive and evolving rapidly. The Company's ability to grow, store and sell cannabis in Canada is dependent on obtaining the licences from Health Canada and then maintaining those licences in good standing. Failure to comply with the terms of the licences or maintain the licences in good standing would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomical. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Competition in the cannabis industry is significant and expected to increase.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways. An increase in the companies competing in this industry could limit the ability of the Company to develop its business as planned. Current and new competitors may be better capitalized, with a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost than the Company. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its ability to become and remain profitable. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable.

If the Company cannot successfully develop, manufacture and distribute its products as planned, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

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The development and operation of the Company's business may require additional financing, which it may not be able to secure.

There is no guarantee that the Company will be able to achieve its business objectives with the funding currently available to it. The Company has had negative operating cash flow since incorporation. If this continues into the future, the Company may require additional financing to fund its operations to the point where it is generating positive cash flows. The failure to raise the necessary capital could result in the delay or indefinite postponement of current business objectives or adversely affect the Company's ability to continue as a going concern. The Company cannot provide any assurance that additional capital or other types of financing will be available at all or on terms that are favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares.

Under Canadian regulations, a Licensed Producer of cannabis has restrictions on the type and form of marketing it can undertake, which could materially impact sales performance.

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada or provincial regulations. Licensed Producers are not allowed to advertise their products to the public. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

The Company is highly dependent on its senior management.

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its CEO and other members of senior management. Future success depends on the Company's continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the loss of any of senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all.

The Company's business is an agricultural business and subject to the risks inherent in an agricultural business.

The Company's business will involve the cultivation of cannabis, an agricultural product. As such, the Company's business will be subject to the risks inherent in an agricultural business, such as insects, plant diseases, and similar agricultural risks. Although the Company proposes to manage its cultivation in accordance with best practices, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products. For the near future the Company is reliant on a single location. Adverse changes affecting the Production Facility could materially affect the Company's plans.

The Company may seek to expand and develop its business through strategic acquisitions, which may not be successfully integrated, or may not succeed in furthering the Company's business strategy, resulting in no benefit to the Company from the acquisition.

The Company may seek to grow by acquiring other businesses. The integration of any acquired business, technology, product or other assets into the Company's operations may be complex and time-consuming and, if an acquired business, technology, product or other asset is not successfully integrated, the Company may not achieve the anticipated benefits, whether cost-savings or growth opportunities. Furthermore, such

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acquisitions, even if successfully integrated, may fail to further the Company's business strategy as anticipated, may expose the Company to increased competition or other challenges with respect to the Company's products or markets, or expose the Company to additional liabilities associated with an acquired business, technology, product or other asset.

The Company must rely largely on its own market research and anticipated market demand may not materialize.

The Company must rely largely on its own market research to forecast future sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in Canada. In addition, market research relating to the adult-use cannabis industry is not yet readily available and as such, trends in the adult-use cannabis market can only be forecasted. The expected demand for the Company's proposed products may fail to materialize as a result of competition, technological change or other factors, which could have a material adverse effect on the Company's business, results of operations, and financial condition.

The Company may become subject to litigation, which could have a material adverse effect on the Company and its business.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against the Company. The Company may not be able to obtain or maintain adequate insurance or other protection against potential liabilities arising from product sales. Product liability claims could also result in negative perception of the Company's products or other reputational damage which could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The operations of the Company will be subject to environment regulation and if the Company does not comply with all environmental regulations applicable to it, the Company may be subject to enforcement actions, additional costs, and legal liability for damages caused by its operations.

Environmental regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations.

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The Company's products may be subject to recalls for a variety of reasons, which could require it to expend significant management and capital resources.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. A recall could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors. In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

The Company may be subject to reputational damage.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

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DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

At the end of the period covered by this report, an evaluation of the design of disclosure controls and internal controls over financial reporting was carried out under the supervision of the Company's management, including the CEO and CFO. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls were designed effectively as of August 31, 2019, the end of the period covered by this report, to ensure that information required to be disclosed in reports that it files or submits to regulatory authorities, is recorded, processed, summarized and reported within the time periods specified by regulation, and is accumulated and communicated to management to allow for timely decisions regarding required disclosures.

There were no significant changes in the Company's internal control over financial reporting during the nine month period ended August 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management will continue to monitor its disclosure controls and may make modifications from time to time as considered necessary or desirable.

Notwithstanding the foregoing, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that the disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Company to disclose material information otherwise required to be set forth in the reports. The disclosure controls and procedures are designed to provide reasonable assurance of achieving their objective of ensuring that information required to be disclosed in the reports is communicated to management to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's management, with the participation of its CEO and CFO, has designed, established and is maintaining a system of internal control over financial reporting. Under the supervision of the CFO, the Company's internal control over financial reporting is a process designed to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner and in accordance with IFRS.

The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's control over financial reporting during the nine month period ended August 31, 2019 were designed and implemented throughout the period. There have been no changes to the controls during the period that materially affected or are reasonably likely to materially affect the internal control over financial reporting.

Because of the inherent limitations, internal control over financial reporting 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 assessed the effectiveness of the internal

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control over financial reporting as of August 31, 2019. As a result, management concluded that the internal control over financial reporting were effective as at that date.

Limitations of Controls and Procedures

Management, including the CEO and CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CRITICAL ACCOUNTING ESTIMATES

See Note 2 to the Company's consolidated financial statements for the years ended November 30, 2018 and 2017.

NEW ACCOUNTING POLICIES ISSUED BUT NOT YET EFFECTIVE

See Note 2 to the Company's consolidated financial statements for the years ended November 30, 2018 and 2017.

OUTSTANDING SHARE DATA

Common shares and convertible securities outstanding at October 21, 2019, consist of:

Security	Expiry date	Range of exercise price	Securities outstanding
		\$	#
Common shares	-	-	63,441,806
Warrants	September 20, 2020 to July 3, 2021	0.40	16,134,664
Stock options	September 18, 2020 to March 6, 2024	0.25 - 0.35	5,300,000

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

Additional information on the Company is available on SEDAR (www.sedar.com).