CANNARA BIOTECH INC.
(Formerly Dunbar Capital Corp.)

MANAGEMENT DISCUSSION AND ANALYSIS
February 28, 2019

This Management Discussion and Analysis ("MD&A") of Cannara Biotech Inc. (formerly Dunbar Capital Corp.) ("Cannara" or the "Company") has been prepared by management as of April 29, 2019 and should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto of the Company as at and for the three and six month periods ended February 28, 2019 and the audited financial statements and related notes thereto of the Company for the period from incorporation date (October 19, 2017) to August 31, 2018, which was prepared in accordance with International Accounting Standards using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, future economic performance and the Company's ability to become a leader in the field of cannabis cultivation, production and sales.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section "Risk Factors" as well as those factors detailed from time to time in the Company's interim and annual financial statements and the related MD&A of those statements. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Certain forward-looking statements in this MD&A include, but are not limited to, the Company's construction plans as outlined under "Business Overview", the receipt from Health Canada of its cultivation and sales license and the Letter of Intent for business development arrangements.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

BUSINESS OVERVIEW

Cannara was incorporated under the *laws of British Columbia* on October 19, 2017 and is currently listed and publicly traded on the Canadian Securities Exchange ("CSE") under the symbol "LOVE". The Company's head office is located at 333 Decarie blvd, Ville St-Laurent, Quebec, H4N 3M9.

Cannara Biotech (Ops) Inc. ("Cannara Ops") is a wholly owned subsidiary of Cannara, whose principal business activities will be to develop and commercialize a variety of cannabis-infused medical and recreational products and dried cannabis. Cannara Ops's head office is located at 333 Decarie blvd, Ville St-Laurent, Quebec, H4N 3M9 and its facility and operations are located at 1144 Magenta blvd, Farnham, Quebec, J2N 1C1. Leveraging Quebec's low electricity costs, Cannara Ops is building a large-scale indoor cannabis cultivation facility in Farnham, Quebec (the "Farnham Facility"), a secure 625,000 square foot state-of-the-art facility located less than 45 minutes from downtown Montreal. The Farnham Facility is located in the Eastern Townships which allows for a supply of clean water, access to 15 megawatts of hydro power at prices significantly less expensive than elsewhere in Canada and an ideal location for security, tax benefits, shipping and product growth. Cannara Ops strives to become a vertically integrated cannabis company focused on the cultivation, production and sale of medical and recreational high-grade indoor hydroponically grown cannabis, derivative and cannabis-infused products for the Canadian and international markets. Working with partners from various industries, Cannara Ops will generate product revenues, licensing revenues, and revenue streams from partnership arrangements. In addition, Cannara Ops will earn lease revenues from lease arrangements made on the currently unused portion of the Farnham Facility while it completes the phased construction. Additional information about Cannara Ops may be accessed at www.cannara.ca.

Cannara Ops also owns approximately 72.6% of Global ShopCBD.com Inc., which is an entity that intends to offer a variety of hemp-based CBD products, including tinctures, oils, capsules, body care, vape cartridges and pet-related products via a robust and user-friendly online e-commerce platform to clients in the United States.

CAPITAL TRANSACTIONS

Cannara and Cannara Ops

On October 12, 2018, October 19, 2018, November 28 2018 and December 14, 2018, Cannara Ops issued a total of 207,640,375 subscription receipts at a price of $0.18 per subscription receipt on a private placement basis, with each subscription receipt representing the right to receive one common share without payment of additional consideration, subject to certain conditions, which include the successful listing of the Company on the CSE.

On December 31, 2018, the Company completed its business combination with Cannara Ops, a private company incorporated under the *Canada Business Corporations Act*. Upon completion of this transaction, the Company issued a total of 476,667,330 common shares to the shareholders of Cannara Ops and, as a result, the security holders of Cannara Ops became the majority shareholders of the combined entity (the "Reporting Issuer"). In addition, each shareholder of Cannara Ops received one common share of the Company in exchange for each Cannara Ops share. The Company also assumed warrants of Cannara Ops for the purchase of up to 15,988,710 common shares and options of Cannara Ops for the purchase of up to 15,777,779 common shares.

The transaction resulted in the shareholders of Cannara Ops acquiring control of the Company. Therefore, the transaction, has been accounted for as a reverse acquisition for accounting purposes with Cannara Ops being the accounting acquirer and the Company being the accounting acquiree (refer to note 4 of the condensed interim consolidated financial statements). Cannara Ops will continue as the wholly-owned operating subsidiary of the Company that is currently in the early development stages of its business plan.

On January 14, 2019, the Resulting Issuer's common shares were listed on the CSE and began trading under the symbol "LOVE". In accordance with the Definitive Agreement, the Company issued 207,640,375 common shares at a deemed price of $0.18 in connection to the Subscription Receipt Financing closed between October 12, 2018 and December 14, 2018 for gross proceeds of $37,375,268. Each subscription receipt was automatically converted into one common share upon the successful listing the Company's common shares on the exchange.

On January 24, 2019 and January 31, 2019, the Company issued an additional 868,000 common shares as result of the exercising of previous warrants issued for gross proceeds of $86,800.

Global ShopCBD.com Inc.

On February 20, 2019, Global ShopCBD.com Inc. issued a total of 50,000,000 common shares to Cannara Ops for gross proceeds of $250,000.

On February 22, 2019, Global ShopCBD.com Inc. issued a total of 95,900,000 common shares to Cannara Ops for gross proceeds of $1,918,000. In addition, 50,000,000 common shares were issued to a company controlled by a member of key management for proceeds of $1,000,000 and 5,100,000 common shares were issued to other investors for gross proceeds of $102,000.

During the six month period ended February 28, 2019, Global ShopCBD.com Inc. entered into share subscription agreements to issue 38,184,334 common shares at a price of $0.15 per common share on a private placement basis to third parties that include shareholders of Cannara, with each share subscription agreement representing the right to receive common shares without payment of additional consideration subject to certain terms and conditions.

On March 11, 2019, Global ShopCBD.com Inc. fulfilled the terms and conditions and issued 37,285,660 common shares resulting in Cannara Ops ownership interest being decreased to 61.2% from 72.6% as at February 28, 2019. Any share subscription agreement that did not result in issuance of common shares were cancelled and related cash, if provided, was returned to the potential investor.

OPERATION HIGHLIGHTS

Farnham, Quebec Cultivation Facility

Cannara Ops has made significant progress on the Phase one build-out of its cannabis cultivation facility in Farnham, Quebec which had originally contemplated an initial build-out area of 130,000 square feet for which has now been increased to 170,000 square feet to provide Cannara Ops with more flexibility for the cultivation and post-harvest operations including an area allocated to research and development. The 40,000 square foot expansion had no effect to the timeline for completion of Phase one construction, which is expected to be completed in the early part of the third quarter of the calendar year, at which point, Cannara Ops will be in a position to apply for the Security Clearance Process with Health Canada in order to obtain its license to cultivate.

The current cultivation capacity for Phase one is estimated at 15,000 kg of cannabis per annum and upon completion of Phase two and three, is estimated to boast a peak capacity of more than 100,000 kg of cannabis, with broad production and processing capabilities for a range of cannabis-infused products.

During the six month period ended February 28, 2019, Cannara Ops has invested $10,535,882 in construction costs related to its Phase one build-out.

Cannara Brand Portfolio

Core to the Company's strategic vision, is a firm belief in the power of brands to inform and influence consumer decisions. As such, during the six month period ended February 28, 2019, developed an initial portfolio of cannabis brands which has been carefully crafted for specific market segments which include "Nativa" (premium dried cannabis and vape cartridges), "Floragel" (oil and tinctures), "Gummyz" (confectionaries), "Earth Magic" (cosmeceutical), "Liquid CBD" (hydration beverages) and "PetLeaf" (animal health).

Online E-Commerce Platform - ShopCBD.com

The Company, through its subsidiary, Global ShopCBD.com Inc., has entered the U.S. hemp-based CBD market with an online e-commerce platform, www.shopCBD.com. The new e-commerce platform will showcase retail products from hemp-based CBD manufacturers for the U.S. consumer market. ShopCBD.com intends to offer a variety of products, including tinctures, oils, capsules, body care, vape cartridges and pet-related products. ShopCBD.com is currently under development and will provide a user-friendly online experience where consumers can purchase, review and compare a variety of hemp-based CBD products.

Cannabinoid-Infused Beverages and Partnership Arrangements

On February 7th, 2019, the Company, through its subsidiary, Cannara Ops, announced that it has entered into a letter of intent with a leading Quebec-based microbrewery to develop cannabinoid-infused beverages in anticipation of the new regulations relating to edibles and beverages which is expected to come into effect in October 2019.

In addition to this letter of intent, the Company is currently undergoing various discussions and negotiations with leading industry partners to create partnerships that will allow the Company to produce new cannabis-infused products and develop new delivery platforms.

RISK FACTORS

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

Reliance on License

The ability of the Company to successfully grow, store and sell cannabis in Canada is dependent on Cannara Ops obtaining access to a production and sales license from Health Canada (the "License"). The License is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements and terms of the License or any failure to maintain the License or any failure to renew the License after its expiry date, would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no assurance that Health Canada will issue, extend or renew the License or, if extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not issue, extend or renew the License, the business, financial condition and operating results of the Company would be materially adversely affected.

Currently, there is a pending license application with Health Canada that is awaiting the approval and issuance of a license to cultivate cannabis via a license granted to FV Pharma Quebec Inc. Although the Company believes FV Pharma Quebec Inc. will meet the requirements for the license, there can be no guarantee that Health Canada will approve and grant the license. Should Health Canada not grant the license, the business, financial condition and results of the operation of the Company would be materially adversely affected.

Regulatory Risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operations and financial condition.

Change in Laws, Regulations and Guidelines

The Company's business will be subject to particular laws, regulations, and guidelines. The production and distribution of medical and recreational cannabis is a highly regulated field, and although the Company intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change which will be outside of the Company's control.

Limited Operating History and No Assurance of Profitability

As at February 28, 2019, the Company has not yet entered the production stage. The Company will be subject to all of the business risks and uncertainties associated with any early-staged enterprise, including under-capitalization and the risks that it will be unable to successfully produce medical and recreational cannabis, or establish a market for its products, achieve its growth objectives, and/or ultimately become profitable. There can be no assurance that consumer demand for the products will be as anticipated, or that the Company will become profitable.

Unfavorable Publicity or Consumer Perception

The success of the medical cannabis industry may be significantly influenced by the public's perception of medical and recreational cannabis applications. Cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to cannabis will be favorable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis may have a material adverse effect on our operational results, consumer base and financial results.

Competition

The market for the Company's product does appear to be sizeable and Health Canada has only issued a limited number of licenses to produce and sell cannabis in Quebec. As of the date of drafting this MD&A, there are approximately 171 licenses issued by Health Canada, however, only 15 of those are in Quebec. The Company views operating in Quebec as a competitive advantage, however the Company still expects significant competition from other companies. A large number of companies appear to be applying for production licenses, some of which may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

Should the size of the medical and recreational cannabis market increase as projected, the demand for product will increase as well, and in order for the Company to be competitive, it will need to invest significantly in research and development, marketing, production expansion, new client identification, and client support. If the Company is not successful in achieving sufficient resources to invest in these areas, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial condition and operations.

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Key Personnel

The Company's success will depend on its directors' and officers' ability to develop the Company business and manage its operations, and on the Company's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

Conflicts of Interest

Certain of the Company's directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company interests. In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Agricultural Operations

Since the Company's business will revolve mainly around the growth of cannabis, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and infestation, among others. The Company believes its indoor state-of-the-art facility which deploys a 100% climate-controlled environment, is a fully monitored indoor location with artificial grow lights, will minimize the risks as compared to cultivation in a greenhouse or outdoor environment, however, there is no guarantee that we can avoid the risks associated with agricultural products.

Further, any rise in energy costs may have a material adverse effect on the Company's ability to produce cannabis with favorable margins.

Transportation Disruptions

As a business revolving mainly around the growth of an agricultural product, the ability to obtain cost-effective and efficient transport services will be essential to the prolonged operations of the Company's business. Should such transportation become unavailable for prolonged periods of time, there may be a material adverse effect on the Company's business, financial situation, and operations.

Fluctuating Prices of Raw Materials

The Company revenues, if any, are expected to be in large part derived from the production, sale and distribution of cannabis. The price of production, sale and distribution of cannabis may fluctuate widely and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

Construction Risk

If construction of the Company's Farnham Facility is delayed or hindered, the Company may not be able to produce and develop its products, which could prevent it from ever becoming profitable.

IT & Security Risk

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks and may be subject to breaches of security, or in respect of electronic documents and data storage, and may face risks related to theft and breaches of applicable privacy laws.

Litigation Risk

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Intellectual Property

The success of the Company's business depends in part on its ability to protect its ideas and technology. Cannara Ops has filed provisional patents and a number of trademarks. There is no guarantee that said patent applications will be granted. Even if the Company is successful in securing patents to protect its technology with trademarks, it is not assured that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact our ability to successfully grow our business.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Liquidity and Future Financing

The Company is in the development and early operations stage and has not generated any revenues. The Company will likely operate at a loss until its business becomes established and therefore may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing Company shares, control may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

Speculative Nature of Investment

An investment in the Company common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has no history of earnings, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Company is in the development and planning phases of its business and has not started commercialization of its products and services. The Company's operations are not yet sufficiently established such that the Company can mitigate the risks associated with the Company planned activities.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise future equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Significant Ownership Interest of Management and Directors

The Company's management, directors, co-founders and employees own a substantial number of the outstanding common shares. As a group, these individuals could exercise substantial control or influence over matters requiring shareholder approval, such as election of directors, approval of transactions, determination of significant corporate actions and changes to share structure. In addition, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders. Until further rounds of financing are completed, other shareholders may be limited in their ability to exercise control over important corporate decisions.

Costs of Being a Publicly-Traded Company

As a publicly-traded company, the Company incurs significant legal, accounting and filing fees. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and issue material disclosure documents.

SUMMARY OF FINANCIAL RESULTS

Consolidated statement of financial position

	February 28, 2019	November 30, 2018	August 31, 2018
Current assets	**$ 43,270,167**	$ 45,302,239	$ 13,484,718
Total assets	**$ 69,949,496**	$ 66,694,226	$ 28,860,298
Current liabilities	**$ 9,550,340**	$ 40,909,973	$ 1,163,886
Total liabilities	**$ 22,706,803**	$ 53,846,847	$ 14,117,877
Net Assets	**$ 47,242,693**	$ 12,847,379	$ 14,742,421

Consolidated statement of net loss and comprehensive loss

	2019 Year-to-date	**Three month period ended February 28, 2019**	**Three month period ended November 30, 2018**
Lease revenues, net of lease operating costs	**$ 902,507**	**$ 436,602**	**$ 465,905**
Operating expenses excluding amortization	**$ 4,584,983**	**$ 2,255,139**	**$ 2,329,844**
Amortization	**$ 267,023**	**$ 138,962**	**$ 128,061**
Operating loss	**$ 3,949,499**	**$ 1,957,499**	**$ 1,992,000**
Other expenses	**$ 2,367,653**	**$ 2,054,427**	**$ 313,226**
Net loss and comprehensive loss	**$ 6,317,152**	**$ 4,011,926**	**$ 2,305,226**
Basic and diluted loss per share	**$ 0.01**	**$ 0.01**	**$ 0.01**

The Company had limited operations for the three and six month periods ended February 28, 2018 as the Company was incorporated on February 21, 2018.

RESULTS OF OPERATIONS

Three month period ended February 28, 2019

During the three month period ended February 28, 2019, the Company realized 100% of its lease revenue of $518,438 from two lessees who are currently occupying a portion of the vacant area of the Farnham Facility while the Company constructs and completes the Phase one build-out. The current lease terms are until May 31, 2019 and September 30, 2022 and may be renewed at the discretion of the Company. The Company is managing the lease terms in order to coincide with its development plans for the remaining build-out of Phase two and three of the Farnham Facility. The Company incurred $81,836 in lease operating costs in order to realize the lease revenue.

Included in operating expenses was $711,131 in professional fees which included amounts paid to various consultants and lawyers for the development and registration of various patents, development of the Company's best practices relating to its cultivation process, establishment of municipal relations, initial development costs for the ShopCBD.com e-commerce platform and for general corporate activities. In addition, operating expenses included $539,060 in salaries and benefits, $293,067 in general and administrative expenses, $421,613 in stock-based compensation and $192,224 in marketing costs.

During the three month period ended February 28, 2019, the Company reported an operating loss of $1,957,499. In addition, the Company incurred a one-time charge of $1,875,243 relating to expenses for the reverse takeover transaction (of which $1,701,282 was non-cash) and net finance expenses of $179,184. As a result, the Company reported a net loss of $4,011,926 or $0.01 loss per share.

Six month period ended February 28, 2019

During the six month period ended February 28, 2019, the Company realized 100% of its lease revenue of $1,036,881 from the two lessees. The Company incurred $134,375 in lease operating costs in order to realize the lease revenue.

Included in operating expenses was $1,502,035 in professional fees for activities mentioned above, $1,280,827 in salaries and benefits, $675,692 in general and administrative expenses, $560,686 in stock-based compensation and $467,699 in marketing costs to establish the Company's brand presence.

During the six month period ended February 28, 2019, the Company reported an operating loss of $3,949,499. In addition, the Company incurred a one-time charge of $1,875,243 relating to expenses for the reverse takeover transaction (of which $1,701,282 was non-cash) and finance expenses of $492,410. As a result, the Company reported a net loss of $6,317,152 or $0.01 loss per share.

The Company had limited operations for the three and six month periods ended February 28, 2018 as the Company was incorporated on February 21, 2018.

LIQUIDITY AND CAPITAL RESOURCES

As of the date of this MD&A, the Company has not started generating revenues from cannabis operations and has financed its operations and met its capital requirements primarily through a mortgage and equity financings. The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements. The Company reported a net working capital amount of $33,719,827 as at February 28, 2019 (August 31, 2018 - $12,320,832).

As at February 28, 2019, the Company had cash on hand of $35,941,545 (August 31, 2018 - $12,899,672), restricted cash from Global ShopCBD.com Inc. share subscription agreements of $5,727,650 (August 31, 2018 - $Nil) with an associated liability as certain conditions were only fulfilled after February 28, 2019, accounts receivable and sales tax receivable of $1,600,972 (August 31, 2018 - $585,046) trades payable and accrued liabilities of $3,704,437 (August 31, 2018 - $1,091,235), and a current portion of lease liability of $118,253 (August 31, 2018 - $72,651).

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

	Six month period ended February 28, 2019	Three month period ended February 28 2019
Cash used in operating activities	**$ 4,027,967**	**$ 2,102,171**
Cash provided from financing activities	**$ 36,419,931**	**$ 36,756,317**
Cash used in investing activities	**$ 9,361,149**	**$ 4,871,791**

Operating activities

For the three and six month period ended February 28, 2019, cash flow used for operating activities was $2,102,171 and $4,027,967. The cash flow used in operating activities was primarily attributable to expenses relating to salaries of personnel, professional fees, marketing costs, office, travel and promotion.

Financing activities

For the three and six month period ended February 28, 2019, cash flow provided from financing activities amounted to $36,756,317 and $36,419,931 respectively. During the three months ended February 28, 2019, the Company raised $37,375,268 by issuing 207,640,375 common shares of the Company and incurred $2,019,670 of share issuance costs. In addition, 868,000 warrants were exercised providing the Company with an additional cash injection of $86,800. Furthermore, the Company's subsidiary, Global ShopCBD.com Inc., issued 55,100,000 common shares for an aggregate consideration of $1,102,000 and incurred $23,937 in related share issuance costs.

For the three and six month period ended February 28, 2019, the Company made lease payments of $58,087 and $100,520 relating to the lease of the Company's head office in Montreal.

Investing activities

For the three and six month period ended February 28, 2019, the Company had net cash outflows relating to its investing activities of $4,871,791 and $9,361,149. Investing activities during the periods relate mostly to construction costs incurred for its Farnham Facility, the purchase of production equipment, computers and furniture as well as deposits made on property, plant and equipment. In addition, the Company's subsidiary, Global ShopCBD.com Inc. invested $66,902 for the development of its online e-commerce platform

Liquidity and capital resource measures

The Company's major capital expenditures in its 2019 fiscal year will consist of the completion of the construction of Phase one within the Farnham facility and the purchase of additional facility equipment that will allow Cannara Ops to develop its cultivation business.

Loans and credit facilities

Type of loan	Interest rate	Maturity	**Balance as at February 28, 2019**	Balance as at August 31, 2018
Secured mortgage loan	11%	April 6, 2021	**$ 12,550,000**	$ 12,550,000

Other contractual obligations

	Less than one year	One to five years
Accounts payable and accrued liabilities	$ 3,704,437	$ -
Mortgage payable	$ -	$ 12,550,000
Lease liability (1)	$ 262,436	$ 867,174

(1) The Company is committed to future minimum annual lease payments with respect to its office premises located in Ville St-Laurent, expiring May 31, 2023. These figures are undiscounted future payments.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank and interest receivable. Management considers that risks related to credit are minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity or debt financing when needed, in addition to other financing sources which may include entering into collaboration agreements with third parties.

As at February 28, 2019, the Company had current assets of $43,270,167 which is sufficient to settle its current liabilities of $9,550,340. The Company expects that its existing cash as at February 28, 2019 will enable it to fund its planned construction and operating expenses for at least the next twelve months.

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financings to meet current and future obligations. There can be no assurance that such financing will continue to be available on terms acceptable to the Company.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty. The Company also has a mortgage payable of $12,550,00; however, it is at a fixed interest rate of 11% per annum, and therefore is not exposed to fluctuations in the market interest rates.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include entities related by virtue of key management personnel exercising significant influence or control over the entities' financial and operating policies.

On June 15, 2018, Cannara Ops acquired the Farnham Facility from a related party pursuant to a Deed of Sale for a price of $12,550,000 payable on or before April 6, 2021, which the purchase price is secured by a first ranking hypothec and bears interest at an annual rate of 11%, calculated and payable monthly. During the six month period ended February 28, 2019, the Company paid $684,577 in interest on the mortgage payable to a related party (three month period ended February 28, 2019 - $340,397). As at February 28, 2019, the outstanding mortgage payable is $12,550,000 (August 31, 2018 - $12,550,000).

On June 15, 2018, Cannara Ops entered into a management agreement with a related party whereby said related party would manage the Farnham Facility for an indefinite term. The management agreement provides for the following terms: (i) a monthly management fee equal to 5% of the lease revenue collected; (ii) a monthly supervision fee equal to 5% of cost of operation on the Farnham Facility; and (iii) fees for other services. During the six month period ended February 28, 2019, the Company paid $191,163 in management fees to the related party (three month period ended February 28, 2019 - $109,489). As at February 28, 2019, the Company had an outstanding net payable to the related party of $151,532 (August 31, 2018 – net receivable of $178,386).

The related party is considered related to the Company as a shareholder of the related party is also a director on the Company's Board of Directors.

As at February 28, 2019, the Company also owed $49,019 (August 31, 2018 - $9,886) to key management personnel for reimbursement of expenses incurred on the Company's behalf. In addition, the Company's subsidiary, Global ShopCBD.com Inc., has a balance owing of $231,384 (August 31, 2018 - $78,012) to a shareholder of the Company.

Related party transactions have been recorded at the exchange amount, which is the amount agreed to and established by the related parties.

Refer to note 16 to the condensed interim consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgments and assumptions. The carrying amounts of assets, liabilities, accruals, provisions, contingent liabilities and other financial obligations, as well as the determination of fair values and reported income and expense in these financial statements, depend on the use of estimates and judgments. IFRS also require management to exercise judgment in the process of choosing and applying the Company's accounting policies. These estimates and judgments are based on the circumstances and estimates at the date of the financial statements and affect the reported amounts of income and expenses during the reporting period. Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgments are outlined below.

Management estimates the useful lives of property, plant and equipment and intangibles in the period during which the assets become available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment and intangibles for any period are affected by these estimated useful lives. The estimates are reviewed each period and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. Changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment and intangibles and the related amortization expense in the future.

Other areas of judgment and uncertainty relate to the identification and measurement of the individual components of property, plant and equipment, the measurement of warrants and share-based compensation, the accounting for the reverse take-over transaction and the initial measurement of the right-of-use asset and lease liability, which involve management's best estimate of certain inputs in determining the related balances. The right-of-use asset and lease liability were initially measured at the present value of the minimum lease payments over the term of the lease discounted using the Company's estimated incremental borrowing rate.

NEWLY ADOPTED AND SIGNIFICANT ACCOUNTING POLICIES

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out in Note 2 and 3 of the financial statements of the Company, as at and for the three and six month periods ended February 28, 2019.

SUBSEQUENT EVENTS

On March 5, 2019, Global ShopCBD.com Inc. Inc. incorporated a wholly-owned subsidiary in California called ShopCBD.com Inc.

On March 11, 2019, Global ShopCBD.com Inc. Inc. successfully closed on its subscription agreements and issued a total of 37,285,660 common shares for gross proceeds of $5,592,849.

On March 21, 2019, 82,000 warrants of the Company were exercised at $0.10 per warrant for an aggregate consideration of $8,200.

SUMMARY OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of April 29, 2019:

Authorized:	Unlimited number of voting and participating common shares without par value.
Issued and outstanding:	694,770,705 common shares
Warrants:	14,948,710
Options:	29,275,424

Zohar Krivorot
Director, CEO, President