CANNARA BIOTECH INC.

(Formerly Dunbar Capital Corp.)

MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 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 July 24, 2019 and should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto of the Company for the three and nine month periods ended May 31, 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 business development arrangements that are currently in the Letter of Intent stage.

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" and the OTCQB under the symbol "LOVFF".

Cannara Biotech (Ops) Inc. ("Cannara Ops") is a wholly owned subsidiary of Cannara, whose principal business activities will be to cultivate and sell premium dried cannabis flowers and to develop and commercialize a variety of cannabis-infused derivative products. Cannara Ops strives to become a vertically integrated cannabis company focused on the cultivation, production and sale of premium indoor grown cannabis and cannabis-infused products for the Canadian and international markets.

Cannara Ops' head office is located at 333 Decarie Blvd, Ville St-Laurent, Quebec, H4N 3M9 and its facility and operations are located at 1144 Magenta boul. E, Farnham, Quebec, J2N 1C1. Cannara Ops is currently retrofitting a large-scale 625,000 square foot warehouse into a pharmaceutical-grade indoor cannabis cultivation facility (the "Farnham Facility"), which is located less than 45 minutes from downtown Montreal. The Farnham Facility is located in the eastern townships which makes it an ideal location in terms of security, tax benefits, electricity and utility costs, shipping and product growth. Leveraging Quebec's low electricity costs, the Farnham Facility will have access to 15 megawatts of hydropower at a price significantly less expensive than elsewhere in Canada. Cannara Ops also expects to generate revenues through licensing and partnership arrangements with various industry leaders. In addition, Cannara Ops earns lease revenues from a significant portion of the currently unused portion of the Farnham Facility while it completes the phased construction.

Refer to note 4 to the condensed interim consolidated financial statements for details of the reverse acquisition of Cannara by Cannara Ops. Additional information about Cannara Ops may be found at [www.cannara.ca.](http://www.cannara.ca)

In addition to Cannara Ops' Canadian cannabis business, Cannara Ops owns approximately 61.23% of Global ShopCBD.com Inc., which is the sole owner of ShopCBD.com, a U.S.-based entity that intends to launch an online e-commerce platform exclusively for U.S. consumers to purchase lab tested hemp-based CBD products, including tinctures, oils, capsules, body care, vape cartridges and pet-related products.

Additional information about ShopCBD.com may be found at www.shopcbd.com.

CAPITAL TRANSACTIONS DURING THE QUARTER

Cannara Biotech and Cannara Ops

On March 21, 2019, the Company issued an additional 82,000 common shares as result of the exercise of previously issued warrants for gross proceeds of $8,200. As at May 31, 2019, there are 14,948,710 warrants issued and outstanding with an average exercise price of $0.10 cents and expire between June 20 and July 12, 2020.

Refer to note 9 to the condensed interim consolidated financial statements for share capital transactions completed in the first six months of the fiscal year.

Global ShopCBD.com Inc. and ShopCBD.com

During February 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 includes 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, the Company fulfilled the terms and conditions and issued 37,285,660 common shares resulting in the Company's ownership interest decreasing to 61.23% from 72.60% as at May 31, 2019. Any share subscription agreements that did not result in issuance of common shares were cancelled and related cash, if provided, was returned to the potential investors.

OPERATION HIGHLIGHTS

Farnham, Quebec Cultivation Facility

As at May 31, 2019, Cannara Ops continues to advance on the phased construction of the Farnham Facility, currently progressing with the construction of 130,000 square feet for Phase 1 and 40,000 square feet for Phase 1.5 of the total 625,000 square feet available-for-use. Phase 1 and 1.5 are expected to have approximately 54,000 square feet of dedicated canopy space for the cultivation of Cannara's premium dried cannabis flowers when fully licensed. Management expects that approximately 75%-85% of the Phase 1 construction is complete and will be submitting its security clearance evidence package to Health Canada during the fourth quarter of this fiscal year. Following submission of the security clearance evidence package, management expects to receive its cultivation license for Phase 1 by the end of the calendar year and will apply for an amendment to include the cultivation area of Phase 1.5 thereafter. Management has decided to postpone the installation of the equipment and fixtures in the grow rooms of Phase 1.5 in order to have the option and flexibility to alter the use of certain grow rooms to align with various business development initiatives in process relating to cannabis-infused products.

The current cultivation capacity for Phase 1 is estimated at 10,000 kg of premium cannabis per annum and 5,000 kg of premium cannabis from Phase 1.5 if all rooms remain as dedicated canopy space. The remaining Phases of the Farnham Facility are planned to consist of additional cultivation space, a research and development area and a variety of production and processing capabilities for a range of cannabis-infused products.

During the nine-month period ended May 31, 2019, Cannara Ops has invested $18,540,468 in construction costs related to its Phase 1 and 1.5 build out. The construction is expected to be substantially completed by the third quarter of calendar year 2019. The timeline for expected cultivation in Phase 1.5 will be partially dependant on the results of ongoing business development initiatives and the resulting alternative use for certain grow rooms.

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. The Company has 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). During the nine month period ended May 31, 2019, the Company continues to develop these brands internally in preparation for the launch of new edible and extraction regulations coming into effect by the end of this calendar year.

Online E-Commerce Platform - ShopCBD.com

The Company, through its subsidiary, ShopCBD.com, 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. ShopCBD.com is expected to launch in the fourth quarter of this fiscal year.

Partnership Arrangements

The Company continues to maintain its current Letters of Intent with industry partners and is progressing on various discussions and negotiations with leading industry partners to create partnerships that will assist the Company to produce leading cannabis-infused products, develop new delivery platforms and create a platform for brand licensing.

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 regarding the Farnham Facility that is awaiting the approval and issuance of a license to cultivate cannabis via a license granted to FV Pharma Quebec Inc. All potential revenues generated from the sale of cultivated cannabis plants and related derivative products produced under the license will be earned by the Company, which has been agreed to with FV Pharma Quebec Inc. through a separate agreement. 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 and US Federal and State authorities. 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 sales of distribution of 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 May 31, 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 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 cannabis industry may be significantly influenced by the public's perception of medical and recreational cannabis. 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 196 licenses issued by Health Canada, and 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 pharmaceutical grade facility which deploys a 100% climate-controlled environment and 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 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's 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 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 its 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

	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018
Current assets	**$ 32,671,723**	$ 43,270,167	$ 45,302,239	$ 13,484,718
Total assets	**$ 67,791,694**	$ 69,949,496	$ 66,694,226	$ 28,860,298
Current liabilities	**$ 4,240,736**	$ 9,550,340	$ 40,909,973	$ 1,163,886
Total liabilities	**$ 17,363,212**	$ 22,706,803	$ 53,846,847	$ 14,117,877
Net Assets	**$ 50,428,482**	$ 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 May 31, 2019**	Three month period ended February 28, 2019	Three month period ended November 30, 2018	Three month period ended August 31, 2018
Lease revenues, net of lease operating costs	**$ 1,188,135**	**$ 285,628**	$ 436,602	$ 465,905	$ 158,787
Operating expenses excluding amortization	**$ 7,355,441**	**$ 2,770,458**	$ 2,255,139	$ 2,329,844	$ 1,866,514
Amortization	**$ 417,451**	**$ 150,429**	$ 138,962	$ 128,061	$ 109,675
Operating loss	**$ 6,584,758**	**$ 2,635,259**	$ 1,957,499	$ 1,992,000	$ 1,817,132
Other expenses	**$ 2,555,069**	**$ 187,416**	$ 2,054,427	$ 313,226	$ 295,765
Net loss	**$ 9,139,827**	**$ 2,822,675**	$ 4,011,926	$ 2,305,226	$ 2,112,897
Comprehensive loss	**$ 9,137,320**	**$ 2,820,168**	$ 4,011,926	$ 2,305,226	$ 2,112,897
Basic and diluted loss per share	**$ 0.02**	**$ 0.01**	$ 0.01	$ 0.01	$ 0.01

Cannara Ops was incorporated on February 21, 2018 and did not have any significant activities between February 21, 2018 and May 31, 2018.

RESULTS OF OPERATIONS

Three and nine month periods ended May 31, 2019

During the three and nine month period ended May 31, 2019, the Company realized 100% of its lease revenue of $506,785 and $1,543,666 from two lessees who are currently occupying a portion of the vacant area of the Farnham Facility while the facility undergoes phased construction. The Company incurred $221,157 and $355,531 in lease operating costs respectively, in order to realize the lease revenue. Third quarter lease operating costs included allocations of utility expenses and commission expenses for the six month renewal of the first lease. The first lease provides monthly gross lease revenues of $276,393 and is estimated to terminate by November 30, 2020, assuming the extension of two renewal periods. The second lease provides monthly gross lease revenues of approximately $23,100 and will terminate on September 30, 2022. The Company is managing the lease terms in order to coincide with its development plans for the remaining build out of the facility in order to improve the Company's performance while the License application is pending.

During the three month period ended May 31, 2019, the Company incurred $2,770,458 in operating expenses (excluding amortization) and $150,429 in amortization expenses relating to the Company's property, plant and equipment and its right-of-use assets. Included in operating expenses was $1,052,434 in professional fees paid to various consultants for the ongoing development and enhancement of Cannara Ops' business practices, processes and strategy and for the advancement of ShopCBD e-commerce platform. During the quarter, salaries and benefits of $458,881 and $430,224 in share-based compensation were attributable to Cannara's operations and $227,958 in salaries and benefits was attributable to ShopCBD.com. Furthermore, operating expenses included $566,311 in general and administrative and investor relations expenses, consisting of $245,000 relating to general office, computer and travel related expenses for Cannara Ops, $225,000 for municipal taxes, public market and licensing expenses, $70,000 for ShopCBD office and travel expenses and $25,000 in board of director fees.

During the nine month period ended May 31, 2019, the Company incurred $7,355,441 in operating expenses (excluding amortization) and $417,451 in amortization expenses. Operating expenses consisted of $2,554,469 in professional fees for activities mentioned above in addition to development and registration costs for various patents and initial public offering costs, $1,967,666 in salaries and benefits of which $1,609,439 was attributable to Cannara Ops and $358,227 to ShopCBD.com, $1,536,474 in general and administrative and investor relations expenses, $990,910 in share-based compensation to Cannara employees and $502,349 in initial marketing costs to establish the Company's brand presence.

The Company reported an operating loss of $2,635,259 for the three month period ended May 31, 2019 and $6,584,758 for the nine month period ended May 31, 2019. The operating loss incurred is a result of the Company investing into the development of its operations during the pre-revenue phase. The Company believes that it will have revenues to cover operating costs once Cannara Ops receives its License and ShopCBD.com launches its e-commerce platform. The Company also incurred net finance expenses of $187,416 and $679,826 respectively which mostly relates to mortgage interest costs offset by interest income earned on cash and cash equivalents.

For the three and nine month period ended May 31, 2019, the Company reported a net loss of $2,822,675 or $0.01 loss per share and $9,139,827 or $0.02 loss per share respectively. Nine month period ended May 31, 2019 included a one-time charge of $1,875,243 relating to expenses for the reverse takeover transaction (of which $1,701,282 was non-cash).

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 $28,430,987 as May 31, 2019 (August 31, 2018 - $12,320,832).

As at May 31, 2019, the Company had cash on hand of $30,874,854 (August 31, 2018 - $12,899,672), accounts receivable, sales tax receivable and prepaid expenses of $1,796,869 (August 31, 2018 - $585,046), trades payable and accrued liabilities of $4,112,676 (August 31, 2018 - $1,091,235), and a current portion of lease liability of $128,060 (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.

	Nine month period ended May 31, 2019	**Three month period ended May 31 2019**
Cash used in operating activities	**$ 6,917,186**	**$ 2,889,219**
Cash provided from financing activities	**$ 41,954,191**	**$ 5,534,260**
Cash used in investing activities	**$ 17,075,388**	**$ 7,714,239**

Operating activities

For the three and nine month period ended May 31, 2019, cash used for operating activities was $2,889,219 and $6,917,186 respectively. The cash flow used in operating activities was primarily attributable to expenses relating to salaries of personnel and professional fees for the development of Cannara and ShopCBD's business operations, initial marketing costs, office, travel and public market expenses.

Financing activities

For the three month period ended May 31, 2019, cash provided from financing activities amounted to $5,534,260 which is mostly attributable to the second round private placements by Global ShopCBD.com Inc. for 37,285,660 common shares issued at a price of $0.15 per common shares.

During the nine month period ended May 31, 2019, cash provided from financing activities amounted to $41,954,191 which, in addition to amounts raised from the second round of private placements by Global ShopCBD.com Inc., also included amounts raised for the issuance of 207,640,375 common shares and 868,000 warrants by the Company and 201,000,000 common shares from the first round of private placement by Global ShopCBD.com Inc.

For the three and nine month period ended May 31, 2019, the Company made lease payments of $65,410 and $165,940 relating to the lease of the Company's head office in Montreal.

Investing activities

For the three and nine month period ended May 31, 2019, cash used for investing activities amounted to $7,714,239 and $17,075,388 respectively. Investing activities during the periods relate substantially to construction and equipment costs incurred for Phase 1 and 1.5 of the Farnham Facility as well as deposits made on property, plant and equipment to be received. In addition, the Company's subsidiary, ShopCBD.com, invested $123,145 and $189,701 respectively, for the technical 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 1 and 1.5 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 May 31, 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	$ 4,112,676	$ -
Mortgage payable	$ -	$ 12,550,000
Lease liability [(1)]	$ 262,436	$ 801,565

(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 May 31, 2019, the Company had current assets of $32,671,723 which is sufficient to settle its current liabilities of $4,240,736. The Company expects that its existing cash as at May 31, 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 $12,550,000; 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 three month period ended May 31, 2019, the Company paid $348,611 in interest on the mortgage payable to a related party (nine month period ended May 31, 2019 - $1,033,881). As at May 31, 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 three month period ended May 31, 2019, the Company paid $45,881 in management fees to the related party (nine month period ended May 31, 2019 - $237,044). As at May 31, 2019, the Company had an outstanding net payable to the related party of 236,540 (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.

For the three month period ended May 31, 2019, salaries and benefits paid to key management amounted to $215,385 (nine month period ended May 31, 2019 - $694,231), share-based compensation attributable to key management was $271,020 (nine month period ended May 31, 2019 - $684,604) and compensation to Board of Directors was $39,823 (nine month period ended May 31, 2019 - $83,772). As at May 31, 2019, the Company owed $19,317 (August 31, 2018 - $9,886) to key management personnel for reimbursement of expenses incurred on the Company's behalf

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

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 condensed interim consolidated financial statements of the Company, as at and for the three and nine month periods ended May 31, 2019.

SUBSEQUENT EVENTS

On July 20, 2019, the Company issued 12,000,000 common shares by way of a non-brokered private placement at a price of $0.18 per common share for aggregate gross proceeds of $2,160,000.

SUMMARY OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of July 24, 2019:

Authorized:	Unlimited number of voting and participating common shares without par value.
Issued and outstanding:	706,770,705 common shares
Warrants:	14,948,710
Options:	30,129,424

Zohar Krivorot
Director, CEO, President