



## **CANNARA BIOTECH INC.**

MANAGEMENT DISCUSSION AND ANALYSIS  
August 31, 2019

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

This Management Discussion and Analysis (“MD&A”) of Cannara Biotech Inc. (“Cannara” or the “Company”) has been prepared by management as of November 25, 2019 and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the year ended August 31, 2019 and the 191 day period ended August 31, 2018. The consolidated financial statements were 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.

Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports, annual information forms and prospectus are located on-line at [www.sedar.com](http://www.sedar.com).

### **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.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

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, processing 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", the OTCQB under the symbol "LOVFF" and the Frankfurt Stock Exchange under the symbol "8CB".

Cannara is an emerging vertically integrated cannabis company focused on the indoor cultivation, processing and sale of premium cannabis and cannabis-infused products under The Cannabis Act through its wholly-owned subsidiaries, Cannara Biotech (Ops) Inc. and Cannara Biotech (Québec) Inc. (together, hereafter "Cannara Ops"). The Company anticipates cultivating a inside modern and secure 625,000 square foot facility ("Farnham Facility") and plans to offer its products to consumers throughout Canada and international markets.

The registered head office of the Company is located at 333 Décarie Blvd, suite 200, 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, electricity, utility and shipping costs. 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 has leased out a significant portion of the currently unused area of the Farnham Facility in order to increase cash flows during the phased construction of the Farnham Facility.

Refer to note 4 of the audited consolidated financial statements for details of the reverse acquisition of Cannara by Cannara Biotech (Ops) Inc. on December 31, 2018. Additional information about the Company may be found at [www.cannara.ca](http://www.cannara.ca).

In addition, the Company, through a subsidiary, owns 61.23% of ShopCBD.com Inc. which plans on tapping into the growing U.S. Hemp CBD market by launching an online e-commerce platform offering curated selections of top tier U.S. Hemp CBD products in a fast, secure and reliable transaction.

Additional information about ShopCBD.com may be found at [www.shopcbd.com](http://www.shopcbd.com).

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### **OPERATIONAL HIGHLIGHTS DURING THE YEAR**

#### **Phase 1 Construction Progress of the Farnham Facility**

During the year ended August 31, 2019, the Company concentrated its efforts on the construction and submission of a Site Evidence Package for Phase 1 of its Farnham Facility, having invested over \$22,700,000 in the year to retro-fit 170,000 square feet of the total 625,000 square feet available. As at August 31, 2019, the Farnham Facility had a total net book value of \$38,753,145, which includes the costs for the land and building and construction in progress related to Phase 1. Phase 1 which consists of 110,000 square feet of space dedicated to the cultivation of premium dried cannabis. Phase 1 includes 18 grow rooms totalling 36,000 square feet of canopy space dedicated to flowering. The remaining 60,000 square feet of finished space is designed to accommodate various processing stages such as extraction and packaging or may be utilized as further cultivation space.

The current cultivation capacity for Phase 1 is estimated at 10,000 kg of premium cannabis per annum and can potentially reach 15,000 kg – 20,000 kg of premium cannabis if all remaining Phase 1 space is used for cultivation. 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.

Subsequent to year end, on September 12, 2019, the Company announced that Cannara Biotech (Québec) Inc. has submitted to Health Canada its Site Evidence Package for Phase 1 of the Farnham Facility which will award Cannara Ops with a license to cultivate, process and sell premium cannabis and cannabis-infused products (the "License"). Although the Company still expects to expend some additional funds on Phase I to finalize construction, the submission of the Site Evidence Package marks the substantial completion of Phase 1 construction.

#### **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 year ended August 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](http://www.shopCBD.com). The new e-commerce platform will provide U.S. consumers an economical way to purchase, review and compare a selection of top-tier hemp-based CBD products that have been vetted by independent lab results and curated based on factors such as safety, reliability and consistency. ShopCBD.com intends to offer a variety of products, including tinctures, oils, capsules, body care, vape cartridges and pet-related products.

Subsequent to year end, ShopCBD.com was officially launched in November 2019.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### *Partnership Arrangements*

The Company continues to maintain its current Letter of Intent with an industry partner 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.

## **CAPITAL TRANSACTIONS DURING THE YEAR**

### *Cannara Biotech Inc. and Cannara Biotech (Ops) Inc.*

On October 12, 2018, October 19, 2018, and November 28, 2018, the Company 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 Canadian Securities Exchange.

On December 31, 2018, the Company completed a reverse acquisition with Cannara Biotech (Ops) Inc., 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 Biotech (Ops) Inc. and, as a result, the security holders of Cannara Biotech (Ops) Inc. became the majority shareholders of the combined entity. In addition, each shareholder of Cannara Biotech (Ops) Inc. received one common share of the Company in exchange for each Cannara Biotech (Ops) Inc. share. The Company also assumed warrants of Cannara Biotech (Ops) Inc. for the purchase of up to 15,988,710 common shares and options of Cannara Biotech (Ops) Inc. for the purchase of up to 15,777,779 common shares. As a result of the reverse acquisition as described in note 4 on the consolidated financial statements, the Company's Class A and Class B shares common shares were converted to ordinary common shares. Furthermore, 9,513,000 common shares, having an estimated fair value of \$1,712,340, were deemed to be issued to the equity owners of Dunbar prior to the reverse acquisition.

On January 14, 2019, the Company's common shares were listed on the Canadian Securities Exchange and began trading under the symbol "LOVE". The Company met all the conditions contained in the subscription receipts, and as a result, issued 207,640,375 common shares in exchange for cash consideration of \$37,375,268.

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.

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.

On July 12, 2019, the Company raised \$2,160,000 by way of non-brokered private placement of common shares of the Company at a price of \$0.18 per common share.

## CANNARA BIOTECH INC.

Management Discussion & Analysis

August 31, 2019

---

### Global shopCBD.com Inc. and ShopCBD.com

On February 20, 2019, Global shopCBD.com Inc. issued a total of 50,000,000 common shares to Cannara Biotech (Ops) Inc. 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 Biotech (Ops) Inc. 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 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.

During August, 2019, Global shopCBD.com Inc. entered into a share subscription agreement to issue 1,406,667 common shares at a price of \$0.15 per common share on a private placement basis to an executive of the company, with each share subscription representing the right to receive a common share without payment of additional consideration subject to certain terms and conditions. Subsequent to year end, the subscription agreement was cancelled, and the related cash was returned.

ShopCBD.com is a 100% owned subsidiary of Global shopCBD.com Inc.

## SUMMARY OF FINANCIAL INFORMATION

### Consolidated statement of financial position

	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018
Current assets	\$ 27,828,255	\$ 32,671,723	\$ 43,270,167	\$ 45,302,239	\$ 13,484,718
Non-current assets	40,274,883	35,119,971	26,679,329	21,391,987	15,375,580
Total assets	68,103,138	67,791,694	69,949,496	66,694,226	28,860,298
Current liabilities	5,090,627	4,240,736	9,550,340	40,909,973	1,163,886
Non-current liabilities	13,083,995	13,122,476	13,156,463	12,936,874	12,953,991
Total liabilities	18,174,622	17,363,212	22,706,803	53,846,847	14,117,877
Net assets	\$ 49,928,516	\$ 50,428,482	\$ 47,242,693	\$ 12,847,379	\$ 14,742,421

**CANNARA BIOTECH INC.**

Management Discussion &amp; Analysis

August 31, 2019

Consolidated statement of net loss

	2019 (365 days)	2018 (191 days)
Lease revenues	\$ 2,096,974	\$ 432,637
Lease operating costs	403,895	273,580
Net revenues	1,693,079	159,057
Operating expenses	9,160,930	1,727,441
Share-based compensation	2,189,039	139,073
Amortization	566,327	109,675
Operating loss before undernoted	(10,223,217)	(1,817,132)
Listing expense related to the reverse acquisition of Dunbar Capital Corp.	1,875,243	-
Net finance expense	873,345	295,765
Loss before income taxes	(12,971,805)	(2,112,897)
Income tax expense	-	-
Net loss	\$ (12,971,805)	\$ (2,112,897)
Net loss attributable to:		
Shareholders of the Company	\$ (12,315,049)	\$ (2,112,897)
Non-controlling interest	(656,756)	-
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)

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

**RESULTS OF OPERATIONS**

The Company operates in two segments: 1) Indoor cannabis operations which encompasses the cultivation, processing and sale of premium cannabis and cannabis-infused products exclusively for the Canadian market (Canadian operations) and 2) E-commerce retailer of curated selection of top tier U.S. hemp-based CBD products exclusively for the U.S. market. (U.S. operations).

The chief operating decision-maker assesses performance based on segment operating results which was defined as segment operating income (loss) before share-based compensation, amortization, listing expense related to the reverse acquisition of Dunbar Capital Corp., income taxes and finance expenses. These items, including ancillary lease revenues and lease operating costs have been categorized as Other.



## CANNARA BIOTECH INC.

### Management Discussion & Analysis

August 31, 2019

Year ended August 31, 2019

For the year ended August 31, 2019				
	Canadian Operations	U.S. Operations	Other	Total
Lease revenues	\$ -	\$ -	\$ 2,096,974	\$ 2,096,974
Lease operating costs	-	-	403,895	403,895
Segment net revenues	-	-	1,693,079	1,693,079
Operating expenses	7,423,540	1,737,390	-	9,160,930
<b>Segment operating income (loss) before undernoted</b>	<b>(7,423,540)</b>	<b>(1,737,390)</b>	<b>1,693,079</b>	<b>(7,467,851)</b>
Share-based compensation	-	-	2,189,039	2,189,039
Amortization	-	-	566,327	566,327
Listing expense related to the reverse acquisition of Dunbar Capital Corp.	-	-	1,875,243	1,875,243
Net finance expense (income)	-	-	873,345	873,345
Segment loss before income taxes	(7,423,540)	(1,737,390)	(3,810,875)	(12,971,805)
Income tax expense	-	-	-	-
<b>Segment net loss</b>	<b>\$ (7,423,540)</b>	<b>\$ (1,737,390)</b>	<b>\$ (3,810,875)</b>	<b>\$ (12,971,805)</b>
Segment net loss attributable to:				
Shareholders of the Company	\$ (7,423,540)	\$ (1,080,634)	\$ (3,810,875)	\$ (12,315,049)
Non-controlling interest	-	(656,756)	-	(656,756)

### Canadian Operations

For the year ended August 31, 2019, the segment had not yet generated cannabis-related revenues from its Canadian operations as the Company was still in progress of completing construction of Phase 1 of the Farnham Facility which is required to obtain the License.

For the year ended August 31, 2019, the segment incurred \$7,423,540 in operating expenses. Included in operating expenses was:

- \$2,653,574 in professional fees paid to various lawyers, accountants and consultants for the ongoing compliance and regulatory costs of being a publicly listed entity and for the development and enhancement of Cannara Ops' business practices, processes, systems and strategy including the selection of an Enterprise Resource Planning system;
- \$2,577,297 relating to salaries and benefits of executive, office, construction and operations staff;
- \$1,391,832 in general and administrative expenses consisting of property taxes, licensing costs, insurance, IT, board of director fees and travel related expenses;
- \$504,134 in initial marketing costs to establish the Cannara Ops' brand presence; and
- \$296,703 in investor relations expenses.

The segment operating loss of \$7,423,540 is a result of the Company investing into the development of its Canadian operations during the pre-revenue phase. The Company believes that it will be able to generate revenues from this segment to cover its operating costs once Cannara Ops receives its License and it is able to commercialize its products.



## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### U.S. Operations

For the year ended August 31, 2019, the Company was in the process of developing its e-commerce platform, ShopCBD.com, which plans on competing in the growing U.S. Hemp CBD market by launching an online e-commerce platform offering a curated selection of top tier U.S. Hemp CBD products in a fast, secure and reliable transaction. As a result, the Company has not yet generated revenue from its U.S. operations. Subsequent to year end, ShopCBD.com was officially launched in November 2019.

The segment incurred \$1,737,390 in operating loss from its U.S. operations, of which \$1,080,634 is attributable to the shareholders of the Company. Included in operating loss was \$574,991 in general and administrative cost relating to IT software and subscriptions required to operate the e-commerce platform, initial research costs expensed, office and rent-related expenses and approximately \$387,276 in salaries and benefits for its administrative and support staff. In addition, operating expenses included \$508,844 of professional fees which was mainly attributable to consultant expenses incurred to build the segment's wholesale vendor network and to establish a corporate presence in the U.S. The segment also incurred \$261,791 in marketing activities to establish the ShopCBD's brand presence and to enhance the visuals of its e-commerce platform. As at August 31, 2019, the Company capitalized \$281,020 to intangible assets for the direct cost incurred for the development of its e-commerce platform.

### Other

In order to increase cash flow while the Company builds out its Farnham Facility, the Company leased 333,551 square feet of the total 625,000 available square feet to two tenants.

The Company realized 100% of its lease revenues for the year of \$2,096,974 and spent \$403,895 in lease operating costs, generating operating income from other activities of \$1,693,079. Lease operating costs include allocations of utility expenses, property taxes, property management fees and commission expenses related to lease renewals. The first tenant occupies 276,393 square feet of the Farnham Facility, generating monthly gross lease revenues of \$149,713. The lease is on six month term expiring November 30, 2019; however the tenant typically renews for additional six month periods. The second lease provides monthly gross lease revenues between \$23,100 - \$24,530 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.

The reported net loss from other activities was \$3,810,875 for the year ended August 31, 2019 as a result of \$2,189,039 in share-based compensation related to issuance of stock options to employees, directors and officers of the Company, \$566,327 in amortization expenses relating to the Company's property, plant and equipment and its right-of-use assets, \$873,345 in net finance expense consisting primarily of mortgage interest costs offset by interest income earned on cash and a one-time charge of \$1,875,243 relating to expenses for the reverse takeover transaction (of which \$1,701,282 was non-cash).

## CANNARA BIOTECH INC.

### Management Discussion & Analysis

August 31, 2019

*For the three month period ended August 31, 2019*

For the three months ended August 31, 2019				
	Canadian Operations	U.S. Operations	Other	Total
Lease revenues	\$ -	\$ -	\$ 553,308	\$ 553,308
Lease operating costs	-	-	48,364	48,364
Segment net revenues	-	-	504,944	504,944
Operating expenses	2,116,301	680,098	-	2,796,399
<b>Segment operating income (loss) before undernoted</b>	<b>(2,116,301)</b>	<b>(680,098)</b>	<b>504,944</b>	<b>(2,291,455)</b>
Share-based compensation	-	-	1,198,129	1,198,129
Amortization	-	-	148,875	148,875
Listing expense related to the reverse acquisition of Dunbar Capital Corp.	-	-	-	-
Net finance expense	-	-	193,519	193,519
Segment loss before income taxes	(2,116,301)	(680,098)	(1,035,579)	(3,831,978)
Income tax expense	-	-	-	-
<b>Segment net loss</b>	<b>\$ (2,116,301)</b>	<b>\$ (680,098)</b>	<b>\$ (1,035,579)</b>	<b>\$ (3,831,978)</b>
Segment net loss attributable to:				
Shareholders of the Company	\$ (2,116,301)	(425,310)	(1,035,579)	(3,577,190)
Non-controlling interest	-	(254,788)	-	(254,788)

### Canadian Operations

For the three month period ended August 31, 2019, the segment incurred \$2,116,301 in operating loss as a result of being in the pre-revenue phase. Included in operating expenses was \$638,467 in consulting fees for the development and enhancement of Cannara Ops' business practices, processes, systems and strategy including the selection of an Enterprise Resource Planning system, approximately \$967,858 in salaries and benefits and \$391,002 in general and administrative expenses.

### U.S. Operations

For the three month period ended August 31, 2019, the segment incurred \$680,098 in operating loss from its U.S. operations, of which \$425,310 is attributable to the shareholders of the Company. Included in operating loss was \$242,369 in general and administrative cost relating to IT software and subscriptions required to operate the e-commerce platform, and office and rent-related expenses and \$165,909 of professional fees which was mainly attributable to consultant expenses incurred to build the segment's wholesale vendor network and IT consulting expenses that were not capitalizable to the intangible asset. The Company also spent \$239,127 in marketing cost to promote the ShopCBD brand and to enhance the visuals of its platform.

### Other

For the three month period ended August 31, 2019, the Company realized 100% of its lease revenues of \$553,308 and spent \$48,364 in lease operating costs, generating operating income from other activities of \$504,944.

## CANNARA BIOTECH INC.

### Management Discussion & Analysis

August 31, 2019

The reported net loss from other activities was \$1,035,579 for the year ended August 31, 2019. Included in net loss from other activities was \$1,198,129 in share-based compensation, \$148,875 in amortization expenses relating to the Company's property, plant and equipment and its right-of-use assets, and net finance expenses of \$193,519, consisting primarily of mortgage interest costs offset by interest income earned on cash. The increase in share-based compensation relates to share options granted on July 24, 2019 which had vested immediately upon issuance.

#### Prior Quarter Financial Results

The following table sets forth, for the quarter indicated, information relating to the Company's net revenues, loss before income taxes attributable to owners of the Company and related basic and diluted loss per share attributable to owners of the Company for the five completed fiscal quarters to date:

	Total revenues				Net income (loss) attributable to Shareholders of the Company				Basic and diluted loss per share
	Canadian Operations	U.S. Operations	Other	Total	Canadian Operations	U.S. Operations	Other	Total	
August 31, 2018	\$ -	\$ -	\$ 432,637	\$ 432,637	\$ (1,727,442)	\$ -	\$ (385,455)	\$ (2,112,897)	\$ (0.01)
November 30, 2018	-	-	518,443	518,443	(2,190,771)	-	(114,455)	(2,305,226)	(0.01)
February 28, 2019	-	-	518,438	518,438	(1,346,132)	(353,785)	(2,178,400)	(3,878,317)	(0.01)
May 31, 2019	-	-	506,785	506,785	(1,770,336)	(301,539)	(482,441)	(2,554,316)	(0.01)
August 31, 2019	-	-	553,308	553,308	(2,116,301)	(425,310)	(1,035,579)	(3,577,190)	(0.01)

Cannara Biotech (Ops) Inc. was incorporated on February 21, 2018 and did not have any significant activities between that date and May 31, 2018

#### LIQUIDITY AND CAPITAL RESOURCES

As of the date of this MD&A, the Company has not started generating revenues from its main 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 \$22,737,628 as at August 31, 2019 (August 31, 2018 - \$12,320,832).

As at August 31, 2019, the Company had cash on hand of \$26,505,992 (August 31, 2018 - \$12,899,672), \$211,000 in restricted cash relating to a subscription receipt issued by a subsidiary, accounts receivable, sales tax receivable, prepaid expenses and inventory of \$1,111,263 (August 31, 2018 - \$585,046), trades payable and accrued liabilities of \$4,739,820 (August 31, 2018 - \$1,091,235), \$211,000 in liabilities relating to a subscription receipt issued by a subsidiary and a current portion of lease liability of \$139,807 (August 31, 2018 - \$72,651). Of the balance of cash on hand, \$18,905,198 is held by Cannara Biotech (OPS) Inc. for use towards the Company's Canadian operations and \$7,600,794 is held by Global shopCBD.com and ShopCBD.com to fund the development of its U.S. operations.

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.

## CANNARA BIOTECH INC.

### Management Discussion & Analysis

August 31, 2019

	Year ended August 31, 2019	Three month period ended August 31, 2019
Cash used in operating activities	\$ 7,409,294	\$ 1,060,099
Cash provided from financing activities	42,660,844	1,735,408
Cash used in investing activities	21,639,794	5,025,170

#### Operating activities

For the three month period and year ended August 31, 2019, cash used for operating activities was \$1,060,099 and \$7,409,294 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 the Company's segmented business operations, initial marketing costs, office, travel and public company related expenses.

#### Financing activities

For the three month period ended August 31, 2019, cash provided from financing activities amounted to \$1,735,408 which results from \$2,160,000 raised by way of a non-brokered private placement of common shares of the Company at a price of \$0.18 per common share on July 12, 2019 offset by \$347,962 in interest expenses paid on mortgage and \$69,514 in lease payments for the Company's corporate head office.

For the year ended August 31, 2019, cash flows provided from financing activities amounted to \$42,660,844 which, in addition to amounts raised from the above private placement, consist of amounts raised for the issuance of 207,640,375 common shares and 868,000 warrants by the Company and 238,285,661 common shares from the first and second round of private placement by Global shopCBD.com Inc. Amounts spent on financing activities also includes \$1,376,717 in interest paid to service the mortgage payable and \$235,454 in lease payment for the Company's corporate head office.

#### Investing activities

For the three month period and year ended August 31, 2019, cash used for investing activities amounted to \$5,025,170 and \$21,639,794 respectively. Investing activities during the periods relate substantially to construction and equipment costs incurred for Phase 1 Farnham Facility as well as deposits made on property, plant and equipment to be received. In addition, the Company invested \$91,319 and 281,020 respectively, for the technical development of its online e-commerce platform in relation to its U.S. operations. For the three month period and year ended August 31, 2019, the Company received \$218,851 and \$679,615 respectively in interest income relating to interest earned on the cash balance held at a schedule 1 financial institution. There are no restrictions on the Company's ability to use its cash for its operational needs while it earns interest on the unused balance.

## CANNARA BIOTECH INC.

Management Discussion & Analysis

August 31, 2019

---

### Liquidity and capital resource measures

The Company's major capital expenditures in its 2019 fiscal year consists of the completion of the construction of Phase 1 within the Farnham Facility and the purchase of additional facility equipment that will allow Cannara Ops to develop its cultivation business.

The Company expects that its existing cash resources as at August 31, 2019 will enable it to fund its planned operating expenses for at least the next twelve months from August 31, 2019.

### Loans and credit facilities

Type of loan	Interest Rate	Maturity	Balance as at August 31, 2019	Balance as at August 31, 2018
Secured mortgage loan	11%	06-Apr-21	\$ 12,550,000	\$ 12,550,000

### Other contractual obligations

	Less than one year	One to five years	Total
Accounts payable and accrued liabilities	\$ 4,739,820	\$ -	\$ 4,739,820
Liabilities for subscription receipt issued by a subsidiary	211,000	-	211,000
Mortgage payable, at carrying amount	-	12,526,467	12,526,467
Lease liability <sup>(1)</sup>	263,327	735,065	998,392

(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.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

On June 15, 2018, Cannara Biotech (Ops) Inc. 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 and year ended August 31, 2019, the Company paid \$347,962 and \$1,376,717 respectively in interest on the mortgage payable to a related party. As at August 31, 2019, the outstanding mortgage payable is \$12,550,000 (August 31, 2018 - \$12,550,000).

On June 15, 2018, Cannara Biotech (Ops) Inc. 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 and year ended August 31, 2019, the Company paid \$27,901 and \$264,945 in management fees to the related party. As at August 31, 2019, the Company had an outstanding net payable to the related party of \$113,814 (August 31, 2018 – net payable of \$99,193).

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 and year ended August 31, 2019, salaries and benefits paid to key management amounted to \$318,516 and \$1,012,747 respectively, share-based compensation attributable to key management and directors were \$1,042,762 and \$1,725,673 respectively and director fees were \$9,691 and \$34,339 respectively. As at August 31, 2019, the Company owed \$74,939 (August 31, 2018 - \$9,886) to key management personnel for reimbursement of expenses incurred on the Company's behalf and accrued salaries and vacation expenses.

During August, 2019, Global shopCBD.com Inc. entered into share subscription agreements to issue 1,406,667 common shares at a price of \$0.15 per common share on a private placement basis to an executive of the company, with each share subscription agreement representing the right to receive common shares without payment of additional consideration subject to certain terms and conditions. Subsequent to year end, the subscription agreements were cancelled and the related cash was returned to the potential investor.

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

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### **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 financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash balances, restricted cash, prepaid expenses, rental receivables from customers and deposits.

Cash balances in an asset position expose the Company to credit risk arising from the potential default by counterparties that carry the Company's cash balances or agree to deliver currencies. The Company attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions within the bank syndicate providing the Company's credit facility meet these qualifications.

The carrying amount of the accounts receivable in the consolidated statement of financial position is presented net of an allowance for expected credit losses, estimated by the Company's management based, in part, on the age of the specific receivable balance and the current and expected collection trends. A provision is established when the likelihood of collecting the account has significantly diminished. As at August 31, 2019, none of the rental receivables were past due. The allowance for expected credit loss was nil as at August 31, 2019 (2018 - nil). The Company's maximum credit exposure corresponds to the carrying amount of these financial assets.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due or can only do so at an excessive cost. The Company manages this risk by reviewing its capital requirements on an ongoing basis by maintaining cash flow forecasts and long-term operating and strategic plans.

As at August 31, 2019, the Company had current assets of \$27,828,255 which is sufficient to settle its current liabilities of \$5,090,627. The Company expects that its existing cash as at August 31, 2019 will enable it to fund its planned construction and operating expenses for at least the next twelve months.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not use derivative financial instruments to reduce its interest rate exposure as management does not believe the Company's exposure is significant.



## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### **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 cultivate, process, store, package and sell cannabis in Canada is dependent on Cannara Ops obtaining access to a cultivation, processing and sale license from Health Canada. 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.

#### *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 Pertaining to The Cannabis Act*

The Company's business will be subject to particular laws, regulations, and guidelines as the cultivation, processing and sale 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 and will be outside of the Company's control.

#### *Changes to State Laws, Regulations and Guidelines Pertaining to Industrial Hemp in the U.S.*

As of the date hereof, approximately forty states authorized industrial hemp programs pursuant to the Farm Bill. Continued development of the industrial hemp industry will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the industrial hemp industry is currently encouraging, growth is not assured.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

While there appears to be ample public support for favorable legislative action, numerous factors may impact or negatively affect the legislative process(es) within the various states where the Company has business interests.

The Company is subject to regulation by the federal government and other state and local agencies as a result of its CBD products derived from industrial hemp. The shifting compliance environment and the need to build and maintain robust systems to comply with different compliance in multiple jurisdictions increases the possibility that the Company may violate one or more of the requirements. If the Company's operations are found to be in violation of any of such laws or any other governmental regulations that apply to the Company, it may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations, any of which could adversely affect the ability to operate the Company's business and its financial results.

### **Costs Associated with Numerous Laws and Regulations**

The manufacture, labeling and distribution of the Company products is regulated by various federal, provincial, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell products in the future. Health Canada and the U.S. Food and Drug Administration ("FDA") regulates the Company's products to ensure that the products are not adulterated or misbranded.

The Company's advertising is subject to regulation by Health Canada for its Canadian operations and the Federal Trade Commission ("FTC") under the Federal Trade Commission Act for its U.S. operations. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

Failure to comply with Health Canada, FDA or FTC requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, license revocation, fines and criminal prosecutions.

### **Uncertainty Caused by Potential Changes to Laws, Regulations and Guidelines in the U.S.**

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from exempted portions of the cannabis plant and the scope of operation of Farm Bill-compliant hemp programs relative to the Controlled Substances Act, the Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the Drug Enforcement Administration and/or the FDA and the extent to which manufacturers of products containing imported raw materials and/or Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, such may have an adverse effect on the Company's business, financial condition and results of operations.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### **Limited Operating History and No Assurance of Profitability**

As at August 31, 2019, the Company has not yet entered the operations stages of its cultivation or e-commerce business. 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 at an early-stage 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 is sizeable and Health Canada has 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 253 licenses issued by Health Canada, and only 18 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 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.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### **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.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### **Fluctuating Prices of Raw Materials**

The Company revenues are expected to be in large part derived from the production, sale and distribution of cannabis and the sale of hemp-based CBD products. The price of production, sale and distribution of cannabis and industrial hemp 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, agricultural risk, increased production due to new licenses being granted, outdoor cultivation, 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**

The Company has plans to develop its Farnham Facility through a phased construction approach. As such, the Company will continue to be exposed to construction risk which may result in project delays or cost overruns not foreseen by the Company, hindering the Company's ability to achieve its strategic plan and expected financial return.

### **IT and 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.

As the Company's U.S. operations is strictly operated online, material adverse effects on the segment's operating results could occur if it is subject to a cyber-attack. The Company has developed proper protocols, backups and a disaster recovery plan to limit the segment's exposure to these risks and has purchased the relevant cyber insurance policies to reduce financial damages.

### **Litigation Risk**

In the normal course of business, the Company may be involved in various legal proceedings, the outcomes of which cannot be determined, or outflow of economic benefit may be material. The Company could also be liable for negligent, fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company. As at August 31, 2019, there are no claims in favor or 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 cultivation, processing and production operations.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

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 meaningful impact on 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 early development stage and has not generated any revenues from its principle activities. 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.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

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, Directors and Employees**

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 listing 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.

## **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 consolidated 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 consolidated 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.



## **CANNARA BIOTECH INC.**

### Management Discussion & Analysis

August 31, 2019

---

These estimates and judgments are based on the circumstances and estimates at the date of the consolidated 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

Management estimates the useful lives of property, plant and equipment 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 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 the related amortization expense in the future.

Other areas of estimates relate to the identification and measurement of the individual components of property, plant and equipment, the measurement of share-based compensation and warrants and the fair value of the consideration transferred as part of the reverse acquisition of Dunbar Capital Corp.

#### Critical accounting judgments and assumptions

The judgments and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of property, plant and equipment. At each reporting date, management determines whether the property, plant and equipment present indicators of impairment or recovery of an impairment loss. For the purposes of this analysis, management uses its judgment considering factors such as the economic environment and the market in which the Company operates, budget, forecasts and physical obsolescence. If there is any such indication, the recoverable value of the asset is estimated. When assessing expected future cash flows, the Company makes assumptions regarding future operating results and the forecasted period for which the assets will generate cash flows. Although the Company determines the assumptions based on the market information available at the time of the assessment, actual results may differ.

## **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 consolidated financial statements of the Company for the year ended August 31, 2019 and the 191 day period ended August 31, 2018.

## **CANNARA BIOTECH INC.**

Management Discussion & Analysis

August 31, 2019

---

### **SUBSEQUENT EVENTS**

#### Submission of Site Evidence Package to Health Canada for the Farnham Facility

On September 12, 2019, the Company announced that it has submitted to Health Canada its Site Evidence Package for Phase 1 of the Farnham Facility which will permit the Company to cultivate, process and sell premium cannabis and cannabis-infused products under *The Cannabis Act*. The submission of the site evidence package marks the substantial completion of the Phase 1 construction of the Farnham Facility.

#### Mortgage financing facility with Canadian Imperial Bank of Commerce

On October 10, 2019, the Company announced that it has secured a first mortgage against its Farnham Facility in the value of \$6 million with a Canadian financial institution at an interest rate of prime plus 2%. As of August 31, 2019, the interest rate related to the mortgage was 5.95%. These funds will be applied to reduce the existing mortgage payable.

### **SUMMARY OF OUTSTANDING SHARE DATA**

#### *Summary of Outstanding Share Data as of November 25, 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:	39,029,424



**Zohar Krivorot**

Director, CEO, President