

## PAC ROOTS CANNABIS CORP. MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of the financial condition as of May 1, 2020 provides an analysis of the Company's financial results and progress for the period ended February 29, 2020. This MD&A should be read in conjunction with the Company's financial statements for the period ended February 29, 2020 which were prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). All amounts are expressed in Canadian dollars.

Certain statements and information related to the Company's business contained in this Management's Discussion and Analysis are of a forward-looking nature. They are based on opinions, assumptions or estimates made by the Company's management or on opinions, assumptions or estimates made available to or provided to and accepted by the Company's management. Such statements and information are reflecting management's current views and expectations of future events or results and are subject to a variety of risks and uncertainties that are beyond management control. Readers are cautioned that these risks and uncertainties could cause actual events or results to significantly differ from those expressed, expected or implied and should therefore not rely on any forward-looking statements.

### **Overview**

Pac Roots Cannabis Corp. ("Pac Roots or the Company") is a junior mining exploration company with its head office located at 1853 Sunken Lake Road, RR2, Wolfville, Nova Scotia, Canada, B4P 2R2. The Company was incorporated on May 16, 2012 under the laws of British Columbia and commenced operations on July 9, 2012.

The Company's activities are primarily directed towards exploration and development of mineral properties located in Canada. In addition the Company is looking to acquire other businesses in the Cannabis industry and is proposing a transaction as described in Note 9 to the condensed interim financial statements. Pac Roots holds a 100% interest in the Caledonia Brook gold project in central Newfoundland subject to a three (3) year option agreement with New Dawn Resources Inc. The Company also holds a 100% interest (under ongoing discussions with the Newfoundland government) in the Glover Island, a 100% interest in the Little River properties in Newfoundland. As at February 29, 2020, the Company has cash of \$65 to settle current liabilities of \$989,393.

### **Overall Performance**

During the quarter ended February 29, 2020 the Company was fairly inactive as it awaited regulatory approval in relation to the proposed transactions described in Note 9 to the condensed interim financial statements. As described in Note 9, the Company executed definitive share exchange agreement with 1157630 B.C. Ltd. ("1157630") and its shareholders for the acquisition of all of the issued and outstanding shares of 1157630 (the "Transactions").

The Company has also executed an arrangement agreement dated June 7, 2018 (the "Arrangement Agreement") with a wholly owned subsidiary ("Spinco"), created for the purposes of completing the Spin-Off. Pursuant to the Arrangement Agreement, the Company will transfer to Spinco its existing mineral property assets in exchange for the issuance of common shares of Spinco (the "Spinco Shares") to be distributed to the Company's shareholders by way of a plan of arrangement.

The Transactions and the Arrangement Agreement are subject to various conditions, including approval of the shareholders of each entity and the exchange.

### **Grand Falls - Windson property**

In October 31, 2017 the Company announced it had entered into a definitive option agreement to acquire the Caledonia Brook Gold Project located in Central Newfoundland approximately 25km south of Caledonia Brook. The property consists of two (2) mining licenses covering 53 map-staked claims for a total contained area of 1,325 hectares. The project lies along a belt of highly mineralized, multiple lithologies extending from south of Marathon Gold's Valentine Lake property at Victoria Lake, northeastward to Caledonia Brook, a distance of more than 160 kilometers.

Pac Roots has completed its initial exploration program consisting of recce soil sampling across the entire strike length through the center of the property. Initial interpretation of the preliminary results pending QA/QC is currently underway and the Company pleased with the first found of geochemical data.

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The Company carried out follow-up exploration in 2019 and verified northwest trending zones of highly anomalous soil geochemistry.

As at February 29, 2020, the Company is in violation of the Agreement as it is yet to issue the common shares.

***Glover Island Property***

On February 26, 2018 the Minister of Natural Resources revoked the Company's Mining Lease 190-A that included a 100% interest in the Glover Island gold project. This gold exploration property consists of one mineral license and one mining lease (190-A) covering a total of 2,550 hectares situated on Glover Island in the province of Newfoundland and Labrador. The property is subject to a net smelter returns royalty ("NSR") to New Island Resources of 1% of commercial production, which reduces to 0.5% after the payment of the first \$1.0 million.

Pac Roots believes that the Ministerial decision to revoke Mining Lease 190-A was done in bad faith and has issued a letter to the Minister of Natural Resources requesting further dialogue and a meeting with senior officials from the Newfoundland Government. Until that time Pac Roots believes ownership of Mining Lease 190-A is subject to further consideration pending additional information being made to the Minister of Natural Resources.

On November 25, 2016, the Company submitted a request to reduce the number of claims on the mining lease from 77 to approximately 35. Approval was subject to the completion of an inspection by both government officials and the Company of the proposed new lease area to ensure compliance with environmental regulations. On December 7, 2016, the Department of Natural Resources of Newfoundland Labrador performed the inspection and issued the report with no non-compliance issues noted.

As of this reporting date, the Company owes the Department of Natural Resources \$383,000 on annual rental fees on the mining lease. While there has been no specific due date for the payment of the balance, an anticipated partial surrender of the lease would reduce the outstanding balance proportionately.

There are 17 gold prospects lying along the 11 kilometers, northeast trending, mineralized "GI-Trend" stretching northeastward across the island. Previous resource definition drilling programs were undertaken in 2011 and 2012 at the Lunch Pond South Extension ("LPSE") prospect identified that mineralization is uniformly distributed and can occur in wide intervals with up to 0.7 g/t Au over 130.9 meters (89m true thickness) and 1.34 g/t Au over 99.3 m (80m true thickness). Mineralization is confined to discrete and interconnecting zones within a wide zone of highly silicified and brecciated mixed mafic to felsic volcanic, intercalated fine-grained epiclastic volcanogenic sediments and quartz-feldspar porphyry (crystal tuff). In addition, wide halos of overprinting potassic and carbonate alteration are superimposed on the silicified breccia. Gold is mostly confined to fine-grained pyrite (1-2%) that is both disseminated, and fracture controlled.

P&E Mining Consultants Inc. ("P&E") prepared a NI 43-101 resource estimation for the LPSE deposit in 2017 with the overall objective of delineating near surface resources from the first of Glover Island Property's 17 gold prospects that could be amenable to open pit mining and support a centrally located milling operation on the island. The establishment of the NI 43-101 resource at LPSE was a first step in establishing a solid base resource to build upon at the Glover Island property.

The results of the NI 43-101 technical report consider the gold mineralization at LPSE that is potential amenable to open pit and underground extraction as follows:

<b>Mineral Resource Estimate <sup>(1-4)</sup></b>						
<b>Classification</b>	<b>Indicated</b>			<b>Inferred</b>		
<b>Cut-Off Au g/t</b>	<b>Tonnes</b>	<b>Au g/t</b>	<b>Au oz.</b>	<b>Tonnes</b>	<b>Au g/t</b>	<b>Au oz.</b>
Open Pit 0.5 g/t	993,000	1.72	54,700	1,703,000	1.59	87,300
Underground 2.0 g/t	36,000	2.99	3,500	373,000	2.78	33,300
<b>Total 0.50 &amp; 2.0 g/t</b>	<b>1,029,000</b>	<b>1.76</b>	<b>58,200</b>	<b>2,076,000</b>	<b>1.81</b>	<b>120,600</b>

*(1) Mineral Resources, which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. It is noted that no specific issues have been identified as yet.*

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(2) *The Inferred Mineral Resource in this estimate has a lower level of confidence that that applied to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.*

(3) *The Mineral Resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.*

(4) *The 0.5 g/t and 2.0 g/t Au respective open pit and underground Mineral Resource cut-off grades for LPSE were derived from the approximate May 30/17 two year trailing average Au price of US\$1,210/oz. and US\$/C\$ exchange rate of 0.76, 95% process recovery, \$20/t process cost, \$3/t open pit mining cost, \$75 underground mining cost and \$5/t G&A cost.*

*The Mineral Resource estimate was prepared by Eugene Puritch, P.Eng., P.Geo. of P&E Mining Consultants Inc., who is an Independent Qualified Persons as defined in NI 43-101 and who has reviewed and verified the technical information presented above.*

Beneath the optimized pit shell and extending to the west, there is drill defined mineralization extending along strike for approximately 800m, to a depth of approximately 200m and widths varying from 5 to 10m. The geometry of this extension suggests an Exploration Target of 2.5 to 3.5 million tonnes at grades ranging between 1.5 to 3.0 g/t Au.

Pac Roots still retains one license consisting of 25 mining claims on Glover Island located at the northern limit of the Glover Island Trend. These claims have potential for both gold and base metal mineralization.

### ***Little River Property***

The Company has a 100% interest in the Little River Gold Property which was initially comprised of 134 mining claims comprising 3,350 hectares over a strike length of approximately 33 kilometers in the Baie d'Espoir area of southern Newfoundland.

The property is subject to a 2.0% net smelter return royalty and the Company has the exclusive right and option to acquire one half of the net smelter return royalty for \$1.5 million.

Initial prospecting, soil sampling, drilling prospecting and trenching programs were completed from 2008 to 2010 and revealed numerous samples with high concentrations of arsenopyrite (usually present with gold), but with sporadic levels of associated gold content. The regionally focused prospecting led to the delineation of a stibnite (antimony - Sb) vein with surface samples running up to 50% Sb and 24 g/t gold. The vein (termed the No. 8 Vein) was first discovered in the 1970's but was never drilled. The only primary antimony mine in North America, the Beaver Brook Mine, is located 80 kilometers to the north of the Little River property.

Subsequent drilling on the property included the following intercepts: drill hole LR-10-16, which contained a 0.92 meters interval of 30.6% Sb at a vertical depth of 18 meters. 20 kilometers to the south, hole LR-10-13 encountered a 3.6 meters zone (from 42.9 to 46.5 meters downhole) containing 1.13% Sb and 0.4 g/t Au including a 0.5 meters interval of 6.3% Sb; a separate interval (from 48.5 to 49 meters) contained 2.58 g/t Au and 1.81% Sb; and 200 meters south of LR-10-13, LR-10-11 encountered a 0.5meters interval of 4.01% Sb and 0.98 g/t Au. The best holes drilled on the South Zone are located 50 meters apart at the northernmost extent of the trend and contain intersections of 4.4 meters of 0.43 g/t Au and 0.21% Sb from 11.0 meters depth in hole LR-11-22, and 4.25 meters of 0.33 g/t Au including a 2.8 meters zone of 0.33% Sb at a starting depth of 25.9 meters in hole LR-11-27. Preliminary resampling of previously unsampled drill core from 2010 and 2011 drill core stored in Buchans, NL produced assays of up to 5.84% Sb over short (<1m) intervals.

The 2011 drill campaign at the northern LePouvoir Zone (which includes the No. 8 Vein) also recognized the presence of larger scale alteration characterized by fuchsite, sericite, carbonate and minor iron formation (jasper and magnetite) in association with disseminated Sb mineralization located structurally deeper than the massive No. 6, 7 & 8 veins observed in drill core and at surface.

Except for one license all other mining claims have been returned to Mr. Kendell, the original claims holder. The Company carried out a glacial till survey in late 2018 and identified abundant gold grains in several areas where high-grade gold in vein quartz boulders was encountered. Total cost of the till program was \$37,500. The Company wrote-off the property in 2018.

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**Results of Operations**

*Period ended February 29, 2020 and 2019*

The Company reported net loss for the period ended February 29, 2020 of \$23,998 compared to the same period of \$78,396. Expenses in the period ended February 29, 2020 were \$23,998 compared to \$78,396 for the same period in the prior year due to a decrease in operational activities.

During the period, the Company incurred professional fees in the amount of \$5,400 compared to \$51,511 during the prior year due to decrease in third party consulting services and operational activities of the Company. The professional fees include all fees and related expenses.

**Summary of Quarterly Results**

Quarter ended	Q1 2020 \$	Q4 2019 \$	Q3 2019 \$	Q2 2019 \$	Q1 2019 \$	Q4 2018 \$	Q3 2018 \$	Q2 2018 \$
Revenue	Nil							
Expenses	(23,998)	(118,714)	(42,397)	(66,777)	(78,396)	(14,831)	30,747	57,973
Net and comprehensive loss	(23,998)	(318,714)	(42,397)	(66,777)	(78,396)	219,333	(30,747)	(57,973)
Loss per share – Basic and diluted	(0.00)	(0.03)	(0.00)	(0.01)	(0.01)	(0.03)	(0.00)	(0.00)

**Liquidity and Capital Resources**

As at February 29, 2020, the Company has a negative working capital deficiency of \$799,729 compared to a negative working capital deficiency of \$773,937 at November 30, 2019 mainly due to the use of resources to pay for expenditures.

For the period ended February 29, 2020, the Company used cash of \$190 in operating activities (2019: \$65,186), due to operating expenses offset by working capital changes.

The Company's principal assets are at an exploration stage and as a result the Company has no current source of operating cash flows. The Company relies on its ability obtain equity financing to fund administration expenses and future exploration programs. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of a financing or by monetizing assets. There is no certainty that these and other strategies will be successful.

**Share Capital**

The Company's authorized capital consists of an unlimited number of common shares without nominal or par value. As of the date of this MD&A, the Company has 12,249,629 issued and outstanding common shares.

**Stock Options**

The Company has a Stock Option Plan (the "Plan") which provides that the number of options granted may not exceed 10% of the issued and outstanding shares. Options granted under the Plan generally have a five-year term and are granted at a price no lower than the market price of the common shares at the time of the grant.

Options vested in different stages. During the period ended February 29, 2020, the Company recognized \$nil (2019 - \$nil) share-based payments for the remaining vested options.

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### Warrants

As of February 29, 2020, there are 7,141,976 share purchase warrants outstanding.

### Related Party Transactions and Balances

Payments to key management personnel including the President and Chief Executive Officer, Chief Financial Officer, Directors and companies directly controlled by key management personnel are for salaries, consulting fees, management fees, or professional fees and are directly related to their position in the Company or to services provided to the Company.

For the period ended February 29, 2020, key management personnel compensation was \$18,000 (2019 - \$18,000) to directors of the Company for management fees and \$nil (2019 - \$nil) in consulting fees.

Included in accounts payable and accrued liabilities are amounts owing to related parties totalling \$989,393 (2019 - \$965,183). Included in notes payable are amounts owing to related parties totalling \$1,500 (2019 - \$1,500). The Company shares key management personnel with the related parties.

These transactions are measured at exchange amounts, which are the amounts of consideration determined and agreed to by the related parties.

### Subsequent Event

On April 8, 2019, the Company entered into a license agreement with Phenome One Corp. ("Phenome"), a privately held full service live genetic cannabis company incorporated under the Canada Business Corporations Act. In consideration for the license, the Company agreed to pay \$250,000 in cash and issue 10,000,000 common shares over a nine-month period following the date the Company resumes trading on the CSE after completion of the Transactions described in Note 9 of the financial statements. The license agreement is subject to regulatory approval. The license agreement provides the Company with full access to Phenome's entire library of cultivars as well as access to Phenome's farming IP. The Company will also be granted unlimited access to Norstar Nutrients' ("Norstar") proprietary nutrient IP and catalogue.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Critical accounting estimates

Estimate of recoverability for non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Share-based payments

The amounts recorded for share-based payments are based on estimates. The Black Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, expected forfeitures and expected life of the options. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options.

### Financial Instruments

The Company's financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

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Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, restricted cash, advances, accounts payable, notes payable and loans payable.

The fair value of cash and restricted cash are determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The fair value of advances is determined to be "Level 3" as the amount relates to advances made concerning a definitive share purchase agreement; therefore, the inputs are unobservable (Note 9).

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as of February 29, 2020, as follows:

<b>Fair Value Measurements Using</b>				
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	Total \$
<b>February 29, 2020</b>				
Cash	65	-	-	65
Restricted cash	101,220	-	-	101,220
Advances	-	-	2,295,418	2,295,418
<b>November 30, 2019</b>				
Cash	255	-	-	255
Restricted cash	103,422	-	-	103,422
Advances	-	-	2,243,216	2,243,216

**Credit risk**

The Company has no significant credit risk arising from operations. The Company does not engage in any sales activities, so is not exposed to major credit risks attributable to customers. The Company's credit risk is primarily attributable to cash. The Company holds its cash with Canadian chartered banks and the risk of default is considered to be remote.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company's accounts payable are due within one year. The Company's notes and loans payable are due on demand. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of stock market conditions generally or as a result of conditions specific to the Company. The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at February 29, 2020, the Company has unrestricted cash of \$65 (2019 - \$255) to settle current liabilities of \$989,393 (2019 - \$965,183).

**Interest rate risk**

Interest rate risk is the risk that future cash flows of the Company's assets and liabilities can change due to a change in interest rates. The Company is not exposed to interest rate risk as no financial instruments are interest-bearing. It is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from the financial statements.

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### **Accounting standards adopted in the current period**

The following standards were adopted by the Company effective December 1, 2019:

#### IFRS 16 – Leases

IFRS 16 replaces IAS 17, "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15, "Revenue from Contracts with Customers".

#### IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

There was no impact upon adoption of these 2 standards.

### **Risks and Uncertainties**

Under Canadian reporting requirements, management of the Company is required to identify and comment on significant risks and uncertainties associated with its business activities. For a summary of potentially significant inherent risks and uncertainties that management considers to be particularly unique to its operations and business plans in the upcoming years, please refer to the Company's 2016 Management Discussion and Analysis, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Additional Information**

The financial statements and additional information regarding the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com).