Gabriella's Kitchen, Inc.
Interim Management's Discussion & Analysis – Quarterly Highlights
June 30, 2018

FOREWORD

The following Management's Discussion and Analysis ("**MD&A**) of financial condition and results of operations has been prepared by management to help readers interpret Gabriella's Kitchen, Inc.'s Unaudited Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2018 prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") ("**Consolidated Financial Statements**"). This MD&A should be read in conjunction with the Consolidated Financial Statements and the consolidated financial statements for the year ended December 31, 2017 ("**Annual Financial Statements"**) and related notes thereto. The Consolidated Financial Statements and MD&A, including tabular schedules have been prepared in Canadian dollars, unless otherwise indicated. The terms "we," "our", "us," "GK" and "the Corporation" refer to Gabriella's Kitchen, Inc. and its subsidiary as a group. Additional information related to the Corporation is available on SEDAR at www.sedar.com and at the Corporation's website at www.gabriellas-kitchen.com.

The MD&A has been prepared as at September 6, 2018

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements." These statements, identified by words such as "plan," "anticipate," "believe," "estimate," "should," "expect" and similar expressions include the Corporation's expectations and objectives regarding its future financial position, operating results and business strategy. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For a comprehensive list of the risks and uncertainties applicable to the Corporation, please refer to the section titled "Risk Factors" in the Corporation's final long form prospectus dated August 28, 2018. Forward looking statements are based on a number of material factors and assumptions, including consumer buying patterns will increase in specialty and grocery stores, economic conditions in Canada and the United States will continue to show modest improvement in the near to medium future, the average cost of ingredients will fluctuate in line with historical trends, no material change to competitive environment in the distribution of its products, the Corporation will be able to access sufficient qualified staff, there will be no material changes with the Corporation's larger customers and there will be no material changes to the tax and other regulatory requirements governing the Corporation. While the Corporation considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on GK's business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forwarding looking statement. The Corporation advises you to carefully review the reports and documents the Corporation files from time to time with the applicable securities commissions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements with the risks set forth.

ABOUT OUR BUSINESS

Gabriella's Kitchen Inc. develops, manufactures, produces and markets high-quality, nutritional food products. The Corporation's strategy since inception has been to use healthy and unique ingredients in innovative ways to create powerfully nutritious and functional foods. The Corporation has over 20 food products that offer consumers *better-for-you* options such as high-protein, low-calorie, low-carbohydrate, vegan, gluten-free and other allergy-sensitive products. The Corporation has also developed a line of products infused with cannabis-derived cannabinoids (including CBD and THC) ("**Infused Products**") of which six are slated to launch in the third quarter of 2018. The Corporation offers its products under several brand names, including *noodi*™, *gabbypasta*™ and alto™. The Corporation trades on the Canadian Securities Exchange (**"CSE**") under the symbol GABY.

HIGHLIGHTS

- On June 13, 2018 the Corporation closed its offering of convertible debentures and warrants for $6.35 million gross proceeds, of which the convertible debentures automatically converted to 22,226,092 common shares on August 28, 2018 pursuant to the Corporation becoming public (**"Conversion Event"**)
- $4.0 million of callable debentures and $0.6 million of related party payable were converted into class A common shares and warrants of the Corporation
- Gross sales increased over the same periods last year by 172% and 171% to $560,952 and $1,222,251 for the three and six months ended June 30, 2018, respectively;
- The US consumer market continued to lead growth with a gross sales increase over comparative periods last year of 463% and 368% to $464,845 and $1,044,196 for the three and six-month periods ended June 30, 2018, respectively;
- Canadian gross sales declined over the same periods last year by 22% to $96,107 and $178,055 for the three and six-months ended June 30, 2018, respectively
- Net loss and comprehensive loss was $1.9 million and $2.8 million respectively, for the three and six months ended, compared to the respective periods last year of $0.9 million and $1.8 million; or approximately $1 million higher each period, primarily due to a higher percentage of promotional activity to speed up trial of its products and accelerate sales and higher direct inventory costs resulting in approximately $0.3million lower gross profit after distribution and allocated indirect costs, higher operating expenses, mostly in respect of fees incurred in respect of going public efforts of approximately $0.4 million; and a non-cash share-based contract cancellation cost of approximately $0.4 million.

FINANCIAL PERFOMANCE

	Three months ended June 30,			Six months ended June 30,		
	2018	2017		2018	2017	
	$	$	%	$	$	%
Gross Sales Canada	**96,107**	123,789	(22%)	**178,055**	227,437	(22%)
Gross Sales - US	**464,845**	82,500	463%	**1,044,196**	222,946	368%
Gross Sales	**560,952**	206,289	172%	**1,222,251**	450,383	171%
Sales	**319,737**	164,096	95%	**777,056**	369,546	110%
Sales as a percentage of gross sales	**57%**	80%		**64%**	82%	
Direct inventory costs	**313,709**	96,186	226%	**686,305**	220,102	212%
Direct inventory costs as a percentage of gross sales	**56%**	47%		**56%**	49%	
Variable gross profit	**6,028**	67,910	(91%)	**90,751**	149,144	(39%)
Variable gross profit as a percentage of gross sales	**1%**	33%		**7**%	33%	
Gross profit after distribution and allocated indirect costs	**(264,607)**	(49,298)	437%	(377,687)	(109,030)	246%
Loss from operations	**(1,370,893)**	(807,961)	70%	(2,270,189)	(1,572,606)	44%
Net loss and comprehensive loss	**(1,879,509)**	(904,914)	108%	(2,849,873)	(1,770,404)	61%
Basic and diluted earnings per share[1,2]	**(0.04)**	(0.02)	77%	**(0.06)**	(0.04)	41%
Weighted average number of common shares – basic and diluted[1]	**50,829,106**	43,391,393	17%	**48,084,983**	42,000,986	14%
Retail locations, period end[3]	**2,968**	1,331	123%			
Retail facings, period end[4]	**11,174**	5,791	93%			

(1) On April 18, 2018, the Corporation amended its articles to effect a subdivision of its common shares on the basis of seven Common Shares for post-subdivision Common Shares for each pre-subdivision Common Share then outstanding, and to amend its articles to replace the existing classes of shares of the Corporation with one class of common shares and one class of preferred shares. The outstanding share capital disclosed in the notes above reflect the subdivision.

(2) Percentage change based on unrounded earnings per share

(3) Number of stores in which we stock and sell our products

(4) Sum of each retail location multiplied by the number of product lines that location stocks

Gross sales increased over the comparative periods last year by 172% and 171% to $560,952 and $1,222,251 for three and six month periods ended June 30, 2018, respectively. The growth came from the United States ("**US**") with respective increases of 463% and 368% and gross sales of $464,845 and $1,044,196. This growth was partially offset by a 22% decline of Canadian gross revenue over the same periods last year, with gross revenue of $96,107 and $178,055, for the three and six months ended June 30, 2018, respectively. The triple digit growth in the US resulted as the Corporation shifted some of its focus to the much larger US market, which came with a partial cost of the 22% decline of domestic market. The growth in the US stemmed from the 2016 increase in our sales reps from, one in Canada, to three in total with the addition of two new sales reps in the US, as well as the expansion of our broker network.

Promotional activity, which includes price promotions such as couponing (previously referred to as merchant charge backs in the Corporation's Annual Financial Statements), increased to $213,329 and $387,631, or 38% and 32% of gross sales for the three and six months ended June 30, 2018, respectively, compared to 10% and 9% for the same respective periods last year. Respective amounts for amortization of listing fees were $27,886 and $57,564, both at 5% of gross sales, versus 10% and 9%; respectively last year. Accordingly, sales of $319,737 and $777,056 for the three and six months ended June 30, 2018, respectively, were 57% and 64% of gross sales compared to 80% and 82%, respectively, last year. The lower percentages in 2018, reflect increased promotional activity to speed up trial of new products, to further promote sales and brand awareness of GK's products. As gross sales volumes and brand identity continue to grow we expect that promotional activity will decline as a percentage of gross sales. Moreover, product listing fees are a onetime cost as new items garner shelf space, they are not a cost that renews on an annual basis. As such, we expect product listing fees to also decline as percentage of gross sales as the installed retail base continues to grow.

Direct inventory costs as a percentage of gross sales were 56% for the three and six months ended June 30, 2018, versus 47% and 49% for the same respective periods last year. This, along with the higher promotional activity, resulted in lower variable gross margins of 1% and 7% for the three and six month periods ended June 30, 2018, compared to 33% over both periods last year.

Gross profit after the allocation of indirect overhead costs and distribution costs was negative $264,607 and $377,687 for the three and six months ended June 30, 2018, respectively, compared to negative $49,298 and $109,030, for the respective periods last year. Allocated indirect overhead is generally non-variable in nature and we expect that such allocations will decline as a percentage of gross sales as volume increases past these early threshold targets. For the first three and six months of 2018, allocated indirect overhead amounted to $217,418 and $354,415 or 39% and 29% of gross sales, respectively, versus 43% and 40% the same periods last year.

Operating expenses increased to $1,106,286 and $1,892,502 for three and six months ended June 30, 2018, respectively, compared to respective periods last year of $758,663 and $1,463,576. The increase for the quarter of $347,623 and six-moth period of $428,926 primarily reflects increase in legal, accounting and investor relation costs to support the Corporation's efforts to qualify its shares for listing on a public exchange and increased personnel costs to build out its operating teams starting later 2017 to support the substantial level of growth expected in 2018.

As a result of aforementioned decrease in gross profit after distribution and allocated indirect costs, resulting from higher promotional activity and direct inventory costs, plus higher operating expenses, mostly in respect of fees incurred in respect of going public efforts, our loss from operations increased by $562,932 to $1,370,893 for the second quarter of 2018 and by $697,583 to $2,270,189 on a year-to-date basis.

Significant items of Other income (expense) as reported on the statement of loss include the following:

Loss on foreign exchange transactions and translation

The foreign exchange gains (losses) were ($93,421) and ($100,035) for the quarter and six-month period ended June 30, 2018 compared to the same periods last year of 7,751 and $5,242, respectively. The gains and losses are in respect of settlement and translation of working capital balances (including the short-term receivable) and the callable debt denominated in US currency.

Gain on extinguishment of debt

In conjunction with the conversion of callable debt into Common Shares and Warrants in the second quarter of 2018, the Corporation recorded a gain of $72,126 being the difference between the fair value of the equity issued and the fair value of the debt converted. The gain arose as the foreign exchange rate on the date of conversion of the callable debt to equity was higher than the average exchange rate agreed to by noteholders to determine the number of Common Shares and Warrants issuable on exchange. This non-cash gain is considered non-recurring as management does not foresee converting foreign denominated debt into equity in the foreseeable future.

Interest expense

Interest expense was $146,396 and $154,874 for the quarter and six-month period ended June 30, 2018 compared to the same periods last year of 50,641 and $99,891, respectively. Interest in the prior periods included interest on all of the callable debt whereas interest recorded in 2018 primarily relates to the interest accretion in respect of the convertible debentures totalling $135,369 in the quarter.

Contract termination payment

A share-based payment of $341,716 was recorded as a cost of terminating a sponsorship agreement as described in Note 10 to the Consolidated Financial Statements. The expense is a non-cash payment and is considered nonrecurring as the contract was unique to Corporation and it does not foresee entering into similar contracts in the foreseeable future.

As a result of the foregoing other income (expense) items netted against loss from operations, the net loss and comprehensive loss increased by $974,595 or 108% to $1,879,509 for the quarter and by $1,079,469 or 61% to $2,849,873 on a year-to-date basis. Basic and diluted loss per share for the quarter and first six months of 2018 only increased by 77% and 41% to $0.04 and $0.06, respectively, as the weighted average number of common shares increased 17% and 14%, respectively, to 50,829,106 and 48,084,983, respectively.

FINANCIAL CONDITION

On June 13, 2018, the Corporation raised gross proceeds of $6,350,000 on the issuance of convertible debentures and warrants as follows:

In $	Convertible debentures	Contributed surplus	Class A common shares	Contribution to working capital
Gross proceeds	6,350,000	-	-	6,350,000
Paid or payable issuance costs	(649,400)	-	-	(649,400)
Share-based issuance costs	(387,680)	122,526	262,794	-
Discount on debenture attributable to conversion feature and accompanying warrants	(102,616)	102,616	-	-
Initial recognition on issuance of convertible debenture	**5,210,304**	**227,502**	**262,794**	**5,700,600**

To the end of June 30, 2018, the Corporation used a portion of the net proceeds to provide a loan for USD 550,000 (CAD 732,160 at time of advance) to The Oil Plant and to fund working capital deficit of approximately $1,799,000, leaving it with net working capital of $3,016,815, excluding the aforementioned loan to The Oil Plant of $724,014, the convertible debentures of $5,345,673, and a portion of due to related parties of $148,264 that remains outstanding subsequent to June 30, 2018. The convertible debentures were due December 13, 2018 for the face value of $6,350,000 plus 10% interest thereon for six months; however, the debentures became mandatorily convertible into the Corporation's Class A Common Shares for the face value of the debentures at a price of $0.2857 per Common Share upon the Corporation's Common Shares being approved for listing by the CSE on August 28, 2018. Of the amount due to related parties of $244,494, a net of $96,230 has been repaid subsequent to June 30th leaving a balance owing of $148,264. It is management's intention to either convert this to share capital or to repay only upon a future raise of capital, and therefore, its repayment is not payable from existing working capital. The loan to The Oil Plant is due June 30, 2018, and therefore is not considered immediately available to the Corporation.

In addition, the Corporation settled all of the previously issued callable debt, with the exception of one promissory note of $150,000 included in working capital, through the conversion of debt to common shares and warrants.

Management anticipates that the working capital as defined above, as well as access to a demand operating loan of $150,000, will be sufficient to meet the Corporation's operational losses as well as finance expansion of non-Infused Products and the launch of its Infused Products.

Going concern

The Consolidated Financial Statements have been prepared using International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

The Corporation is in the initial growth stage of the business life cycle and has not yet reached a profitable level of operations. Until the Corporation reaches profitability, its ability to continue as a going concern is dependent upon the availability of operating and long-term financing. Management is continuing to address the need to increase revenue, control costs, and obtain working capital and long-term financing.

The issuance of the $6,350,000 convertible debentures, along with anticipated proceeds of its business operations, should enable the Corporation to fund operations for one year or more as the Conversion Event resulted in the mandatory conversion of the convertible debentures into Class A common shares which avoids the principal and interest otherwise due on December 13, 2018.

Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Consolidated Financial Statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operation. These adjustments could be material.

Analysis of cash flows

	Three months ended June 30,			**Six months end June 30,**		
In $	**2018**	**2017**	**Increase (decrease) in cash**	**2018**	**2017**	**Increase (decrease) in cash**
Operating activities before changes in non-cash working capital	**(1,424,672)**	(816,732)	(607,940)	**(2,345,287)**	(1,594,429)	(750,858)
Net cash used in operating activities	**(1,950,980)**	(1,110,352)	(840,628)	**(2,463,533)**	(1,794,912)	(668,621)
Investing activities	**(770,755)**	(3,234)	(767,521)	**(775,931)**	(27,250)	(748,681)
Financing activities	**5,808,862**	1,109,531	4,699,331	6,317,167	2,092,065	4,225,102
Foreign currency translation adjustment	**48,427**	(7,646)	56,073	**75,824**	(11,349)	87,173
Increase (decrease) in cash and cash equivalents for the period	3,135,554	(11,701)	3,147,255	3,153,527	258,554	2,894,973
Cash (bank indebtedness), beginning of period	(133,871)	100,161	(234,032)	(151,844)	(170,04)	18,250
Cash and cash equivalents, end of period	**3,001,683**	88,460	2,913,223	**3,001,683**	88,460	2,913,223

As shown in the table above, cash flow from operating activities before changes in non-cash working capital decreased by $607,940 and $750,858 over the three and six- month prior year periods, respectively. The decrease mostly reflects the increase in operating expenses of $347,623 and $428,926, over the respective periods, mostly on professional costs in efforts to have its Common Shares listed on a recognized exchange and lower respective gross profit after distribution and allocated indirect costs of $215,309 and $268,657; respectively.

Net cash used in operating activities, which is after non-cash working capital changes, was $840,628 and $668,621 higher over the three and six-month prior year periods last year, respectively and for the three-month period, reflects a catch-up payments of accounts payable upon receipt of the convertible debenture financing.

The increase in investing activities in 2018, as tabled above, reflects the investment in the short-term receivable of The Oil Plant for $732,160 – CAD ($550,000 USD). This, and the operational cash losses were funded in 2018 primarily by combined receipts on the issuance of convertible debentures and warrants of $6,151,904 (the remaining amount of $198,096 of gross proceeds was collected from agents subsequent to June 30th, 2018) net of issuance costs paid of $359,720 (accrued issue costs of $289,680 were paid or payable subsequent to June 30th, 2018) and in the first quarter of 2018 includes share subscription proceeds of $435,012, of which, along with subscription proceeds received in 2017, were ultimately issued in shares with the exception of $32,888 reflected in Share Subscription liability at June 30, 2018. In 2017, the operating and investing activities were funded primarily from the issuance of share capital at $0.2857 (post-split) per share for $1,017,500 and $1,730,750 for the three and six month period ended June 30, 2017, respectively.

KNOWN TRENDS, RISKS AND DEMANDS

To management's knowledge, no significant changes to these risks and uncertainties have occurred in the period ended since last reported in the section titled "Risk Factors" in the Corporation's final long form prospectus dated August 28, 2018.

MAJOR OPERATING MILESTONES

In addition to expansion of our non-Infused Products in 2018, the Corporation has developed and is slated to launch six Infused Products in California and Oregon by the third quarter of 2018. The Corporation plans to introduce its Infused Products into its existing sales network as its production capacity increases, and as regulatory developments in various jurisdictions allow for the import and sale of cannabis products. The Corporation plans to leverage its partnerships with third party manufacturers, distributors, brokers and retailers to introduce its Infused Products into the licensed retail channel and to expand its product offering into its traditional retails sales channels with non-psychoactive infused CBD products.

In total, the Corporation anticipates introducing the following new products starting in the third quarter of 2018 as outlined below:

Non-infused frozen meals set to launch in 2018:

- Fusilli with Puttanesca sauce
- Spaghetti with mushroom vegan meatballs
- Spaghetti in a meatless Bolognese sauce
- Under its children's line, a spaghetti and mushroom meatball meal

The Corporation is also developing two new products; a beet flavoured and an herb flavoured pasta. These products are low in calories, low in carbohydrates and high in protein as compared to traditional pasta.

Infused products:

The Corporation has entered into manufacturing agreements with three separate licensed manufacturers of cannabis products in four separate states, namely Gesundheit Foods, The Oil Plant, Inc. ("**The Oil Plant**") and Cannabis One. The production process involves either purchasing cannabis oil extracted by licensed manufacturers and then having a licensed manufacturer infuse products produced by the Corporation, or having one or more third-party manufacturers with whom the Corporation has entered into production agreements complete the entire production process. Pursuant to these agreements, the Corporation intends to launch the following Infused Products in the third quarter of 2018:

- CBD infused extra virgin olive oil
- CBD & garlic infused olive oil
- CBD & truffle infused olive oil
- THC infused extra virgin olive oil
- THC & garlic infused olive oil
- THC & truffle infused olive oil

The Infused products above are essentially done and ready for market and the Corporation does not anticipate incurring significant additional costs to bring these products to market. The Corporation also has a line of infused sauces and condiments and a THC infused macaroni and cheese under development for launch in 2019.

With our present and future account expansion primarily focused in the US and along with the launch of Infused Products in 2018, we anticipate that gross sales in 2018 will increase to $4.3 million from its non-Infused Products compared to $1.3 million in 2017 and Infused Products will generate new gross sales of approximately $2.1 million.

The Corporation exceeded it financing goal in June 2018 of raising gross proceeds on the aforementioned convertible debentures of $6.35 million on oversubscriptions on its planned raise of $6.0 million.

Accordingly, along with increased revenues, the Corporation anticipates that it will incur additional operational and investment costs as outlined therein; however, the Corporation does not expect to require additional funding to achieve its business expansion plans. The Corporation may however, raise additional capital in the future to accelerate its growth and to pursue available business opportunities.

Below is a comparison of the planned use of proceeds compared to actual and revised planned use of proceeds.

Planned use of proceeds from debenture issue:	March 31, 2018 MD&A	Revised	Difference
Estimated commissions and fees of Convertible Debenture financing	**$500,000**	**$475,180**	**($24,820)**
Estimated expenses of application for Exchange listing and Convertible Debenture financing	**475,000**	**463,717**	**(11,283)**
Repayment of callable debt July 2018	**-**	**150,000**	**150,000**
Strategic Partner Investments	**500,000**	**732,160**	**232,160**
Manufacturing Facility Investments	**384,000**	**100,000**	**(284,000)**
Estimated operating costs:			
Fixed operating costs[2,3]	**1,003,000**	**1,635,082**	**632,082**
Discretionary operations costs: [2]			
Product research and development[1,2]	100,000	42,000	(58,000)
Product Branding[1,2]	1,400,000	287,000	(1,113,000)
Retail Sales Channel Development[2]	1,100,000	408,000	(692,000)
Shelf Space Expansion[2]	513,000	93,000	(420,000)
Service costs, sales data subscriptions and other support[2]	-	$24,380	24,380
Sub-total Discretionary operating costs	**3,113,000**	**854,380**	**(2,258,620)**
Total Operating Costs	4,116,000	2,489,462	(1,626,538)
Working capital deficiency	**25,000**	**1,939,481**	**1,914,481**
Total expected gross proceeds	**$6,000,000**	**$6,350,000**	**$350,000**

(1) Previously grouped together as Product Research and Branding of $1,500,000
(2) Part of operating expenses
(3) Previously described as general and administrative expenses

The original projection had assumed that the growth in business would begin to inject gross margin into the business within the twelve months and therefore was an end of 12 month view and assumed at the end of that period, such amount would cover the immediate working capital requirements of $1,939,481 and the $150,000 repayment of callable debt. Given that the Corporation reported negative gross profit after distribution and allocated indirect costs of $264,607 for the quarter ended June 30, 2018, and funded $1,939,481 of working capital deficiencies to July 2018, it has revised its planned allocation of spending towards product research and development, product branding, retail sales channel development and shelf space expansion as per above. Depending upon the level of gross margin realized, the Corporation may increase expenditures upwards to original plans. The strategic partner investments and manufacturing facilities investments are somewhat interdependent as the investment in one can offset the requirement to invest in the other as is the case with the Corporation's loan to The Oil Plant for US $550,000 (CAD $732,160) of which it has entered into a manufacturing agreement with as described above.

The Corporation expects to achieve the above-mentioned objectives from its available working capital, and eventually from the anticipated proceeds of its business operations. It is expected that the use of funds as outlined in the table above will occur over 12 months from July 31, 2018. There may be circumstances where a re-allocation of funds may be necessary or advisable, or where financing is required to achieve some or all of these objectives.

The actual amounts that the Corporation is required to spend in connection with the furtherance of its business objectives may vary significantly from the Corporation's expectations and will depend on a number of factors. Readers should refer to Risk Factors as disclosed in the Corporation's preliminary long form prospectus as filed on www.sedar.com.

SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

All related party transactions are reviewed by the CEO and CFO. In the future, related party transactions will be reviewed by GK's Corporate Governance Committee, comprised of independent directors. The following sets forth certain transactions in which the Corporation is involved.

Key management personnel

Key management of the Corporation is provided through companies controlled by certain shareholders. They, along with the Board of Directors have the authority and responsibility for directing and controlling the activities of the Corporation. Compensation for consulting and marketing services is paid to these related party for the provision of their services.

In addition, one of the shareholder's companies is reimbursed for expenses incurred by it in respect of the Corporation's business. The Corporation enters into this related party transaction as the shareholder's Corporation is responsible for a number of its investment companies and can often provision the services more economically and efficiently.

Interest on callable debt

The Corporation paid interest on callable debt owed to shareholders and an entity related by common ownership. The Corporation entered into this related party transaction because alternate sources of financing were unavailable and it had not yet reached a profitable level of operations due to the Corporation being in the initial growth stage of the business life cycle. All of the callable debt (with the exception of $150,000 which was repaid subsequent to June 30, 2018), as well as $693,224 of a related party payable, was converted to share capital as described above.

Transactions in respect of convertible debentures

Finder's fees in connection with the issuance of convertible debentures were paid to a company significantly influenced by a controlling owner of a corporate shareholder who is also a family member of multiple shareholders. The fees included a cash payment of $205,230 paid subsequent to June 30, 2018 and the issuance of Compensation Warrants fair valued at $47,330. The total compensation paid was comparable to other agents involved in the issuance of the convertible debentures. The aforementioned corporate shareholder also subscribed for $125,000 of convertible debentures of which $109,000 of the proceeds were received subsequent to June 30, 2018.

Short-term note receivable

As described in Note 7 of the Consolidated Financial Statements, the Corporation loaned $550,000 USD to The Oil Plant, a company of which a director of the Corporation is President and founder. The payment of the obligations pursuant to the note is secured by a general security agreement with interest in present and after-acquired property of The Oil Plant and ranks senior in respect of all other indebtedness of The Oil Plant.

The Oil Plant is a licensed manufacturer of cannabis products and entered into a manufacturing agreement with the Corporation to facilitate the production of the Corporation's Infused Products planned for launch in the third quarter of 2018. The investment is strategic to the Corporation to enable the imminent launch of its Infused Products in accordance to the milestones identified above.

Refer to Note 7 to the Consolidated Financial Statements for further related party transaction detail.

VOTING SECURITES AND SECURITIES CONVERTIBLE INTO VOTING SECURITIES OUTSTANDING

As of the date of the MD&A, the Corporation had outstanding:

Number of voting securities currently outstanding:			
Class and Series	Number of Equity Securities Convertible to Voting Securities	Number of Voting Securities	Cash payable on conversion
Class A voting Common Shares[1]	n/a	88,521,571	n/a
Number of securities outstanding convertible or exercisable into Class A voting Common Shares			
Warrants at $0.37 per share [2]	41,810,039	41,810,039	$15,469,714
Compensation Warrants[2]	482	3,374,000	$1,106,190
Stock options at $0.2857 per share[3]	1,775,000	1,775,000	$507,118
Total potential Class A voting Common Shares by end of exercise periods		135,480,610	$ 17,083,022

(1) Reflects automatic conversion of 6,350 convertible debentures into 22,226,092 Class A voting Common Shares on Conversion Event August 28, 2018
(2) Refer to Note 11 of the Consolidated Financial Statements for the exercise provisions, including exercise period.
(3) Reflects the grant of 1,775,000 stock options to certain directors and officers of the Company on September 5, 2018. The stock options are exercisable at a price of $0.2857 per Common Share, expire September 5, 2023, and one-third of the stock options vest each immediately, September 5, 2019 and September 5, 2020.