

NORTH BUD FARMS INC.

Management's Discussion and Analysis

For the three and nine month periods ended August 31, 2018

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

This Management's Discussion and Analysis ("MD&A") for North Bud Farms Inc. (the "Company" or "North Bud") should be read in conjunction with the condensed consolidated interim financial statements for the three and nine month periods ended August 31, 2018 and the financial statements for the year ended November 30, 2017, and the notes thereto.

The financial information in this MD&A is derived from the Company's condensed consolidated interim financial statements for the three and nine month periods ended August 31, 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The effective date of this MD&A is October 22, 2018.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain of the information contained in this document may contain "forward-looking statements". Forward-looking statements may include, among others, statements regarding the Company's future plans, costs, objectives or economic performance, or the assumptions underlying any of the foregoing. In this document, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events and are subject to known or unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Company's control. These risks and uncertainties include, but are not limited to, those described under the headings "Risk Management and Capital Management" and "Inherent Risk Factors" in this MD&A and could cause actual events or results to differ materially from those projected in any forward-looking statements. The Company does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events or circumstances or otherwise, except if required by applicable law.

BUSINESS OVERVIEW

North Bud Farms Inc. (the "Company" or "North Bud"), formerly 10002402 Canada Inc., was incorporated on November 29, 2016 under the Canada Business Corporations Act.

North Bud is focused on GMP standardized pharma grade cannabis production as well as food grade cannabinoid infused inputs for both the international pharmaceutical market and the pending consumer goods and consumables segment of the recreational cannabis market. The address of the Company's corporate office is 4400-181 Bay Street, Toronto, Ontario, Canada, M5J 2T3.

On August 23, 2018, the Company completed the acquisition of all of the issued and outstanding shares of GrowPros MMP Inc. ("GrowPros") (Note 4). GrowPros is pursuing a license to become a producer of medical marijuana in Canada, pursuant to Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR").

GOING CONCERN

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at August 31, 2018, the Company had not yet generated any revenues from operations and had limited working capital available. The Company has no income or cash inflow from operations. Continued operation of the Company is dependent on becoming a licensed producer of medical marijuana, which requires continued financial support through completion of equity financings, or the achievement of profitable operations in the future. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. The financial statements do not include any adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

CORPORATE DEVELOPMENT HIGHLIGHTS

CLOSING OF PRIVATE PLACEMENTS

On January 15, 2018, the Company closed a private placement for gross proceeds of \$500,000. The private placement was comprised of 10,000,000 shares at a price of \$0.05 per share. Directors of the Company (or corporations controlled by directors of the Company) participated in the private placement for a total amount of \$500,000.

On February 14, 2018, the Company closed a private placement for gross proceeds of \$1,100,000. The private placement was comprised of 11,000,000 shares at a price of \$0.10 per share. A Director of the Company participated in the private placement for an amount of \$25,000.

On April 20, 2018, the Company closed a private placement for gross proceeds of \$150,000. The private placement was comprised of 1,500,000 shares at a price of \$0.10 per share.

On July 25, 2018, the Company closed a private placement for gross proceeds of \$3,239,500. The private placement was comprised of 12,958,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 until September 20, 2020

On September 20, 2018, the Company closed a private placement for gross proceeds of \$994,500. The private placement was comprised of 3,778,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 until September 20, 2020. A Director of the Company participated in the private placement for an amount of \$50,000.

LAND ACQUISITION

On June 7, 2018, the Company acquired all of the issued and outstanding shares of 9366-4027 Quebec Inc. ("9366-4027"), a company controlled by Ryan Brown, North Bud's CEO, in consideration for 760,000 common shares of North Bud. 9366-4027 is a holding company which owns 130 acres of farmland in Venosta, Quebec, where the Company is building its future production facility. The acquisition does not meet the definition of a business combination under IFRS and, as such, has been accounted for as an asset acquisition. The land was recorded at an amount of \$190,000, being the estimated fair value of the 760,000 common shares issued.

GRANT OF STOCK OPTIONS

On September 19, 2018, the Company announced the grant of 5,150,000 stock options to certain of its directors, officers, employees and consultants. Each option entitles the holder to acquire one common share for a period of 5 years at an exercise price of \$0.25 per common share.

On September 27, 2018, the Company announced the grant of 85,000 stock options to a consultant, which vest over a two-year period. Each option entitles the holder to acquire one common share for a period of 5 years at an exercise price of \$0.60 per common share.

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

LICENSING OF CANNABINOID INFUSION TECHNOLOGY

On September 27, 2018, the Company announced a supply and licensing agreement with Made By Science Inc. ("MBS"), a multi-state co-packaging and infused product manufacturer. Under the agreement, North Bud will purchase from MBS raw, non-infused protein-based encapsulation powder (MX-17) to be used for infusion technologies for which MBS will grant a master license to the Company for the use of the patented technology.

SELECTED FINANCIAL INFORMATION

The following selected financial information is derived from the Company's condensed consolidated interim financial statements for the three and nine month periods ended August 31, 2018, which were prepared in accordance with IFRS:

	Three months		Nine months	
	ended August 31,		ended August 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net loss and total comprehensive loss	(338,647)	-	(458,908)	-

As at	August 31, 2018	November 30, 2017
	\$	\$
Total assets	6,611,603	1
Total liabilities	336,010	-

RESULTS OF OPERATIONS

The Company commenced operations in January 2018. Expenses incurred during the three and nine months ended August 31, 2018, include legal fees of \$100,000 and \$150,000, respectively, related to the organization of the Company, the listing of the Company on the Canadian Securities Exchange (the "CSE") and other corporate matters, other professional fees of \$22,440 and \$42,840, respectively, related, but not limited to, fees incurred in connection with the audit of the Company's 2017 year-end financial statements, the review of the Company's Q2 2018 interim financial statements and the review of the Company's prospectus, management and consulting fees of \$107,193 and \$146,193, respectively, related to services provided by consultants in a number of areas, including but not limited to management, financial reporting, marketing and various administrative functions and insurance expenses of \$57,674 and \$57,674, respectively, related to Directors and Officers liability insurance, general liability insurance and builders' risk insurance.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity depends on existing cash reserves, supplemented as necessary by equity and/or debt financings. As at August 31, 2018, the Company had cash of \$4,054,095 (\$1 as at November 30, 2017) and current liabilities of \$336,010 (\$Nil as at November 30, 2017).

During the nine months ended August 31, 2018, the Company used cash of \$382,367 to fund operating activities (2017 - \$Nil).

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

COMMITMENTS AND CONTINGENCIES

As at August 31, 2018 and as of the date of this MD&A, the Company does not have any commitments or contingencies.

OFF-BALANCE SHEET ARRANGEMENTS

As at August 31, 2018 and as of the date of this MD&A, the Company does not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

As at the date of this MD&A, there are no proposed asset or business acquisitions or dispositions.

RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Related parties include the Board of Directors and key management personnel, as well as close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

Remuneration of directors and key management personnel of the Company was as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Consulting fees	30,000	-	45,000	-
	30,000	-	45,000	-

During the three and nine month periods ended August 31, 2018, consulting fees of \$30,000 and \$45,000, respectively, were paid to Brendan Stutt, the Company's CFO, pursuant to a consulting agreement, for services rendered as CFO of the Company.

RISK MANAGEMENT AND CAPITAL MANAGEMENT

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash. The

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

Company's cash is held at reputable financial institutions with high external credit ratings. It is Management's opinion that the Company is not exposed to significant credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares through equity offerings or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There have been no changes to the Company's capital management approach during the nine month period ended August 31, 2018.

CHANGE IN ACCOUNTING POLICIES

The Company has not had any changes in accounting policies, other than the adoption of new mandatory standards under IFRS as well as amendments to existing standards, for the nine month period ended August 31, 2018.

INHERENT RISK FACTORS

You should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating North Bud and its business before making any investment decision. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers, including investors considering a purchase of securities of the Company.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

The Company is reliant on a licence to produce medical cannabis products in Canada that it does not currently hold.

The Company's proposed business operations are predicated on Health Canada issuing a licence to GrowPros to enable the Company to grow, store and sell medical cannabis and other cannabis products in Canada. GrowPros has applied to Health Canada to become a Licensed Producer under the ACMPR, but as of the date of this MD&A, GrowPros' application is still under review with Health Canada. While the Company expects that GrowPros will receive a licence to produce in the future, the Company cannot guarantee that the licence will be granted and if granted, the timing of such grant. As GrowPros' application for a licence to produce will not be determined by the time the Cannabis Act comes into force, GrowPros' application will be deemed to be an application under the Cannabis Act. Failure to ultimately obtain the licence from Health Canada would have a material adverse impact on the future business, financial condition and operating results of the Company.

The Company has a limited operating history.

North Bud and GrowPros both have a limited operating history. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

The Company has a history of net losses since incorporation and may never turn a profit or be able to pay dividends.

The Company has incurred operating losses since incorporation and may not be able to achieve profitability. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operation of its business. If the Company does not achieve revenues to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will turn a profit or generate immediate revenues or pay dividends. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements.

The laws and regulations governing medical cannabis are still developing, including in ways that may not be foreseeable by the Company at present.

The Company's ability to achieve its business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and our obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical cannabis industry. Similarly, the Company cannot predict how long it will take to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business, results of operations and financial condition. Any amendment to or replacement of existing laws may cause adverse effects to our operations. The risks to the Company's business represented by subsequent regulatory changes could reduce the addressable market for its proposed products and could materially and adversely affect the Company's business, financial condition and results of operations.

The Company's proposed business is subject to a high degree of regulation, which carries with it risks related to non-compliance as well as significant costs of compliance.

The Company will be operating in a new industry that is highly regulated and in a market that is very

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

competitive and evolving rapidly. GrowPros' ability to grow, store and sell medical cannabis in Canada is dependent on obtaining the licences from Health Canada and then maintaining those licences in good standing. Failure to comply with the terms of the licences or maintain the licences in good standing would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

The medical cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomical. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Limited Operating History Competition in the cannabis industry is significant and expected to increase.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways. An increase in the companies competing in this industry could limit the ability of the Company to develop its business as planned. Current and new competitors may be better capitalized, with a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost than the Company. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its ability to become and remain profitable. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition. In addition, it is not known what effect the legalization of adult-use cannabis with the expected coming into force of the Cannabis Act and the Cannabis Regulations on October 17, 2018 may have on the medical cannabis market.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable.

If the Company cannot successfully develop, manufacture and distribute its products as planned, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

The development and operation of the Company's business may require additional financing, which it may not be able to secure.

There is no guarantee that the Company will be able to achieve its business objectives with the funding currently available to it. The Company has had negative operating cash flow since incorporation. If this continues into the future, the Company may require additional financing to fund its operations to the point where it is generating positive cash flows. The failure to raise the necessary capital could result in the delay

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

or indefinite postponement of current business objectives or adversely affect the Company's ability to continue as a going concern. The Company cannot provide any assurance that additional capital or other types of financing will be available at all or on terms that are favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares.

Under Canadian regulations, a Licensed Producer of cannabis has restrictions on the type and form of marketing it can undertake, which could materially impact sales performance.

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada or provincial regulations. Licensed Producers are not allowed to advertise their products to the public. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

The Company may not be able to attract or retain clients.

The Company's success will depend on its ability to attract and retain clients. There are many factors which could impact the Company's ability to attract and retain clients, including but not limited to the ability to reliably produce desirable and effective product, the successful implementation of our client-acquisition plan and the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option. The Company's failure to acquire and retain patients as clients would have a material adverse effect on its business, operating results and financial condition.

The Company is highly dependent on its senior management.

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its CEO and other members of senior management. Future success depends on the Company's continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the loss of any of senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all.

The Company's business is an agricultural business and subject to the risks inherent in an agricultural business.

The Company's business will involve the cultivation of cannabis, an agricultural product. As such, the Company's business will be subject to the risks inherent in an agricultural business, such as insects, plant diseases, and similar agricultural risks. Although the Company proposes to manage its cultivation in accordance with best practices, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products. For the near future the Company is reliant on a single location. Adverse changes affecting the Production Facility could materially affect the Company's plans.

The Company may seek to expand and develop its business through strategic acquisitions, which may not be successfully integrated, or may not succeed in furthering the Company's business strategy, resulting in no benefit to the Company from the acquisition.

The Company may seek to grow by acquiring other businesses. The integration of any acquired business, technology, product or other assets into the Company's operations may be complex and time-consuming and,

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

if an acquired business, technology, product or other asset is not successfully integrated, the Company may not achieve the anticipated benefits, whether cost-savings or growth opportunities. Furthermore, such acquisitions, even if successfully integrated, may fail to further the Company's business strategy as anticipated, may expose the Company to increased competition or other challenges with respect to the Company's products or markets, or expose the Company to additional liabilities associated with an acquired business, technology, product or other asset.

The Company must rely largely on its own market research and anticipated market demand may not materialize.

The Company must rely largely on its own market research to forecast future sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. In addition, market research relating to the adult-use cannabis industry is not yet available and as such, trends in the adult-use cannabis market can only be forecasted ahead of its anticipated legalization on October 17, 2018. The expected demand for the Company's proposed products may fail to materialize as a result of competition, technological change or other factors, which could have a material adverse effect on the Company's business, results of operations, and financial condition.

The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, which is not currently available.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports.

Future research studies and clinical trials may draw opposing conclusions to those reached by management of the Company or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products which in turn could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may become subject to litigation, which could have a material adverse effect on the Company and its business.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Further, the administration of medical substances to humans can result in product liability claims by consumers. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against the Company. The Company may not be able to obtain or maintain adequate insurance or other protection against potential liabilities arising from product sales. Product liability claims could also result in negative perception of the Company's products or other reputational damage which could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

The operations of the Company will be subject to environment regulation and if the Company does not comply with all environmental regulations applicable to it, the Company may be subject to enforcement actions, additional costs, and legal liability for damages caused by its operations.

Environmental regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

The Province of Quebec is in the process of revising its environmental regulatory scheme following the adoption in March 2017 of Bill 102 - *An Act to amend the Environment Quality Act to modernize the environmental authorization scheme and to amend other legislative provisions, in particular to reform the governance of the Green Fund* ("Bill 102") Most of the changes intended to be effected by the Bill 102 came into force as of March 23, 2018 and Quebec's National Assembly introduced 24 draft regulations on February 14, 2018, two of which are in force and 22 of which remain to come into force at a later date.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations.

The Company's products may be subject to recalls for a variety of reasons, which could require us to expend significant management and capital resources.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. A recall could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors. In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

The Company may be subject to reputational damage.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

At the end of the period covered by this report, an evaluation of the design of disclosure controls and internal controls over financial reporting was carried out under the supervision of the Company's management, including the CEO and CFO. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls were designed effectively as of August 31, 2018, the end of the period covered by this report, to ensure that information required to be disclosed in reports that it files or submits to regulatory authorities, is recorded, processed, summarized and reported within the time periods specified by regulation, and is accumulated and communicated to management to allow for timely decisions regarding required disclosures.

There were no significant changes in the Company's internal control over financial reporting during the nine months ended August 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management will continue to monitor its disclosure controls and may make modifications from time to time as considered necessary or desirable.

Notwithstanding the foregoing, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that the disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Company to disclose material information otherwise required to be set forth in the reports. The disclosure controls and procedures are designed to provide reasonable assurance of achieving their objective of ensuring that information required to be disclosed in the reports is communicated to management to allow timely decisions regarding required disclosure.

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

Internal Control over Financial Reporting

The Company's management, with the participation of its CEO and CFO, has designed, established and is maintaining a system of internal control over financial reporting. Under the supervision of the CFO, the Company's internal control over financial reporting is a process designed to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner and in accordance with IFRS.

The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's control over financial reporting during the nine months ended August 31, 2018 were designed and implemented throughout the period. There have been no changes to the controls during the period that materially affected or are reasonably likely to materially affect the internal control over financial reporting.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the internal control over financial reporting as of August 31, 2018. As a result, management concluded that the internal control over financial reporting were effective as at that date.

Limitations of Controls and Procedures

Management, including the CEO and CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

CRITICAL ACCOUNTING ESTIMATES

See Note 2 to the Company's financial statements for the year ended November 30, 2017.

NEW ACCOUNTING POLICIES ISSUED BUT NOT YET EFFECTIVE

See Note 2 to the Company's financial statements for the year ended November 30, 2017.

North Bud Farms Inc.

Management's Discussion & Analysis

For the three and nine month periods ended August 31, 2018

OUTSTANDING SHARE DATA

Common shares and convertible securities outstanding at October 22, 2018, consist of:

Securities	Expiry Date	Range of Exercise Price	Number of Securities Outstanding
Common shares	-	-	55,546,000
Options	Up to September 27, 2023	\$0.25 - \$0.60	5,235,000
Warrants	Up to September 20, 2020	\$0.40	8,368,000