



BELEAVE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
OF THE CONSOLIDATED OPERATIONS AND FINANCIAL POSITION
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The following is a discussion and analysis of the financial condition and results of operations of Beleave Inc. ("**Beleave**" or the "**Company**") and its wholly owned subsidiary Beleave Kannabis Corp. ("**BKC**") for the three and six months ended September 30, 2018. This MD&A should be read in conjunction with the Company's audited financial statements and accompanying notes for the three and six months ended September 30, 2018 (the "**Financial Statements**"). All amounts in the MD&A are in Canadian dollars, except per share amounts or as indicated otherwise. The Company's accounting policies are in accordance with IFRS.

The effective date of this MD&A is November 29, 2018.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts but reflect management's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to, risks and uncertainties related to:

- the performance of the Company's business and operations;
- the intention to grow the business and operations of the Company;
- expected growth in the number of users of medical cannabis in Canada;
- expected growth in the number of users of cannabis in Canada;
- the number of grams of cannabis to be used by each user;
- future liquidity and financial capacity;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;
- treatment under government regulatory and taxation regimes and potential changes thereto in light of recent court decisions; and
- other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including:

- the ability of the Company to generate cash flow from operations and obtain necessary financing on acceptable terms;
- the Company's expectations regarding legislation, regulations and licensing related to the cultivation, production and sale of cannabis products;
- general economic, financial market, regulatory and political conditions in which the Company operates;
- consumer interest in the Company's products;
- the timely receipt of any required regulatory approvals, included approvals from Health Canada;

- competition;
- the ability of the Company to obtain qualified staff, equipment and services in a timely and cost-efficient manner; and
- the ability of the Company to conduct operations in a safe, efficient and effective manner.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Consequently, all forward-looking statements made in this MD&A and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company's behalf may issue. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

OVERVIEW

BELEAVE'S BUSINESS

Beleave is a Canadian cannabis company with its common shares ("**Common Shares**") publicly traded on the Canadian Securities Exchange ("**CSE**") under the symbol "BE" and posted for trading on the OTCQX under the symbol "BLEVF".

Beleave's wholly-owned subsidiary BKC is a Licensed Producer. BKC became a Licensed Producer on May 18, 2017, when it was issued the license (the "**Cultivation License**") for its purpose-built facility located near Hamilton, Ontario (the "**Hamilton Facility**").

On June 28, 2017, the Company announced that it had begun cultivation activities at its Hamilton Facility and, on April 13, 2018, the Company announced that BKC received its sales license from Health Canada (the "**Sales License**" and collectively with the Cultivation License, the "**ACMPR License**"). The ACMPR License was migrated to the *Cannabis Act* (Canada) (the "**Cannabis Act**") on November 8 2018. Under the new Cannabis Act, BKC's license classes are standard cultivation, standard processing and medical sales (collectively, the "**License**").

In May 2018, Beleave purchased all the outstanding shares of 9334416 Canada Inc., o/a Medi-Green, Karmacann, and My-Grow ("**Medi-Green**"), a leading network of medical cannabis clinics with three locations across Ontario and Quebec. Medi-Green currently has an active patient base of approximately 4,000.

On July 19, 2018 Beleave acquired 100% of the outstanding shares of Seven Oaks to secure wholesale and distribution agreements with retailers across Canada. This acquisition bridges the gap between sourcing cannabis products from an established producer and retailing by leveraging Seven Oak's marketing platform to provide consistent, recognizable quality across Canada.

In June 2018, Beleave expanded its global footprint into South America by acquiring a 51% share in Procanmed S.A.S. ("**Procanmed**"), an entity that is fully licensed for the cultivation, production, extraction and distribution of tetrahydrocannabinol ("**THC**") and cannabidiol ("**CBD**") medical cannabis in Colombia.

Summary of Cash Flows

	Six months ended	
	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Cash flows provided by (used in) operating activities	\$ (15,205,819)	\$ (1,705,263)
Cash flows provided by financing activities	\$ 10,000,000	\$ 548,771

Cash flows provided by (used in) investing activities	\$ (4,512,111)	\$ (124,861)
Cash, End of Period	\$ 3,578,996	\$ 777,576

SUMMARY OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

1. On July 5, 2018, Beleave's 51% Colombian subsidiary, Procanmed reached a land-lease agreement that will allow for the development and expansion of Procanmed's cultivation of cannabis for sale and extraction purposes. Under the agreement, Procanmed will lease up to 27 hectares (roughly 67 acres or 2.9 million sq. ft.) of private land for a nominal monthly fee of US\$100 per hectare. Beleave announced it had acquired 51% of Procanmed for a combination of cash and Common Shares.
2. On July 19, 2018, Beleave announced the acquisition of all the issued and outstanding shares of Seven Oaks Inc. ("**Seven Oaks**") in a deal valued at \$3,000,000, settled via the issuance of an aggregate of 2,514,669 Common Shares. Seven Oaks has a proven record of working collaboratively to secure wholesale and distribution agreements with retailers across Canada.
3. On August 7, 2018, the Company announced the opening of two new stores under the Medi-Green name, which will be located in London, Ontario and Montreal, Quebec. 9334416 Canada Inc., o/a Medi-Green, Karmacann, and My-Grow ("**Medi-Green**") is a wholly-owned subsidiary of Beleave Inc. and was acquired by the Company earlier this year.
4. On August 24, 2018, Beleave announced that it received its first purchase order from the Ontario Cannabis Store ("**OCS**"). This made it one of the first suppliers to support the sale of recreational cannabis in the Province of Ontario.
5. On August 29, 2018, Beleave announced that it has received its first purchase order from the BC Liquor Distribution Branch ("**BCLDB**"). The Company was selected by the BCLDB as an official supplier earlier following a comprehensive approval process.
6. On August 30, 2018, Beleave secured a prime location for its first Saskatchewan retail store in the city of Lloydminster.
7. On September 6, 2018, Beleave announced that it finalized plans to acquire 250,000 square feet of greenhouse space and 85 acres of land in London, Ontario to cultivate and harvest cannabis for distribution and sale in Canada.
8. On September 14, 2018, the Company announced it entered into a non-exclusive investment agreement with Alumina Partners, LLC, a New York-based private investment partnership, providing the availability of up to \$20 million over a 24-month period to take advantage of new opportunities, increase operating flexibility, and strengthen the Company's balance sheet.

Beleave is well positioned to acquire patients and penetrate the recreational cannabis market to support its business model. The Company is focusing its resources as follows:

- Continuing to add to an in-house expertise for the operations, production, management and professional services requirements of the business, including advisory board members from respected universities and research centers.
- Continuing open dialogue with healthcare practitioners for patient educational purpose.
- Furthering its client acquisition strategy with strategic partnerships.
- The company has been able to secure sales agreements in British Columbia, Manitoba and Ontario, and has opted out of committing to further sales in other provinces until such a date that production capacity may allow Beleave to substantially support these markets with adequate and sustainable supply.
- Beleave is substantially focusing efforts on expansion of production capacity in London, Ontario as well as its facilities in Abbotsford and Chilliwack, British Columbia.

The following table sets forth the statement of comprehensive loss for the three and six months ended September 30, 2018 and 2017:

	Three months ended		Six months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Expenses				
Marketing and promotion	362,583	110,442	452,312	235,498
Professional services	995,776	250,709	1,273,519	334,713
Office expenses	1,563,134	126,785	2,096,062	331,358
Research and development	12,650	72,500	12,650	75,848
Share-based compensation	4,594,642	171,484	12,237,234	2,955,561
Rent and facilities	142,527	48,578	231,390	84,113
Gain (loss) on debt settlement	-	12,656	-	(9,844)
Salaries and benefits	928,003	186	1,959,135	-
Management and consulting fees	161,123	166,539	8,162,848	297,039
Change in fair value of note payable	(1,372,889)	-	(1,167,784)	-
Depreciation	101,886	72,771	179,575	145,543
Bad debt expense	-	-	-	-
Supplies and Consumables	-	-	-	-
Net gain (loss) for the period	(4,804,994)	(1,032,464)	(22,611,309)	(4,449,829)
Gain (loss) per share – basic and diluted	(0.01)	(0.00)	(0.06)	(0.02)
Weighted average number of shares outstanding – basic and diluted ⁽¹⁾	379,487,941	221,190,585	358,151,437	214,369,533

Note:

(1) These figures assume completion of the Share Split (as defined below) as at September 30, 2018 and September 30, 2017, as applicable.

REVENUES

The company has reported revenue that consists of medicinal cannabis sales after receiving its Sales License in May 2018 along with Medi-Green sales from acquisition. Recreational cannabis sales began on October 17, 2018 after the legalization of recreational cannabis in Canada.

OPERATING EXPENSES

Operating expenses for the three months ended September 30, 2018 was \$4,502,378 and operating expenses for the six months ended September 30, 2018 was \$15,205,819. The operating expenses incurred were related to professional services to support client acquisition strategy, general and administrative expenses ("G&A"), research and

development, maintaining the Company's listing on the CSE, marketing and other similar expenses required for the Company's operations.

NET LOSS

The net loss for the three months ended September 30, 2018 was \$4,804,994 and the net loss for the six months ended September 30, 2018 was \$22,611,309.

Due to a net loss from continuing operations, financial instruments, including warrants and options, are anti-dilutive.

BALANCE SHEET INFORMATION

The table below presents the Company's total assets and total non-current financial liabilities as at September 30, 2018 and 2017.

	As at	
	September 30, 2018	September 30, 2017
Total assets:	\$ 26,304,168	\$ 3,102,645
Total non-current financial liabilities:	\$ 187,481	\$ -
Total current financial liabilities:	\$ 7,812,005	\$ 1,128,511

SELECTED FINANCIAL INFORMATION – SUMMARY OF QUARTERLY RESULTS

The following tables sets out selected quarterly information for the last 8 completed fiscal quarters of the Company:

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Sales / Revenue	315,617	208,651	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss)	(5,004,994)	(17,806,315)	(5,274,487)	(2,917,879)	(1,032,464)	(3,417,365)	(5,690,692)	(860,414)
Basic and diluted Earnings (Loss) per share	(0.01)	(0.37)	(0.17)	(0.05)	(0.03)	(0.12)	(0.15)	(0.14)

LIQUIDITY

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating and organic growth requirements. Beleave secured new equity investments, by way of warrant exercises and the issuance of equity during the three months ended September 30, 2018 as well as subsequent to September 30, 2018 (see "**Subsequent Events**"), to finance the development of the business as well as facilitating ongoing operations.

The table below sets out the cash, short-term debt and working capital at September 30, 2018.

	<u>As at September 30, 2018</u>
Current Assets	\$9,101,290
Current Liabilities	\$7,812,005
Working capital	\$1,289,285

At as September 30, 2018, the Company had cash available of \$3,578,996. The Company consumed \$4,502,378 in operating activities during the six months. The Company has incurred losses to date. The Company has begun to generate revenue but will incur losses until revenues reach a level where operations become profitable. The Company's ability to reach profitability is dependent on successful implementation of its business strategy. While management is confident in the success and profitability of the business, there can be no assurance that Beleave will gain adequate market acceptance for its products or be able to generate sufficient gross margins to reach profitability.

Cash from Financing Activities

During the three months ended September 30, 2018, the Company received \$793,750 from the exercise of outstanding warrants and \$nil from the exercise of stock options.

During the six months ended September 30, 2018, the Company received \$1,147,500 from the exercise of outstanding warrants and \$122,483 from the exercise of stock options.

Cash from Investing Activities

During the three months ended September 30, 2018, the Company used \$2,239,129 to acquire additional plant and equipment.

During the six months ended September 30, 2018, the Company used \$3,659,337 to acquire additional plant and equipment.

CAPITAL RESOURCES

To date and for the foreseeable future, the Company expects to finance its operations through the issuance of Common Shares until the point at which its operations are profitable and self-funding. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves for growth and development of the business.

Beleave has an unlimited number of Common Shares authorized for issuance of which 59,291,313 Common Shares were issued and outstanding as at September 30, 2018 (and 415,039,191 Common Shares had the Share Split, as defined below, been completed on or prior to September 30, 2018). No other shares are issued and outstanding.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

The Company has no off-balance sheet arrangements.

OUTLOOK

The potential size and makeup of the Canadian recreational market was analyzed in a survey conducted between March 13, 2016 and April 3, 2016 based on a sample of 5,000 adult Canadians, the results of which were published by Deloitte Touche Tohmatsu Limited and entitled "Recreational Marijuana Insight and Opportunities" (the "**Deloitte Survey**"). The Deloitte Survey found that 22% of survey respondents consumed recreational cannabis at least on an occasional basis, with 7% of survey respondents consuming on a daily basis. A further 17% showed some willingness to try cannabis if it were legal, leading the Deloitte Survey to conclude that the total potential marketplace may be close to 40% of the Canadian adult population.

According to the Deloitte Survey, the size of the Canadian recreational cannabis market could be as much as \$5 billion per year, or similar to the size of the Canadian spirit market. At the upper threshold of the potential customer base,

which takes into account people who are likely to consume cannabis, cannabis revenue alone could be as high as \$8.7 billion, which is similar to the revenue generated by wine in Canada. The Deloitte Survey considers that, on the production side, supplying even the low-end estimate of the recreational cannabis market would require the production of over 600,000 kilograms of cannabis annually. From a comparative standpoint, according to Health Canada, the medical market produced only 8,311 kilograms of dried cannabis and 137 kilograms of cannabis oil in 2015 (or approximately 1.4% of the Deloitte Survey's projected low-end estimate of the annual production requirement for the recreational cannabis market).

As purveyors of a commodity product, there is initially little to differentiate our products in terms of unique features or benefits. Beleave will continue to differentiate its brand through research and educational materials through its partnerships with universities and research facilities that will allow the Company to attract new customers to the market. This strategy will position Beleave as the number one trusted brand within the industry when it comes to quality, care, and advocates of safe and carefully monitored consumption of medicinal cannabis.

TRANSACTIONS WITH RELATED PARTIES

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts. Companies owned and/or controlled by certain directors of the Company provided services or sale of items of property and Equipment included in the financial statements as follows:

During the three months ended September 30, 2018, there was \$18,000 (September 30, 2017 – \$18,000) outstanding payables to related parties.

During the six months ended September 30, 2018, there was \$36,000 (September 30, 2017 – \$36,000) outstanding payables to related parties.

Key management compensation is comprised of the following:

Short-term benefits

During the three months ended September 30, 2018, the Company used \$291,218 (September 30, 2017 – \$114,000) for short-term benefits.

During the six months ended September 30, 2018, the Company used \$582,438 (September 30, 2017 – \$180,000) for short-term benefits.

Shared-based compensation

During the three months ended September 30, 2018, the Company used \$nil (September 30, 2017 – \$129,984) for share-based compensation.

During the six months ended September 30, 2018, the Company used \$1,704,390 (September 30, 2017 – \$2,875,561) for share-based compensation.

RISKS AND UNCERTAINTIES

Limited Studies on the Effects of Cannabis

There has been limited study on the effects of cannabis and future clinical research studies may lead to conclusions that dispute or conflict with the current understanding and belief regarding the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis. Research in Canada, the United States and internationally regarding the benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in relatively early stages. There have been few clinical trials on the benefits of cannabis or isolated cannabinoids conducted. Future research and clinical trials could reach negative conclusions regarding the benefits, viability, safety, efficacy, dosing or other facts and perceptions related to cannabis, which could adversely affect social acceptance of cannabis and the demand for our products.

Reliance on License

Beleave's ability to grow, store and sell cannabis in Canada is dependent on its License and the retail sales regime in the various provinces of Canada. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Beleave.

The License is subject to renewal by Health Canada. Although Beleave believes it will meet the requirements for renewal of its License, there can be no guarantee that Health Canada will extend or renew the License or, if extended or renewed, the License will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License or should it renew the License on different terms, the business, financial condition and results of the operation of Beleave would be materially adversely affected.

Regulatory Risks

Beleave operates in a new industry which is highly regulated and is in a market which is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Beleave's ability to grow, store and sell medical cannabis in Canada is dependent on the License from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain this License would have a material adverse impact on the business, financial condition and operating results of Beleave.

Beleave 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 of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Beleave's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The 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 Beleave'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 Beleave's earnings and could make future capital investments or Beleave's operations uneconomic. 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.

Beleave's business as a Licensed Producer represents a new industry and new market resulting from the Cannabis Act and the Cannabis Regulations. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, Beleave will need to continue to build brand awareness in the industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Beleave brand and products as effectively as intended. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

Environmental Regulations and Risks

Beleave's operations are subject to environmental regulation. These 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 that 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 Beleave's operations.

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

Failure to comply with applicable 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. Beleave may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Change in Laws, Regulations and Guidelines

Beleave's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Beleave's management, Beleave is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of Beleave may cause adverse effects to Beleave's operations and the financial condition of Beleave.

In addition, the 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 Beleave's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies that may be imposed. Changes in government levies, including taxes, could reduce Beleave's earnings and could make future capital investments or Beleave's operations uneconomic.

Limited Operating History

Beleave entered the medical cannabis business in 2015. Beleave 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 Beleave 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.

Reliance on Hamilton Facility

To date, Beleave's proposed activities and resources have been primarily focused on the Hamilton Facility. Beleave expects to continue the focus on the Hamilton Facility for the foreseeable future. Adverse changes or developments affecting the existing Hamilton Facility could have a material and adverse effect on Beleave's ability to produce medical cannabis, its business, financial condition and prospects.

Expansion of Facilities

Expansion of Hamilton Facility

Phase 1 has been completed and is operational. Beleave's operations team continues to optimize production output with increasing yields to allow the company to increase its sales growth.

For the Phase 2 expansion, Health Canada has issued a request for more information ("**RMI**") pursuant to a license amendment application submitted for the Hamilton Facility to build an 80,000 square foot hybrid greenhouse extension to the existing building. This expansion would include the addition of the three main greenhouse grow rooms, Production Rooms 8, 9, and 10. The RMI requests that we confirm that our physical security measures comply with Part 4 of the Cannabis Regulations, and that our Good Production Practices comply with Part 5 of the Cannabis Regulations. These confirmations would include camera still-shots, photographs, security device specifications, etc. Upon confirmation of these elements, Beleave expects that Health Canada would approve our amendment application to add these proposed grow rooms to the list of Beleave's current license. While management does not anticipate significant issues receiving any necessary approvals in the future, the company is still required to get formal approvals

from the municipality on the proposed zoning restrictions. Further delay or denial of such approvals may have a material adverse impact on the business and may result in Beleave not meeting anticipated or future demand when it arises.

Additional Expansions in Ontario and British Columbia

The management team has decided to expand its operational footprint by acquiring an 85-acre property in London, Ontario, which houses an existing 250,000 square foot greenhouse, and has applied for a license to grow and sell cannabis. Furthermore, Beleave has entered into a joint venture with Kannavis Biotech Inc., to build 867,000 square feet of total licensed space. The totality of the grow space will be extended across 10 equals sized indoor facilities that will house production capacity of 40 grow rooms each. Two of the buildings are anticipated of being operational in second half of 2019. The terms of the deal are as follows: Kannavis will pay for the construction of an operational facility, while sharing in operating costs and revenues with Beleave on a 50/50 basis.

Reliance of Management

The success of Beleave is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

History of Net Losses

Beleave has incurred operating losses in recent periods. Beleave may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Beleave expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Beleave revenues do not increase to offset these expected increases in costs and operating expenses, Beleave will not be profitable.

Competition

Beleave will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than Beleave. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Beleave.

As the demand for cannabis products increases, the Company expects that competition will become more intense as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company.

Risks Inherent in an Agriculture Business

Beleave's business will involve the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Beleave proposes to grow its products indoors under climate-controlled conditions, and carefully monitor the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

Vulnerability to Rising Energy Costs

Beleave's proposed medical cannabis growing operations consume considerable energy, making Beleave vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Beleave and its ability to operate profitably.

Operating Risk and Insurance Coverage

Beleave has insurance to protect its assets, operations and employees. Such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which Beleave is exposed.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of Interest

In order to mitigate any potential conflicts of interest with its officers or directors, no officer shall, without the prior written approval of the board of directors (the "**Board**"), which approval may be unreasonably withheld, accept any other employment or contract for work, or serve as a director, consultant or partner of any business or other enterprise, other than the Company, except in the capacity as a "passive" investor and only so long as such investments do not require any active involvement or otherwise affect the conduct of the officer's duties. The officers of the Company shall refrain from involvement in any situation in which the officer's personal interests' conflict, or may appear to conflict, with the officer's duties with the Company. In addition, the Company's officers may devote time to any outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. If any conflicts of interest arise, they will be subject to the procedures and remedies provided under applicable laws. In particular, with regards to the Board, in the event that 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.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating, the market price for the Common Shares, and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

Dividends

Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their shares of the Company for a price greater than that which such investors paid for them.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of Beleave.

Volatile Market Price for Common Shares

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;

- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident in the share price of publicly traded medical cannabis companies in Canada. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

Third Party Transportation

In order for customers of Beleave to receive their product, Beleave must rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by Beleave. Any delay by third party transportation services may adversely affect Beleave's financial performance.

Moreover, security of the product during transportation to and from Beleave's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on Beleave's business, financials and prospects. Any such breach could affect Beleave's ability to continue operating under its License or the prospect of renewing its License.

Risks Related to the Cannabis Industry

Legislative or Regulatory Reform

The Company's operations will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labeling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Due to matters beyond the control of the Company, these laws, regulations, guidelines and policies may cause adverse effects to its operations. The commercial medical and

recreational cannabis industry is a new industry and the Company anticipates that such regulations will be subject to change as the federal and provincial governments monitor the cannabis industry.

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the provinces and territories of Canada have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, etc.

Restrictions on Sales Activities

The governments of every Canadian province and territory have varyingly announced regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Changes or additional restrictions on sales and marketing activities may adversely affect Beleave's ability to conduct sales and marketing activities and could have a material adverse effect on Beleave's business, operating results or financial condition.

Unfavorable Publicity or Consumer Perception

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's proposed products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

If licensed as a distributor of products designed to be ingested or inhaled, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products would involve the risk of injury and loss to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

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 labeling disclosure. If any of the Company's proposed 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 intends to have detailed procedures in place 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. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons 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 or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Significant estimates in the accompanying financial statements relate to accruals and provisions, stock-based compensation. Actual results could differ from these estimates.

SUBSEQUENT EVENTS

1. On October 1, 2018, Beleave announced that it filed an application with Health Canada and, once approved, is ready to proceed with phase one in Chilliwack of an indoor cultivation cannabis project in British Columbia. The new project is being jointly-designed by Beleave and Kannavis Biotech Corp., on a 50/50 operating expenditure and revenue partnership, and will encompass a total of ten indoor growing facilities, each approximately 87,000 square feet in size.
2. On October 17, 2018, the Company issued an aggregate of 4,176,200 Common Shares as consideration for the purchase of Medi-Green, valued in the amount of \$625,000.
3. On October 29, 2018, the Company announced that it has signed an agreement with Canymed GmbH ("**Canymed**") to supply the German market with medical cannabis.
4. On November 5, 2018, the Company announced a seven-for-one share split of the Company's issued and outstanding common shares (the "**Share Split**"). Each shareholder of record of the Company as of the close of business on November 7, 2018 received six additional shares for each share held on such date.
5. On November 9, 2018, Beleave announced it has entered into a strategic alliance agreement with the Rollins Group Inc. ("**Rollins**") to open and operate cannabis retail stores across Canada. Rollins will apply for retail cannabis sales licenses across the country to open and operate cannabis retail stores. Beleave is supporting Rollins to secure lease covenants for all planned locations. Rollins will be responsible for managing the day-to-day operations of the stores.
6. On November 12, 2018, the Company announced that it secured genetics acquisition agreements for a broad range of cannabis seed varieties from diverse lineage for an expected total of 90 new varieties introduced in the coming year. The list includes well-known classic Sativa and Indica varieties with applications for both medical and adult recreational markets, as well as several novel strains that have been bred to offer distinct custom flavors and aromas.

7. On November 15, 2018, Beleave announced that it has developed water-soluble cannabis-infused powder and sugar products to prepare for the adult recreational cannabis-infused food and beverage market next year. The Hamilton Facility is being expanded to make room for methods to formulate cannabis extracts into soluble, flavorless powders, sugar crystals, and syrups for use in beverages and food products using stability-enhancing techniques for prolonged shelf life.

ADDITIONAL INFORMATION

This MD&A was prepared as of November 29, 2018. The Company regularly discloses additional information by filing press releases and quarterly financial statements on SEDAR (www.sedar.com). More information about the Company can be also found on SEDAR (www.sedar.com).