FIRST QUARTER 2019 MANAGEMENT'S DISCUSSION & ANALYSIS

PREPARED BY MANAGEMENT

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of SugarBud Craft Growers Corp. ("SugarBud" or the "Company") (TSX-Venture Exchange: SUGR and SUGR.WT) is dated May 28, 2019. The MD&A should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2019, together with the notes thereto ("Financial Statements"). SugarBud's Board of Directors reviewed and approved Financial Statements and MD&A on May 28, 2019.

Additional information about SugarBud, including the Company's annual information form for the year ended December 31, 2017, is available on SEDAR at www.sedar.com and on the Company's website at www.sugarbud.ca.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company uses certain non-IFRS measures in this MD&A. Refer to pages 15 to 20 for important information related to Non-IFRS measures and forward-looking information.

Appointment of Mr. John Kondrosky as Chief Executive Officer Effective June 14, 2019

On May 29, 2019, the Company announced the appointment of Mr. John Kondrosky as Chief Executive Officer and a director of the Company, effective June 14, 2019.

Mr. Kondrosky is an accomplished senior executive with over 25 years of experience leading complex global cannabis and medical life sciences organizations in the United States and Canada. Mr. Kondrosky most recently served as Chief Operating Officer of Zenabis Global Ltd. ("Zenabis"), one of Canada's largest licensed producers of medical and adult use cannabis, from April 2018 until May 2019. During his tenure with Zenabis, Mr. Kondrosky was responsible for the rapid scale up and ongoing operational readiness of the indoor facilities to support a successful market entry into the legal adult recreational market in Canada. Zenabis currently operates three indoor cannabis cultivation facilities encompassing over 660,000 square feet and a combined cultivation design capacity of over 53,000 kgs per year.

Mr. Kondrosky also maintains CTLS security clearance as mandated by Health Canada as part of the Cannabis Act. Prior to his time at Zenabis, Mr. Kondrosky served as Vice President and General Manager of Pharmascience Inc., one of Canada's largest generic drug manufacturers. Mr. Kondrosky has also held senior executive roles with DENTSPLY Sirona and C.R. Bard/Becton Dickinson. Mr. Kondrosky brings to SugarBud very relevant organizational leadership and operating experience within highly regulated market environments as well as proven success in general management, commercial strategy, global market development, R&D and new product development.

Following Mr. Kondrosky's appointment on June 14, 2019, Mr. Craig Kolochuk, SugarBud's current President and Chief Executive Officer, will continue as President, devoting his time to business development, mergers and acquisitions, production supply and SugarBud's global presence.

Confirmation of Readiness Letter

On April 22, 2019, the Company received a Confirmation of Readiness Letter ("COR Letter") from Health Canada in respect of the Stavely Facility. The COR Letter requests SugarBud's affirmative response that it has met Health Canada's license application requirements. The "Confirmation of Readiness" stage is the final stage in the application process.

Submission of affirmation of readiness and video evidence package to Health Canada pursuant to cultivation license application

During the three months ended March 31, 2019, the Company submitted its Affirmation of Readiness and Video Evidence Package ("Evidence Package") to Health Canada. The submission of the Evidence Package is the final step, under SugarBud's control, related to the receipt of a cultivation license from Health Canada in respect of the Stavely Facility. The submission of the Evidence Package is a significant achievement for SugarBud in its objective to become a leading provider of medicinal and recreational cannabis in Canada. This Evidence Package is a significant milestone in SugarBud's evolution toward the cultivation of premium, genetically characterized cannabis at its state-of-the-art vertical facility.

Phylos Bioscience Inc.

During the three months ended March 31, 2019, the Company announced that it entered into a strategic relationship with Phylos Bioscience Inc. ("Phylos") for the characterization and analysis of SugarBud's future cannabis strains. The Company has line of sight to a genetic library of over 400 top-tier strains, including the latest "designer" hybrid strains and foundational landrace strains. Phylos has extensive knowledge of the global cannabis market and the rapidly evolving needs of medical and recreational cannabis users. Phylos will analyze chemotype, phenotype, and genotype data sourced from SugarBud's genetic library, which will provide insights that could include genetic profiles, potential yields, terpene levels, THC and CBD content, plant sizes, and vegetation and flowering times. This data will not only assist SugarBud in determining the optimal cannabis strains for production from an economic standpoint, it will also ensure that SugarBud's customers are provided with a diverse product offering and certainty regarding the cannabis that they are consuming

Liquidity and capital resources

Working capital

As at March 31, 2019, the Company's working capital was $1,702,409 representing a decrease of $2,789,933 versus December 31, 2018. Funds expended during the quarter were primarily directed towards constructing and equipping a 29,800 square foot aeroponic / hydroponic cannabis cultivation facility on four acres of land at Stavely, Alberta (the "Stavely Facility").

Farm Credit Canada (FCC) commitment letter

On September 5, 2018, SugarBud entered into a commitment letter with Farm Credit Canada ("FCC") in respect of a proposed $17.65 million credit facility (the "Credit Facility") The Credit Facility and advances thereunder will be conditional upon, among other things, syndication of the Credit Facility with another Canadian financial institution (who will lead the syndicate and fund approximately $8.0 million of the Credit Facility) and SugarBud receiving requisite Health Canada licenses. Once final, the Credit Facility will fund the equipping and the expansion of SugarBud's cannabis cultivation facility at Stavely, Alberta (the "Stavely Facility"). The Company is in negotiations with FCC and potential syndicate partners to finalize the Credit Facility. The outcome of the negotiations and the final terms of the potential credit facility have not been determined and the finalization thereof cannot be guaranteed.

Alumina Partners LLC

During the year ended December 31, 2018, SugarBud executed an investment agreement (the "Agreement") with Alumina Partners (Ontario) Ltd. ("Alumina"), a wholly owned subsidiary of Alumina Partners LLC. The Agreement allows SugarBud to draw down capital, on an as-needed basis, in a series of equity offerings of up to a total of $25.0 million over a twenty-four-month period.

The Company will initiate any draw-down by providing Alumina a written request indicating the proposed amount and timing of the draw-down, which Alumina will have the option to accept. Under the Agreement, SugarBud will offer units of the Company, each unit consisting of one Common Shares and one-half of one Warrant. The unit price will be determined at the time of each draw-down at negotiated discounts ranging from 15% to 25% of the market price. Alumina will not be required to complete a draw-down if the market price of the Common Shares on the TSXV as of the trading day prior to closing of the draw-down is below the unit price. The exercise price of the Warrants is expected to be at a 40% premium over the market price at time of issuance, or such lesser premium as may be determined by the mutual agreement of SugarBud and Alumina. Each whole Warrant will entitle the holder to purchase one additional Common Share for a period of 36 months from the closing of the applicable draw-down. Closing of each draw-down will be subject to a number of conditions, including receipt of the approval of the TSXV. In no event may the securities issuable to Alumina pursuant to a draw-down, when aggregated with the Common Shares and Warrants held by Alumina on the closing date of such draw-down, exceed 9.99% of the outstanding Common Shares. Each draw-down will be completed on either a private placement or prospectus basis.

The Company has no immediate plans to complete a draw-down with Alumina, however, the option to initiate a draw-down is available if both parties agree to applicable terms. SugarBud may enter into arrangements with other parties on more favourable terms, if applicable as available and desired by the Company.

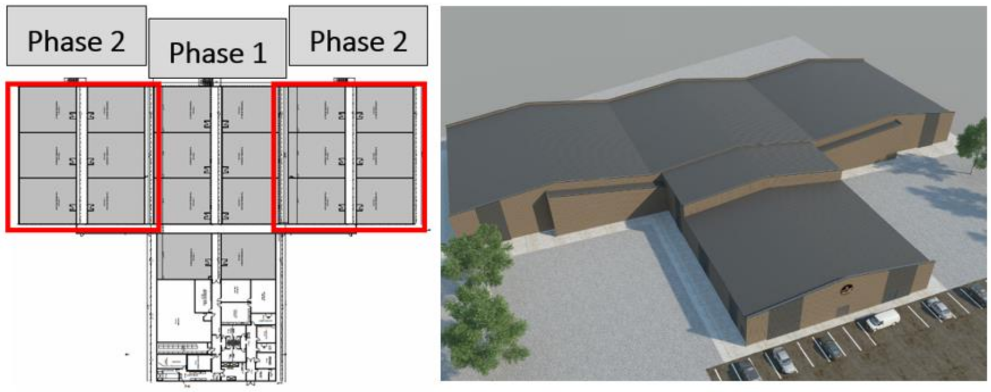
Stavely facility

The Company has occupied the Stavely Facility and is working towards completing construction on the first two flowering rooms and support space. The Company intends to commence cultivation in the first two flowering rooms upon receipt of its Cultivation License from Health Canada. The Company intends to complete construction on the remaining six Phase 1 flowering rooms and support space, capital permitting, by the end of 2019. The Company estimates the total Phase 1 flowering canopy to be up to approximately 32,768 square feet with an estimated total annual cultivation design capacity of between approximately 13,926 and 16,384 kgs of dried cannabis production. Current guidance is predicated on a minimum of 5 crops per annum and an estimated per plant yield of between approximately 85 and 100 grams per plant (and between approximately 85 and 100 grams per square foot of flowering canopy). The Company cautions that all production guidance is based on significant assumptions which are subject to change, including receipt of Health Canada Licenses, the square feet of flowering canopy, plants per square foot, production per square foot of flowering canopy, the cannabis strain in question, the number of layers of flowering canopy, and the use of fixed or rolling vertical racking systems. See exhibit 1 through 3 for pictures of Phase 1.

Exhibit 1: Phase 1 at Stavely, Alberta – Front View of Facility

Exhibit 2: Phase 1 at Stavely, Alberta – Side View of Facility

Exhibit 3: Phase 1 & 2 layout (layout on left, rendering on right)



Upon completion of the interior, Phase 1 of the Stavely Facility will be comprised of an administrative and service area, a nursery, and eight 2,200 square foot flowering rooms. Each flowering room will have isolated HVAC and environmental controls, giving SugarBud the ability to "fine-tune" the temperature, humidity and air-circulation for each room, with the intent of maximizing product quality on a strain-by-strain basis, and limiting the impact of any potential pest or pathogen infestations.

SugarBud is working diligently to substantially equip the first two flowering rooms ("Phase 1A"). Subject to the receipt of a Cultivation License from Health Canada, SugarBud will then commence the cultivation of cannabis with the intent of obtaining a sales license ("Sales License") from Health Canada as soon as possible thereafter.

The Company will equip the six remaining Phase 1 flowering rooms ("Phase 1B") concurrently with the production of cannabis in Phase 1A.

As at March 31, 2019, the Company had invested approximately $8.9 million on construction of the Stavely Facility. The estimated final cost is subject to change as the design and equipment are not final.

Phase 1 is estimated to cost approximately $21.5 million with four layers of flowering canopy. The estimated cost of Phase 1 has increased by approximately $3.0 million, from $18.5 million to $21.5 million, due to an increase in estimated HVAC costs. Of this amount, approximately $12.5 million remains to be deployed to complete Phase 1 of the Stavely Facility. The Company must access additional capital funding to complete Phase 1.

Phase 2 is a modular design which will also allow for the addition of two "wings" constructed on the side of Phase 1 (see exhibit 3 for an illustration). The planned annual design capacity for Phase 2 is between approximately 20,890 and 24,576 kgs of dried cannabis flower production, for a total Stavely Facility annual cultivation design capacity of between approximately 34,816 and 40,960 kgs of dried cannabis production. All figures are subject to finalization and changes and are based on significant estimates.

The Company will commence construction of Phase 2 when capital permits.

The Company has not produced any cannabis or generated any revenue from its cannabis business segment to date.

Milestones

Significant events required to occur for the business objectives (described above) to be accomplished are:

1) The successful advancement of the Company's application to become a licensed producer with Health Canada. The Company is actively working towards this target and on April 22, 2019, the Company received a COR Letter from Health Canada. The "Confirmation of Readiness" stage is the final stage in the application process.

2) The successful negotiation and completion of additional financing to fund the construction of the Stavely Facility and anticipated start-up and operating costs.

Applicable regulations

On June 18, 2018, the Government of Canada passed legislation, the Cannabis Act (Canada) (the "Federal Cannabis Act"), outlining the framework for the legalization of recreational use of cannabis, as well as laws to address drug-impaired driving, protection of public health and safety and prevent youth access to cannabis. Regulations to support the Federal Cannabis Act were also published in the Canada Gazette, Part II, on July 11, 2018. The Federal Cannabis Act and its regulations came into force on October 17, 2018, and adults are now able to purchase limited amounts of cannabis products from licensed retail stores subject to provincial and municipal government restrictions. Federally-governed cannabis operations, including the production of cannabis for medical and recreational purposes, is no longer regulated by the Controlled Drugs and Substances Act (Canada). The ACMPR has been repealed and concurrently restated under the Federal Regulations.

Pursuant to the Federal Regulations, cannabis products require plain packaging and must be labelled with mandatory health warnings, a standardized cannabis symbol and specific information about the product.

The Federal Regulations also set out strict requirements with respect to logos, colours and branding. The Federal Cannabis Act grants the provincial and municipal governments the authority to prescribe regulations regarding retail and distribution (including advertising), as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption. Provincial and territorial governments in Canada have made varying announcements on the proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes. For example, Saskatchewan and Manitoba have chosen a private sector model for distribution, whereas Alberta, British Columbia, Newfoundland and Labrador, Northwest Territories, Nunavut and Ontario have opted to pursue a hybrid approach of public and private sale and distribution.

Licensing

The Company does not currently have a Cultivation License or a Sales Licence. The current Health Canada licensing process includes the following stages: Application Screening, Review and Security Clearance, Pre-licensing and approval process, Issuance of license. Health Canada has received SugarBud's application and has begun their review of the Company's file.

If the Company does not obtain a Cultivation License, the Stavely Facility would be sold. However, the Company is confident that the Cultivation License will be obtained. The Stavely Facility will be state-of-the-art and in the opinion of the Company, SugarBud's application to become a licensed producer is complete and compelling.

Genetics

As a pre-licensed applicant, SugarBud was able to complete a one-time declaration regarding the scope and composition of its starting materials. SugarBud's intent is to build a substantial library of top-tier genetics in order to cultivate premium cannabis products and to offer a broad range of cannabis products upon the receipt of the requisite licenses from Health Canada.

Retail strategy

On November 13, 2018, SugarBud appointed Bob Richardson as Vice President, Retail and Marketing, and initiated a vertically integrated retail distribution strategy consisting of the acquisition, development and operation of premier retail cannabis stores in Alberta (the "Retail Strategy"), with plans to expand to other provinces in the future.

SugarBud's Retail Strategy is focused on the identification, development and operation of premier retail cannabis locations in Canada. SugarBud believes that the vertical integration of its retail operations will allow it to maintain profit margins and the highest level of control over SugarBud's brand equity and strategy. SugarBud expects to execute its Retail Strategy by:

- Developing a compelling brand which clearly conveys SugarBud's values;
- Accessing SugarBud's hand-crafted, select-batch, ultra-premium products (upon the receipt of a Cultivation License and a Sales License);
- Using its extensive knowledge of the Alberta controlled substances retail market and network of beverage manufacturing and distribution contacts;
- Taking a data-driven approach to decisions related to consumer purchasing habits;
- Leveraging existing relationships with landlords, municipalities and regulators; and
- Applying SugarBud's significant retail operational expertise including store sizing, site development, inventory management, staffing, training and branding.

SugarBud's initial Retail Strategy is to identify and secure approximately ten retail cannabis locations over the next 18 months through a combination of grass-roots growth and the acquisition of existing locations and development permits. The Retail Strategy is currently unfunded and SugarBud is evaluating the scope of a potential budget. SugarBud has not yet applied for any retail licenses and the process of obtaining a license may take longer than 18 months.

Applicable retail regulations in Alberta

On November 30, 2017, the Government of Alberta passed Bill 26, which contains the regulatory framework for recreational cannabis sales in Alberta. Bill 26 amends the *Gaming and Liquor Act* (Alberta) to become the *Gaming, Liquor and Cannabis Act* (Alberta) (the "Alberta Cannabis Act"), which governs the purchase, distribution, sale and consumption of recreational cannabis in the province. Under the Alberta Cannabis Act, cannabis distribution in Alberta is carried out through a hybrid retail model under the oversight of the Alberta Gaming, Liquor and Cannabis Commission (the "AGLC"). The cannabis distribution framework in the Alberta

Cannabis Act provides that private retailers are able to open licensed retail stores in Alberta, such as those proposed to be operated by the Company, upon obtaining retail licenses from the AGLC. The Alberta Cannabis Act further states that online distribution of cannabis is restricted to government entities.

On February 16, 2018, the Government of Alberta released amendments to the *Gaming and Liquor Regulations* (Alberta) (the "Alberta Regulations") establishing regulations for the sale of recreational cannabis in Alberta, including the licensing of privately-owned retail cannabis stores. The Alberta Regulations stipulate, among other restrictions, that:

- No one person can have more than 15% of retail licenses in Alberta and no group of persons can have more than 15% of retail licenses in Alberta where, in the opinion of the AGLC, retail licenses are or would likely be subject to common control in any material respect;
- Cannabis retailers are required to hire individuals that: are over eighteen years of age; have successfully completed training requirements set by the AGLC; and have passed a criminal background check;
- Licensed retail stores cannot be located within 100 meters of a provincial health care facility or a school;
- Licensed retail stores cannot be open outside the hours of 10 a.m. and 2 a.m.;
- Licensed retail stores must implement inventory tracking, count and sales systems and security measures, including alarms, video surveillance and secured product storage;
- Cannabis consumption at licensed retail stores is prohibited;
- Cannabis suppliers and their representatives cannot offer, nor can retail cannabis licensees accept, perks such as loans, money, rebates, concessions, discounts, furnishings, storage equipment, fixtures, decorations, signs, supplies or anything of value; and
- Transfers of retail licenses are prohibited and any change in ownership of a licensed retail stores business must be preapproved by the AGLC.

The Alberta Cannabis Act and the Alberta Regulations came into effect on October 17, 2018, concurrently with the legalization of recreational cannabis. In addition to retail licenses, municipal development permits are required to operate any proposed retail location.

As a result of the national cannabis supply shortage, on November 23, 2018, the AGLC announced its decision to temporarily suspend accepting applications and issuing any additional cannabis retail licences until further notice. On January 25, 2019, the AGLC issued ten additional licenses to the first ten applicants to have met all licensing conditions after the decision to temporarily stop issuing licenses and, on April 18, 2019, the AGLC issued 26 additional licenses. The Company has not yet applied for any licenses and there is significant uncertainty as to when more licenses will be issued.

On May 30, 2019, the AGLC announced that they have lifted the moratorium on accepting new cannabis retail applications and will begin to issue five new retail licences per week. The AGLC will continue to monitor supply levels to ensure that retail demand of product is being met before making further decisions regarding the moratorium.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Cannabis financial and operating results – continuing operations

Three months ended March 31		**2019**		**2018**
Cash used in operating activities	$	**(147,534)**	$	(190,074)
Per share - basic and diluted		**(0.00)**		(0.01)
Comprehensive loss		**(284,201)**		(806,197)
Per share - basic and diluted		**(0.00)**		(0.01)
Capital expenditures, net	$	**2,551,313**	$	100,000
As at March 31				
Total assets	$	**16,964,161**	$	-
Working capital (working capital deficiency)		**1,702,409**		-
Investment in Inner Spirit	$	**1,077,406**	$	-
Shares outstanding - end of period		**355,532,381**		-

During the three months ended March 31, 2019, cash used in operating activities from continuing operations was $147,534, primarily due to general and administrative expenses which includes legal fees, salaries and wages to employees, and other start-up costs. During the three months ended March 31, 2018, cash used in operating activities from continuing operations was $190,074.

During the three months ended March 31, 2019, comprehensive loss from continuing operations was $284,201, primarily due to general and administrative expenses and stock-based compensation. During the three months ended March 31, 2018, comprehensive loss from continuing operations was $806,197.

As of March 31, 2019, the Corporation had a total of 355,532,381 common shares, 32,700,000 stock options and 144,990,432 common share purchase warrants outstanding.

Investment

	March 31, 2019	December 31, 2018
Balance, beginning of period	$937,599	-
Additions	-	$1,125,000
Unrealized gain on investments	659,692	5,199
Realized gain on investments	304,276	46,692
Proceeds	(824,161)	(239,292)
Balance, end of period	**$1,077,406**	$937,599

In June 2018, the Company acquired common shares and common share purchase warrants of Inner Spirit Holdings Ltd. ("Inner Spirit") in consideration for cash. Inner Spirit is the parent company of Spirit Leaf Inc., which aims to be a market leader in the franchising of retail cannabis dispensaries in jurisdictions in Canada when the private distribution of recreational cannabis is legalized.

During the three months ended March 31, 2019, the Company sold 3,851,000 Inner Spirit common shares for proceeds of $824,161. As at March 31, 2019, the Company holds 2,365,000 common shares and 3,750,000 common share purchase warrants of Inner Spirit valued at $1,077,406.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

General & administrative expenses

Three months ended March 31,		**2019**		2018
General & administrative expenses	**$**	**1,031,865**	$	190,074

During the three months ended March 31, 2019, general and administrative expenses from continuing operations were $1,031,865. This is primarily due to salaries, wages and benefits to employees of approximately $283,000, consulting expenditures of approximately $216,000, professional fees of approximately $164,000, office lease expenditures of approximately $37,000 and other start-up costs incurred as a result of the Company's cannabis business segment. During the three months ended March 31, 2018, general & administrative expenses from continuing operations was $190,074, as the Company did not have cannabis operations at that time.

Stock based compensation

Three months ended March 31,		**2019**		2018
Stock based compensation	**$**	**210,136**	$	616,123

During the three months ended March 31, 2019, the Company did not grant any stock options. Total stock-based compensation expense recognized during the three months ended March 31, 2019 from prior period stock option grants was $210,136. During the three months ended March 31, 2018, stock-based compensation from continuing operations was $616,123.

Working capital

		March 31, 2019		December 31, 2018
Cash	**$**	**1,946,523**	$	3,821,548
Term deposit		**100,000**		100,000
Accounts receivable		**1,081,349**		2,317,242
Prepaid expenses and deposits		**251,327**		407,797
Accounts payable and accrued liabilities		**(1,646,399)**		(2,154,245)
Current portion of lease obligations		**(30,391)**		-
Working capital (working capital deficiency)(1)	$	**1,702,409**	$	4,492,342

(1) Non IFRS measure

As at March 31, 2019, SugarBud had working capital of $1,702,409 representing a decrease of $2,789,933 versus December 31, 2018. Funds expended during the quarter were primarily directed towards constructing and equipping the Stavely Facility.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Property plant and equipment (PP&E)

During the three months ended March 31, 2019, the company added $2,551,313 of property, plant and equipment (PP&E) related to its cannabis operations, including approximately $2,549,637 due to capital costs related to the Stavely Facility.

Capital expenditures – cannabis

Area	Description		Three months ended March 31, 2019		Three months ended March 31, 2018
	Computer equipment		**1,676**		-
	Stavely building & other		**2,549,637**		100,000
Total		$	**2,551,313**	$	100,000

Commitments and contingencies – cannabis

The following represents a maturity analysis of the Company undiscounted contractual lease obligations as at March 31, 2019:

	2019	2020	2021	2022	2023		Total
Truck lease	15,477	20,601	21,393	15,056	2,113	$	74,640
Equipment lease	15,622	20,829	18,476	17,692	10,321	$	82,940
Total	31,099	41,430	39,869	32,748	12,434	$	157,580

During the three months ended March 31, 2019, the Company adopted IFRS 16, leases.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term greater than twelve months, unless the underlying asset's value is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions for short term leases and for leases for which the underlying asset is of low value. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

i. the amount of the initial measurement of the lease liability;

ii. any lease payments made at or before the commencement date, less any lease incentives;

iii. any initial direct costs incurred by the lessee.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the estimated useful life on the same basis as owned assets, or where shorter, over the term of the respective lease. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right of-use asset from the commencement date to the end of the useful life of the underlying asset.

The Company has elected to apply the modified retrospective approach and after evaluating the impact of the new standard on the opening retained earnings balance, the Company has concluded that the impact is immaterial.

The lease payments are discounted using the Company's incremental borrowing rate. The Company has elected to use a discount rate of 10%, based on the Bank of Canada risk-free rate plus a market risk premium.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Historical quarterly information

	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Comprehensive (loss) income – discontinued operations	**-**	**(1,304,732)**	648,030	(3,326,961)
Comprehensive loss – continued operations	**(284,201)**	**(6,193,095)**	-	-
Comprehensive (loss) income per share - basic – discontinued operations	**0.00**	**(0.01)**	0.00	(0.02)
Comprehensive loss per share - basic – continued operations	**(0.00)**	**(0.03)**	-	-
Capital expenditures	**2,551,313**	**5,501,935**	1,829,165	300,366
Total assets	**16,964,161**	**17,416,770**	18,005,648	16,261,999
Working capital (1)	**1,702,409**	**4,492,342**	2,354,868	3,922,142
Shareholders' equity	$ **15,195,360**	$ **15,262,525**	$ 13,105,667	$ 11,889,769
Shares outstanding	**355,532,381**	**355,463,381**	220,522,706	220,522,706

(1) Non IFRS measure

	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Comprehensive income – discontinued operations	5,127	541,597	2,399	16,691
Comprehensive loss – continued operations	(806,197)	(361,844)	-	-
Comprehensive income (loss) per share – basic - discontinued operations	0.00	0.00	0.00	0.00
Comprehensive loss per share - basic – continued operations	(0.01)	-	-	-
Capital expenditures	147,877	(272,774)	123,752	223,460
Total assets	16,976,640	11,011,283	11,125,120	11,350,157
Working capital (1)	5,429,296	(2,502,798)	(2,938,735)	(2,992,271)
Shareholders' equity	$ 12,133,761	$ 4,172,930	$ 3,993,177	$ 3,990,778
Shares outstanding	216,722,706	88,950,484	88,950,484	88,950,484

IFRS - This MD&A and the financial statements and comparative information have been prepared in accordance with IFRS.

NON-IFRS MEASURES - This MD&A provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Working capital is not a recognized measure under IFRS. Management uses certain industry benchmarks, such as working capital to analyze financial and operating performance. These metrics are useful to investors and research securities analysts in evaluating operating performance. These benchmarks do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. Management believes that in addition to net income (loss), working capital (working capital deficiency) is a useful supplemental measure that demonstrates the Company's overall debt position and assess the Company's overall leverage position necessary to repay debt or fund future capital investment. SugarBud's method of calculating this measure may differ from other companies and accordingly, may not be comparable to measures used by other companies. Working capital (working capital deficiency) is the total of cash plus accounts receivable and prepaids and deposits, less accounts payable and bank debt. The calculation of the Company's working capital can be seen on page 13 under the table titled "Working capital".

READER ADVISORY REGARDING FORWARD LOOKING INFORMATION – Certain statements contained within this MD&A constitute forward-looking statements within the meaning of applicable Canadian securities legislation. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" , "budget, "outlook", "forecast" and similar expressions. The Company believes that the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Without limitation, this MD&A contains forward-looking statements pertaining to:

- the intentions of management and the Company;
- expectations as to future operations of the Company, including the completion, development and use of the Stavely Facility and the receipt of a Cultivation License and Sales License;
- the Company's future applications for and granting of development permits and retail licenses and the timing thereof;
- expectations as to future cannabis production and sales by the Company;
- expectations as to the size and value of the medical cannabis and recreational cannabis markets in Canada;
- the Company's anticipated financial performance;
- the Company's future development and growth prospects;
- the number and location of licensed retail stores the Company intends to open in Canada and the timing thereof;
- the Company's expected operating costs, general and administrative costs, costs of services and other costs and expenses;
- the Company's ability to meet current and future obligations;
- the Company's ability to obtain retail leases, equipment, services and supplies in a timely manner;
- the Company's ability to obtain financing on acceptable terms or at all, including pursuant to the proposed Credit Facility
- total shareholder return; and
- future acquisitions.

Forward-looking statements and other information contained herein concerning the cannabis industry and the Company's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of these industries which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors. With respect to the forward-looking statements contained in this MD&A, SugarBud has made assumptions regarding, among other things:

- the impact of increasing competition;
- availability of skilled labour, services and equipment;
- timing and amount of capital expenditures;
- the legislative and regulatory environments of the jurisdictions where the Company will carry on business, has operations or plans to have operations and the continuation of the current tax and regulatory regime;
- the ability of the Company to become a licensed producer and receive necessary approvals for the cultivation and sale of cannabis;
- the ability of the Company to obtain retail licenses and necessary approvals for the sale of cannabis at its retail premises;
- availability of cannabis products from licensed producers and the distribution thereof by governmental entities;
- the ability of the Company to enter into contracts with target companies;
- the ability of the Company to obtain qualified staff and services in a timely and cost-efficient manner;
- conditions in general economic and financial markets; and
- the Company's ability to obtain additional financing on satisfactory terms.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include:

- the material uncertainties and risks described under the headings "Non-IFRS Measures", "Disclosure controls and procedures", "Internal control over financial reporting", "Critical Accounting Estimates" and "Risk Factors";
- the material assumptions and observations described under the headings "Cannabis segment", "Subsequent events", "Cannabis financial and operating results – continuing operations", "General & administrative expenses", "Stock based compensation", "Working capital" , "Property plant and equipment (PP&E)", "Capital expenditures – cannabis and oil and gas" and "Commitments and contingencies – cannabis";
- failure to realize the anticipated benefits of acquisitions, investments and dispositions, including the acquisition of Grunewahl Organics Inc. and the equity investment in Inner Spirit;
- success of the operations of the Company;
- the ability of management to execute its business plan, including its cannabis-focused investment strategy;
- legislative and regulatory environments of the jurisdictions where the Company will carry on business or have operations;
- the affect consumer perception of the medical-use and adult-use of cannabis will have on the market price of cannabis-related products;
- impact of competition and the competitive response to the Company's business strategy;
- the risks of the cannabis industry, such as regulatory risks and increasing competition;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- risks inherent in marketing operations, including credit risk;

- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- timing and amount of capital and other expenditures; and
- conditions in financial markets and the economy generally.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. The risk factors above should be considered in the context of current economic conditions, the attitude of lenders and investors towards corporations in the cannabis industry, potential changes to royalty and taxation regimes and to environmental and other government regulations, the condition of financial markets generally, as well as the stability of joint venture and other business partners, all of which are outside the control of the Company. Also to be considered are increased levels of political uncertainty and possible changes to existing international trading agreements and relationships. Additional information on these and other factors that could affect the business, operations or financial results of SugarBud are included in reports on file with applicable securities regulatory authorities, including, but not limited to, SugarBud's annual information form for the year ended December 31, 2017, which may be accessed on SugarBud's SEDAR profile at www.sedar.com or on the Company's website at www.sugarbud.ca.

The forward-looking statements contained in this MD&A are made as of the date hereof and SugarBud undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Disclosure controls and procedures - Disclosure controls and procedures have been designed to ensure that information to be disclosed by SugarBud is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures. The Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 51-109"), to provide reasonable assurance that (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. All control systems by their nature have inherent limitations and, therefore, the Company's disclosure controls and procedures are believed to provide reasonable, but not absolute, assurance that the objectives of the control system are met.

Internal control over financial reporting - The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting, as defined by NI 51-109. Internal controls over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met. There were no changes made to SugarBud's internal controls over financial reporting during the period beginning on December 31, 2018, and ending on March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

The financial statements have been prepared in accordance with IFRS. A summary of the significant accounting policies are presented in note 3 of the Notes to the Financial Statements. Certain Accounting policies are critical to understanding the financial condition and results of operations of SugarBud.

a) Impairment – SugarBud assesses its property, plant and equipment for impairment when events or circumstances indicate that the carrying value of its assets may not be recoverable. If any indication of impairment exists, SugarBud performs an impairment test on the CGU which is the lowest level at which there are identifiable cash flows. The determination of fair value at the CGU level again requires the use of judgements and estimates that include quantities of reserves and future production, future commodity pricing, development costs, operating costs and royalty obligations. Any changes in these items may have an impact on the fair value of the assets.

b) Income taxes - The determination of SugarBud's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

RISK FACTORS

Business Risks - The Company's current operations consist of an emerging medical and adult-use cannabis business focused on cultivation and retail. There are a number of inherent risks associated with cannabis cultivation and sales. Many of these risks are beyond the control of the Company.

The medical and recreational marijuana industry in Canada is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, AGLC, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

The Company's cannabis operations and investments may not be able to obtain or maintain the necessary cultivation, sales and retail licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate their respective businesses. In addition, the Company's operations and investments may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's or an investment's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

The Company's current activities and resources are principally in the Stavely Facility and are expected to continue to be focused on this facility for the foreseeable future. Adverse changes or developments affecting this facility could have a material and adverse effect on the Company's ability, if and when it acquires a Cultivation License and Sales License from Health Canada, to produce cannabis, its business, financial condition and prospects. The Company's business will involve the growing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company proposes to grow its proposed products indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

The Company's proposed retail cannabis business will be dependent on the supply of cannabis products from licensed producers. The growing operations of licensed producers, including the Company upon receipt of licenses from Health Canada, will be dependent on a number of key inputs and their related costs, including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact licensed producers, and in turn, the Company's financial condition and operating results. Any inability of licensed producers to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the Company's business, financial condition and operating results.

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis sold. Consumer perception of cannabis 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 recreational cannabis industry or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis 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 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 cannabis products or associating the consumption of 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.

Further, the parties with which the Company conducts business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. Affected relationships could include, without limitation, those with real estate personnel, marketers and bankers. For example, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships with firms choosing to not invest in the cannabis industry. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, or local governmental authorities against the Company or its activities. Litigation, complaints, and enforcement actions involving either the Company or its activities could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.=

Regulatory Risks - Regulatory risks include the possibility of changes to royalty, tax, environmental and safety legislation. SugarBud endeavors to anticipate the costs related to compliance and budget sensibly for them. Changes to environmental and safety legislation may also cause delays to SugarBud's drilling plans, its production efficiencies and may adversely affect its future earnings. Restrictive new legislation is a risk the Company cannot control.

Proposed operations and investments in the cannabis industry will be subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, health, safety and disposal of cannabis, including the Federal Cannabis Act, the Federal Regulations, the Alberta Cannabis Act and the Alberta Regulations. Participants in the cannabis industry are also subject to laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope, subject to evolving interpretations and may change in ways currently unforeseen by the Company. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Company, SugarBud's future operations and investments in the industry may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operation. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's cannabis-focused growth strategy and result in a material adverse effect on certain aspects of its planned operations.

The Federal Cannabis Act and the Federal Regulations prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The restrictions on advertising, marketing and the use of logos and brand names could have a material adverse impact on the Company's proposed business, financial condition and results of operation.

The legislative framework pertaining to the Canadian recreational cannabis market and the impact thereof remains uncertain. The governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational use within those jurisdictions. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational use will be enacted according to all the terms announced by such provinces and territories, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Company currently anticipates. Any of the foregoing could result in a material adverse effect on the Company's business, financial condition and results of operations.

Competition Risks - The Company faces intense competition from other companies, some of which have more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. To date, the Canadian government has only issued a limited number of licenses under the ACMPR and Federal Regulations to produce and sell cannabis and the Alberta government has only issued a limited number of retail licenses. According to Health Canada, there were 179 licensed producers as at May 28, 2019 and, according to AGLC, there were 101 retail licenses granted as at May 28, 2019. The number of licenses granted could have an impact on the business, financial condition and operating results of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. The Company also faces competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid licence. Many illegal dispensaries are still in operation, providing the Company with additional competition. To remain competitive, the Company will require a continued high 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 operating results of the Company.

NOTE: In this report all currency values are in Canadian dollars (unless otherwise noted). Figures, ratios and percentages in this MD&A may not add due to rounding.

Officers & Directors

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President & Chief Executive Officer
Calgary, Alberta

Jeff Swainson
Vice President Finance & Chief Financial Officer
Calgary, Alberta

Tara Johnson-Ouellette
Vice President, Compliance & Regulatory Affairs
Calgary, Alberta

Bob Richardson
Vice President, Retail & Marketing
Calgary, Alberta

Daniel T. Wilson (1,2,3)
Chairman of the Board of Directors
Calgary, Alberta

William C. Macdonald (1,2,3)
Director
Calgary, Alberta

Joseph Dietrich (1,2,3)
Director
Calgary, Alberta

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Governance Committee

Corporate Information

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Stock Listing
TSX Venture Exchange
Trading Symbol: SUGR, SUGR.WT