NewstrikeResourcesLtd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Introduction

Newstrike Resources Ltd. (the "Company" or "Newstrike") is a publicly traded corporation, existing under the laws of the Province of Ontario, with its head office located at 390 Bay Street, Suite 612, Toronto, Ontario, M5H 2Y2. Newstrike trades on the TSX Venture Exchange (the "TSXV") under the ticker symbol "HIP" and on the Frankfurt Exchange under the symbol "ON8".

On May 29, 2017 (the "Effective Date"), Newstrike completed a business combination with HPI Holdings Ltd. ("HPI") (the "Transaction"). The Transaction was structured as a "three-cornered amalgamation" pursuant to which HPI and its principal subsidiary, UP Cannabis Inc. ("Up Cannabis") (formerly 8455562 Canada Inc.), became wholly-owned subsidiaries of Newstrike, all in accordance with a master agreement dated February 3, 2017 as amended on May 18, 2017 (the "Master Agreement"). Up Cannabis is a licensed producer of cannabis and related products under the Access to Cannabis for Medical Purposes Regulations (the "ACMPR"). Prior to the Transaction, Newstrike was an early-stage exploration company focused on precious metals. The Transaction constituted a change of business and reverse take-over of Newstrike under the applicable regulations of the TSXV.

In connection with the Transaction, Newstrike divested itself of all remaining elements of its legacy mineral resource exploration business and is now focused exclusively on executing a growth strategy (primarily through Up Cannabis) of developing a diverse portfolio of high-quality cannabis brands ready for the adult-use cannabis market ("Newstrike's Growth Strategy").

This Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2017 ("MD&A") is dated as at April 18, 2018 and should be read in conjunction with the Company's audited financial statements for the three month and year ended December 31, 2017, including the accompanying notes (the "Financial Statements").

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. All references to the Company contained herein include references to its subsidiaries, as applicable in the context.

The Financial Statements and this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee for all periods presented. The Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors (the "Board of Directors"). The Financial Statements were prepared in accordance with and include the accounts of the Company and its wholly-owned principal subsidiaries 1977121 Ontario Inc. and Up Cannabis, as well as other subsidiaries and affiliates as detailed in Note 2(c) to the Financial Statements.

Important Note on Comparative Periods and Change in Year-End

In connection with the Transaction and in accordance with IFRS 3, the Company's fiscal year-end was changed from March 31 to December 31. The Financial Statements and this MD&A reflect the change in fiscal year-end. The change in year-end aligns Newstrike's fiscal year-end with that of HPI, thereby permitting the reader to undertake a comparative review of previous fiscal periods that are reflective of the historical financial performance of Newstrike's current cannabis-focused business.

For the purposes of preparing this MD&A, management, under the guidance of the Board of Directors, considers the materiality of information presented. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Newstrike's website at www.newstrike.ca and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"), including such statements relating to: the Company's expectations regarding the legislative framework regarding the licensing of cannabis and related activities; the potential size of the recreational cannabis market in Canada, insofar as such market is legalized; the Company's expectations regarding the timing of legalization of recreational cannabis; the Company's expectation regarding its application to amend its licence to cultivate held by its wholly-owned subsidiary, Up Cannabis, to allow for the sale of cannabis to all persons; the timing of the Company's engineering and construction plans; production capacity expectations; sales expectations; the Company's ability to raise funds in the capital markets; and the consummation of the Arrangement Agreement (as defined below). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Newstrike's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the "Risks and Uncertainties" section does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Newstrike's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Overview

For the year ended December 31, 2017, Newstrike focused primarily on the completion of the Transaction and the development and execution of Newstrike's Growth Strategy which it believes provides the best available prospects for the creation of durable, long-term value for all shareholders.

Operational Highlights

Year Ended December 31, 2017

Corporate Activities

- Entered into the Master Agreement, and completed the Transaction as of the Effective Date in conjunction with a private placement (the "Private Placement") that raised aggregate gross proceeds of $4.625 million;
- Acquired all of the issued and outstanding shares of Enderlein Nurseries Ltd. ("Enderlein") which provides the potential to increase production capacity;
- Made four appointments to the Board of Directors and created an advisory board in connection with the Transaction;
- Formed Up Cannabis Niagara Inc., a wholly owned subsidiary of Up Cannabis, which subsequently entered into an agreement dated July 11, 2017 with Westbrook Greenhouses Limited. (the "Westbrook Agreement") for the purchase of approximately 16.6 acres of land, assets, equipment and an existing greenhouse located in Beamsville, Ontario (the "Niagara Facility") for consideration of $7,300,000, subject to the standard closing adjustments;
- Completed the acquisition of the Niagara Facility on July 27, 2017; and
- Entered into arrangement agreement dated as of November 17, 2017 between Newstrike and CanniMed Therapeutics Inc. ("CanniMed") for CanniMed to acquire all of the outstanding Shares of Newstrike by way of a plan of arrangement pursuant to which each Newstrike shareholder would receive 0.033 CanniMed shares in exchange for each Share held (the "Arrangement Agreement") pursuant to the terms and conditions of the Arrangement Agreement

Principal Operations

- During the period, the Company earned no revenue as it was unable to sell cannabis until obtaining an amendment to its existing licence, which has been submitted to Health Canada but not yet approved as to allow for the sales of cannabis to all authorized persons under the ACMPR as of December 31, 2017. On January 5, 2018, the Company received approval to its application to amend its licence to allow for sales of Cannabis.
- Accumulated dried and finished goods cannabis inventory in anticipation of the sales amendment and the legalization of recreational cannabis; and
- Diligently and efficiently managed costs to: build the Up Cannabis brand through marketing activities; develop its online presence; build its staff complement by hiring additional production staff and several mid-level and senior manager appointments; engage consultants during the transition phase for HPI; and undertake various corporate activities.

Licensing

- The Company received Health Canada's approval to remove all limitations on the amount of cannabis that may be produced at the Up Cannabis facility in Brantford, Ontario (the "Primary Facility") and, once the requisite extraction equipment is installed, to produce an unlimited amount of cannabis oils at this same facility;
- Submitted an application to amend the terms of licence to permit Up Cannabis to sell cannabis in all acceptable forms to all authorized persons thereby removing the last material licence restriction and

effectively providing Up Cannabis with the ability to sell cannabis directly to all authorized medical clients. ***See also "Events Subsequent to December 31, 2017".***

Branding – Up Cannabis

- Effective January 12, 2017, the Company executed an investment and exclusive advisory agreement with Canadian musical legends, The Tragically Hip and members of their management team, to collaborate with the Company to develop brands and strategies to elevate its profile within the evolving regulatory framework for cannabis;
- In March 2017, Up Cannabis entered into an entertainment consulting agreement with The Feldman Agency. Pursuant to this three-year agreement, The Feldman Agency is entitled to a cash payment of $120,000 per year and Newstrike stock options in exchange for providing entertainment and consulting services; and
- Launched the Up Cannabis brand and conducted marketing activities to build the adult-use cannabis focused profile of the brand.

Financing Activities

- Generated approximately $5,580,000 million through the exercise of convertible securities;
- Entered into a secured short-term debt facility in the amount of $4,000,000 (the "Short-Term Secured Facility") funded by a syndicate led by Beechhill Capital Corp. (in the amount of $3,000,000) which is an investment entity controlled by the Van Haeren family. Nik Van Haeren is a director of the Company. The syndicate also included Jay Wilgar and Scott Kelly, each officers and directors of Newstrike. The Short-Term Secured Facility is due on February 15, 2018 and is secured by a general charge over the inventory, assets and undertakings of Up Cannabis as well as a second mortgage charge on the Niagara Facility. The Short-Term Secured Facility is serviced on an interest-only basis payable monthly during the term at an annual rate of 15% or 1.25% per month. It may be repaid at any time subject to payment of a cancellation fee equal to 1.0% of all amounts then-outstanding; and on February 21, 2018, this facility was repaid in full and the security discharged.
- Completed an arms-length financing (the "Debenture Financing") with CanniMed pursuant to which the Company issued a convertible debenture in the amount of $4,000,000 (the "Debenture"), secured by way of a first mortgage charge on the land at the Niagara Facility. The Debenture has a term of three (3) years at an interest rate of 8% per annum and matures on September 29, 2020. Repayment terms are interest only, payable quarterly with the balance payable on maturity, subject to conversion. The Debenture is repayable in certain circumstances, including a change of control, and may be converted into Shares at a price of $0.365 per Share (or 10,958,904 Shares in total) at any time prior to its maturity. In addition, 10,958,904 share purchase warrants were issued in connection with the Debenture Financing, each exercisable at a price of $0.42 per Share, until September 29, 2020. The stated uses of proceeds with respect to the Debenture are (i) at least $3,000,000 for the build out and retrofit of the Niagara Facility; and (ii) up to $1,000,000 for general corporate purposes. On January 24, 2018, the Company received a Notice of Conversion from the lender and on January 31, 2018, 10,958,904 shares were issued from treasury to affect the conversion. On February 13, 2018, 10,958,904 warrants were exercised for proceeds of $4,602,739.68. On February 15, 2018, 10,958,904 shares were issued from treasury to effect the exercise.

Expenses

- Incurred increased finance costs since the acquisition of the Niagara facility based on the Short-Term Secured Facility, the introduction of a share-based compensation program through a larger issuance of options in July, 2017 amounting to an effective expense of $3,390,723 (2016 - $ Nil) and other growth related costs including travel, telecommunications and IT costs associates with the brand presence and larger office facility, which the Company took occupancy of on September 1, 2017; and

- The Company incurred a loss of $ 1,177,775 (2016 - $ 357,732) in the fourth quarter after accounting for a favourable revaluation of biological assets to generate reported revenue of $3,019,883, due to the share based compensation expense of $739,698 (2016 - $ 63,345) and accelerated expenditures on branding and marketing of $367,648, salaries and wages of $401,088 and an impairment charge of $651,592. The Company incurred a combined loss for the year period of $14,089,818 (2016 - $ 856,034) due largely as a result of the listing expense of $7,099,152 related to the Transaction completed in May 2017 and annual share based compensation expense of $3,390,723.

To date, the Company has not been in a position to make sales of cannabis but has obtained licensing to do so in January 2018.

The Company's remains focused on the adult–use cannabis market, which remains subject to the coming into force of Bill C-45 (the Cannabis Act) ("Bill C-45"). Therefore, the full execution and realization of the Company's strategy and path to revenue is contingent on the coming into force of the legislation. At this time, Bill C-45 has passed second reading in the Senate and is subject to third reading on or before June 7, 2018.

As a result of the Company's financings subsequent to December 31, 2017, the Company funding risk has been substantially eliminated and the Company is sufficiently financed to execute on its business plans and strategy in the coming quarters.

Events Subsequent to December 31, 2017

(i) Termination of Proposed Takeover of Newstrike

On January 24, 2018, the Company announced that it had agreed with CanniMed to terminate the previously announced Plan of Arrangement pursuant to the Arrangement Agreement. The Arrangement Agreement was terminated on January 24, 2018 effective upon payment by CanniMed of $9.5 million to the Company. As part of the termination agreement between the Corporation and CanniMed dated January 25, 2018, CanniMed covenanted to exercise its Convertible Debenture Warrants on or before February 15, 2018. On January 24, 2018, the Corporation received a Notice of Conversion for the Convertible Debenture held by CanniMed, and an aggregate of 10,958,904 Common Shares were subsequently issued on January 31, 2018 pursuant to such Notice of Conversion. On February 13, 2018, CanniMed exercised the 10,958,904 warrants for gross proceeds of $4,602,740.

(ii) Bought Deal Financing

On January 30, 2018, the Company entered into an agreement with a syndicate of underwriters led by INFOR Financial Inc. ("INFOR") and Cormark Securities Inc. and including Eight Capital and Haywood Securities Inc. (the "Underwriters") pursuant to which the Company agreed to issue to the Underwriters on a bought deal basis 60,610,000 Shares at $1.32 and 60,610,000 share purchase warrants at an exercise price of $1.75 exercisable within 24 months following the closing date of the underlying financing for aggregate gross proceeds of $80,005,200 (the "Financing"). The Company also granted an over-allotment option to the Underwriters on a further 9,091,500 additional Shares at an exercise price of $1.32 as well as a further 9,091,500 share purchase warrants at an exercise price of $1.75 exercisable within 24 months of the closing date for aggregate gross proceeds of $12,000,780 (the "Over-Allotment"). Finally, the Company issued 4,182,090 units as compensation warrants to the underwriters in the event that the Over-Allotment was taken up.

On February 16, 2018, the Financing closed and on February 22, 2018 the Over-Allotment was taken up and closed by the Company. Total net proceeds from the Financing and Over-Allotment received amounted to $85,994,259, after deductions for commissions and professional fees.

(iii) Sales Licence Amendment

On January 5, 2018, Up Cannabis received approval from Health Canada of its application for an amendment to its licence to allow for the sale of cannabis in all acceptable forms to all authorized persons under the ACMPR.

(iv) Debt Conversion and Warrant Exercise

On January 24, 2018, the Holder elected to convert the debenture into common shares. On February 13, 2018, the Holder also exercised the warrants into 10,958,904 common shares for gross proceeds of $4.6 million.

(v) Appointment of Director

On February 12, 2018, Mr. Brett Whalen consented to act as a director of the Company, and the Board of Directors passed a resolution appointing Mr. Whalen to the Board of Directors effective as of a date to be determined by mutual agreement of Newstrike and Mr. Whalen. On February 14, 2018, Mr. Whalen was appointed a Director and Audit Committee Chair/Member of Newstrike.

(vi) Repayment of Secured Debt Facility

On February 15, 2018, the loan was extended for one extra month and due on March 15, 2018. No penalty was charged to the Company. On February 22, 2018, the Company repaid the loan plus accrued interest in full.

(vii) Cultivation Licence for Niagara Facility

On March 29, 2018, the Niagara Facility (as defined below) received its licence to cultivate cannabis at its greenhouse in the Niagara region of Ontario.

(viii) Repayment of Enerworks Lease

On March 29, 2018, the Company repaid the Enerworks lease in full.

(ix) Enderlein Nurseries Ltd

The Company has determined that Enderlein Nurseries Ltd ("ENL") is a non-core/non-strategic asset and as a result of its assessment of its fair value, the Company has taken an impairment charge in these statements in the amount of $651,600.

See also "Trends" below.

Discussion of Principal Operations

Newstrike's cannabis business is primarily operated through its wholly-owned subsidiary Up Cannabis. **The ACMPR is the regulatory framework governing the activities licensed producers of cannabis ("LP") including the production, distribution, storage and sales of cannabis and related products in Canada.**

Key to the successful execution of Newstrike's Growth Strategy is the development, acquisition and cost-effective build-out and operation of production facilities capable of producing cannabis of a consistent quality and character to meet both the stringent regulatory requirements of the ACMPR and the demands of medical clients and, as the law permits, all authorized consumers. The following is an overview of the Company's production facilities and pertinent operational and financial information.

Newstrike, through Up Cannabis and other wholly-owned subsidiaries, operates cannabis production facilities with an aggregate of approximately 167,600 existing square feet of indoor and greenhouse production capacity of which:

- approximately 7,600 square feet is currently operating at or near full production capacity; and
- approximately 160,000 square feet is in the process of being retrofitted and, subject to the receipt of all applicable regulatory approvals, is expected to begin generating production in the second half of 2018.

The Company, through Up Cannabis, is the holder of licence No. 10-MM0120/2016 to cultivate cannabis at the Primary Facility. The existing licence permits the sale of cannabis and related products to other LPs and is subject to a pending application to remove current restrictions and permit the sale of cannabis in all acceptable forms to all authorized persons, directly. The Company is not aware of any reason why this application will not be refused.

Under the ACMPR, Up Cannabis may also apply to have additional production locations/facilities licensed as "adjunct" facilities under an existing licence. Up Cannabis intends to make use of this provision of the ACMPR as warranted. In that regard, on August 30, 2017, an application was submitted to Health Canada and is in progress to designate the Niagara Facility as an "adjunct" facility to the Primary Facility.

The Company, through its acquisition of Enderlein, also has the ability to acquire a second licence upon build-out and compliance with the conditions of the "ready-to-build" letter from Health Canada (the "RTB Letter") that was a key asset purchased pursuant to this acquisition. The Company is currently reviewing its options with respect to this site and the RTB Letter.

I. Principal Facilities

Primary Facility
Location: Brantford, Ontario
Leased Facility: Lease commenced July 1, 2013, expires June 30, 2020 with option renew at then-market rates or to purchase at lease-end for $850,000

- ***Operational Status:*** Fully Operational & Licensed Facility (Licence granted effective December 19, 2016).
- ***Regulatory Status:*** Authorized to produce an unrestricted amount of dried cannabis and, following the installation of the requisite equipment, an unrestricted amount of cannabis oils.
- ***Annual Production Capacity****:* Approximately 2,500 kg of dried cannabis.
- ***Expansion Capacity:*** The Company does not anticipate expanding the production capacity of dried cannabis at this facility. However, the facility can support the addition of manufacturing facilities for cannabis related products, packaging systems and cannabis oil extraction facilities.

The Primary Facility was designed and engineered to permit the application of the same pharmaceutical-quality management-standards utilized by Canada's pharmaceutical manufacturers, to the production of cannabis in all acceptable forms. The Primary Facility and the standard operating procedures ("SOPs") in place therein were designed to comply with the Good Production Practices standards mandated by the ACMPR and to readily facilitate compliance, as commercially warranted, with the much more stringent Good Manufacturing Practices standards required for the production of narcotics and other pharmaceuticals. The quality management system at the Primary Facility has been certified to ISO 9001. Within the Primary Facility itself, there are currently five discrete grow-rooms – each of which can be completely quarantined from the rest of the facility allowing the containment of any outbreak of disease, molds or pest infestation and effectively manage and limit the impact such risks present to all agricultural operations, one "mothering" and vegetative rooms, trimming and drying rooms, two discrete shipping rooms, a "Level-8" vault for the storage of dried and finished product and, if required, an aggregate of approximately 1,800 square feet that can be repurposed for manufacturing, packaging and/or additional production facilities, all of which are supported and monitored by state-of-the-art automated hydroponic cultivation, climate, security and control systems with additional layers of redundancy and back-up to mitigate the impact of systems or power failure. Each production area within the Primary Facility is independently controlled, filtered and monitored and each strain of cannabis produced in the Primary Facility is subjected to rigorous and ongoing analytical testing. The annual production capacity of the Primary Facility is approximately 2,500 kg of dried cannabis.

Niagara Facility
Location: Beamsville, Ontario
Wholly-Owned: Acquired land and buildings on July 27, 2017.

- ***Operational Status****:* Fully automated, modern "Dutch-Tray" 200,000 square foot facility (of which approximately 160,000 square feet are dedicated to production) with finished administration, packaging and shipping/receiving areas, all situated on approximately 16.6 acres of land.
    - currently configured to produce orchids and other potted plants and is supported by a skilled workforce with site-specific experience, certain of whom have entered into employment and/or skills transfer agreements with Up Cannabis.
    - engineering and retrofit for conversion to cannabis production in progress.
- ***Regulatory Status:*** Application was submitted to Health Canada on August 30, 2017 and on March 29, 2018 was approved by Health Canada as an "adjunct" facility to the Primary Facility.
- ***Estimated Annual Production Capacity:*** Approximately 12,500 kg of dried cannabis upon completion of retrofit.
- ***Expansion Capacity****:* Up to an additional approximately 12,500 kg of dried cannabis - for a potential aggregate annual production of 25,000 kg of dried cannabis.

The Company is currently in the process of completing engineering and specifications for the retrofit process for this facility and estimates that the cost of the retrofit, including costs related to meeting the stringent security and other requirements under the ACMPR will be approximately $10.8 million. Based on the recent receipt of all applicable regulatory approvals, the Company will begin production at this facility in the second calendar quarter of 2018.

Assuming the build out and/or conversion of the above noted facilities as currently estimated by the Company, its potential near-term aggregate annual production will be approximately 25,000 kg of dried cannabis.

II. Secondary Facilities

Enderlein Facility
Location: Creemore, Ontario
Leased Facility: Lease commenced December 1, 2016, expires November 30, 2021, with an option for three additional five year terms, for 38 hectares well-situated for the cultivation and distribution of cannabis and related products (the "Enderlein Site") along with the RTB Letter conditionally approving the construction and subsequent licensing of a cannabis production facility on the Enderlein Site and, subject to the requisite compliance, designation of Enderlein as an LP.

- ***Operational Status****:* Pre-construction;
- ***Regulatory Status****:* Conditional approval of the facility and the entity as an LP subject to the completed facility being compliant in all respects with the terms of the RTB Letter and all other requisite requirements;
- ***Annual Production Capacity****:* The Company estimates that capacity of the facility, as specified in the RTB Letter and if and when completed, would be approximately 3,000 kg of dried cannabis;
- ***Expansion Capacity****:* The Company believes that the Enderlein Site could reasonably support an expansion facility that would increase annual aggregate production on the Enderlein Site to approximately 12,000 kg of dried cannabis, as well as manufacturing facilities for cannabis related products, packaging and cannabis oil extraction facilities.

The Company has determined that Enderlein Nurseries Ltd ("ENL") is a non-core/non-strategic asset and has entered into an Share Purchase Agreement to sell all of its shares in ENL for $2,525,000, payable at $1,450,000 on closing *and the balance upon receipt of a cultivation license. In light of this transaction, the Company has taken an impairment charge in these statements in the amount of $651,600.*

Debt Financings

In the year ended December 31, 2017, Newstrike raised $8.0 million via the Short-Term Secured Facility and the Debenture Financing, as follows:

Debt Instrument	Principal Amount	Date Issued	Use of Proceeds
Short-Term Secured Facility	$4,000,000	July 27, 2017	Acquisition of Niagara Facility
Debenture Financing	$4,000,000	September 29, 2017	(I) at least $3,000,000 for retrofit of Niagara Facility; (II) up to $1,000,000 million for general corporate purposes

The Company entered into these debt financings to provide some of the capital required to commence cannabis production capacity expansion to cater to expected demands and to facilitate execution of Newstrike's Growth Strategy.

Subsequent to year-end both facilities have either been repaid or converted to equity in an effort to reconfigure the balance sheet in light of the termination of the Acquisition Agreement, and as a result of the Bought Deal Financing.

Branding "Up Cannabis"

In its efforts to establish and build brand awareness, the Company entered into an agreement with The Tragically Hip (the "Hip") in January 2017, which saw the Hip become shareholders of the Company. The collaboration between the Hip and the Company has been active with creative and strategic input from the Hip. The involvement of the Hip is expected to deepen as the markets anticipate the legalization of recreational cannabis in July 2018. In March 2017, Up Cannabis entered into an entertainment consulting services agreement with The Feldman Agency to create partnerships with musical artists and increase brand presence at events and in the entertainment industry. Additionally, the Company has been building an internal branding team and has engaged experts to provide consulting services to create and execute Up Cannabis' brand strategy.

Liquidity and Capital Resources

At December 31, 2017, cash was $811,028 (December 31, 2016 - $79,000). At December 31, 2017, the Company had a working capital deficiency of ($3,754,366) (December 31, 2016 – (($315,000)). The increase in cash was due to various equity raises prior to the Transaction and additional debt financings in July and September 2017 totaling $8,000,000. At December 31, 2017 cash was not expected to be sufficient to finance the ongoing operations and capital programs and, subject to the completion of the Arrangement, the Company plans to raise additional funds through either equity or debt offerings, the possible divestiture of non-core/non-strategic assets and/or commencing the sale of cannabis once the licence amendment is approved, which was anticipated in early 2018, to meet capital needs. The amendment was approved by Health Canada on January 5, 2018.

On January 24, 2018, the Arrangement Agreement was terminated, the break fee of $9,500,000 was received, 10,958,904 warrants were exercised for proceeds of approximately $4,600,000 on February 13, 2018 and the Company closed a financing for net proceeds of $85,994,527 including an over allotment taken up for net proceeds of approximately $11,200,000 by February 22, 2018.

<u>See also Events Subsequent to December 31, 2017.</u>

Summary Cash Flow Statement	Year ended December 31, 2017 ($)	Year ended December 31, 2016 ($)
Cash flows from (used in):		
Operating activities before working capital changes	(4,909,176)	(398,537)
Changes in non-cash working capital	(2,576,544)	(43,428)
Operations	(7,485,720)	(441,785)
Investing Activities	(8,556,292)	(1,251,461)
Financing activities	16,744,155	1,767,147
Increase (Decrease) in cash	732,143	73,901
Cash, beginning of year	78,885	4,984
Cash and cash equivalents, end of period	811,028	78,885

Operating Activities

Cash used in operating activities was $7,482,720 for the year ended December 31, 2017 (2016 - $ 441,785). Operating activities were affected by the net change in non-cash working capital balances of $2,576,544 (2016 - $ 43,428) because of an increase in accounts receivable and other assets in the amount of $4,137,649 (2016 - $ 42,703) and an increase in amounts payable and other liabilities in the amount of $1,561,135 (2016 - $ (548)) for the year ended December 31, 2017.

As noted above, the Company has enhanced its liquidity through a combination of equity issuances and debt financings/conversions, as well as consideration of the divestiture of non-core/non-strategic assets. These were the principal sources of operating cash until to the Company could effect sales of its product, now that the licence amendment for sales is approved. The Company is considering all possible revenue streams including wholesaling its cannabis, which would generate greater liquidity for ongoing operations quickly, but is mostly maintaining its initial strategic focus on the adult-use cannabis market. This, of course, is contingent upon the passing of Bill C-45 and its coming into force.

Investing Activities

Net cash used in investing activities during the year ended December 31, 2017 was $8,556,292 (2016 - $ 1,251,461) which was mostly expenditures on capital equipment via the acquisition of the Niagara Facility.

Financing Activities

Cash of $16,744,155 (2016 - $ 1,767,147) was generated from the Company's financing activities during the year ended December 31, 2017.

Financing Activity Related to the Transaction

In connection with the Transaction, HPI completed a non-brokered private placement of debentures in aggregate principal amount of $1,500,000 on February 10 and February 15, 2017. These debentures were automatically converted into an aggregate of 1,695,000 Shares on the Effective Date in connection with the Transaction. In addition, on March 7, 2017, Newstrike completed a non-brokered private placement of 25,000,000 subscription receipts ("Subscription Receipts") at a price of $0.125 each to raise gross proceeds of $3,125,000. On the Effective Date, the Subscription Receipts were automatically converted into an aggregate of 25,000,000 Shares in connection with the Transaction.

Effective June 30, 2017, an aggregate of 16,000,000 share purchase warrants previously issued as part-consideration for the Enderlein Facility (the "Enderlein Warrants") were exercised for gross proceeds of $2,000,000 and

16,000,000 Shares issued as a result thereof. Each Enderlein Warrant, entitled the holder to acquire one share of Newstrike for the effective exercise price of $0.125. All Enderlein Warrants have been exercised and no other Enderlein Warrants remain outstanding.

Financing Activity Subsequent to the Transaction

On July 13, 2017, Newstrike announced the execution of an agreement between Up Cannabis and Westbrook Greenhouses Ltd. for the purchase of the Niagara Facility for consideration of $7,300,000, subject to the standard closing adjustments. Prior to closing, Up Cannabis incorporated a wholly-owned, special purpose subsidiary, Up Cannabis Niagara Inc. which acted as the purchaser in the transaction. The acquisition closed on July 27, 2017 and was funded by a combination of Newstrike's existing capital resources and the Short-Term Secured Facility, as follows:

(i) Existing capital resources	$ 3,599,297
(ii) Short-Term Secured Facility	$ 4,000,000
	$ 7,599,897

On September 29, 2017, the Company completed the Debenture Financing, pursuant to which it issued the Debenture, secured by way of a first charge/mortgage on the land at 5640 South Service Road, Beamsville, Ontario (the "Niagara Facility"). The Debenture has a term of three (3) years at an interest rate of 8% per annum and matures on September 29, 2020. Repayment terms are interest only, payable quarterly with the balance payable on maturity, subject to conversion. The Debenture is repayable in certain circumstances, including a change of control, and may be converted into Shares at a price of $0.365 per Share (or 10,958,904 Shares in total) at any time prior to its maturity. In addition, 10,958,904 share purchase warrants were issued in connection with the Debenture Financing, each exercisable at a price of $0.42 per Share, until September 29, 2020. The stated uses of proceeds with respect to the Debenture are (i) at least $3,000,000 for the build out and retrofit of the Niagara Facility; and (ii) up to $1,000,000 for general corporate purposes.

In addition, as part of the Debenture Financing, the Company delivered an undertaking to take reasonably commercial efforts to obtain (i) a letter of credit in the amount of $1,000,000 or (ii) insurance in the same amount, in respect of a commitment to acquire the remaining orchid inventory on hand from the vendor at the expiration of its lease on February 28, 2018 or in the event of early termination by the Company. The undertaking currently expires on November 30, 2017. The Company has obtained crop insurance in the amount of $750,000 in the event that the vendor's orchid inventory is damaged during the Niagara Facility retrofit process.

On July 27, 2017, the Company arranged for the Short-Term Secured Facility in the amount of $4,000,000 funded by a syndicate led by a contribution of $3,000,000 by Beechhill Capital Corp., which is an investment entity controlled by the Van Haeren family. The balance of $1,000,000 was funded by a syndicate of Newstrike shareholders, officers and directors which included Jay Wilgar, the Company's CEO and Scott Kelly, the Executive Chair. The Company drew-down the Short-Term Secured Facility in full on July 26, 2017, to fund a portion of the purchase price for the Niagara Facility. The Short-Term Secured Facility is due to be repaid in full on February 15, 2018 and is secured by a general charge over the inventory, assets and undertakings of Up Cannabis as well as a charge on the 16.6 acres of land acquired as part of the Niagara Facility. The Short-Term Secured Facility is serviced on an interest-only basis payable monthly during the term at an annual rate of 15% or 1.25% per month. It may be repaid at any time subject to payment of a cancellation fee equal to 1.0% of all amounts then-outstanding. See also "Related Party Transactions".

The Company at this time has no operating revenues. Subject to the receipt of all regulatory approvals, the Company will determine a sales strategy and expects to utilize its current cash reserves, funds obtained from the exercise of convertible securities (if applicable) and other financing transactions to maintain its capacity to meet working capital requirements, its ongoing capital expenditures, branding and marketing programs and operating activities. At December 31, 2017 the Company anticipated that it would need to raise capital to meet its operating and growth objectives on reasonable commercial terms. Based on the narrative above in "Events Subsequent to December 31, 2017", the Company is now very well capitalized and properly funded to complete all of its operational and strategic objectives. See "Risks and Uncertainties" and "Liquidity and Capital Resources".

Liquidity

At December 31, 2017, the Company did not have sufficient cash on hand to meet its current financial obligations as they came due, but the Company had expected to be in a position to realize on a portion of its biological asset inventory prior to December 31, 2017 but was not and in addition, the Company is considering the divestiture of any non-core/non-strategic assets. Liquidity is primarily influenced by the operational performance of its production facilities, the level of spending on its branding and marketing initiatives and capital programs, the ability to obtain external sources of financing, and results of any future sales of product.

On January 24, 2018, the Arrangement Agreement was terminated, the break fee of $9,500,000 was received, 10,958,904 warrants were exercised for proceeds of approximately $4,600,000 on February 15, 2018 and the Company closed a bought deal for net proceeds of $85,200,000 on February 16, 2018 with an over allotment taken up for additional net proceeds of $11,200,000 on February 22, 2018. See also Events Subsequent to December 31, 2017.

The Company monitors its liquidity on a continuous basis to ensure there is sufficient capital to meet business requirements and to provide adequate returns to shareholders and benefits to other stakeholders. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may, where necessary, control the amount of working capital, pursue financing, manage the timing of its capital and branding and marketing expenditures.

Financial and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and debentures. The Company's management does not believe that the Company is exposed to significant interest, currency or credit risk arising from these financial instruments. Management does not believe that the Company is exposed to significant interest, currency or credit risk arising from these financial instruments.

Statement of Financial Position

Select Financial Position Data as at	December 31, 2017 ($)	December 31, 2016 ($)	% Change
Total Assets	24,881,426	2,528,214	804 %
Current Liabilities	10,822,955	479,621	2,157 %
Non-Current Liabilities	1,481,025	1,196,453	24 %
Shareholder's Equity	12,577,446	852,140	1,376 %

Assets

Newstrike's assets are comprised of cash and cash equivalents, inventory, biological assets, miscellaneous receivables, intangibles and property plant and equipment. The substantial increase to $24,881,426 from December 31, 2016 of $2,528,214 is due to the completion of the Transaction, various capital acquisitions including the Enderlein and Niagara transactions, a revaluation of the biological assets and cash raised through equity issuances and debt financings.

Liabilities

Current liabilities were $10,822,955 as at December 31, 2017, a substantial increase of 2,157 % over December 31, 2016 of $479,621 due to the increased business activity increasing payables and other liabilities and a short-term debt facility in connection with the purchase of the Niagara Facility.

Non-Current Liabilities were $1,481,025 as at December 31, 2017, an increase of 24 % over December 31, 2016 of $1,196,453 is not a material change in the circumstances.

Shareholder's Equity

Shareholder's equity has increased to $12,577,446 as at December 31, 2017 from $852,140 as at December 31, 2016 as a result of various equity raises and option and warrant exercise related to and subsequent to the Transaction. Additionally, reserves have increased as a result of an option grant during the period, all of which has been partially offset by the current period loss of $14,089,818.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Trends

On April 13, 2017, the Federal Government tabled Bill C-45 (the "Cannabis Act") which has been drafted to legalize the recreational use of cannabis in Canada. The Government of Canada has indicated that it intends to bring the proposed Cannabis Act into force no later than July 2018, subject to the approval of Parliament and Royal Assent. To support implementation of the proposed Act, regulations would need to be enacted in a range of areas, such as cannabis product standards and packaging and labelling requirements, to ensure that the risks and harms of cannabis are appropriately addressed under the legal framework.

In many cases, Health Canada is proposing to build upon established regulatory requirements that have long been in place for current producers of cannabis for medical purposes or industrial hemp. Enacting many of the same types of strict regulatory controls for production under the proposed Cannabis Act would allow for legal and quality-controlled products to be available by July 2018 and immediately begin to address the public health and safety risks posed by illegally-produced cannabis. On November 21, 2017, the Government issued a consultation paper titled "A Proposed Approach to the Regulation of Cannabis", the purpose of which is to solicit public input and views on the approach to these regulations. This detailed document lays out in significant detail the proposed form and breadth of the regulatory regime that the Government plans to enact as part of the Cannabis Act coming into force on July 1, 2018.

The commencement of this formal consultative process reaffirms the Government's commitment to launching an adult-use market on July 1, 2018. However, the Company recognizes that implementation may still be delayed, in part, as a result of:

- recent pronouncements by representatives of certain provinces, who as a result of Canada's federal system, will oversee and play a major role in the enforcement of the regulatory regime ultimately applicable to the distribution and sale of cannabis once legalized; and
- growing concern over the content of the companion regulations that will provide additional guidance on matters such as advertising and specific restrictions with respect to mode and manner of retail sales and

other important elements and mechanics of ensuring that the Federal Government's vision for a deregulated marketplace for cannabis is properly realized.

Newstrike's Growth Strategy includes the development and marketing of branded cannabis products and is closely monitoring and, where applicable, contributing to the discussion with policy makers on the role branding will play and the limitations that may apply when the regulations under the Cannabis Act are promulgated. On June 16, 2017, Newstrike officially renamed 8455562 Canada Inc., as "UP Cannabis Inc." and the Up Cannabis brand was officially launched on June 14, 2017. The Company notes that LPs, which are currently the only entities permitted to supply the medical marijuana market, will also have the exclusive right to supply the Canadian recreational market. The Company will continue its plan to migrate the exacting and GMP-ready SOPs it developed for the Principal Facility to its expanding portfolio of production facilities. In doing so, Up Cannabis will continue to build cannabis supply of a consistent and premium quality. At the same time, in preparation for the eventual legalization of recreational use Up Cannabis continues to build on the relationship the team at Newstrike and Up Cannabis has developed with the members of the Tragically Hip: both as investors in and advisors to the Company and to work with them to firmly position Up Cannabis as "Canada's cannabis brand".

Apart from these and the risk factors noted under the heading "Risks and Uncertainties"" and "Caution Regarding Forward-Looking Statements", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the Financial Statements; and (ii) the Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated financial statements for external purposes in accordance with the Company's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate required pursuant to NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of and annual filings and other reports provided under securities legislation.

Summary of Quarterly Information

A summary of selected information for each of the eight most recent quarters is set out below.

Three months ended	Total sales ($)	Net Loss ($)	Basic and diluted loss per Share ($)
2017-December 31	3,019,883	(1,177,775)	(0.01)
2017- September 30	Nil	(4,365,878)	(0.01)
2017-June 30	Nil	(8,434,477)	(0.10)
2017-March 31	Nil	(7,627,217)	(0.04)
2016 – December 31	Nil	(629,788)	(0.02)
2016 – September 30	Nil	(74,802)	(0.04)
2016 – June 30	Nil	(63,369)	(0.04)
2016 – March 31	Nil	(99,593)	(0.06)

Prior to quarter ended December 31, 2016, the HPI Holdings Ltd was very much in a holding pattern but in that December 2016 quarter, it obtained its licence to cultivate cannabis from Health Canada, entered into various agreements including a corporate reorganization to create a holding company structure for itself and the proposed reverse takeover transactions with Newstrike all of which resulted in substantial increases in professional fees and general operating expenses as well as specific branding and marketing initiatives.

Results have varied between the 2017 quarters principally because of i) the evolution of the move towards legalization of the adult use cannabis market, ii) increased marketing and branding spending in respect of that activity of $1,051,270, iii) completion of the reverse takeover with Newstrike and the resulting listing expense of $7,099,152, iv) share based compensation expense commencing in July 2017 of $3,390,723 and an impairment charge of $651,292 against the license application in December 2017 and v) increased salaries and wages of $1,022,304 as the organization builds out its infrastructure and capacity in anticipation of the passing of Bill C-45.

Discussion of Operations

Revenue / Net Loss

During the year ending December 31, 2017, Newstrike had suspended it legacy mineral resource operations and commenced its cannabis business, all as of the Effective Date pursuant to the Transaction. Newstrike generated unrealized revenue of $3,019,833 from the revaluation of its biological assets but has not completed sales of any product, and as a result, Newstrike had a net loss of $1,177,775 (2016 - $357,732) for the three months ended December 31, 2017 and a year to date loss of $ 14,089,818 (2016 - $ 856,034). The net loss was principally driven by the listing expense of $7,099,152 (2016 - $ 63,345) incurred in connection with the Transaction and share based compensation expense of $3,390,723 (2016 - $ 63,345) in connection with option grants of the Company on July 26, 2017 as well as various operating expenses which are described in more detail below.

Cost of Sales / Biological Assets

During the current period, the Company's regulatory status only permitted the sale of cannabis to other Licensed Producers, on a one-time exemption basis but not to all eligible persons, both as defined under the ACMPR. As a result, all of the costs of production have been accounted for as inventory of cannabis plants in the pre-harvest stage of production ("Biological Assets"). Costs to sell include energy and utility costs, nutrients, raw materials, testing, together with any direct material and direct labour costs. It was anticipated that, once the sales licence amendment was approved, the cost of sales will be reflected in the gross margin calculation, together with any revaluation for the mark to market of the Biological Assets, pursuant to IFRS IAS 41. For the quarter ended December 31, 2017, cost of sales amounted to $ 830,581 (2016 - $ Nil) and a year to date total of $2,349,179 (2016 - $ Nil).

As the approval of the application to amend the licence to allow for sales of cannabis was obtained on January 5, 2018, management, with the agreement of its auditors, has revalued biological assets, on a mark to market basis, as set out in IFRS IAS 41. The results of the revaluation are as follows.

	December 31, 2017 ($)	December 31, 2016 ($)
Biological assets, beginning of year	-	-
Production of biological assets	2,349,179	-
Change in fair value due to biological transformation	3,019,833	-
Transfers to inventory upon harvest	(3,975,667)	-
Biological assets, end of period	$ 1,393,345	$ -

The Company commenced the process of growing medical cannabis in January 2017. All plants are harvested for the sale of consumable product and take approximately fourteen to sixteen weeks to grow prior to harvest.

The significant assumptions used in determining the fair value of biological assets are as follows:

- wastage of plants based on their various stages of biological transformation;
- expected yields of each type biological asset;
- percentage of costs incurred at various stages of the biological transformation compared to the total costs are used to estimate the fair value of each type of biological asset; fair value less cost to sell at the point of harvest;
- percentage of costs incurred for each stage of plant growth was estimated; and amounts of depreciation and overhead incurred and allocated to biological assets.

The Company estimates the harvest yields for the plants at various stages of growth. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets.

General and Administrative Expenses

For the three months ended December 31, 2017, general and administrative expenses totalled a favourable expense ($114,144) (2016 - $11,078) and $117,047 (2016 - $ 29,224) for the year-to-date. For the year to date, costs increased significantly as the Company moved from its previous business model to operationalizing its current cannabis-focused business. Significant general and administrative costs are associated with the growth in head office personnel and corresponding additional overhead costs.

Branding, Marketing and Promotional Expenses

Branding, marketing and promotional expenses consist of expenditures on advertising, promotion, market awareness and testing and branding. For the three months ended December 31, 2017, branding, marketing and promotional expenses were $ 367,198 (2016 - $ Nil) and year-to-date, branding and marketing expenses totalled $1,051,270 (2016 - $ 6,597). Increased expenses for the period over period and year-to-date, can be attributed to adding expert personnel and increased expenditures on designing and procuring branded materials, conducting marketing testing and executing awareness campaigns.

Salaries and Wages

Salaries and wages expense consists of expenditures on head office staff and the management team in Oakville, Ontario, which is approximately 30% of our overall head count of approximately 45 team members and continues to grow quickly. For the three months ended December 31, 2017, salaries and wages expense were $ 401,808 (2016 - $ 7,422); year-to-date, salaries and wages expense totalled $1,022,034 (2016 - $ 92,909).

Share-based Compensation

The Company has an established stock option plan under which Share purchase options may be granted to directors, officers, consultants and key employees. For the three months ended December 31, 2017, the share-based compensation expense was $3,390,723 (2016 - $ Nil) as a result of a large grant of options granted in July 2017. There were no other option grants for the remainder of the year to date. Additional share-based compensation amounts will be expensed as options vest in future periods.

Accretion and interest expense

Accretion and interest expense includes bank fees, interest and borrowing costs. For the three months ended December 31, 2017, accretion and interest expenses of $513,917 (2016 - $ Nil) were charged and the year to date finance costs were $654,130 (2016 - $ 53,192). The increased costs are due to the arranging and servicing of the Short-Term Secured Facility for the purchase of the Niagara Facility and the accretion expenses related to the Convertible Debenture issued in September 2017.

See also "Discussion of Principal Operations" above and "Risks and Uncertainties" below.

Related Party Transactions

Related parties include members of senior management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel made during the year ended December 31, 2017, is set out below:

	December 31, 2017	December 31, 2016
Consulting fees (included in professional fees)	$ 375,000	$ -
Salaries and benefits	28,000	37,486
Share based payments	3,197,257	63,345
	$ 3,600,257	$ 100,831

In the year ended December 31, 2017, Newstrike also entered into the following transactions with related parties:

(a) Provision of Corporate Secretarial and Financial Reporting Services and Marketing Services

For the period commencing on January 1, 2017 and ending on the Effective Date, Carmelo Marrelli was the Chief Financial Officer of Newstrike. He is also a principal shareholder of both (i) Marrelli Support Services Inc. ("MSSI") and (ii) DSA Corporate Services Inc. ("DSAC"). MSSI ceased to be engaged by Newstrike as of the Effective Date, and DSAC continues to act for the Company to provide corporate secretarial and related services. Following completion of the Transaction, the Company internalized all of the functions performed by MSSI and many, but not all of the tasks performed by DSAC. Nugen Capital Corp ("Nugen") has been engaged by the Company to provide services in respect of the development and execution of the Company's marketing and branding initiatives and to map out its strategy going forward in anticipation of the legalization of the recreational market for cannabis. The amounts paid to each of MSSI, DSAC and Nugen are shown below.

Names	Three months ended December 31, 2017 ($)	Three months ended December 31, 2016 ($)	Nine months Ended December 31, 2017 ($)	Nine months Ended December 31, 2016 ($)
Marrelli Support Services Inc. ("MSSI") (i)	Nil	Nil	8,430	Nil
DSA Corporate Services Inc. ("DSAC") (ii)	6,247	Nil	19,057	Nil
Nugen (iii)	22,500	Nil	82,500	Nil
Total	28,747	Nil	109,981	Nil

(i) The former Chief Financial Officer of the Company, is the president of MSSI. Fees are related to the Chief Financial Officer function and accounting services provided by MSSI. As at December 31, 2017, MSSI was paid in full for all services provided up to and including the Effective Date.

(ii) The former Chief Financial Officer of the Company is an officer of DSAC. Fees are related to corporate secretarial and filing services provided by DSAC. As at December 31, 2017, DSAC was owed $6,027 and this amount was included in amounts payable and accrued liabilities.

(iii) On February 1, 2017, Nugen, a company controlled by Peter Hwang a director entered into a consulting agreement for marketing and branding expertise, for a retainer of $7,500 per month.

(b) Capital Lease with Enerworks Inc.

Effective January 1, 2017 HPI entered into an equipment lease arrangement with Enerworks Inc., a corporate entity, beneficially controlled by the Van Haeren family, to finance the final build-out of the Primary Facility. To the best of Newstrike's knowledge, the Van Haeren family are the Company's largest shareholders holding an aggregate of approximately 104,208,995 Shares (representing approximately 26.75% of the issued and outstanding Shares as of the date of this MD&A) and who are represented on the Board of Directors by Nik Van Haeren. This lease is for a principal amount of $1,300,000 at an annual interest rate of 8.6% for a term of five-years with a residual buy-out at lease-end of $10.00. Over the full lease-term, interest costs will be an aggregate of approximately $560,000.

On March 29, 2018, the Enerworks lease was paid out.

(c) Short-Term Secured Facility

On July 27, 2017, the Company arranged for the Short-Term Secured Facility in the amount of $4,000,000 funded by a syndicate led by a contribution of $3,000,000 by Beechhill Capital Corp., which is an investment entity controlled by the Van Haeren family. Nik Van Haeren is a director of the Company. The balance of $1,000,000 was funded by a syndicate of Newstrike shareholders, officers and directors which included Jay Wilgar, the Company's CEO and Scott Kelly, the Executive Chair. The Company drew-down the Short-Term Secured Facility in full on July 26, 2017, to fund a portion of the purchase price for the Niagara Facility. The Short-Term Secured Facility is due to be repaid in full on February 15, 2018 and is secured by a general charge over the inventory, assets and undertakings of Up Cannabis as well as a charge on the 16.6 acres of land acquired as part of the Niagara Facility. The Short-Term Secured Facility is serviced on an interest-only basis payable monthly during the term at an annual rate of 15% or 1.25% per month. It may be repaid at any time subject to payment of a cancellation fee equal to 1.0% of all amounts then-outstanding.

On February 21, 2018, the Short-Term Secured Facility was repaid in full with interest.

Share Capital

The authorized share capital of Newstrike consists of an unlimited number of Shares. As at December 31, 2017, the Company had 389,699,346 issued and outstanding Shares.

At December 31, 2017, the Company had 23,169,795 options outstanding, each exercisable to acquire one Share, as follows:

Options	Expiry Date	Exercise Price
585,000	December 31, 2021	$0.20
22,584,795	July 25, 2020	$0.38
23,169,795		

At December 31, 2017, the Company had 12,466,404 share purchase warrants outstanding, each exercisable to acquire one Share, as follows:

Warrants	Expiry Date	Exercise Price
1,507,500	September 20, 2021	$0.075
10,958,904	September 29, 2020	$0.42
12,466,404		

Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new Shares, repurchasing outstanding Shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its deficiency to be equity, which comprises share capital, reserves and deficit, which at December 31, 2017 totaled $12,577,446 (December 31, 2016 - $ 852,140).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to operating and growth plans. Selected information is provided to the Board of Directors of the Company.

The Company's capital management objectives, policies and processes have remained unchanged during the three months ended December 31, 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2017, the Company is compliant with TSXV Policy 2.5.

Financial Instruments

List of Significant Financial Instruments

	As at December 31, 2017 ($)	**As at December 31, 2016 ($)**
Financial Assets:		
Cash	811,028	78,885
Loan receivable	88,602	-
Financial Liabilities:		
Amounts payable and other liabilities	10,822,955	479,621

Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is developed and executed by the Company's management team and overseen by the Audit Committee pursuant to policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and HST receivable. Cash is held with one major Canadian chartered bank, from which management believes the risk of loss to be minimal.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2017, the Company had cash of $811,028 (2016 - $78,885) to settle current liabilities of $10,822,955 (2016 - $ 479,621). The Company's financial liabilities are comprised of both shorter and longer-term debt and are subject to either normal trade terms or the specific terms set out in the Short-Term Secured Facility and the Debenture. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. Based on the events subsequent to year end the Company is in a position to meet its financial obligations as and when they fall due.

(iii) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest Rate Risk

The Company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. As at December 31, 2017, the Company did not have any surplus cash which was not allocated to operational or capital project requirements.

In 2018, as a result of the Financing, the Company has placed unallocated funds in certificates of deposit and on 90-day term deposit rates that provide the best return on capital and security required.

(b) Foreign Currency Risk

The Company's functional and reporting currency is the Canadian dollar and major purchases as well as sales are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period, but do not impact the operation or the liquidity of the Company:

(i) the Company's cash balances do not earn interest income to give rise to exposure to interest rate risk.

(ii) the Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

Outlook

A detailed discussion of the Company's business outlook may be found in the Filing Statement of the Company dated May 18, 2017 and other related materials disclosed and available at www.sedar.com.

More particularly, with the appropriate level of funding now in place, the Company plans to effect its strategic goals by i) substantially increasing production capacity, ii) continue its branding and marketing efforts on building a brand iii) attract and retain quality people to our organization, iv) develop distribution channels for its products and v) continue to look for strategic opportunities for the organization to grow and enhance shareholder value.

i) Increasing production capacity

As the Niagara Facility has now received its cultivation licence, the Company intends to bring it into production as soon as possible and add to its existing inventory of dried flower. It is anticipated that the Niagara Facility will be producing as quickly as Q2 of 2018. Production capacity, with further expansion on the site, has the potential to increase to annual output of 25,000 kg by mid 2019. Additionally, the site may be suitable for the development of an oil processing facility to develop product lines and capture market share.

ii) Building the "UP" Brand

The Company will continue its spend on marketing and branding to build the "UP" brand in anticipation of the opening of the adult recreational market and has hired some exceptional branding and marketing resources to achieve that ambition.

iii) Attract and Retain

As the organization grows the Company will continue to focus on hiring the right mix of people to build out is head count and bench strength to absorb the additional workload required to build the organization.

iv) Sales and distribution channels

With the pending legalization of the adult-use cannabis market, the Company will be very focused on securing distribution channels for its product lines. In the various provinces this will mean different things ranging from full provincial distribution models to a hybrid provincial – private model and the related distribution channels.

v) Strategic Opportunities

In order to maximize shareholder value, the Company will continue to pursue vertical and horizontal strategic opportunities in this rapidly developing sector.

For more information, please refer to the "Risks and Uncertainties" section below.

Risks and Uncertainties

Reliance on Licence

Up Cannabis' ability to legally grow, store and sell medical cannabis in Canada is dependent on the continued good standing of its ACMPR licence. Failure to maintain or comply with the requirements of such licence would have a material adverse impact on the business, financial condition and operating results of Newstrike. Up Cannabis' ACMPR licence expires on December 19, 2019. Although Newstrike believes it will meet the requirements of the ACMPR for extension of such licence, there can be no guarantee that Health Canada will extend or renew such licence or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms, or other terms that may be acceptable to Newstrike or at all. Should Health Canada not extend or renew such licence or should it renew such licence on alternate terms, the business, financial condition and results of the operation of Newstrike could be materially adversely affected.

In addition, Up Cannabis will apply, as the need arises, for all necessary licences, including any approvals required to operate ancillary/adjunct site locations, to carry on the activities it expects to conduct in the future. However, the ability of Newstrike to obtain, sustain or renew any such licences on acceptable terms is subject to changes in regulations and policies and at the discretion of the applicable authorities. Any loss of interest in any such required licence, or the failure of any governmental authority to issue or renew such licences upon acceptable terms, could have a material adverse impact.

Regulatory Risks

The activities of Newstrike's wholly-owned subsidiary, Up Cannabis, are subject to governmental regulation, particularly by Health Canada and its Office of Medical Cannabis. Achievement of Newstrike's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Newstrike cannot predict the time required to secure all appropriate regulatory approvals, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of Newstrike.

The ACMPR is a new regime established in August 2016. As such, revisions to the regime could be implemented which could have an impact on operations. There may also be uncertainty regarding the interpretation of certain regulatory provisions by the regulator. Any such revisions or uncertainties could significantly reduce the addressable market and could materially and adversely affect the business, financial condition and results of operations of Newstrike.

Change in Laws, Regulations and Guidelines

The laws, regulations and guidelines generally applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen by Newstrike. The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, health and safety and disposal of medical cannabis, including the ACMPR. Any amendment to or replacement of the ACMPR may cause adverse effects to the Company's operations. The risks to the business of the Company represented by this decision and subsequent regulatory changes could reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company.

The Canadian Federal Government established the Task Force on June 30, 2016 to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis. The Task Force published a report dated November 30, 2016, which outlined its recommendations. On April 13, 2017, the Government of Canada released the proposed Cannabis Act to regulate the production, distribution and sale of cannabis for unqualified adult use.

On November 10, 2017, the federal Department of Finance issued legislative and regulatory proposals for the taxation of cannabis. The proposed rules would effectively place cannabis producers within the existing rules that currently apply excise duties on tobacco, wine and spirits producers under the *Excise Act, 2001* (Canada), with modifications as applicable. These rules include a new tax licensing regime for cannabis producers, stamping and marking rules, ongoing reporting requirements, and applicable excise duties payable by licensed cannabis producers on both adult-use and medical cannabis products, in addition to GST/HST under the *Excise Tax Act* (Canada). The cannabis excise duty framework is proposed to generally be in effect by the date that legal cannabis for non-medical purposes becomes accessible for retail sale under the proposed Cannabis Act, which is intended to be in the the third or fourth quarter of 2018.

Newstrike's operations are subject to a variety 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, the conduct of operations and the protection of the environment. While to the knowledge of Newstrike's management, Newstrike is currently in compliance with all such laws in all material respects, changes to such laws, regulations and guidelines due to matters beyond the control of Newstrike may cause adverse effects to Newstrike's operations.

Availability of the Adult-Use Market

On April 20, 2016, the Federal Government announced its intention to introduce legislation to legalize the adult-use of cannabis in Canada: The *Cannabis Act*. As at the date of this MD&A, the Act has progressed to the final phase of the legislative process before coming into force. On November 21, 2017, the Government issued a consultation paper titled "A Proposed Approach to the Regulation of Cannabis", the purpose of which is to solicit public input and views on the approach to these regulations. This detailed document lays out in significant detail the proposed form and breadth of the regulatory regime that the Government plans to enact as part of the Cannabis Act coming into force in the third or fourth quarter of 2018. On March 22, 2018, Bill C-45 passed second reading at the Senate.

The commencement of this formal consultative process reaffirms the Government's commitment to launching a recreational market in the third or fourth quarter of 2018 however, the Company recognizes that implementation may still be delayed (see "Trends"). The deadline for passing Bill C-45 as scheduled by the federal government is on or before June 7, 2018. If the opening of the recreational market is materially delayed or not made available, it would have a material and adverse impact on the Company's business, operations and financial condition.

Risks Related to Medical Cannabis

Cannabis is not an approved drug or medicine in Canada. The Government of Canada does not endorse the use of cannabis, but Canadian courts have required reasonable access to a legal course of cannabis when authorized by a healthcare practitioner.

Limited Operating History

The Company has yet to generate revenue from the sale of products. Newstrike is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Newstrike 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 a Single Producing Facility

To date, Newstrike's activities and resources have been primarily focused on the Primary Facility in Brantford, Ontario. As a result, adverse changes or developments affecting this facility could have a material and adverse effect on Newstrike's business, financial condition and prospects. On March 29, 2018, as noted above the Niagara Facility obtained approval from Health Canada to cultivate cannabis.

Reliance on Management

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

Attraction and Retention of Key Personnel Including Directors

Newstrike has a small management team and the loss of a key individual or inability to attract suitably qualified staff could have a material adverse impact on its business. Newstrike may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. Newstrike will continue to ensure that management, directors and any key employees are provided with appropriate incentives; however, their services cannot be guaranteed.

Potential Conflicts of Interest

Some of Newstrike's directors are also directors and/or officers of other reporting and non-reporting issuers. To the knowledge of the directors and officers of Newstrike, there are no existing conflicts of interest between Newstrike and any of these individuals. Situations may however arise where conflicts do arise. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the 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 Company's directors are required to act honestly, in good faith and in the best interests of Newstrike.

Newstrike Losses

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

Additional Financing

The continued execution of the Newstrike Growth Strategy is dependent in part on the expansion of operations through the acquisition and construction of additional specialized facilities, including without limitation, the retrofit and build out of the Niagara Facility. There can be no assurance that the costs of such undertakings will not exceed those currently estimated by Newstrike. In addition, although Newstrike has now raised additional funding, it may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Newstrike when needed or on terms which are acceptable. Newstrike's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit Newstrike's growth and may have a material adverse effect upon future profitability. Newstrike may require additional financing to fund its operations to the point where it is generating positive cash flows.

Competition

The production, sales and distribution of cannabis is increasingly competitive. Newstrike faces strong competition from other companies, many of which have greater financial resources, operational experience and technical capabilities. As a result, Newstrike may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, Newstrike's revenues, operations and financial condition could be materially adversely affected.

Newstrike is also facing intense competition from other companies, some of which have longer operating histories and greater financial resources and manufacturing and marketing experience than Newstrike. Because of the early stage of the cannabis industry in Canada, Newstrike expects to continue to face additional competition from new entrants. As the number of users of medical cannabis in Canada increases and later, when adult-use is legalized, the demand for products will increase and Newstrike expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Newstrike will require a continued high level of investment in research and development, marketing, sales and client support.

Risks Inherent in an Agricultural Business

Newstrike's business involves the growing of an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and the application, use, and regulation of pesticides as well as similar agricultural risks. Although Newstrike grows its products indoors under climate-controlled conditions and carefully monitors the growing conditions with trained personnel, natural elements or production issues may arise which could have a material adverse effect on the production of its products.

Costs and obligations related to ensuring continuous compliance with environmental and employee health and safety matters is inherent in being a producer of agricultural products. Failure to maintain such compliance may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Vulnerability to Rising Energy Costs

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

Costs and obligations to ensuring continuous compliance with environmental and employee health and safety matters is inherent in being a producer of agricultural products. Failure to maintain such compliance may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations 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.

Transportation Disruptions

Due to the perishable and premium nature of Newstrike's products, Newstrike will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect its financial condition and results of operations. Rising costs associated with the courier services Newstrike may use to ship its products may also adversely impact the business of Newstrike and its ability to operate profitably.

Unfavourable Publicity or Consumer Perception

Newstrike believes the cannabis industry in general is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of Newstrike's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical 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 favourable to the medical cannabis market or any particular product, 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 Newstrike's products and the business, results of operations, financial condition and cash flows of Newstrike. Newstrike'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 Newstrike, the demand for Newstrike's products, and the business, results of operations, financial condition and cash flows of Newstrike. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or Newstrike's 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

As a manufacturer and distributor of products designed to be consumed (ingested and inhaled) by humans, Newstrike 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 Newstrike's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Newstrike's products alone or in combination with other medications or substances could occur. Newstrike may be subject to various product liability claims, including, among others, that Newstrike's products caused injury or illness, 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 Newstrike could result in increased costs, could adversely affect Newstrike's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of Newstrike. There can be no assurances that Newstrike 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 otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Newstrike'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 Newstrike's products are recalled due to an alleged product defect or for any other reason, Newstrike could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Newstrike 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 Newstrike has detailed procedures in place for testing finished 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 Newstrike's significant brands were subject to recall, the image of that brand and Newstrike as its owner could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Newstrike's products and could have a material adverse effect on the results of operations and financial condition of Newstrike. Additionally, product recalls may lead to increased scrutiny of Newstrike's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs

Newstrike's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of Newstrike. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Newstrike might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to Newstrike in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on its business, financial condition and operating results.

Dependence on Suppliers and Skilled Labour

The ability of Newstrike to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that Newstrike will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by Newstrike's capital expenditure program may be significantly greater than anticipated by Newstrike's management, and may be greater than funds available to Newstrike, in which circumstance Newstrike may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of Newstrike.

Difficulty to Forecast

Newstrike must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on its business, results of operations and financial condition.

Operating Risk and Insurance Coverage

Newstrike has insurance to protect its assets, operations and employees. While Newstrike believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which Newstrike is exposed. In addition, no assurance can be given that such insurance will be adequate to cover Newstrike's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If Newstrike were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Newstrike were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of Growth

Newstrike may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Newstrike 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 Newstrike to deal with this growth may have a material adverse effect on Newstrike's business, financial condition, results of operations and prospects.

Litigation

Newstrike 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 Newstrike becomes involved be determined against Newstrike such a decision could adversely affect Newstrike's ability to continue operating and the market price for the Shares and could use significant resources. Even if Newstrike is involved in litigation and wins, litigation can redirect significant company resources.

Volatile Stock Price

The market price of the Shares may be subject to wide fluctuations in response to many factors, including variations in its operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in business prospects, general economic conditions, legislative changes, and other events and factors outside of its control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Shares.

Environmental and Employee Health and Safety Regulations

Newstrike's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Newstrike will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Newstrike's operations or give rise to material liabilities, which could have a material adverse effect on its business, results of operations and financial condition.

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.

Dividend Policy

Newstrike has never paid dividends. Payment of any future dividends, if any, will be at the discretion of the board of directors after taking into account many factors, including operating results, financial condition, and current and anticipated cash needs.

TSXV Restrictions on Business

As a condition to initially listing the common shares on the TSXV pursuant to the Transaction, the TSXV required that the Company deliver an undertaking (the "Undertaking") confirming that, while listed on TSXV, the Company will only conduct the business of the production, sale and distribution of medicinal cannabis in Canada pursuant to one or more licences issued by Health Canada in accordance with applicable law, unless prior approval is obtained from TSXV. The Undertaking could have an adverse effect on the Company's ability to do business or operate outside of Canada and on its ability to expand its business into other areas, including the provision of non-medical cannabis in the event that the laws were to change to permit such sales, if Newstrike is still listed on the TSXV and remains subject to the Undertaking at such time. The Undertaking may prevent the Company from expanding into new areas of business when the Company's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

Additional Disclosure for Venture Corporations

Set forth below is a breakdown of the major operational costs incurred by the Company for the following periods.

Details	Three months ended December 31, 2017 ($)	Three months ended December 31, 2016 ($)	Year ended December 31, 2017 ($)	Year ended December 31, 2016 ($)
Expenses				
Accretion and interest expenses	513,917	16,845	654,130	53,192
Advertising and promotion	261,700	112,296	658,073	6,597
Amortization (Note 13 and 15)	48,042	-	342,581	112,296
Branding, web design	105,948	35,856	393,197	-
Consulting	124,343	-	567,331	60,106
Filing fees	331,843	-	388,275	-
General and administrative expenses	(114,144)	17,426	117,047	55,578
Insurance	10,056	-	56,576	-
Communications expenses	6,247	-	90,630	-
Listing fee	-	-	7,099,152	-
Professional fees	1,022.860	47,791	1,357,452	87,674
Rent	26,078	-	108,847	31,150
Repairs and maintenance	22,099	-	11,427	4,071
Salaries and wages	401,088	62,099	1,022,304	92,909
Share-based payments	739,698	63,345	3,390,723	69,794
Site assessment consulting	4,911	-	48,390	-
Telecommunications and utility	30,251	1,234	78,368	12,054
Travel	51,034	920	136,216	-
Total	**3,542,043**	**357,732**	**16,520,719**	**590,623**

Additional Information

Additional information regarding the Company is available on SEDAR at www.sedar.com.

There have been no changes in accounting policies in the year ended December 31, 2017.