

CORPORATION TERRANUEVA PHARMA.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The objective of this Management's Discussion and Analysis Report ("MD&A") released by Corporation Terranueva Pharma (the "Company", "Terranueva Pharma" or "TER") is to allow the reader to assess the Company's operating and exploration results as well as our financial position for the initial year ended September 30, 2018. This report, dated January 24, 2019, should be read in conjunction with the audited financial statements for the 10-month period ended September 30, 2018, as well as with the accompanying notes. The audited financial statements are prepared under International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all amounts are expressed in Canadian dollars. Additional information about TER is available on SEDAR (www.sedar.com) and the Company's website (www.terranueva.ca). This report was approved by the Board of Directors of the Company on January 24, 2019.

FORWARD-LOOKING STATEMENT

Statements made in this report about Company or management objectives, forecasts, estimates, expectations, or predictions of the future may constitute "forward-looking statements", which can be identified by the use of conditional or future tenses or by the use of such verbs as "believe", "expect", "may", "will", "should", "estimate", "anticipate", "project", "plan", and words of similar import, including variations thereof and negative forms.

The management's report contains forward-looking statements that reflect, as of the management report date, the Company's expectations, estimates and projections about its operations, the cannabis industry and the economic environment in which it operates.

Statements in this report that are not supported by historical fact are forward-looking statements, meaning they involve risk, uncertainty and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only at the time of writing of this report. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by securities legislation.

COMPANY OVERVIEW

The Company was incorporated under the Canada Business Corporations Act. The Company intends to become a major producer of cannabis, for medical and recreational purposes. TER has been a fully-owned subsidiary of Corporation Terranueva since December 14, 2018, a public company listed on the CSE under the symbol TEQ.

HIGHLIGHTS

- On December 14, 2018, TER was acquired by Corporation Terranueva, formerly Axe Exploration inc., for \$10,930,000 paid by the issuance of 21,860,000 common shares of Corporation Terranueva.
- Application for the culture and transformation license was submitted to Health Canada.
- Construction of the plant was completed.

SELECTED FINANCIAL INFORMATION

	As at or for the 10-month period ended September 30, 2018 <u>(audited)</u>
	\$
Revenue	-
Net Loss and comprehensive loss	559,219
Loss per share (basic and diluted)	6.09
Total assets	4,680,574
Current liabilities	1,197,682
Non-current liabilities	3,891,237
Shareholders' deficiency	405,345

RESULTS OF OPERATIONS

For the 10-month period ended September 30, 2018, the net loss (\$6.09 per share) amounted to \$559,219.

There was no revenue or production during the period.

For the 10-month period ended September 30, 2018, expenses amounted to \$613,519. They included:

Professional fees	\$283,680
Marketing	\$2,759
Depreciation	\$25,212
General and administrative	\$123,308
Financial expenses	\$178,559

Most expenses were in connection with obtaining the required licences to operate the business of Corporation Terranueva Pharma. Professional fees are comprised of audit fees, legal fees to incorporate the Company and the work towards starting its business and to the convertible debentures as well as management fees. Marketing expenses are for the website development. Financial expenses include the interest on convertible debentures and bank fees.

LIQUIDITY AND FINANCING SOURCES

As at September 30, 2018, cash and cash equivalents totaled \$1,002,942 and working capital amounted to \$375,350.

Cash flows used in operating activities during the 10-month period ended September 30, 2018, was \$371,371. Cash flows used in investing activities was \$715,444 of which \$215,444 was invested in the Construction in progress and \$500,000 in advances. Cash flows provided by financing activities was \$2,089,757 provided mainly by the issuance of \$2,089,748 of convertible debentures, nominal value. Nominal value of \$1,349,167 of convertible debentures have been converted in shares subsequent to September 30, 2018.

Even though Terranueva Pharma has started to invest resources to develop a cannabis business for medical purposes, there is no guarantee that a production license will be delivered to Terranueva Pharma neither as when such a license will be delivered.

As of today, Terranueva Pharma has no revenue and is considered to be in a start-up mode. Terranueva Pharma's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

The audited financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

CAPITAL STRUCTURE

As at January 24, 2019, there was 124,750 common shares outstanding.

OFF-BALANCE SHEET AGREEMENT

There is no off-balance sheet agreement.

RELATED PARTY TRANSACTIONS

For the 10-month period ended September 30, 2018, management fees of \$45,223 were paid to a company controlled by a director, money paid for services rendered as self-employed. An amount of \$178,003 was paid to senior management and directors, either to companies controlled by them or directly to an individual. These transactions are in the normal course of operations and are measured at the exchange value and the amount of consideration established and agreed to by the related parties which approximates the arm's length equivalent value.

As at September 30, 2018, there is no amount payable to a related party.

BASIS OF PRESENTATION AND GOING CONCERN

The audited financial statements were prepared on a going concern basis.

The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The application of International Financial Reporting Standards ("IFRS") on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

The audited financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

RISKS AND UNCERTAINTIES

There are numerous and various risks, known and unknown, that may prevent Corporation Terranueva Pharma from achieving its goals.

Liquidity Risk

Liquidity risk is the risk that TER will not have enough cash resources to meet its financial obligations as they come due. TER liquidity and operating results may be adversely affected if TER's access to the capital markets is hindered, whether because of a downturn in stock market conditions generally or related to matters specific to TER. Until it will have its first sale, TER generates all its cash flow from its financing activities. TER's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at September 30, 2018, TER had working capital of \$375,350.

Facility is not Licensed

TER's ability to cultivate, store and sell medical or recreational cannabis in Canada is dependent on Licenses, granted by Health Canada and a CRA Licenses to be granted by the Canada Revenue Agency. TER has applied to become a Licensed Producer for the facility. TER has not yet received a License for the Facility. However, TER is currently in the Detailed Review and Initiation of the Security Clearance Process stage of the licensing process. There can be no assurance that Terranueva Pharma will obtain such a License for the Facility.

Reliance on Licenses

Failure to comply with the requirements of any License or CRA License, once obtained by, or transferred to, TER, or any failure to maintain any License or a CRA License would have a material adverse impact on the business, financial condition and operating results of TER. Although TER believes it will meet the requirements to obtain the License and the CRA License, there can be no guarantee that Health Canada will grant the Licenses or approve their transfer or that the Canada Revenue Agency will grant a CRA License or approve its transfer. Should Health Canada not grant any License or its transfer or should it grant the License on different terms or should the Canada Revenue Agency not grant a CRA License, the business, financial condition and results of the operation of TER would be materially and adversely affected.

Reliance on the Facility

To date, TER's activities and resources have been primarily focused on its proposed unlicensed Facility located in L'Assomption, Québec. Adverse changes or developments affecting this facility may have a material and adverse effect on TER's ability to produce medical cannabis, business, financial condition and prospects.

Licensing Requirements

The market for cannabis (including medical marijuana) in Canada is regulated by the applicable Cannabis Laws. Health Canada is the primary regulator of the industry. The applicable Cannabis Laws aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

Any applicant seeking to become a Licensed Producer is subject to stringent Health Canada licensing requirements.

Facility Lease Risk

The Facility is located on property that is not owned by TER. Such property is subject to a long-term Lease and similar arrangements in which the underlying land is owned by a third party and leased to TER with rights to buy back. Under the terms of a typical lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the Lease term is extended, the land, together with all improvements made, will revert to the owner of the land upon the expiration of the Lease term. In addition, an event of default by TER under the terms of the Lease could also result in a loss of the property should the default not be rectified in a reasonable period. The reversion or loss of such properties could have a material adverse effect on TER's operations and results.

Limited Operating History

TER anticipates entering the medical cannabis business. TER's Facility's application to become a Licensed Producer under the former legal regime was submitted to Health Canada before October 17, 2018. TER is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that TER will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered considering its early stage of operations. These risks may include:

- risks that it may not have enough capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

Management of Growth

TER may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of TER to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of TER to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reliance on Management

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

Conflicts of Interest

TER may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, TER's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to TER, as applicable. External business interests may require significant time and attention of TER's executive officers and directors. In some cases, executive officers and directors may have fiduciary obligations associated with external business interests that may interfere with their abilities to devote time to TER's business and affairs, as applicable, and this could adversely affect TER's operations.

In addition, TER may also become involved in transactions that conflict with the interests of its respective directors and the officers, who may from time to time deal with persons, firms, institutions or corporations with which TER may be dealing, or which may be seeking investments like those desired by it. The interests of these persons, firms, institutions or corporations could conflict with those of TER. In addition, from time to time, these persons, firms, institutions or corporations may be competing with TER for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of TER's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the applicable laws, the directors of TER are required to act honestly, in good faith and in the best interests of TER.

Litigation

TER may become party to litigation from time to time in the ordinary course of its business which could adversely affect its operations. Should any litigation in which TER becomes involved be determined against it, such a decision may adversely affect TER's ability to continue operating and use significant resources. Even if TER is involved in

litigation and succeeds, litigation can redirect significant company resources. Litigation may also create a negative perception of Terranueva Pharma's brand, and ultimately the Corporation's brand.

Regulatory Risks

TER operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. TER's ability to grow, store and sell medical cannabis in Canada with respect to the Facility is dependent on obtaining the License from Health Canada and a CRA License and the need to maintain them in good standing. Failure to: (i) comply with applicable requirements; and (ii) maintain the Licenses and a CRA License would have a material adverse impact on the business, financial condition and operating results of TER.

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

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

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, TER 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 products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of TER's products alone or in combination with other medications or substances could occur. Terranueva Pharma may be subject to various product liability claims, including, among others, that TER's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against TER could result in increased costs, adversely affect TER's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of TER.

Product Recalls

Manufacturers and distributors of products may be 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 TER's products are recalled due to an alleged product defect or for any other reason, TER could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. TER 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.

Operating Risk and Insurance Coverage

TER has insurance to protect its assets, operations and employees. While TER believes its insurance coverage addresses all material risks to which they are 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 TER is exposed. However, TER may also be unable to maintain insurance to cover these risks at economically

feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. TER might also become subject to liability for pollution or other hazards which may not be insured against or which TER may elect not to insure against because of premium costs or other reasons. Losses from these events may cause TER Pharma to incur significant costs that could have a material adverse effect upon TER's financial performance and results of operations.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The audited financial statements for the 10-month period ended September 30, 2018 and other financial information contained in this MD&A are the responsibility of TER's management and have been approved by the Board of Directors on January 24, 2019.

(s) Pierre Ayotte
Chief Executive Officer

(s) Pierre Monet
Chief Financial Officer