MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of SugarBud Craft Growers Corp. ("SugarBud" or the "Company") (currently trading as Relentless Resources Ltd. TSX-Venture Exchange: RRL), is dated August 22, 2018. The MD&A should be read in conjunction with the unaudited condensed interim financial statements for the three and six months ended June 30, 2018, together with the notes thereto. SugarBud's Board of Directors reviewed and approved the June 30, 2018 consolidated interim financial statements and related MD&A on August 22, 2018.

Additional information about SugarBud is available on SEDAR at www.sedar.com or on the Company`s website at www.sugarbud.ca or www.relentless-resources.com.

Refer to page 17 for important information related to IFRS and Non-IFRS measures, BOE references and forward-looking information.

President's Letter

The 2018 year has been transformational for the Company. During the first quarter of 2018, the Company completed a recapitalization financing of $8.25 million to fund investment opportunities in the cannabis space.

During Q2 2018, we made numerous steps in executing on our new cannabis-focused business plan. The first step was to appoint a team with the experience required to successfully execute on our hybrid cannabis and oil and gas business model. Our team has a strong mix of cannabis, oil and gas, start-up, transaction, business, public company and regulatory experience. The second order of business was to change our name from Relentless Resources Ltd. to SugarBud Craft Growers Corp. This was approved by our shareholders on June 5, 2018 and will be completed upon receipt approval of change of business from the TSX Venture Exchange (the "TSX-V").

On May 31, 2018 we executed an amalgamation agreement with Grunewahl Organics Inc. ("**Grunewahl**"), a late stage Health Canada applicant under the Access to Cannabis for Medical Purposes Regulations ("**ACMPR**") (the "**Transaction**"). On September 11, 2018, Grunewahl will hold a special meeting of the Grunewahl shareholders to seek approval of the Transaction. Once Grunewahl receives shareholder approval, and SugarBud receives approval of change of business from the TSX-V, we will proceed to close the Transaction.

In Q2 2018, we also announced plans to construct a 29,800 square foot aeroponic cannabis cultivation facility on four acres of undeveloped land at Stavely, Alberta (the "**Stavely Lands**"), with Phase 1 estimated to be capable of 8,000 kgs of dried cannabis flower production per year. We have made significant progress with respect to the construction of the facility. The site has been prepped, the footings have been poured and the walls of the facility are currently being erected. SugarBud is working towards the goal of obtaining a cultivation license in Q4 2018.

Subsequent to Q2 2018, we entered into an investment agreement with Inner Spirit Holdings Ltd. providing for a strategic investment by the parties in one another's securities, as well as a strategic alliance agreement that will govern the on-going business relationship of the parties (collectively, the "**Inner Spirit Transaction**").

We are continually seeking to differentiate ourselves from our competitors. We are firm believers that using aeroponic cultivation technology, combined with prudent quality management systems, top-tier genetics, and small isolated growing environments, will allow us to cultivate a premium product and maintain margins in a highly competitive environment.

We believe that we have provided a significant value proposition to our shareholders, and we are currently offering rights to our shareholders ("**Rights Offering**"). Please see the Rights Offering circular, which is available on SEDAR at www.sedar.com for further details regarding the Rights Offering, which will close on September 12, 2018.

Financial and operating results

At June 30, 2018, the Company's working capital was $3,922,142, compared to a working capital deficiency of $2,502,798 at December 31, 2017 and working capital deficiency of $2,992,271 at June 30, 2017. The improvement in working capital during the year was primarily the result of a $8.25 million recapitalization private placement which closed in March 2018.

During the three months ended June 30, 2018, the Company's total production decreased 41% to 135 boe/d when compared to 228 boe/d during the three months ended June 30, 2017. The decrease of 41% was primarily a result of the voluntary shut-in of approximately 120 boe/day of natural gas production at Gold Creek, Gordondale and Pageant due to poor natural gas prices.

Oil and NGL production averaged 101 bbl/d during the three months ended June 30, 2018 as compared to 130 bbl/d during the three months ended June 30, 2017. Natural gas production averaged 201 mcf/d during the three months ended June 30, 2018 when compared to 588 mcf/d during the three months ended June 30, 2017.

During the three months ended June 30, 2018, average realized oil and natural gas prices increased 36% compared to during the three months ended June 30, 2017, due to stronger oil and NGL prices. The average price of oil and NGLs increased 25% from $51.41/bbl during the three months ended June 30, 2017 to $64.30/bbl during the three months ended June 30, 2018. Natural gas prices decreased 56% from $2.99/mcf to $1.31 /mcf during the three months ended June 30, 2018 when compared to during the three months ended June 30, 2017.

The significantly stronger realized oil and natural gas prices resulted in netbacks of $33.89 per boe during three the months ended June 30, 2018 compared to netbacks of $19.73 per boe during the three months ended June 30, 2017.

Production revenues decreased by 20% to $612,510 during the three months ended June 30, 2018 when compared to $766,946 during the three months ended June 30, 2017, primarily as a result of the shut-in natural gas volumes.

During the three months ended June 30, 2018, production, operating and transportation expenses decreased by 45% to $149,670 as compared to $273,193 during the three months ended June 30, 2017, primarily due to the 41% decrease in production volumes. On a per boe basis, production and operating expenses decreased by 7% to $12.27 per boe during the three months ended June 30, 2018, down from $13.18 per boe during the three months ended June 30, 2017.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Financial summary

	Three months ended June 30		
	2018	2017	% Change
Oil and gas revenue	$ **612,510**	$ 766,946	(20)
Cash flow from operations (1)	**(253,670)**	229,514	(211)
Per share - basic and diluted (1)	**(0.001)**	0.003	(145)
Comprehensive income (loss)	**(3,326,961)**	16,691	(20,033)
Per share - basic and diluted	**(0.02)**	0.00	(8,150)
Total assets	**16,261,999**	11,350,157	43
Working capital (working capital deficiency)	**3,922,142**	(2,992,271)	(231)
Capital expenditures, net	$ **300,366**	$ 187,935	60
Shares outstanding - end of period	**220,522,706**	88,950,484	148

	Six months ended June 30		
	2018	**2017**	% Change
Oil and gas revenue	$ **1,191,049**	$ 1,692,834	(30)
Cash flow from operations (1)	**(319,476)**	589,155	(154)
Per share - basic and diluted (1)	**(0.002)**	0.007	(129)
Comprehensive income (loss)	**(4,128,031)**	2,572	(160,599)
Per share - basic and diluted	**(0.03)**	0.00	(86,512)
Total assets	**16,261,999**	11,350,157	43
Working capital (working capital deficiency)	**3,922,142**	(2,992,271)	(231)
Capital expenditures, net	$ **448,243**	$ 496,408	(10)
Shares outstanding - end of period	**220,522,706**	88,950,484	148

(1) Non IFRS measure

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Cash flow and comprehensive (loss) income

Three months ended June 30,	**2018**	2017	% Change	**2018**	2017	% Change
				($ / boe)	($ / boe)	
Oil and natural gas sales	**612,510**	766,946	(20)	**50.21**	37.01	36
Royalties	**(49,421)**	(84,842)	(42)	**(4.05)**	(4.09)	(1)
Revenue after royalties	**563,089**	682,104	(17)	**46.16**	32.92	40
Other income/(loss)	**(144,266)**	-	(100)	**(11.83)**	-	-
Production, operating and transportation expenses	**(149,670)**	(273,193)	(45)	**(12.27)**	(13.18)	(7)
Operating cash flow (1)	**269,153**	408,911	(34)	**22.07**	19.73	12
General & administrative expenses	**(521,530)**	(148,516)	251	**(42.75)**	(7.17)	497
Interest and other financing charges	**(1,293)**	(30,881)	(96)	**(0.11)**	(1.49)	(93)
Cash flow from operations (1)	**(253,670)**	229,514	(211)	**(20.80)**	11.08	(288)
Accretion	**(20,174)**	(1,569)	1,186	**(1.65)**	(0.08)	2084
Stock based compensation	**(2,911,087)**	-	100	**(238.65)**	-	-
Impairment	**-**	-	-	**-**	-	-
Depletion and depreciation	**(142,030)**	(211,254)	(33)	**(11.64)**	(10.19)	14
Comprehensive income (loss)	**(3,326,961)**	16,691	(20,032)	**(272.75)**	0.80	(34,389)
$ Per Share – Basic	**(0.02)**	0.00				
$ Per Share - Diluted	**(0.02)**	0.00				

(1) Non-IFRS measure

Six months ended June 30,	**2018**	2017	% Change	**2018**	2017	% Change
				($ / boe)	($ / boe)	
Oil and natural gas sales	**1,191,049**	1,692,834	(30)	**44.59**	37.48	19
Royalties	**(113,212)**	(170,233)	(33)	**(4.24)**	(3.77)	12
Revenue after royalties	**1,077,837**	1,522,601	(29)	**40.35**	33.71	20
Other income/(loss)	**(144,266)**	-	(100)	**(5.40)**	-	-
Production, operating and transportation expenses	**(337,737)**	(617,873)	(45)	**(12.64)**	(13.68)	(8)
Operating cash flow (1)	**595,834**	904,728	(34)	**22.30**	20.03	11
General & administrative expenses	**(892,643)**	(266,453)	235	**(33.42)**	(5.90)	466
Interest and other financing charges	**(22,667)**	(49,120)	(54)	**(0.85)**	(1.09)	(22)
Cash flow from operations (1)	**(319,476)**	589,155	(154)	**(11.96)**	13.04	(192)
Accretion	**(36,710)**	(3,198)	1,048	**(1.37)**	(0.07)	1841
Stock based compensation	**(3,527,211)**	-	100	**(289.16)**	-	-
Impairment	**-**	(117,835)	(100)	**-**	(2.61)	-
Depletion and depreciation	**(244,634)**	(465,550)	(47)	**(9.16)**	(10.31)	(11)
Comprehensive income (loss)	**(4,128,031)**	2,572	(160,599)	**(154.53)**	0.06	(271,494)
$ Per Share – Basic	**(0.03)**	0.00				
$ Per Share - Diluted	**(0.03)**	0.00				

(1) Non-IFRS measure

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Eight Quarter Analysis

Daily Production and Commodity Prices

	2018	2018	2017	2017	2017	2017	2016	2016
Three months ended	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**
Daily production								
Oil and NGLs (bbl/d)	101	107	101	119	130	159	96	94
Natural gas (mcf/d)	201	325	419	309	588	675	581	395
Oil equivalent (boe/d @ 6:1)	135	161	171	171	228	272	192	159
Realized commodity prices ($CDN)								
Oil and NGLs (bbl)	$64.30	$53.17	$57.49	$50.20	$51.41	$51.30	$50.17	$44.28
Natural gas (mcf)	$1.31	$2.25	$2.11	$1.72	$2.99	$3.14	$3.10	$2.31
Oil equivalent (boe @ 6:1)	$50.21	$39.87	$39.17	$38.19	$37.01	$37.87	$34.26	$31.72

(1) Non IFRS measure

Oil and Natural Gas Revenue by Product

	2018	2018	2017	2017	2017	2017	2016	2016
Three months ended	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**
Oil and NGL revenue	588,527	512,648	534,588	551,617	606,945	735,120	440,936	381,558
Natural gas revenue	23,983	65,891	81,500	48,751	160,001	190,767	165,485	83,823
Total revenue	612,510	578,539	616,088	600,368	766,946	925,887	606,421	465,381
% Oil and NGLs	96%	89%	87%	92%	79%	79%	73%	82%
% Natural gas	4%	11%	13%	8%	21%	21%	27%	18%

Cash Flow from Operations

Cash Flow from Operations								
	2018	2018	2017	2017	2017	2017	2016	2016
Three months ended	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**
Oil and natural gas sales	612,510	578,539	616,088	600,368	766,946	925,887	606,421	465,381
Royalties	(49,421)	(63,791)	(47,107)	(65,320)	(84,842)	(85,391)	(53,717)	(57,532)
Revenue after royalties	563,089	514,748	568,981	535,048	682,104	840,496	552,704	407,849
Other income/(loss)	(144,266)	-	-	-	-	-	-	-
Production, operating and transportation expenses	(149,670)	(188,067)	(246,980)	(195,007)	(273,193)	(344,679)	(309,960)	(196,061)
Operating cash flow (1)	**269,153**	**326,681**	**322,001**	**340,041**	**408,911**	**495,817**	**242,744**	**211,788**
General & administrative expenses	(521,530)	(371,113)	(126,795)	(127,938)	(148,516)	(117,937)	(102,106)	(117,095)
Interest and other financing charges	(1,293)	(21,375)	(32,043)	(34,815)	(30,881)	(18,239)	(34,489)	(27,159)
Cash flow from operations (1)	**(253,670)**	**(65,807)**	**163,163**	**177,288**	**229,514**	**359,641**	**106,149**	**67,534**

(1) Non IFRS measure

Operating and Cash Flow Netbacks

Operating and Cash Flow Netbacks								
	2018	2018	2017	2017	2017	2017	2016	2016
Three months ended	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**
($/boe)								
Revenue	50.21	39.87	39.17	38.19	37.01	37.87	34.26	31.72
Royalties	(4.05)	(4.40)	(3.00)	(4.15)	(4.09)	(3.49)	(3.04)	(3.92)
Production, operating and transportation expenses	(12.27)	(12.96)	(15.70)	(12.40)	(13.18)	(14.10)	(17.51)	(13.36)
Operating netback (1)	**33.89**	**22.51**	**20.47**	**21.63**	**19.73**	**20.28**	**13.72**	**14.44**
General and administrative expenses	(42.75)	(25.57)	(8.06)	(8.14)	(7.17)	(4.82)	(5.77)	(7.98)
Interest expense	(0.11)	(1.47)	(2.04)	(2.21)	(1.49)	(0.75)	(1.95)	(1.85)
Cash flow netback (1)	**(8.97)**	**(4.53)**	**10.37**	**11.28**	**11.08**	**14.71**	**6.00**	**4.60**

(1) Non IFRS measure

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Daily Production and Commodity Prices

Three months ended June 30,	2018	2017	% Change
Average daily production			
Oil and NGLs (bbl/d)	**101**	130	(22)
Natural gas (mcf/d)	**201**	588	(66)
Oil equivalent (boe/d @ 6:1)	**135**	228	(41)

Realized commodity prices ($CDN)			
Oil and NGLs (bbl)	**$ 64.30**	$ 51.41	**25**
Natural gas (mcf)	**1.31**	2.99	**(56)**
Oil equivalent (boe @ 6:1)	**$ 50.21**	$ 37.01	**36**

During the three months ended June 30, 2018, total production decreased 41% to 135 boe/d when compared to 228 boe/d during the three months ended June 30, 2017. The reason for the decrease in production was the voluntary shut-in of natural gas production due to poor natural gas prices. Oil and NGLs production averaged 101 bbl/d during the three months ended June 30, 2018 as compared to 130 bbl/d during the three months ended June 30, 2017. Natural gas production averaged 201 mcf/d during the three months ended June 30, 2018 when compared to 588 mcf/d during the three months ended June 30, 2017.

During the three months ended June 30, 2018, overall average realized oil and natural gas prices increased 36% as compared to during the three months ended June 30, 2017, due to stronger oil and NGL prices. The average price of oil and NGLs increased 25% from $51.41/bbl during the three months ended June 30, 2017 to $64.30/bbl during the three months ended June 30, 2018. Natural gas prices decreased 56% from $2.99/mcf to $1.31/mcf during the three months ended June 30, 2018, when compared to the three months ended June 30, 2017.

Six months ended June 30,	2018	2017	% Change
Average daily production			
Oil and NGLs (bbl/d)	**104**	144	(28)
Natural gas (mcf/d)	**262**	631	(58)
Oil equivalent (boe/d @ 6:1)	**148**	250	(41)

Realized commodity prices ($CDN)			
Oil and NGLs (bbl)	**$ 58.59**	$ 51.35	**14**
Natural gas (mcf)	**1.89**	3.07	**(38)**
Oil equivalent (boe @ 6:1)	**$ 44.59**	$ 37.48	**19**

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

During the six months ended June 30, 2018, oil and NGLs production averaged 104 bbl/d, as compared to 144 bbl/d during the six months ended June 30, 2017. Natural gas production averaged 262 mcf/d during the six months ended June 30, 2018 when compared to 631 mcf/d during the six months ended June 30, 2017.

During the six months ended June 30, 2018, realized oil and gas prices increased 19% as compared to during the six months ended June 30, 2017. The average price of oil and NGL rose 14% from $51.35/bbl during the six months ended June 30, 2017 to $58.59/bbl during the six months ended June 30, 2018. Natural gas prices fell 38% from $3.07/mcf during the six months ended June 30, 2017 to $1.89/mcf during the six months ended June 30, 2018.

Oil and Natural Gas Revenues

Three months ended June 30,	**2018**	**2017**	**% Change**
Oil and NGLs	**$ 588,527**	$ 606,945	**(3)**
Natural gas	**23,983**	160,001	**(85)**
Total revenue	**$ 612,510**	$ 766,946	**(20)**
% Oil and NGLs	**96%**	79%	
% Natural gas	**4%**	21%	

Oil and natural gas production revenues decreased by 20% to $612,510 during the three months ended June 30, 2018 compared to $766,946 during the three months ended June 30, 2017, as a result of a 56% decrease in realized natural gas prices, a 41% decrease in natural gas and liquids production volumes, partially offset by an increase in crude oil and NGL realized prices of 25%. Oil and NGL revenue decreased by 3% while natural gas sales decreased by 85% during the three months ended June 30, 2018 when compared to the three months ended June 30, 2017.

Six months ended June 30,	**2018**	**2017**	**% Change**
Oil and NGLs	**$ 1,101,175**	$ 1,342,066	**(18)**
Natural gas	**89,874**	350,768	**(74)**
Total revenue	**$ 1,191,049**	$ 1,692,834	**(30)**
% Oil and NGLs	**92%**	79%	
% Natural gas	**8%**	21%	

Oil and natural gas production revenues decreased 30% to $1,191,049 during the six months ended June 30, 2018 compared to $1,692,834 during the six months ended June 30, 2017, primarily due to a 19% increase in average commodity prices and a 41% decrease in production volumes. Oil and NGL revenue decreased by 18% while natural gas sales decreased by 74% during the six months ended June 30, 2018 when compared to the six months ended June 30, 2017.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Royalties

Three months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
Royalties	**$ 49,421**	$ 84,842	**(42)**	**$ 4.05**	$ 4.09

During the three months ended June 30, 2018, royalties decreased to $49,421 from $84,842 during the three months ended June 30, 2017, primarily due to a 20% decrease in production revenues. Royalties as a percentage of sales were 8.07% during the three months ended June 30, 2018, as compared to 11.06% during the three months ended June 30, 2017.

Six months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
Royalties	**$ 113,212**	$ 170,233	**(33)**	**$ 4.24**	$ 3.77

During the six months ended June 30, 2018, royalties decreased to $113,212 from $170,233 during the six months ended June 30, 2017 primarily due to a 30% decrease in production revenues. Royalties as a percentage of sales were 9.51% during the six months ended June 30, 2018, as compared to 22.2% during the six months ended June 30, 2017.

Production, Operating and Transportation Expenses

Three months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
Production, operating and transportation	**$ 149,670**	$ 273,193	**(45)**	**$ 12.27**	$ 13.18

During the three months ended June 30, 2018, production, operating and transportation expenses decreased by 45% to $149,670 as compared to $273,193 during the three months ended June 30, 2017 primarily due to a 41% decrease in production volumes. On a per boe basis production and operating expenses decreased by 7% to $12.27 per boe, during the three months ended June 30, 2018, down from $13.18 per boe during the three months ended June 30, 2017.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Production, Operating and Transportation Expenses (continued)

Six months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
Production, operating and transportation	**$ 337,737**	$ 617,873	**(45)**	**$ 12.64**	$ 13.68

During the six months ended June 30, 2018, production, operating and transportation expenses decreased by 45% to $337,737 as compared to $617,873 during the six months ended June 30, 2017 primarily due to a 41% decrease in production volumes. On a per boe basis production and operating expenses decreased 8% to $12.64 per boe, during the six months ended June 30, 2018, down from $13.68 per boe during the six months ended June 30, 2017.

General & Administrative Expenses

Three months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
General & administrative expenses	**$ 521,530**	$ 148,516	**251**	**$ 42.75**	$ 7.17

During the three months ended June 30, 2018, general and administrative expenses, increased by 251% to $521,530 up from $148,516 during the three months ended June 30, 2017. The increase is primarily due to one-time personnel costs and other expenditures incurred as a result of the Company's cannabis business segment, such as salaries to employees, legal fees, and other start-up costs.

Six months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
General & administrative expenses	**$ 892,643**	$ 266,453	**235**	**$ 33.42**	$ 5.90

During the six months ended June 30, 2018. general and administrative expenses, increased by 235% to $892,643 up from $266,453 during the six months ended June 30, 2017. The increase is primarily due to one-time personnel costs and other expenditures incurred as a result of the Company's cannabis business segment, such as salaries to employees, legal fees, and other start-up costs.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Stock Based Compensation

Three months ended June 30,	**2018**	2017	% Change	**2018 ($ / boe)**	2017 ($ / boe)
Stock based compensation	**$ 2,911,087**	-	**100**	**$ 238.65**	-

During the three months ended June 30, 2018, the Company granted 16,100,000 stock options, and as a result, recorded stock-based compensation of $2,911,087.

Six months ended June 30,	**2018**	2017	% Change	**2018 ($ / boe)**	2017 ($ / boe)
Stock based compensation	**$ 3,527,211**	-	**100**	**$ 132.04**	-

During the six months ended June 30, 2018, the Company granted 26,500,000 stock options, and as a result, recorded stock-based compensation of $3,527,211.

Finance Expense

Three months ended June 30,	**2018**	2017	% Change	**2018 ($ / boe)**	2017 ($ / boe)
Interest expense	**$ 1,293**	$ 30,881	**(96)**	**$ 0.11**	$ 1.49
Accretion	**20,174**	1,569	**1,186**	**1.65**	0.08
	$ 21,467	$ 32,450	**(34)**	**$ 1.76**	$ 1.57

Six months ended June 30,	**2018**	2017	% Change	**2018 ($ / boe)**	2017 ($ / boe)
Interest expense	**$ 22,667**	$ 49,120	**(54)**	**$ 0.85**	$ 1.09
Accretion	**36,710**	3,198	**1,048**	**1.37**	0.07
	$ 59,377	$ 52,318	**13**	**$ 2.22**	$ 1.16

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Depletion and depreciation

Three months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
Depletion and depreciation	**$ 142,030**	$ 211,254	**(33)**	**$ 11.64**	$ 10.19

During the three months ended June 30, 2018, depletion and depreciation decreased by 33% to $142,030 as compared to $211,254 during the three months ended June 30, 2017, due to a 41% decrease in production volumes. The average depletion rate during the three months ended June 30, 2018 was 0.81%, as compared to 1.25% during the three months ended June 30, 2017.

Six months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
Depletion and depreciation	**$ 244,634**	$ 465,550	**(47)**	**$ 9.16**	$ 10.31

During the six months ended June 30, 2018, depletion and depreciation was $244,634 as compared to $465,550 during the six months ended June 30, 2017, due to a 41% decrease in production volumes. The average depletion rate during the six months ended June 30, 2018 was 0.86%.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Impairment

Three months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
Impairment	$ -	$ -	-	$ -	$ -

Six months ended June 30,	2018	2017	% Change	2018 ($ / boe)	2017 ($ / boe)
Impairment	$ -	$ 117,835	(100)	$ -	$ 2.61

At June 30, 2018, there were no indicators of impairment. Impairment is based on the difference between the net book value of the assets and the recoverable amount.

Production and pricing summary

	Three months ended June 30		
	2018	**2017**	% Change
Average daily production			
Oil and NGLs (bbl/d)	**101**	130	(22)
Natural gas (mcf/d)	**201**	588	(66)
Oil equivalent (boe/d @ 6:1)	**135**	228	(41)
Realized commodity prices ($CDN unless otherwise stated)			
Oil and NGLs (bbl)	**$64.30**	$51.41	25
Natural gas (mcf)	**$1.31**	$2.99	(56)
Oil equivalent (boe @ 6:1)	**$50.21**	$37.01	36

	Six months ended June 30		
	2018	**2017**	% Change
Average daily production			
Oil and NGLs (bbl/d)	**104**	144	(28)
Natural gas (mcf/d)	**262**	631	(58)
Oil equivalent (boe/d @ 6:1)	**148**	250	(41)
Realized commodity prices ($CDN unless otherwise stated)			
Oil and NGLs (bbl)	**$58.59**	$51.35	14
Natural gas (mcf)	**$1.89**	$3.07	(38)
Oil equivalent (boe @ 6:1)	**$44.59**	$37.48	19

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Cash flow from operations

Three months ended June 30		**2018**		2017
Comprehensive (loss) income for the period	**$**	**(3,326,961)**	$	16,691
Accretion expense		**20,174**		1,569
Impairment		**-**		-
Depletion and depreciation		**142,030**		211,254
Stock based compensation		**2,911,087**		-
Cash flow from operations (1)	**$**	**(253,670)**	$	229,514
Cash flow from operations per share – basic and diluted	**$**	**(0.00)**	$	0.00

Six months ended June 30		**2018**		2017
Comprehensive income (loss) for the period	**$**	**(4,128,031)**	$	2,572
Accretion expense		**36,710**		3,198
Impairment		**-**		117,835
Depletion and depreciation		**244,634**		465,550
Stock based compensation		**3,527,211**		-
Cash flow from operations (1)	**$**	**(319,476)**	$	589,155
Cash flow from operations per share – basic and diluted	**$**	**(0.00)**	$	0.00

(1) Non IFRS measure

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Working capital

June 30		2018		2017
Cash	$	3,166,581	$	-
Accounts receivable		277,951		295,965
Prepaid expenses and deposits		811,915		65,939
Accounts payable and accrued liabilities		(334,305)		(591,544)
Bank debt		-		(2,762,631)
Working capital (working capital deficiency)	$	3,922,142	$	(2,992,271)

Working capital to cash flow from operations

Six months ended June 30		2018		2017
Working capital (working capital deficiency)	$	3,922,142	$	(2,992,271)
Annualized cash flow from operations (1)	$	(638,952)	$	1,178,310
Working capital (working capital deficiency) to annualized cash flow from operations (1)		(6.14)		(2.54)

(1) Non IFRS measure

Property plant and equipment (PP&E)

Assets		PP&E
Balance at December 31, 2017		20,922,608
Additions		448,243
Change in decommissioning obligations		-
Balance at June 30, 2018	$	21,370,851
Depletion, depreciation and impairment		
Balance at December 31, 2017		(10,245,665)
Impairment		-
Depletion and depreciation		(244,634)
Balance at June 30, 2018	$	(10,490,299)
Net book value		
Balance at December 31, 2017		10,676,943
Balance at June 30, 2018	$	10,880,552

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Capital expenditure summary

Area	Description	Three months ended June 30, 2018	Three months ended June 30, 2017
Alberta	P&NG Acquisitions	$ **-**	$ 35,525
	Equip and tie-in	**-**	91,825
	Land and lease	**6,323**	58,014
	Seismic	**-**	-
	Computer equipment	**38,613**	-
	Stavely building & other	**255,430**	25,592
	Abandonment	**-**	12,504
Total		$ **300,366**	$ 223,460

Area	Description	Six months ended June 30, 2018	Six months ended June 30, 2017
Alberta	P&NG Acquisitions	$ **-**	$ 35,525
	Equip and tie-in	**-**	340,041
	Land and lease	**6,663**	58,014
	Seismic	**15,106**	-
	Computer equipment	**47,307**	-
	Stavely building & other	**379,167**	50,324
	Abandonment	**-**	12,504
Total		$ **448,243**	$ 496,408

Demand operating facilities

As at June 30, 2018, the Company had a $3,000,000 demand operating loan facility, subject to the banks' annual review of the Company's petroleum and natural gas properties. Interest payable on amounts drawn under the facility is at the lenders' prime rate plus 2.0 percent. The credit facility was secured by a general security agreement and a first ranking charge on all lands of the Company. Under the terms of the facility, the Company is required to maintain a working capital ratio of not less than 1:1. The working capital ratio is calculated as accounts receivable plus prepaid expenses and the undrawn balance of the loan facility, divided by accounts payable. The Company's working capital ratio at June 30, 2018 was 21.7:1. As at June 30, 2018, the Company had drawn $nil on this loan facility.

Subsequent to June 30, 2018, the Company elected, on its own accord, to cancel its existing oil and gas credit facility with ATB Financial. At the time of cancellation of the credit facility, the credit limit was $3 million, and the credit facility had a balance of $nil.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Commitments and contingencies

	2018	2019	2020	2021	Total
Vehicle lease	4,436	11,336	15,115	16,375	47,261

On June 22, 2018, the Company entered into a lease agreement for a company vehicle for a period of 48 months.

Historical Quarterly Information

	2018 Q2	2018 Q1	2017 Q4	2017 Q3
Oil and Gas Revenue	$ **612,510**	$ 578,539	$ 616,093	$ 600,368
Cash Flow from operations [1]	**(253,670)**	(65,807)	163,163	177,288
Cash Flow per share - basic	**0.00**	0.00	0.00	0.00
Comprehensive (Loss) Income	**(3,326,961)**	(801,070)	179,753	2,399
Comprehensive (Loss) Income per share - basic	**(0.02)**	(0.01)	0.00	0.00
Capital Expenditures	**300,366**	147,877	(272,774)	123,752
Total Assets	**16,261,999**	16,976,640	11,011,283	11,125,120
Net debt	**3,922,142**	5,429,296	(2,502,798)	(2,938,735)
Shareholders' Equity	$ **11,889,769**	$ 12,133,761	$ 4,172,930	$ 3,993,177
Shares outstanding	**220,522,706**	216,722,706	88,950,484	88,950,484
Production (boe/d)	**135**	161	171	171
Oil and NGLs (bbl/d)	**101**	107	101	119
Natural gas (mcf/d)	**201**	325	419	309

	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Oil and Gas Revenue	$ 766,946	$ 925,887	$ 606,421	$ 465,381
Cash Flow from operations[1]	229,514	359,641	106,149	67,534
Cash Flow / share - basic	0.00	0.00	0.00	0.00
Comprehensive (Loss) Income	16,691	(14,119)	511,847	(179,995)
Comprehensive (Loss) Income per share - basic	0.00	(0.00)	0.01	(0.00)
Capital Expenditures	223,460	272,948	1,497,236	28,310
Total Assets	11,350,157	11,532,218	11,653,213	10,096,418
Net debt	(2,992,271)	(2,998,325)	(4,055,718)	(2,679,631)
Shareholders' Equity	$ 3,990,778	$ 3,974,087	$ 3,017,506	$ 2,490,659
Shares outstanding	88,950,484	88,950,484	70,061,595	70,061,595
Production (boe/d)	228	272	192	159
Oil and NGLs (bbl/d)	130	159	96	94
Natural gas (mcf/d)	588	675	581	395

[1] Non-IFRS measure

IFRS - This MD&A and the financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS").

NON-IFRS MEASURES - This MD&A provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Cash flow from operations, operating netback and net debt are not recognized measures under IFRS. Management believes that in addition to net income (loss), cash flow from operations, operating netback and net debt are useful supplemental measures that demonstrate the Company's ability to generate the cash necessary to repay debt or fund future capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of SugarBud's performance. SugarBud's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Cash flow from operations is calculated by adjusting net income (loss) for other income, accretion, share based compensation, decommissioning obligations, impairment and depletion and depreciation. Operating netback is calculated based on oil and gas revenue less royalties and operating expenses. Net debt is the total of accounts receivable plus prepaids and deposits, less accounts payable plus bank debt.

BOE REFERENCE - Reference is made to barrels of oil equivalent ("BOE" or "boe"). BOE may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101, a BOE conversion ratio of six mcf of natural gas to one bbl of oil has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

READER ADVISORY REGARDING FORWARD LOOKING INFORMATION - Certain information set forth in this document, including management's assessment of SugarBud's future plans and operations, contains forward-looking statements including: (i) forecasted capital expenditures and plans; (ii) exploration, drilling and development plans; (iii) prospects and drilling inventory and locations; (iv) anticipated production rates; (v) expected royalty rates; (vi) anticipated operating and service costs; (vii) financial strength; (viii) incremental development opportunities; (ix) total shareholder return; (x) growth prospects; (xi) sources of funding; (xii) decommissioning costs; (xiii) future crude oil and natural gas prices; (xiv) future drilling completion and tie-in of wells; and future acquisitions, which are provided to allow investors to better understand our business. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" , "budget, "outlook", "forecast" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation except as required by law to update or review them to reflect new events or circumstances.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

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

Internal control over financial reporting - The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting, as defined by National Instrument 51-109. Internal controls over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met. There were no changes made to SugarBud's internal controls over financial reporting during the period beginning on January 1, 2018 and ending on June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

The financial statements have been prepared in accordance with IFRS. A summary of the significant accounting policies are presented in note 4 of the Notes to the Financial Statements. Certain Accounting policies are critical to understanding the financial condition and results of operations of SugarBud.

a) Proved and probable oil and natural gas reserves - Reserve estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to interpretation and uncertainty. SugarBud expects that over time its reserve estimates will be revised either upward or downward depending upon the factors as stated above. These reserve estimates can have a significant impact on net income, as it is a key component in the calculation of depletion, depreciation and amortization, and also for the determination of potential asset impairments.

b) Depreciation and depletion - property, plant and equipment is measured at cost less accumulated depreciation and depletion. SugarBud's oil and natural gas properties are depleted using the unit-of-production method over proved and probable reserves for each cash-generating unit ("CGU"). The unit-of-production method takes into account capital expenditures incurred to date along with future development capital required to develop both proved and probable reserves.

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

d) Decommissioning liabilities - SugarBud estimates its decommissioning liabilities based upon existing laws, contracts or other policies. The estimated present value of the Company's decommissioning obligations are recognized as a liability in the three and six months in which they occur. The provision is calculated by discounting the expected future cash flows to settle the obligations at the risk-free interest rate. The liability is adjusted each reporting three and six months to reflect the passage of time, with accretion charged to net income, any other changes whether it be changes in interest rates or changes in estimated future cash flows are capitalized to property, plant and equipment.

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

BUSINESS RISKS

SugarBud is exposed to risks inherent in the oil and gas business. Operationally, the Company faces risks associated with finding, developing and producing oil and gas reserves, such as the availability of rigs and inclement weather. The Company continues to follow strict exploration criteria on each prospect to ensure high profitability and rate of return on capital investment. Exploration risks are managed by hiring skilled technical staff and by concentrating exploration activity on areas in which SugarBud has experience and expertise. SugarBud operates most of its production, allowing the Company to manage costs, timing and sales of production. Estimates of economically recoverable reserves and the future net cash flow are based on factors such as commodity prices, projected production and future capital and operating costs. These estimates may differ from actual results. The Company has its reserves evaluated annually by an independent engineering firm. SugarBud is also exposed to environmental risks and risks associated with the reliance upon relationships with partners. SugarBud carries environmental liability, property, drilling and general liability insurance to mitigate its risks. The Company is also exposed to financial risks in the form of commodity prices, interest rates, the Canadian to U.S. dollar exchange rate and inflation.

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

ABBREVIATIONS

bbl	barrel	M^3	cubic meters
bbls	barrels	Mbbls	thousands of barrels
bcf	billion cubic feet	mcf	thousand cubic feet
bhp	brake horsepower	mcf/d	thousand cubic feet per day
boe	barrel of oil equivalent (1 boe = 6 mcf)	MMbbls	millions of barrels
bbls/d	barrels per day	mmcf	million cubic feet
boe/d	barrels of oil equivalent per day	mmcf/d	million cubic feet per day
FNR	future net revenue	NGLs	natural gas liquids
GJ	gigajoule	NPV	net present value
GJs/d	gigajoules per day	HZ	horizontal

Officers & Directors

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Calgary, Alberta

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

Tara Johnson-Ouellette
Vice President, Compliance and Regulatory Affairs
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Sander Steer
Vice President, Growing Operations, Infrastructure & Technology
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Stan Swiatek
Director
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William C. Macdonald [1,2,3]
Director
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Joseph Dietrich
Director
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[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Governance Committee
[4] Member of the Reserves Committee

Corporate Information

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Stock Listing
TSX Venture Exchange
Trading Symbol: RRL