1933 INDUSTRIES

MANAGEMENT DISCUSSIONS AND ANALYSIS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2019 AND 2018

(in Canadian dollars, except where noted)

The following Management's Discussion and Analysis ("MD&A") for 1933 Industries Inc, together with its wholly owned subsidiaries ("1933" or "the Company") is prepared as of December 28, 2019, and relates to the financial condition and results of operations for three months ended October 31, 2019 and 2018. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements ("consolidated financial statements") and related notes for the three months ended October 31, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP").

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended July 31, 2019 and 2018, are also referred to as "fiscal 2019" and "fiscal 2018", respectively. All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated. References to "USD" are to United States dollars.

Statements are subject to the risks and uncertainties identified in the "Risks and Uncertainties", and "Cautionary Note Regarding Forward-Looking Statements" sections of this document. The Company has included the non-GAAP performance measures of EBITDA and Adjusted EBITDA per share within this document. For further information and detailed calculations of these measures, see the "Non-GAAP Measures" section of this document.

We are publicly traded on the Canadian Securities Exchange ("Exchange") under the symbol TGIF and quoted on the OTCQX under the symbol "TGIFF". Continuous disclosure materials are available on our website at www.1933industries.com, and on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or to achieve. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the Company's business model; U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks related to capital raising due to heightened regulatory scrutiny; risks related to quantifying the Company's target market; risks related to access to banks and credit card payment processors; risks related to lack of U.S. federal trademark and patent protection; risks related to the enforceability of contracts; risks related to potential violation of laws by banks and other financial institutions; risks related to service providers withdrawing or suspending services under threat of prosecution; risks related to tax liabilities; and heightened scrutiny by Canadian regulatory authorities.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

DESCRIPTION AND OUTLOOK OF THE UNITED STATES LEGAL CANNABIS INDUSTRY

For a detailed description of the U.S. legal cannabis industry that the Company operates within, please refer to the Company's MD&A for the years ended July 31, 2019 and 2018.

DESCRIPTION OF THE BUSINESS

1933 Industries Inc. is a vertically integrated, brand-focused cannabis company with operations in the United States and Canada. Operating through two subsidiary companies, the Company owns leading cannabis brands as well as licensed cannabis cultivation, extraction, processing and manufacturing assets.

The Company owns 91% of both Alternative Medicine Association ("AMA") and AMA Productions LLC, and 100% of Infused MFG. ("Infused").

AMA – Cultivation and Extraction Segment

AMA's business involves the growing of cannabis indoors through hydroponic processes for personal medicinal and recreational use. AMA began commercial production in April 2015 when it was the first Medical Marijuana Establishment or "MME" approved for cultivation in Southern Nevada. Its first crops were harvested, dried, packaged and sold in October 2015 and it has consistently produced cannabis on a commercial scale in Nevada since that time.

Market Plans and Strategies

The Company operates in two sought-after verticals: craft cannabis flower cultivation and extraction of cannabis concentrates and manufacturing of proprietary CBD branded goods.

The Company's business model is based on servicing the existing medicinal cannabis patient base in Nevada, approximately 3.0 million residents, and the recreational cannabis consumers, including those who visit Las Vegas each year (about 42.9 million visitors). The Company is an established wholesale supplier of unique branded flower and extraction products as well as several third-party brands to licensed dispensaries and cannabis stores. As this branded image and reputation is established, the Company may license or acquire other cannabis businesses in the United States ("U.S.") that have legalized medicinal cannabis and/or recreational cannabis specific brands with recurring sales to a loyal and growing clientele.

The Company believes that the constantly evolving regulatory environment for the production and distribution of recreational cannabis within the U.S., and the dispensing of both medicinal and recreational cannabis will be disruptive for both producers and consumers, transforming the current industry into one of commercial scale. The Company is focused on establishing a portfolio of high quality, premium cannabis brands that have wide appeal to a growing and varied consumer base. The Company markets its products via active media campaigns, educational programs and an e-Commerce platform.

The Company has built its own distribution channels to dispensaries in Nevada and continues to build market share as it increases flower and concentrate production and adds new brands to its portfolio of products.

CBD-Infused Products Segment

The Company, through Infused, is focused on developing, designing and producing CBD-Infused products and brands for retail sale and use in jurisdictions where permitted. As CBD-Infused products for medicinal and/or recreational use are currently not legal in Canada, Infused is focused solely on the U.S., where permitted by law and regulation.

CBD, as utilized by Infused, is extracted from industrial hemp. Infused manufactures a number of CBD-only infused products, including tinctures, lotions, creams, and capsules.

Infused is also working toward producing bulk CBD isolates or powders. Infused manufactures and distributes its products under three brands: Canna Hemp™; Canna Hemp X™; and Canna Fused™. Infused has discontinued its Canna Hemp Paws™ line of pet products.

Subject to the Company's quality control and unique formulations, it licenses its brand of CBD-infused products in California and Colorado, which are then produced locally by licensed operators. Additionally, other products are specifically infused with CBD for stronger health benefits without any psychoactive effects. These are marketed direct to consumers in legal channels online, and through health food stores, vape storefronts and retail dispensaries under the Company's brand name "Canna Hemp™ ", and Canna Hemp X™, a product line targeting the action sports vertical.

The third line of Company products includes products with both CBD and THC concentrates. These are blended in pre-determined ratios and are distributed under the Company brand name of "Canna Fused™". These blended products are considered controlled substances and are only distributed through legal retail dispensaries, which have specific contracts or licenses with the Company.

Like other licensed operators, the Company has developed a comprehensive media relations program to create visibility and awareness in the market for commercially grown cannabis. The Company believes that its success in this market has been achieved by offering a broad range of quality products at competitive prices and delivered through outstanding client service under a well identified brand. Each strain of marijuana is unique, and the Company believes that carrying a consistent base of high-quality strains and cannabis products, including CBD-infused products and hemp-based products, is essential to its long-term success. The Company currently has over 100 different cannabis products including flower, pre-rolls and many forms of extracts. Each of these is being formulated and branded for potential licensed sales in other U.S. states which allow marijuana sales.

Q1 2020 COMPARED TO Q1 2019 CONSOLIDATED OPERATING FINANCIAL HIGHLIGHTS

- Total revenues were $3.9 million for Q1 2020 and $4.5 million for Q1 2019.
- Expenses were $5.9 million for Q1 2020 and $4.7 million for Q1 2019.
- Gross margin was $2.1 million or 54% for Q1 2020 and $1.9 million or 41% for Q1 2019.
- Net loss was $3.8 million or $0.01 per share for Q1 2020 and $3.0 million or $0.01 per share for Q1 2019.
- Adjusted EBITDA loss was $1.8 million for Q1 2020 and $1.0 million for Q1 2019.

OCTOBER 31, 2019 COMPARED TO JULY 31, 2019 CONSOLIDATED BALANCE SHEET HIGHLIGHTS

- Cash was $14.9 million, compared to $17.6 million at July 31, 2019, a decrease of 15%.
- Total assets were $61.4 million, compared to $61.7 million at July 31, 2019.
- Working capital was $21.4 million, compared to $22.5 million at July 31, 2019, a decrease of 5%.

Q1 2020 KEY DEVELOPMENTS

- On August 2, 2019, the Company reported that it had retained the services of Renmark Financial Communications Inc. commencing on August 1, 2019, to augment its investor relations activities for a six-month term and monthly, thereafter.
- On August 15, 2019, the Company reported that it had signed a management services agreement to provide operational and accounting services, as well as general management and oversight to Green Spectrum Trading Inc., a medicinal and recreational cannabis business licensee in the State of California.
- On August 16, 2019, the Company granted 6,800,000 incentive stock options to its directors, officers, consultants and employees pursuant to the Company's stock option plan. The options are exercisable for a period of three years at a price of $0.35 per share and will vest over a three-year period.
- On August 20, 2019, the Company announced that it commenced the transfer of cannabis plants to its new cultivation facility in Las Vegas, Nevada following an extensive period of systems-wide testing. In order to verify that the plants are receiving exact amounts of nutrients and moisture content, the facility was outfitted with drip automation in order to standardize cultivation techniques and implement efficient watering and feeding systems with waste reduction in mind.
- On September 4, 2019, the Company issued 44,444 common shares pursuant to the conversion of $20,000 of convertible debentures.
- On September 10, 2019, the Company announced the execution of a licensing agreement for the launch of Blonde™, a high-end California brand making its debut in Nevada. Under the terms of the one-year agreement, the Company's subsidiary, AMA, receives the exclusive rights to cultivate flower, manufacture pre-rolls, live resin vape pens and cartridges under the Blonde™ brand for distribution to licensed dispensaries throughout Nevada.
- On September 19, 2019, the Company announced a licensing agreement with California-based PLUGplay, a manufacturer of cannabis vaporizer cartridges with proprietary magnetic hardware, for a 12-month term. PLUGplay's premium distillate oil cartridges feature sleek, high quality magnetic pods and long-lasting batteries. The California brand has made a name not only for its custom hardware but for its dedication to crafting premium distillate concentrates. Under the terms of the

agreement, the Company's subsidiary, AMA, will manufacture distillate and vape pens under the PLUGplay brand, for distribution to dispensaries across Nevada. PLUGplay's premium oil and advanced vaporizer technology provides a subtle and convenient experience.

- On September 19, 2019, the Company also announced that the Board of Directors approved bonus shares to Mr. Brayden Sutton, Chairman of the Board, and to Mr. Chris Rebentisch, Chief Executive Officer, pursuant to their respective employment contracts. Mr. Sutton received 291,901 shares and Mr. Rebentisch received 175,913 shares, all of which were issued at a deemed price of $0.365 per share. The Company also, pursuant to the amended terms of two consulting agreements, issued 650,000 share purchase warrants in lieu of cash consideration. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.37 exercisable in whole or in part until June 13, 2022. The bonus shares and warrant will bear a four-month regulatory hold period from the date of issuance.
- On September 23, 2019, the Company announced that it had commenced sales to specialty retailer Zumiez, featuring Canna Hemp X™, the Company's action sports topical recovery cream. With origins in Seattle, Zumiez has grown from a single outlet to hundreds of stores across the United States and Canada. Focusing on the skate and snow industries, Zumiez is a leading specialty retailer of apparel, footwear, accessories and hardgoods for young men and women who want to express their individuality through the fashion, music, art and culture of action sports, streetwear, and other unique lifestyles. As an innovator of hemp-based, CBD-infused wellness products and first to develop a CBD sports recovery cream, Canna Hemp X™ was launched in 2018 in collaboration with Torey Pudwill, one of the world's top professional skateboarders and founder of Grizzly Griptape. With 658 stores in North America, Zumiez has a well-defined brand position with a target demographic that is synergistic with the Canna Hemp X™ line.
- On September 30, 2019, the Company announced that it commenced the flowering cycle of its cannabis plants in its new indoor cultivation facility located in Las Vegas, Nevada. Following the transfer of cannabis plants to the new facility in late August, the plants completed a vegetative stage for four weeks. Three rooms begun the flowering cycle during that week, lasting approximately eight weeks. The first harvest from the initial three rooms is expected in early December, with continued harvests thereafter every two weeks, all while new grow rooms are added in the facility for a total of 15 bloom rooms. The initial 26 strain varieties currently at the facility will be augmented with an additional 12 Cannabis Cup award-winning strains to sustain the Company's flower and concentrate production of branded AMA products and third-party brands.
- On October 22, 2019, the Company reported that following the debut of its Blonde™ Cannabis products in September 2019, it was its most successful brand launch to date. Following a 30-day exclusive campaign with one of Nevada's largest dispensary retailers, luxury brand Blonde™ Cannabis made its mark in the state by selling out of every product during its debut. While the Blonde™ brand originated in Los Angeles, California, Nevada was selected for its launch in partnership with the Company's subsidiary, AMA.
- On October 24, 2019, 66,750 unexercised share purchase warrants expired.
- The Company issued 80,000 common shares upon exercise of stock options at a price of $0.15 per share for gross proceeds of $12,000.
- The Company issued 3,376,588 common shares pursuant to the exercise of 3,376,588 warrants with an exercise price of $0.35 for gross proceeds of $1,181,806.
- The Company cancelled 1,575,000 stock options with a weighted average cost of $0.36.

DEVELOPMENTS SUBSEQUENT TO OCTOBER 31, 2019

- On November 4, 2019, the Company launched its newest product, the Birdhouse CBD Balm by Canna Hemp X™. The CBD Balm was developed in collaboration with Birdhouse Skateboards™, targeting the action sports market and will be available for sale in dispensaries, wellness stores, skate shops and specialty retailers, including Zumiez in the United States.

(In Canadian dollars, except where noted)

- On December 10, 2019, the Company announced the execution of a two-year licensing agreement between AMA and The Pantry Company Inc. ("Pantry"). The Company will commence the buildout of a GMP-approved commercial kitchen, to be located in the Company's extraction facility in Las Vegas, Nevada . The Company expects to begin production of Pantry products mid-2020.
- On December 12, 2019, the Company announced a second licensing agreement with OG DNA Genetics ("DNA"). This Agreement will grant 1933 license to the DNA brand for the production and sale of hemp-derived CBD products. The Agreement allows DNA to leverage the Company's vast distribution network of over 800 retail outlets throughout the United States.

REVIEW OF QUARTERLY RESULTS

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenues	**$ 3,881,183**	$ 5,244,946	$ 4,627,401	$ 3,570,615
Net loss	**$ (3,816,298)**	$ (5,688,422)	$ (7,277,021)	$ (3,099,882)
Basic and diluted loss per share	**$ (0.01)**	$ (0.02)	$ (0.03)	$ (0.01)
Number of weighted average shares	**284,779,959**	278,109,966	245,861,993	238,522,578

	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenues	$ 4,534,906	$ 3,828,993	$ 3,294,504	$ 2,962,699
Net loss	$ (3,046,665)	$ (3,811,765)	$ (567,448)	$ (750,257)
Basic and diluted loss per share	$ (0.01)	$ (0.02)	$ (0.00)	$ (0.01)
Number of weighted average shares	232,353,593	192,470,497	177,813,101	149,932,833

The Company is expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions.

(In Canadian dollars, except where noted)

SUMMARY OF RESULTS

Review of Consolidated Financial Information for Q1 2020 compared to Q1 2019

Results of Operations	**Q1 2020**	Q1 2019
Revenues	**$ 3,881,183**	$ 4,534,906
Gross margin	**2,085,104**	1,850,426
General and administration	**(2,337,219)**	(1,385,056)
Management and consulting fees	**(367,028)**	(345,257)
Wages and benefits	**(980,655)**	(585,996)
Professional fees	**(228,134)**	(290,669)
Share-based compensation	**(554,594)**	(1,382,691)
Other expenses	**(1,433,772)**	(807,519)
Loss from continuing operations	**(3,816,298)**	(2,946,762)
Loss from discontinued operations	**-**	(99,903)
Net loss	**(3,816,298)**	(3,046,665)
Foreign currency translation adjustment	**(146,002)**	340,863
Comprehensive loss	**(3,962,300)**	(2,705,802)
Basic and diluted loss per share	**$ (0.01)**	$ (0.01)

Revenues

The Company recorded revenues of $3,881,183, compared to $4,534,906 during Q1 2019. The primary driver for the decrease over the prior year is due to a significant decrease, 43%, in vape products sales from Q3 2019 to Q1 2020 along with reduced overall sales for AMA as it transitioned from its old facility to its new 63,000 sq. ft. grow facility.

Gross margin

Gross margin was $2,085,104 (54%), compared to $1,850,426 (41%) during Q1 2019. The increase in the gross margin percentage from the prior year is primarily due to decreased purchases by AMA of third-party biomass to produce concentrates and final products. With the Company eventually producing sufficient amounts of biomass from its new facility, it anticipates significantly improved gross margins.

General and administration expenses

General and administration expenses were $2,337,219, compared to $1,385,056 during Q1 2019. This change over the prior year is primarily driven by increased advertising, investor relations, license fees, taxes and insurance costs. Offsetting these increases was a decrease in travel and entertainment activities.

Management and consulting fees

Management and consulting fees were $367,028, compared to $345,257 during Q1 2019. The Company continues to incur costs to support the growing infrastructure requirements.

Wages and benefits

Wages and benefits were $980,655, compared to $585,996 during Q1 2019. The Company is experiencing significant growth in all entities comprising the 1933 group, along with significant hiring initiatives across corporate support functions and operations management prior to the opening of AMA's new cultivation facility.

Professional fees

Professional fees were $228,134, compared to $290,669 during Q1 2019.

Share-based compensation

Share-based payments, a non-cash expense, were $554,594, compared to $1,382,691 during Q1 2019.

Other expenses

Other expenses were $1,433,7772, compared to $807,519 during Q1 2019. The components of other expense include interest expense, accretion expense, deprecation, foreign exchange gains and losses and income tax expense. This change over the prior year is primarily driven by the additional convertible debentures being issued and outstanding since the prior year period, which generate both accretion and interest expense. In addition, there was an increase in interest expense and depreciation resulting from the adoption of IFRS 16. Included in other expenses is total tax expense of $nil, compared to $143,319 during Q1 2019.

Foreign currency translation adjustment

As part of the consolidation process, IFRS requires that foreign exchange gains and losses generated from the translation of subsidiaries with functional currencies different from the parent entity's must be recorded as other comprehensive income. As a result of the consolidation process for Q1 2020, the Company had an unrealized foreign exchange loss of $146,002, compared to an unrealized foreign exchange gain of $340,863 during Q1 2019, due to the unfavourable movement in the Canadian dollar against the U.S. dollar. This amount is recorded in other comprehensive income.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations. The Company's strategy for managing liquidity is based on the Company achieving positive cash flows from operations to internally fund operating and capital requirements.

Factors that may affect the Company's liquidity are continuously monitored. These factors include production levels, operating costs, capital costs, income tax refunds, foreign currency fluctuations, seasonality, market immaturity and a highly fluid environment related to state and federal law passage and regulations.

In the event that the Company is adversely affected by any of these factors and, as a result, the operating cash flows are not sufficient to meet the Company's working capital requirements there is no guarantee that the Company would be able to raise additional capital on acceptable terms to fund a potential cash shortfall. Consequently, the Company is subject to liquidity risk. The Company monitors its liquidity primarily by focusing on total liquid assets and working capital. The Company monitors its level of working capital and working capital ratio to assess its ability to enter into strategic opportunities such as equity investments, royalty financing arrangements, and providing start-up working capital to its existing and future business units.

(In Canadian dollars, except where noted)

While the Company has historically issued shares as a component of the consideration for acquisitions, there can be no assurance that the Company will be able to continue to finance strategic opportunities via the issuance of shares or debt. Management will continue to monitor and assess its acquisition activities to ensure that operating requirements are met over the next twelve months.

At October 31, 2019 and July 31, 2019, the Company had the following liquidity related financial information:

		October 31, 2019		July 31, 2019
Cash	**$**	**14,872,277**	$	17,613,900
Liquid assets (1)	**$**	**20,175,246**	$	21,852,243
Quick ratio (2)		**24.64**		15.29
Working capital	**$**	**21,428,035**	$	22,536,984
Working capital ratio (3)		**27.18**		16.77
Convertible debt	**$**	**10,450,770**	$	9,879,125

(1) Liquid assets include cash, receivables, and inventory
(2) Quick ratio is defined as liquid assets divided by current liabilities
(3) Working capital ratio is defined as current assets divided by current liabilities

Cash flow

Net cash provided by (used in)		**Q1 2020**		Q1 2019
Operating activities from continuing operations	**$**	**(3,565,179)**	$	(1,372,715)
Operating activities from discontinued operations		**-**		(99,903)
Investing activities		**(153,670)**		(3,953,394)
Financing activities		**1,149,830**		15,608,084
Effect of exchange rate changes on cash		**(172,604)**		(72,625)
Cash, beginning of period		**17,613,900**		10,109,447
Cash, end of period	**$**	**14,872,277**	$	15,165,630

Review of cash flow Q1 2020 compared to Q1 2019:

Cash used in operating activities from continuing operations was $3,565,179 compared to $1,372,715 during Q1 2019:

- Net loss from continuing operations was $3,816,298, compared to $2,946,762 during Q1 2019. Included in net loss are non-cash items of $1,217,692, compared to $1,866,199 for Q1 2019.
- Movements in inventory and biological assets decreased cash by $972,193, compared to $687,488 during Q1 2020.
- Movements in receivables decreased cash by $91,186, compared to $218,372 during Q1 2020.
- Movements in prepaid expenses and deposits increased cash by $871,445, compared to $34,216 during Q1 2020.
- Movements in deferred financing costs increased cash by $nil, compared to $45,000 during Q1 2019.
- Movements in accounts payable and accrued liabilities decreased cash by $774,639 compared to increasing accounts payable and accrued liabilities by $391,173 during Q1 2019.
- Movements in income taxes payable increased cash by $nil compared to $143,319 during Q1 2019.

(In Canadian dollars, except where noted)

Cash used in operating activities from discontinued operations relating to Spire operations was $nil compared to cash used in operating activities from discontinued operations relating to Spire operations of $99,903 during Q1 2019. These expenses primarily related to wages and professional fees.

Cash used in investing activities was $153,670 compared to $3,953,394 during Q1 2019, as a result of:

- Expenditures on property and equipment of $153,670, compared to $4,881,789 in Q1 2019. The majority of cash spent during the period was related to AMA's 63,000 square foot cultivation facility and 12,160 square foot production facility in Nevada.
- Movements in restricted cash increased cash by $nil, compared to $928,395 during Q1 2019.

Cash provided by financing activities was $1,149,830, compared to $15,608,084 during Q1 2019:

- Common shares issued pursuant to exercises of stock options increased cash by $12,000, compared to $20,000 in Q1 2019.
- Common shares issued pursuant to exercises of warrants increased cash by $1,181,806, compared to $6,097 during Q1 2019.
- Repayment of lease liability, resulting from the adoption of IFRS 16, decreased cash by $43,976, compared to $nil during Q1 2019.
- Net issuance of convertible debentures increased cash by $nil, compared to $15,581,987 during Q1 2019.

Capital Resources

The capital of the Company consists of consolidated equity, notes payable, and convertible debentures, net of cash.

	October 31, 2019	July 31, 2019
Equity	**$ 35,324,893**	$ 37,188,404
Convertible debentures	**10,450,770**	9,879,125
	45,775,663	47,067,529
Less: cash	**(14,872,277)**	(17,613,900)
	$ 30,903,386	$ 29,453,629

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. The Company's board of directors identifies and evaluates the Company's financial risks and is charged with the responsibility of establishing controls and procedures to ensure financial risks are mitigated.

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new common shares or adjust the amount of cash.

(In Canadian dollars, except where noted)

The Company's investment policy is to invest excess cash in investment instruments at high credit, quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

Dividends

No dividends have been declared or paid by the Company in any of the periods presented above. The Company does not anticipate declaring or paying any dividends on its common shares in the foreseeable future.

Outstanding share data

The authorized capital of the Company consists of an unlimited number of common shares without par value. The Company had the following securities outstanding as at the date of this MD&A:

Type of Security	At October 31, 2019	At the date of this MD&A
Common Shares	285,478,539	285,478,539
Stock Options	22,341,666	22,341,666
Warrants	50,870,566	50,870,566
Agent Options	2,191,112	2,191,112
Convertible debentures - $0.45 conversion	$12,432,007	$12,432,007

As at October 31, 2019, the Company has issued various warrants and stock options as summarized below:

Description of security	Number		Exercise price	Expiry date
Warrants	10,000,000	$	0.50	March 14, 2021
Warrants	1,000,000		0.53	March 28, 2021
Warrants	39,220,566		0.65	September 14, 2021
Warrants	650,000		0.37	June 13, 2022
	50,870,566	**$**	**0.61**	
Stock options	237,500	$	0.50	November 14, 2020
Stock options	37,500		0.64	January 8, 2021
Stock options	500,000		0.45	May 31, 2021
Stock options	7,835,000		0.55	October 5, 2021
Stock options	5,531,666		0.15	June 13, 2022
Stock options	6,800,000		0.35	August 15, 2022
Stock options	1,300,000		0.65	February 15, 2023
Stock options	100,000		0.55	May 2, 2024
	22,341,666	**$**	**0.39**	
Agent options	2,191,112	$	0.45	September 14, 2021
	2,191,112	**$**	**0.45**	

(In Canadian dollars, except where noted)

NON-GAAP MEASURES

Earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA are non-GAAP financial measures and accordingly they are not earnings measures recognized by IFRS and do not carry standard prescribed significance. Moreover, our method for calculating Adjusted EBITDA may differ from that used by other companies using the same designation.

Accordingly, we caution readers that Adjusted EBITDA should not be substituted for determining net income (loss) as an indicator of operating results or as a substitute for cash flows from operating and investing

activities. Management believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, presentation of these measures is to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The following table provides a reconciliation of the EBITDA loss and Adjusted EBITDA loss to the consolidated financial statements:

		Q1 2020		Q1 2019
Net loss for the period	**$**	**(3,816,298)**	$	(3,046,665)
Add:				
Interest expense		**667,908**		196,356
Accretion expense		**276,527**		125,556
Depreciation		**489,570**		340,898
Income tax expense		**-**		143,319
EBITDA loss		**(2,382,293)**		(2,240,536)
Share-based compensation		**554,594**		1,382,691
Loss from discontinued operations		**-**		(99,903)
Adjusted EBITDA loss	**$**	**(1,827,699)**	$	(957,748)

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations or arrangements with respect to any obligations under a variable interest equity arrangement. The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

(In Canadian dollars, except where noted)

Key management personnel compensation during the three months ended October 31, 2019 and 2018, were as follows:

		October 31, 2019		October 31, 2018
Management and consulting fees	**$**	**224,917**	$	267,060
Shares issued for compensation		**170,752**		-
Share-based payments		**457,848**		648,048
	$	**853,517**	$	915,108

		October 31, 2019		October 31, 2018
Legal fees	**$**	**7,524**	$	26,203
Rent		**17,921**		-
Wages and benefits		**164,711**		44,308
	$	**190,155**	$	70,511

The Company paid legal fees during the periods presented to a law firm where one of the directors was a partner.

The Company paid rent during the periods presented to a company where one of the directors was an owner.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of July 31, 2019. The Company's significant accounting policies are described in note 3 of the Company's consolidated financial statements for the years ended July 31, 2019 and 2018.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised. Management has made the following critical judgements and estimates:

Critical judgements in applying accounting policies

Critical judgements made by management in applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, the Company determined its functional currency, and its Canadian subsidiaries, to be the Canadian dollar, and the functional currency of its US subsidiaries to be the United States dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Assessment of indicators of impairment

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or cash generating unit (“CGU”) may be impaired, thereby requiring adjustment to the carrying value. No impairment indicators were noted as at October 31, 2019.

Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of assets and liabilities acquired. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates. The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests’ proportionate share of the equity in the acquiree’s identifiable net assets.

Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Convertible instruments

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component.

The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Revenue recognition as a result of adopting IFRS 15

Determination of performance obligations
The Company applied judgement to determine if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is the delivery of product to its clients.

Transfer of control
Judgement is required to determine when transfer of control occurs relating to the sale of the Company's services to its clients. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether the physical possession of the goods, significant risks and rewards and legal title have been transferred to the customer.

Key sources of estimation uncertainty

Significant assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period that may result in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Biological assets and inventory
In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Impairment of long-lived assets
Long-lived assets, including property and equipment, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Current and deferred taxes
The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences.

Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction.

Forecasted cash flows from operations based on production and customer demand are internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

Equity-settled share-based payments

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers, employees, consultants and charities.

The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the Share-based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has a limited operating history and is in an emerging industry.

Due to the emerging nature of the industry, volatility estimates require significant estimates. The Company estimated volatility based on historic share prices of companies with significant operating history in the cannabis industry. Historical volatility is not necessarily indicative of future volatility. The expected life of stock options was determined based on the estimate that they would be exercised evenly over their term.

Contingencies

Due to the nature of the Company's operations, various legal and tax matters can arise from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements for the period in which such changes occur.

Identifying whether a contract includes a lease
IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. The Company had to apply judgment on certain factors, including whether the supplier has substantive substitution rights, does the Company obtain substantially all of the economic benefits and who has the right to direct the use of that asset.

Estimate of lease term
When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. As it is not reasonably certain that the extension or early termination options will be exercised, the Company determined that the term of its leases are the lesser of original lease term or the life of the mine. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

CHANGES IN ACCOUNTING STANDARDS

The accounting policies applied in the preparation of the Company's annual consolidated financial statements for the years ended July 31, 2019 and 2018, are consistent with new standards and amendments to standards, except for the following:

The Company has initially adopted IFRS 16, "Leases" from August 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

The Company adopted IFRS 16 using the modified retrospective approach on August 1, 2019. Under this method, the cumulative effect of initially applying the standards is recognized in retained earnings at August 1, 2019. Accordingly, the comparative information presented for 2019 has not been restated and is presented as previously reported under IAS 17 and related interpretations.

The impact of adoption is further noted in note 3 to the October 31, 2019 condensed interim consolidated financial statements.

RISKS AND UNCERTAINTIES

For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A for the year ended July 31, 2019.