1933 INDUSTRIES

MANAGEMENT DISCUSSIONS AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2020 AND 2019

(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 June 25, 2020, and relates to the financial condition and results of operations for the three and nine months ended April 30, 2020 and 2019. 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 and nine months ended April 30, 2020 and 2019, 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, 2020 and 2019, are also referred to as "fiscal 2020" and "fiscal 2019", 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 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 of the approximately 3 million residents in Nevada and the recreational cannabis consumers, which includes some of the approximately 42.9 million visitors to Las Vegas each year. The Company is an established wholesale supplier of both company-branded and partner-branded flower and extraction products to licensed dispensaries and cannabis stores. As this 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 eCommerce platform.

The Company has built its own distribution channels to dispensaries in Nevada and continues to pursue 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 permitted jurisdictions in the U.S. 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™.

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.

Strategy and Outlook

During the reporting period, revenues were significantly impacted by the COVID-19 related closures in Nevada, resulting in lower than expected sales across the Company's product lines, especially its AMA business line. The decline in sales was attributed to the sudden loss of tourism in Las Vegas and to the challenges of serving the local market through home-delivery only services.

On March 18, 2020, the State of Nevada required the closing of all non-essential businesses for 30 days as a result of the COVID-19 pandemic. Per data provided by the Las Vegas Convention and Visitors Authority, the total number of visitors to Las Vegas decreased from 3.3MM in February to 1.5MM in March, and decreased further to 0.1MM in April. While the State's closing mandate did not affect cannabis operators or licensed dispensaries, retail sales were limited to online ordering and curbside pickup. While the Company continued its regular cultivation and manufacturing operations, the substantial decrease in the number of tourists and the retail limitations impacted demand for the Company's products.

On May 7, 2020, as part of the State of Nevada's COVID-19 reopening plan, dispensaries were allowed to reopen under certain circumstances, mainly the requirement that the number of customers in a dispensary be limited to 50% of the fire rated capacity of the facility or 10 customers, whichever is less. The State of Nevada announced plans to further reopen the economy and on June 4, 2020, a number of the resort properties opened a portion of their operations to the public. The Company will continue to monitor local developments related to COVID-19 and assess operations as the situation evolves.

The Company's operations in California (through its management service agreement with Green Spectrum Trading Inc.) were also negatively impacted by the COVID-19 period. The cultivation facility in Los Angeles continued to operate during the pandemic by implementing added precautions to ensure the health and safety of all its employees and by adhering to additional measures introduced by local, state and national guidance to protect again the disease.

The Company cautions that the current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on the Company and its operations. The global uncertainty may have a material adverse effect on economic activity, and result in disruption to financial markets, operations and travel, domestically and internationally, all of which could impact the Nevada tourist market, which in turn could affect the results of operations and other factors relevant to the Company. Furthermore, the risk of COVID-19 could cause customers to reduce their spending on Company products and avoid public places, including retail outlets that carry our CBD products.

The Company's focus has been to bring its assets into continuous production in order to lower costs and improve margins. The Company made significant progress in achieving these goals in the first half of Q3 2020; however, the demand for the Company's products significantly declined in the second half of Q3 2020 with the increase in COVID-19 restrictions. The outlook for the remainder of fiscal 2020 is for limited revenue growth as the Company adapts to the uncertainty with respect to the spread of COVID-19 and its effects on the economy.

The Company's has continued to minimize non-revenue generating costs and is carefully managing its cash position during the pandemic. These efforts included the temporary postponement of further expenditure into the Company's expansion projects in Nevada for both hemp and cannabis extraction. Given the current economic uncertainty, the Company does not feel it is prudent to allocate the significant capital investment necessary to complete the hemp lab. Correspondingly, while the THC extraction lab has received all necessary permits, the company will not commence construction at this time. Instead, the Company has taken measures to maximize production of THC concentrates in the existing facility and is confident that it can continue to increase production significantly without the planned construction improvements. The decisions will be re-assessed if, and when, market conditions change.

Our projections for a significant increase in revenue growth and profitability remain unchanged for fiscal 2021.

Q3 2020 COMPARED TO Q3 2019 CONSOLIDATED OPERATING FINANCIAL HIGHLIGHTS

- Total revenues were $2.6 million for Q3 2020 and $4.6 million for Q3 2019.
- Expenses were $5.6 million for Q3 2020 and $5.1 million for Q3 2019.
- Gross margin was $0.9 million or 36% for Q3 2020 and $1.1 million or 25% for Q3 2019.
- Net loss attributable to shareholders of the Company was $4.6 million or $0.02 per share for Q3 2020 and $7.3 million or $0.03 per share for Q3 2019.
- Adjusted EBITDA loss was $3.0 million for Q3 2020 and $6.3 million for Q3 2019.

APRIL 30, 2020 COMPARED TO JULY 31, 2019 CONSOLIDATED BALANCE SHEET HIGHLIGHTS

- Cash was $4.9 million, compared to $17.6 million at July 31, 2019, a decrease of 72%.
- Total assets were $54.6 million, compared to $61.7 million at July 31, 2019, a decrease of 12%.
- Working capital was $10.1 million, compared to $22.5 million at July 31, 2019, a decrease of 55%.

Q3 2020 KEY DEVELOPMENTS

- On February 14, 2020, the Company announced that the first harvest of cannabis plants in California was under way and that it had commenced distribution of California-compliant full spectrum Canna Hemp™ products to dispensaries in the state. First commercial harvest marks the California debut of AMA and Blonde™ Cannabis products.
- On January 20, 2020, the Company issued 250,000 stock options with each stock option exercisable into once common share of the Company at an exercise price of $0.35 per common share. The stock options expire on January 19, 2023 and vest annually commencing January 20, 2020 and ending on January 20, 2022.
- On March 18, 2020, the State of Nevada required the closing of all non-essential businesses for 30 days due to the global outbreak of the COVID-19 virus. The closing mandate did not require the closure of cannabis operators or licensed dispensaries and the Company continued regular operations, with its cultivation and manufacturing facilities in Nevada remaining operational.
- On March 30, 2020, the Company announced that it had begun its second harvest of cannabis plants from its cultivation facility located in Las Vegas, marking the beginning of continuous harvests in Nevada.

DEVELOPMENTS SUBSEQUENT TO APRIL 30, 2020

- On June 3, 2020, the Company announced that it will hold on June 29, 2020, an extraordinary meeting of holders of 10% senior unsecured convertible debentures due September 14, 2021, to consider the following debenture amendments:
    1. To amend the conversion price applicable to the debentures from $0.45 per share to $0.10 per share;
    2. To amend the price at which the company may require a forced conversion of the debentures from $0.70 per share to $0.15 per share, such conversion to be made at the amended conversion price of $0.10 per share;
    3. To authorize the company to pay the interest due on the debentures in cash or through the issuance of its common shares at a price of $0.10 per share, at its sole discretion; and

(In Canadian dollars, except where noted)

4. To amend the timing for the payment of interest from being payable semi-annually in arrears on the last day of June and December in each year to being payable at the maturity date.

- On June 15, 2020, the Company announced the appointments of Mr. Paul Rosen as CEO and Mr. Eugene Ruiz as President, effective immediately, to guide the strategic direction of the Company into a new phase of development. As part of the leadership changes, Mr. Chris Rebentisch has departed the Company and will no longer serve as CEO, and Ms. Ester Vigil has departed the Company and will no longer serve as President.

REVIEW OF QUARTERLY RESULTS

		Q3 2020		Q2 2020		Q1 2020		Q4 2019
Revenues	**$**	**2,554,067**	$	3,139,265	$	3,881,183	$	5,244,946
Net loss	**$**	**(4,729,687)**	$	(6,421,360)	$	(3,816,298)	$	(5,688,422)
Basic and diluted loss per share	**$**	**(0.02)**	$	(0.02)	$	(0.01)	$	(0.02)
Number of weighted average shares		**285,478,539**		285,478,539		284,779,959		278,109,966

		Q3 2019	Q2 2019	Q1 2019	Q4 2018
Revenues	$	4,597,361	3,682,561	4,534,906	3,828,993
Net loss	$	(7,277,021)	(2,926,982)	(3,219,567)	(3,811,765)
Basic and diluted loss per share	$	(0.03)	(0.01)	(0.01)	(0.02)
Number of weighted average shares		245,861,993	238,522,578	232,353,593	192,470,497

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 Q3 2020 compared to Q3 2019

Results of Operations		Q3 2020		Q3 2019
Revenues	**$**	**2,554,067**	$	4,597,361
Gross margin		**912,310**		1,138,442
General and administration		**(2,154,614)**		(2,205,905)
Management and consulting fees		**(60,488)**		(369,436)
Wages and benefits		**(1,306,911)**		(1,150,475)
Professional fees		**(388,767)**		(158,863)
Share-based compensation		**(256,685)**		(234,075)
Other expenses		**(1,474,532)**		(4,046,601)
Loss from continuing operations		**(4,729,687)**		(7,026,913)
Loss from discontinued operations		**-**		(250,107)
Net loss		**(4,729,687)**		(7,277,021)
Foreign currency translation adjustment		**1,813,764**		844,612
Comprehensive loss		**(2,915,923)**		(6,432,408)
Basic and diluted loss per share	**$**	**(0.02)**	$	(0.03)

Revenues

The Company recorded revenues of $2,554,067, compared to $4,597,361 during Q3 2019. The decrease in revenues for the quarter as compared to Q3 2019 was primarily due to the effects of the COVID-19 pandemic and the lower demand for the Company's cannabis and CBD products. Q3 2020 revenues decreased 44% from Q2 2020 and 34% from Q1 2020, reflecting the decline in customer activity.

Gross margin

Gross margin was $912,310 (36%), compared to $1,138,442 (25%) during Q3 2019. The increase in the overall gross margin is primarily attributable to a 60% decrease in the purchase of biomass from third parties along with a reduction in personnel. The Company has reduced its cultivation and manufacturing employee count by 43% since November 2019, while operating at a level that allows it to maintain continuous harvests and fulfill its orders of CBD products.

General and administration expenses

General and administration expenses were $2,154,614, compared to $2,205,905 during Q3 2019, a decrease of 2%. During the COVID-19 pandemic, the Company continued to operate its cultivation and manufacturing facilities while sales decreased significantly. However, the decrease does not fully reflect significant reductions in public entity expenses of 68% since November 2019, along with a 46% decrease in non-operating expenses for the same period. Reductions will be fully reflected in subsequent periods.

Management and consulting fees

Management and consulting fees were $60,488, compared to $369,436 during Q3 2019 as the Company made strategic reductions in its management personnel and outside consultants subsequent to Q3 2019.

Wages and benefits

Wages and benefits were $1,306,911, compared to $1,150,475 during Q3 2019, an increase of 14%. The increase is primarily due to severance accruals for former management which was partially offset by an overall reduction of 63% in non-operating employees since November 2019.

Professional fees

Professional fees were $388,767, compared to $158,863 during Q3 2019 primarily due to legal costs related to conducting due diligence on a potential acquisition target that has since been abandoned.

Share-based compensation

Share-based payments, a non-cash expense, were $256,685 compared to $234,075 during Q3 2019.

Other expenses

Other expenses were $1,474,532, compared to $4,046,601 during Q3 2019, a decrease of 64%. The components of other expense include interest expense, accretion expense, deprecation, foreign exchange gains and losses, goodwill impairment and income tax expense. This change below prior year is primarily driven by lower goodwill impairment as Q3 2019 included a $3,044,866 goodwill impairment charge related to the Spire discontinued operation. In addition, there was a decrease in convertible debentures outstanding since the prior year period due to a number of conversions, which generated a reduction in both accretion and interest expense. Offsetting these decreases was an increase in interest expense and depreciation resulting from the adoption of IFRS 16.

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 Q3 2020, the Company had an unrealized foreign exchange gain of $1,813,764, compared to an unrealized foreign exchange gain of $844,612 during Q3 2019, due to the unfavorable movement in the Canadian dollar against the U.S. dollar. This amount is recorded in other comprehensive income.

(In Canadian dollars, except where noted)

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

Results of Operations		**YTD 2020**		YTD 2019
Revenues	**$**	**9,574,515**	$	12,814,828
Gross margin		**2,221,497**		4,866,274
General and administration		**(6,641,355)**		(4,801,854)
Management and consulting fees		**(837,355)**		(1,058,650)
Wages and benefits		**(3,358,271)**		(3,027,011)
Professional fees		**(1,039,383)**		(772,624)
Share-based compensation		**(1,041,321)**		(1,850,842)
Other expenses		**(4,271,157)**		(6,268,896)
Loss from continuing operations		**(14,967,345)**		(12,913,603)
Loss from discontinued operations		**-**		(509,966)
Net loss		**(14,967,345)**		(13,423,569)
Foreign currency translation adjustment		**2,057,294**		1,001,676
Comprehensive loss		**(12,910,051)**		(12,421,893)
Basic and diluted loss per share	**$**	**(0.05)**	$	(0.06)

Revenues

The Company recorded revenues of $9,574,515, compared to $12,814,828 during YTD 2019, a decrease of 25%. The primary drivers for the decrease in revenues as compared to the prior year are the effects of the COVID-19 pandemic and the lower resultant demand for the Company's cannabis and CBD products along with a slower than expected recovery of vape distillate sales.

Gross margin

Gross margin was $2,221,497 (23%), compared to $4,866,274 (38%) during YTD 2019, a decrease of 54%. The decrease in gross margin from the prior year is attributed to necessary biomass purchases from third-parties and the cost of maintaining shelf space and high overhead of the new 67,000 square foot cultivation facility during the transition, ramp up and grow period. Moving forward, the Company anticipates a reduction in expenses for its cultivation operations, primarily from reduced third party biomass purchases and a 29% reduction in cultivation personnel as of the end of April 2020. The Company has begun continuous harvests, two per month initially, which will allow it to produce sufficient amounts of biomass as input for its products.

General and administration expenses

General and administration expenses were $6,641,355, compared to $4,801,854 during YTD 2019, an increase of 38%. This change over the prior year is primarily driven by increased expenses associated with investor relations, public entity expenses and insurance costs, along with smaller increases in advertising and convention expenses. Expenses related to investor relations, operating as a public entity and insurance were up 75% over YTD 2019. The Company has since instituted cost savings measures across the board and decreased public company expenses by 68% and reduced other non-operating expenses by 46% since November 2019.

Management and consulting fees

Management and consulting fees were $837,355, compared to $1,058,650 during YTD 2019, a decrease of 21%, as the Company made strategic reductions in its management personnel and outside consultants subsequent to Q3 2019.

Wages and benefits

Wages and benefits were $3,358,271, compared to $3,027,011 during YTD 2019, an increase of 11%. The increase is primarily the result of severance accruals for former management. Prior to November 2019, the Company experienced significant growth in all entities comprising the 1933 group, which resulted in significant hiring initiatives across corporate support functions and operations management. The downturn in sales revenue as a result of the COVID-19 pandemic and the earlier vape crisis, forced the Company to institute a systematic reduction in its workforce. As a result, the Company has reduced its non-operating personnel by 63% since November 2019.

Professional fees

Professional fees were $1,039,383, compared to $772,624 during YTD 2019, an increase of 35%. The increase is primarily due to legal costs related to due diligence on potential mergers and acquisitions.

Share-based compensation

Share-based payments, a non-cash expense, were $1,041,321, compared to $1,850,842 during YTD 2019, a decrease of 44% due to a reduction in the number of options granted.

Other expenses

Other expenses were $4,271,157, compared to $6,268,896 during YTD 2019, a decrease of 32%. The components of other expense include interest expense, accretion expense, deprecation, foreign exchange gains, goodwill impairment and losses and income tax expense. This reduction from the prior year is primarily driven by lower goodwill impairment, as Q3 2019 included a $3,044,866 goodwill impairment charge related to the Spire discontinued operation. This decrease was partially offset by an increase in interest expense and depreciation expense with the adoption of IFRS 16 and a decline in income tax recovery to $nil YTD 2020, compared to tax recovery of $1,328,654 during YTD 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 YTD 2020, the Company had an unrealized foreign exchange gain of $2,057,294, compared to $1,001,676 during YTD 2019, due to the unfavorable 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 potential difficulties that the Company will encounter 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.

(In Canadian dollars, except where noted)

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.

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 April 30, 2020 and July 31, 2019, the Company had the following liquidity related financial information:

		April 30, 2020		July 31, 2019
Cash	**$**	**4,853,403**	$	17,613,900
Liquid assets (1)	**$**	**9,325,424**	$	21,852,243
Quick ratio (2)		**8.02**		15.29
Working capital	**$**	**10,144,769**	$	22,536,984
Working capital ratio (3)		**7.49**		16.77
Convertible debt	**$**	**11,026,898**	$	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

(In Canadian dollars, except where noted)

Cash flow

Net cash provided by (used in)	**Q3 2020**	Q3 2019	**YTD 2020**	YTD 2019
Operating activities from continuing operations	**$ (3,313,258)**	$ (3,263,733)	**$ (11,244,592)**	$ (5,033,612)
Operating activities from discontinued operations	**-**	(235,520)	**-**	(495,100)
Investing activities	**(1,293,430)**	1,475,421	**(2,997,715)**	(8,720,425)
Financing activities	**(65,753)**	8,081,749	**1,011,098**	23,781,333
Effect of exchange rate changes on cash	**381,374**	(178,009)	**470,712**	103,336
Cash, beginning	**9,144,470**	8,811,807	**17,613,900**	5,056,183
Cash, end	**$ 4,853,403**	$ 14,691,715	**$ 4,853,403**	$ 14,691,715

Review of cash flow Q3 2020 compared to Q3 2019:

Cash used in operating activities from continuing operations was $3,313,258, compared to $3,263,733 during Q3 2019:

- Net loss from continuing operations was $4,729,687, compared to $7,026,634 during Q3 2019. Included in net loss are non-cash items of $410,000, compared to $4,424,520 for Q3 2019.
- Movements in inventory and biological assets increased cash by $435,309 compared to $143,553 during Q3 2019.
- Movements in receivables increased cash by $130,639, compared to a decrease of $502,562 during Q3 2019.
- Movements in prepaid expenses and deposits decreased cash by $191,367, compared to an increase of $29,490 during Q3 2019.
- Movements in accounts payable and accrued liabilities increased cash by $623,386, compared to a decrease of $141,891 during Q3 2019.
- Movements in income taxes payable increased cash by $8,462, compared to an increase of $29,791 during Q3 2019.

Cash used in operating activities from discontinued operations relating to Spire operations was $nil compared to $235,520 during Q3 2019. These expenses incurred during Q3 2019 primarily related to wages and professional fees.

Cash used in investing activities was $1,293,430, compared to cash provided by investing activities of $1,475,421 during Q3 2019, as a result of:

- Expenditures on property and equipment of $1,293,430, compared to $3,447,193 in Q3 2019. The majority of cash spent during the period was related to AMA's 67,500 square foot cultivation facility and 12,160 square foot production facility in Nevada.
- Movements in restricted cash increased cash by $nil, compared to $4,992,613 during Q3 2019.

Cash used in financing activities was $65,753, compared to cash provided by financing activities of $8,081,749 during Q3 2019:

- Common shares issued in a private placement was $nil, compared to $4,500,000 in Q3 2019.

- Common shares issued pursuant to exercises of stock options increased cash by $nil, compared to $416,224 in Q3 2019.
- Common shares issued pursuant to exercises of warrants increased cash by $nil, compared to $3,165,526 during Q3 2019.
- Cash collected from subscription receipts was $10,000, compared to $nil in Q3 2019.
- Repayment of lease liability, resulting from the adoption of IFRS 16, decreased cash by $75,753, compared to $nil during Q3 2019.

Review of cash flow YTD 2020 compared to YTD 2019:

Cash used in continuing operating activities was $11,244,592, compared to $5,033,612 during YTD 2019:

- Net loss from continuing operations was $14,967,345, compared to $12,913,603 during YTD 2019. Included in net loss are non-cash items of $2,841,330 compared to $8,504,647 for YTD 2019.
- Movements in inventory and biological assets increased cash by $63,648, compared to $137,902 during YTD 2019.
- Movements in accounts receivables increased cash by $47,514, compared to decreasing cash by $976,769 during YTD 2019.
- Movements in prepaid expenses increased cash by $900,067, compared to decreasing cash by $164,894 during YTD 2019.
- Movements in accounts payable and accrued liabilities decreased cash by $139,181, compared to increasing cash by $1,489,649 during YTD 2019.

- Movements in income tax payable increased cash by $9,375, compared to decreasing cash by $1,155,544 during YTD 2019.

Cash used in operating activities from discontinued operations relating to Spire operations was $nil, compared to $495,100 during YTD 2019. These expenses incurred during YTD 2019 primarily related to wages and professional fees.

Cash used in investing activities was $2,997,715, compared to $8,720,425 during YTD 2019, as a result of:

- Expenditures on property and equipment of $2,997,715, compared to $13,146,027 in YTD 2019. The majority of cash spent during the period was related to AMA's 67,750 square foot cultivation facility and 12,160 square foot production facility in Nevada.
- Movements in restricted cash is $nil, compared to increasing cash by $4,425,602 during YTD 2019.

Cash provided by financing activities was $1,011,098, compared to $23,781,333 during YTD 2019:

- Common shares issued in a private placement was $nil, compared to $4,500,000 in YTD 2019.
- Common shares issued pursuant to exercises of stock options increased cash by $12,000, compared to $490,224 during YTD 2019.
- Common shares issued pursuant to exercises of warrants and agent options increased cash by $1,181,806, compared to $3,209,123 during YTD 2019.
- The Company raised $nil through the issuance of convertible debentures, compared to $15,581,987 during YTD 2019.
- Cash collected from subscription receipts was $10,000, compared to $nil in YTD 2019.
- Repayment of lease liability, resulting from the adoption of IFRS 16, decreased cash by $192,708, compared to $nil during YTD 2019.

(In Canadian dollars, except where noted)

Capital Resources

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

		April 30, 2020		July 31, 2019
Equity	**$**	**26,807,215**	$	37,188,404
Convertible debentures		**11,026,898**		9,879,125
		37,834,113		47,067,529
Less: cash		**(4,853,403)**		(17,613,900)
	$	**32,980,710**	$	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 adjusts 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.

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.

(In Canadian dollars, except where noted)

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 April 30, 2020	At the date of this MD&A
Common Shares	285,478,539	285,478,539
Stock Options	23,591,666	19,186,666
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 April 30, 2020, 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		0.50	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
Stock options	250,000		0.35	January 20, 2023
Stock options	1,000,000		0.35	February 26, 2023
	23,591,666	**$**	**0.39**	
Agent Options	2,191,112	$	0.45	September 14, 2021
	2,191,112	**$**	**0.45**	

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.

(In Canadian dollars, except where noted)

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

	Q3 2020	Q3 2019	**YTD 2020**	YTD 2019
Net loss for the period	**$ (4,729,687)**	$ (7,277,021)	**$ (14,967,345)**	$ (13,423,569)
Add (subtract):				
Interest expense	**691,525**	381,265	**1,993,665**	1,137,108
Accretion expense	**292,255**	476,944	**852,988**	1,850,842
Depreciation	**483,515**	121,932	**1,424,448**	1,137,108
Deferred income tax recovery	**-**	70	**-**	(1,185,265)
EBITDA loss	**(3,262,392)**	(6,296,810)	**(10,696,244)**	(10,483,776)
Share-based compensation	**256,685**	234,075	**1,041,321**	772,624
Loss from discontinued operations	**-**	(250,107)	**-**	(509,966)
Adjusted EBITDA loss	**$ (3,005,707)**	$ (6,312,842)	**$ (9,654,923)**	$ (10,221,118)

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.

Key management personnel and Director compensation during the three and nine months ended April 30, 2020 and 2019, were as follows:

	Three months ended		Nine months ended	
	2020	2019	**2020**	2019
Management and consulting fees	**$ 19,500**	$ 120,998	**$ 598,416**	$ 668,832
Director fees	**47,120**	-	**97,120**	-
Shares issued for compensation	**-**	-	**170,752**	-
Share-based payments	**165,848**	245,378	**772,605**	973,840
	$ 232,468	$ 366,376	**$ 1,638,893**	$ 1,642,672

(In Canadian dollars, except where noted)

Other related party transactions for the three and nine months ended April 30, 2020 and 2019, were as follows:

	Three months ended		Nine months ended	
	2020	2019	**2020**	2019
Legal fees - expense	**$ 809**	$ 21,748	**$ 13,784**	$ 59,779
Rent	**15,000**	15,000	**47,921**	28,500
Wages and benefits	**399,246**	57,692	**679,202**	178,577
	$ 415,055	$ 94,440	**$ 740,907**	$ 266,856

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 January 31, 2020.

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 consider 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 April 30, 2020 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.