1933 INDUSTRIES

MANAGEMENT DISCUSSIONS AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2019 AND 2018

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 July 2, 2019, and relates to the financial condition and results of operations for the three and nine months ended April 30, 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 and nine months ended April 30, 2019 and 2018, which have been prepared using accounting policies consistent 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, 2018 and 2017, are also referred to as "fiscal 2018" and "fiscal 2017", 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.

DESCRIPTION OF THE BUSINESS

OVERVIEW OF 1933 Industries Inc.

1933 Industries Inc. is a vertically integrated cannabis company with operations in the United States and Canada. Operating through three subsidiary companies, 1933 Industries owns licensed medical and adult-use cannabis cultivation and production assets, proprietary hemp-based CBD infused products, and CBD extraction services. The Company owns 91% of both Alternative Medicine Association ("AMA") and AMA Productions LLC, and 100% of Infused MFG.("Infused").

AMA – Cultivation 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 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's business model is based on servicing the existing medicinal cannabis patient base in Nevada, approximately 3.0 million residents, and the new recreational cannabis consumers, including those who visit Las Vegas each year (about 42.9 million visitors, by establishing an aggressive presence and image for its unique branded flower and extraction products as well as several third-party brands. 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 to sell its specific brands that are focused on high quality cannabis specific products 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. Consumers that rely on medicinal cannabis as a form of medical treatment have been required to seek new sources of supply from a distinctly different type of supplier. The Company developed a social media campaign to capitalize on its efforts to engender an empathetic and professional image and specific brand which will be based in Las Vegas Nevada with eventually availability in all the U.S., which approve medicinal and/or recreational use of cannabis.

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. See "The Business – Regulatory Regimes".

Both CBD, the principal non-psychoactive constituent of the cannabis plant, and THC are extracted in the form of cannabis concentrates from the plant. The cannabis concentrate can then be refined into individual components and used to manufacture a number of cannabis infused products, which may contain CBD only, including: tinctures, transdermal patches, lotions, pain creams, and capsules.

The Company is also working toward producing bulk CBD isolates or powders which may avoid the federal prohibitions against THC cannabis. The Company intends to manufacture and distribute these and other products under three distinct schemes: CannaHemp; CannaHemp FS (Full Spectrum which includes natural CBD); and CannaFused. The hemp-only products may be sold nationwide through various retailers including Amazon and other fulfillment centers under the Company brand name "CannaHemp" and "CannaHemp FS".

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 will be specifically infused with CBD for stronger health benefits without any psychoactive effects. These will be marketed direct to consumers in legal channels which will include online, health food stores, vape storefronts and retail dispensaries under the Company brand name of "CannaHemp FS".

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

The Company believes branding will be important and is focusing on developing brands that it believes will resonate with consumers. The Company will apply for trademarks in the U.S., and Canada on key brand names when appropriate.

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 on a broad range of quality products offered at competitive prices and delivered through outstanding client service under a well identified brand. Each strain of cannabis 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 states, which allow cannabis sales.

Q3 2019 COMPARED TO Q3 2018 CONSOLIDATED OPERATING FINANCIAL HIGHLIGHTS

- Total revenues were $4.6 million compared to $3.3 million for Q3 2018, an increase of 39.4%, generating a gross margin of $1.1 million (24.8%), compared to $1.4 million (43.7%) for Q3 2018.
- Expenses were $5.1 million compared to $1.8 million for Q3 2018, an increase of 185.0%.
- Impairment loss was $3.0 million compared to $nil for Q3 2018.
- Net loss was $7.3 million, including the $3.0 million impairment loss, compared to $0.5 million for Q3 2018, an increase of 1,360%
- Net loss per share was $0.03 compared to $nil for Q3 2018.
- Adjusted EBITDA loss was $2.8 million compared to $2,429 for Q3 2018.

APRIL 30, 2019 COMPARED TO JULY 31, 2018 CONSOLIDATED BALANCE SHEET FINANCIAL HIGHLIGHTS

- Cash was $14.7 million compared to $5.1 million at July 31, 2018, an increase of 188%.
- Total assets were $60.8 million as compared to $41.3 million at July 31, 2018, an increase of 47%.
- Working capital was $15.8 million compared to $11.0 million at July 31, 2018, an increase of 44%.

Q3 2019 KEY DEVELOPMENTS

- On February 19, 2019, the Company engaged CB1 Capital as Strategic Business Advisors for a one-year term.
- On March 5, 2019, the Company announced it is accelerating the expiry of certain private placement common share purchase warrants bearing an expiry date of April 24, 2019, May 7, 2019 and June 14, 2019. The Company also announced that it intends to accelerate the expiry of warrants bearing an expiry date of August 16, 2019 and October 4, 2019.
- On March 15, 2019, pursuant to a non-brokered private placement, the Company issued 10,000,000 units at $0.45 per unit for gross proceeds of $4,500,000. Each unit consists of one common share and one common share purchase warrant with an exercise price of $0.50 and an expiry date of March 15, 20
- On March 28, 2019, the Company announced that it signed a Membership Interest Purchase Definitive Agreement ("the Agreement") between the holder of the nine percent (9%) of the issued and outstanding membership interests of Infused MFG, and the Company, the beneficial holder of ninety-one percent (91%) of the issued and outstanding membership interests of Infused MFG. The purchase consideration comprised of 7,000,000 common shares with a deemed fair value of $0.45 per share, 1,000,000 common share purchase warrants with an exercise price of $0.53 and a deemed fair value of $0.19 per warrant and a $1,248,000 (USD$940,000) promissory note with a 6% interest rate per annum and an expiry date of December 1, 2019, (since paid) for total purchase consideration of $4,588,486.

RECENT DEVELOPMENTS

- On May 15, 2019, the Company's subsidiary Alternative Medicine Association completed a sale and lease back transaction for its newly constructed cannabis cultivation facility in Las Vegas, Nevada for total consideration of USD$10.45 million.
- On May 31, 2019, the Company announced the following management changes: Mr. Chris Rebentisch was appointed Chief Executive Officer with Mr. Braydon Sutton remaining as Chairman of the Board. Mr. Terry Taouss was appointed to the Board of Directors replacing Mr. Andrew Richards, who stepped down as a Director. Mr. Steve Radusch was named Chief Financial Officer taking over the position from Mr. Ryan Maarschalk.
- On June 6, 2019, Ms. Ester Vigil was appointed President of the Company and Mr. Caleb Zobrist was named Executive Vice President.

REVIEW OF QUARTERLY RESULTS

Amounts presented in thousands except per share amounts:

	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Revenue	**$ 4,597,361**	$ 3,600,655	$ 4,616,812	$ 3,905,243
Net loss	**$ (7,277,021)**	$ (3,099,882)	$ (3,046,666)	$ (3,844,953)
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

	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Revenue	$ 3,294,504	$ 2,962,699	$ 2,464,487	$ 1,030,297
Net loss	$ (534,260)	$ (750,257)	$ (599,582)	$ (1,842,291)
Basic and diluted loss per share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.04)
Number of weighted average shares	177,813,101	149,932,833	149,932,822	45,698,825

The Company has a limited operating history, which can make it difficult for investors to evaluate the Company's operations. As a result, the prior periods shown in the above table are not necessarily comparable and should not be relied upon as an indication of future performance.

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)

Review of Consolidated Financial Information for Q3 2019 compared to Q3 2018

Results of Operations		**Q3 2019**		Q3 2018
Revenues	**$**	**4,597,361**	$	3,294,504
Gross margin		**1,138,442**		1,440,557
General and administration		**(2,205,905)**		(513,828)
Management and consulting fees		**(369,436)**		(180,893)
Wages and benefits		**(1,150,475)**		(394,902)
Professional fees		**(158,863)**		(214,010)
Share-based compensation		**(234,075)**		(174,110)
Other expenses		**(1,001,736)**		(319,393)
Goodwill impairment		**(3,044,866)**		-
Loss from continuing operations		**(7,026,914)**		(356,579)
Loss from discontinued operations		**(250,107)**		(177,681)
Net loss		**(7,277,021)**		(534,260)
Translation adjustment		**844,612**		835,100
Comprehensive income (loss)		**(6,432,409)**		300,840
Basic and diluted loss per share	**$**	**0.03**	$	(0.00)

Revenues

The Company recorded revenues of $4,597,361, compared to $3,294,504 during Q3 2018. The primary driver for the increase over the prior year is due to the steady increase in AMA's number of plants and total annual plant yield since the prior year period, as well as the continued significant expansion in distribution of Infused's CBD infused health and wellness products across the United States (over 600 retail outlets in 46 states).

Gross margin

Gross margin was $1,138,442 (24.8%), compared to $1,440,557 (43.7%) during Q3 2018. The decrease in the gross margin percentage from the prior year is primarily due to increased purchases by AMA of third-party biomass to produce concentrates and final products. The Company anticipates producing sufficient amounts of biomass from its new facility, which is expected to significantly improve the realized gross margins. Partially offsetting the increased costs of AMA, Infused has significantly increased its customer base which has resulted in improved economies of scale in the production of CBD-based products positively impacting overall gross margin.

General and administration expenses

General and administration expenses ("G&A") were $2,205,905 compared to $513,828 during Q3 2018. This change over the prior year is primarily driven by increased advertising, investor relations costs, office expenses, travel and entertainment activities as the Company has scaled up operations. Further impacting G&A expenses compared to the prior year are increased license fees, taxes and insurance costs.

Management and consulting fees

Management and consulting fees were $369,436, compared to $180,893 during Q3 2018. This change over the prior year is primarily the result of increased costs to support the Company's growing infrastructure requirements as compared to the prior period.

Wages and benefits

Wages and benefits were $1,150,475, compared to $394,902 during Q3 2018. This change over the prior year is primarily driven by 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 $158,863, compared to $214,010 during Q3 2018. This change over the prior year is primarily the result of lower legal and accounting costs being incurred subsequent to the prior year period.

Share-based payments

Share-based payments, a non-cash expense, were $234,075, compared to $174,110 during Q3 2018.

Other expenses

Other expenses were $1,001,736, compared to $319,393 during Q3 2018. 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 additional convertible debentures being issued and outstanding since the prior year period, which generate both accretion and interest expense.

Impairment loss

The Company impaired its investment in Spire and recorded an impairment loss of $3,044,866, compared to $nil during Q3 2018.

Long-lived assets, including property and equipment, and intangible assets, 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. The Company determined that there were indicators of impairment surrounding the investment in Spire. Revenues have not met previous expectations and the outlook is lower than prior forecasts. As such, the Company has elected to focus on its cultivation and extraction assets and impaired the goodwill associated with the Spire acquisition by $3,044,866 to bring the value of the goodwill to $nil at April 30, 2019.

As a result of the Company abandoning the Spire segment, the revenues and expenses generated by Spire have been recorded as discontinued operations and presented separately on the financial statements.

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 2019, the Company had an unrealized foreign exchange gain of $844,612, compared to a gain of $835,100 during Q3 2018, due to the favourable 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 2019 compared to YTD 2018

Results of Operations		**YTD 2019**		YTD 2018
Revenues	**$**	**12,814,828**	$	8,721,690
Gross margin		**4,866,274**		4,153,663
General and administration		**(4,801,854)**		(1,575,650)
Management and consulting fees		**(1,058,652)**		(801,538)
Wages and benefits		**(3,027,011)**		(869,804)
Professional fees		**(772,624)**		(1,359,345)
Share-based compensation		**(1,850,842)**		(522,330)
Other expenses		**(1,224,030)**		(731,414)
Impairment loss		**(5,044,866)**		-
Loss from continuing operations		**(12,913,603)**		(1,706,418)
Loss from discontinued operations		**(509,966)**		(177,681)
Net loss		**(13,423,569)**		(1,884,099)
Translation adjustment		**1,001,676**		420,563
Comprehensive income (loss)		**(12,421,893)**		(1,463,536)
Basic and diluted loss per share	**$**	**(0.05)**	$	(0.01)

Revenues

The Company recorded revenues of $12,814,828, compared to $8,721,690 during YTD 2018, an increase of 47%. The increase over the prior year is primarily due to the steady increase in AMA's number of plants and total annual plant yield since the prior year period, as well as the continued significant expansion in distribution of Infused's CBD infused health and wellness products across the United States (over 600 retail outlets in 46 states).

Gross margin

Gross margin was $4,866,274 (38.0%), compared to $4,153,663 (47.6%) during YTD 2018, an increase of 17.2% The decrease in the gross margin percentage from the prior year is primarily due to increased purchases by AMA of third-party biomass to produce concentrates and final products. The Company anticipates producing sufficient amounts of biomass from its new facility, which is expected to significantly improve the realized gross margins. Partially offsetting the increased costs of AMA, Infused has significantly increased its customer base which has resulted in improved economies of scale in the production of CBD-based products, positively impacting overall gross margin.

General and administration expenses

The G&A expenses were $4,801,854, compared to $1,575,650 during YTD 2018, an increase of 205%. This change over the prior year is primarily driven by increased advertising, investor relations costs, office expenses, travel and entertainment activities as the Company has scaled up operations. Further impacting G&A expenses compared to the prior year are increased license fees, taxes and insurance costs.

Management and consulting fees

Management and consulting fees were $1,058,652, compared to $801,538 during YTD 2018, an increase of 32%. This change over the prior year is primarily to increased costs to support the Company's growing infrastructure requirements as compared to the prior period.

Wages and benefits

Wages and benefits were $3,027,011, compared to $869,804 during YTD 2018, an increase of 248%. This change over the prior year is primarily driven by 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 $772,624, compared to $1,359,345 during YTD 2018, a decrease of 43%. This decrease from the prior year is primarily due to lower legal and accounting costs incurred subsequent to the prior year period.

Share-based payments

Share-based payments, a non-cash expense, were $1,850,842, compared to $522,330 during YTD 2018, an increase of 254%. This change over the prior period is due to an increase in share options granted. Specifically, the Company granted 8,925,000 share options during YTD 2019, compared to nil during YTD 2018.

Other expenses

Other expenses were $1,224,030, compared to $731,414 during YTD 2018, an increase of 67%. The components of other expenses 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 additional convertible debentures being issued and outstanding since the current period, which generate both accretion and interest expense. These increases in other expenses were partially offset by a significant deferred tax recovery of $1,185,265, compared to a deferred tax expense of $63,170 during YTD 2018.

Impairment loss

The Company impaired its investment in Spire and recorded an impairment loss of $5,044,866, compared to $nil during YTD 2018.

Long-lived assets, including property and equipment, and intangible assets, 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. The Company determined that there were indicators of impairment surrounding the investment in Spire. Revenues have not met previous expectations and the outlook is lower than prior forecasts. As such, the Company has elected to focus on its cultivation and extraction assets and impaired the full amount of goodwill associated with the Spire acquisition.

As a result of the Company abandoning the Spire segment, the revenues and expenses generated by Spire have been recorded as discontinued operations and presented separately on the financial statements.

(In Canadian dollars, except where noted)

Translation adjustment

As part of the consolidation process, IFRS requires that foreign exchange gain 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 2019, the Company had an unrealized foreign exchange gain of $1,001,676, compared to a gain of $420,563 during YTD 2018, due to the favourable 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 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.

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, 2019, the Company had the following liquidity related financial information:

		April 30, 2019		July 31, 2018
Cash	**$**	**14,691,715**	$	5,056,183
Liquid assets (1)	**$**	**19,153,736**		8,305,806
Quick ratio (2)		**4.83**		3.47
Working capital	**$**	**15,787,973**		11,007,890
Working capital ratio (3)		**4.98**		5.60
Convertible debt	**$**	**9,863,695**	$	1,965,031

(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 2019**	Q3 2018	**YTD 2019**	YTD 2018
Operating activities from continuing operations	**$ (3,004,154)**	$ (437,284)	**$ (5,033,612)**	$ (1,957,512)
Operating activities from discontinued operations	**(235,241)**	(177,681)	**(495,100)**	(177,681)
Investing activities	**1,475,421**	(3,482,252)	**(8,720,425)**	(4,334,550)
Financing activities	**8,081,750**	1,124,670	**23,781,333**	18,845,657
Effect of exchange rate changes on cash	**(178,009)**	140,601	**103,336**	(53,362)
Cash, beginning	**8,551,948**	15,753,139	**5,056,183**	598,641
Cash, end	**$ 14,691,715**	$ 12,921,193	**$ 14,691,715**	$ 12,921,193

Review of cash flow Q3 2019 compared to Q3 2018:

Cash used in operating activities from continuing operations was $3,004,154, compared to $437,284 during Q3 2018:

- Net loss from continuing operations was $6,767,054, compared to $356,579 during Q3 2018. Included in net loss are non-cash items of $4,204,520, compared to $468,670 for Q3 2018.
- Movements in inventory and biological assets increased cash by $143,553, compared to decreasing cash by $485,294 during Q3 2018.
- Movements in accounts receivables decreased cash by $502,563, compared to decreasing cash by $149,397 during Q3 2018.
- Movements in prepaid expenses increase cash by $29,490, compared to decreasing cash by $61,849 during Q3 2018.
- Movements in accounts payable and accrued liabilities decreased cash by $141,891, compared to increasing cash by $152,166 during Q3 2018.
- Movements in income tax payable increased cash by $29,791, compared to increasing cash by $2,715 during Q3 2018.

Cash used in operating activities from discontinued operations relating to Spire operations was $235,241, compared to $177,681 during Q3 2018. These expenses primarily related to wages and professional fees.

Cash used in investing activities was $1,475,421, compared to cash used in investing activities of $3,482,252 during Q3 2018, as a result of:

- Expenditures on property and equipment of $3,447,192, compared to $1,361,793 in Q3 2018. 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 increased cash by $4,922,613, compared to decreasing cash by $2,094,493 during Q3 2018.
- During Q3 2018, movements in cash acquired on acquisition increased cash by $4,034 and Spire acquisition costs decreased cash by $30,000.

Cash provided by financing activities was $8,081,750, compared to cash provided by financing activities of $1,124,670 during Q3 2018:

- Common shares issued pursuant to a private placement increased cash by $4,500,000, compared to $nil during Q3 2018.
- Common shares issued pursuant to exercises of stock options increased cash by $416,224, compared to $212,500 in Q3 2018.
- Common shares issued pursuant to exercises of warrants and agent options increased cash by $3,165,526, compared to $939,109 during Q3 2018.
- Repayment of notes payable decreased cash by $27,829 during Q3 2018.

Review of cash flow YTD 2019 compared to YTD 2018:

Cash used in continuing operating activities was $5,033,612, compared to cash used in continuing operating activities of $1,957,512 during YTD 2018:

- Net loss from continuing operations was $12,913,603, compared to $1,706,418 during YTD 2018. Included in net loss are non-cash items of $8,504,647, compared to $1,166,493 for YTD 2018.
- Movements in inventory and biological assets increased cash by $137,902, compared to decreasing cash by $769,175 during YTD 2018.
- Movements in accounts receivables decreased cash by $976,769, compared to decreasing cash by $547,996 during YTD 2018.
- Movements in prepaid expenses decreased cash by $164,894, compared to decreasing cash by $44,407 during YTD 2018.
- Movements in accounts payable and accrued liabilities increased cash by $1,489,649, compared to increasing cash by $482,236 during YTD 2018.
- Movements in income tax payable decreased cash by $1,155,544, compared to decreasing cash by $823 during YTD 2018.
  During YTD 2018, movements in amounts due to related parties decreased cash by $428,463 and a decrease in cash of $108,959 was due to a movement in assets and liabilities held for sale.

Cash used in operating activities from discontinued operations relating to Spire operations was $495,100, compared to $177,681 during Q3 2018. These expenses primarily related to wages and professional fees.

Cash used in investing activities was $8,720,425, compared to $4,334,250 during YTD 2018, as a result of:

- Expenditures on property and equipment of $13,146,027, compared to $ 2,214,091 in YTD 2018. The majority of cash spent in 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 increased cash by $4,425,602, compared to decreasing cash by $2,094,493 during YTD 2018.

Cash provided by financing activities was $23,781,333, compared to cash provided by financing activities of $18,845,657 during YTD 2018:

- Common shares issued pursuant to a private placement increased cash by $4,500,000.
- Common shares issued pursuant to exercises of stock options increased cash by $490,224, compared to $507,500 during YTD 2018.
- Common shares issued pursuant to exercises of warrants and agent options increased cash by $3,209,123, compared to $13,251,727 during YTD 2018.

(In Canadian dollars, except where noted)

- Convertible debenture units increased cash by $15,581,986, compared to $6,061,666 during YTD 2018.
- Repayment of notes payable decreased cash by $975,236 during YTD 2018.

Capital Resources

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

		April 30, 2019		July 31, 2018
Equity	**$**	**46,925,077**	$	36,983,497
Notes payable		**1,288,537**		39,339
Convertible debentures		**9,863,695**		1,965,031
		58,077,309		38,987,867
Less: cash		**(14,691,715)**		(5,056,183)
	$	**43,385,594**	$	33,931,684

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.

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, 2019	At the date of this MD&A
Common Shares	277,741,661	279,584,948
Stock Options	17,513,330	17,196,666
Warrants	56,746,224	50,266,416
Agent Options	2,198,112	2,148,200
Convertible debentures - $0.45 conversion	$12,560,006	$12,461,000

As at April 30, 2019, the Company has issued various warrants and stock options as summarized below:

Description of security	Number		Exercise price		Proceeds if exercised	Expiry date
Warrants	1,117,500	$	0.25	$	279,375	04-Oct-19
Warrants	6,299,224		0.35		2,204,728	16-Aug-19
Warrants	38,329,500		0.65		24,914,175	14-Sep-21
Warrants	10,000,000		0.50		5,000,000	14-Mar-21
Warrants	1,000,000		0.53		530,000	28-Mar-21
Warrants	56,746,224	$	0.58	$	32,928,278	
Stock options	237,500	$	0.50	$	118,750	14-Nov-20
Stock options	37,500		0.64		24,000	08-Jan-21
Stock options	7,396,664		0.15		1,109,500	13-Jun-22
Stock options	1,300,000		0.65		845,000	15-Feb-23
Stock options	8,541,666		0.55		4,697,916	05-Oct-21
	17,513,330	$	0.39	$	6,795,166	

On March 5, 2019, the Company announced that it intended to accelerate the expiry of warrants bearing an expiry date of August 16, 2019 and October 4, 2019, which based on the warrants outstanding at April 30, 2019, would raise $2.5 million if all Warrant holders exercised.

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 2019	Q3 2018	**YTD 2019**	YTD 2018
Net loss for the period	**$ (7,277,021)**	$ (534,260)	**$ (13,423,569)**	$ (1,884,099)
Add (subtract):				
Interest expense	**381,265**	89,174	**1,137,108**	393,218
Accretion expense	**476,944**	24,457	**913,025**	117,388
Depreciation	**121,932**	66,114	**346,462**	187,154
Deferred income tax expense	**70**	295	**(1,185,265)**	63,170
EBITDA loss	**(6,296,810)**	(354,220)	**(12,212,239)**	(1,123,169)
Share-based compensation	**234,075**	174,110	**1,850,842**	522,330
Impairment loss	**3,044,866**	-	**5,044,866**	-
Loss from discontinued operations	**250,107**	177,681	**509,966**	177,681
Adjusted EBITDA loss	**$ (2,767,762)**	$ **(2,429)**	**$ (4,806,565)**	$ **(423,158)**

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any material 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 compensation during the periods ended April 30, 2019 and 2018, were as follows:

	Q3 2019	Q3 2018	**YTD 2019**	YTD 2018
Management and consulting fees	**$ 1,639,779**	$ 339,393	**$ 2,187,613**	$ 438,137
Interest expense – notes payable	**-**	(242,912)	**-**	77,583
Share-based payments	**888,305**	64,240	**1,616,767**	192,720
	$ 2,528,084	$ 160,721	**$ 3,804,380**	$ 708,440

(In Canadian dollars, except where noted)

	Q3 2019	Q3 2018	**YTD 2019**	YTD 2018
Legal fees	**$ -**	$ 372,549	**$ -**	$ 66,492
Legal fees – acquisition of Spire	**-**	30,000	**-**	30,000
	$ -	$ 372,549	**$ -**	$ 66,492

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

As at April 30, 2019 the Company owes a related party a balance of $40,537 (USD$30,200). The amount accrues interest at 6% per annum, is unsecured and due on demand.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of April 30, 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, 2018 and 2017 and note 3 to the April 30, 2019 unaudited interim condensed consolidated financial statements.

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

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates; the Company has determined its functional currency to be the Canadian dollar, and the functional currency of each of its subsidiary to be the U.S. 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. The Company identified the limited activities of Spire as an indicator of impairment related to the Spire acquisition during the period ended April 30, 2019.

As a result of these impairment indicators, the Company assessed the goodwill associated with the Spire CGU for impairment and concluded the recoverable value of the CGU was less than its carrying value and an impairment of $3,044,866 was required.

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.

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 are based on patient visits 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.

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, 2018 and 2017, are consistent with new standards and amendments to standards, except for the following:

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 is required for reporting periods beginning on or after January 1, 2018, with retrospective application. The Company applied IFRS 9 on August 1, 2018, and in accordance with the transition requirements, comparative periods have not been restated. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at August 1, 2018.

IFRS 9 replaces the classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). This classification is based on the business model in which a financial asset is managed, as well as its contractual cash flow characteristics, and eliminates the IAS 39 categories of held-to-maturity, loans and receivables, and available for-sale.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39. We have assessed the classification and measurement of our financial instruments under IFRS 9, with reference to the former classification under IAS 39, as follows:

(In Canadian dollars, except where noted)

Financial Assets	**IFRS 9**	**IAS 39**
Cash	FVTPL	FVTPL
Restricted cash	FVTPL	FVTPL
Accounts receivable	Amortized cost	Loans and receivables
Financial Liabilities	**IFRS 9**	**IAS 39**
Accounts payable and accrued liabilities	Amortized cost	Other Financial liabilities
Convertible debt	Amortized cost	Other Financial liabilities
Notes payable	Amortized cost	Other Financial liabilities

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, did not have an impact on the carrying amounts of financial assets.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

On January 1, 2018, the Company adopted IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 18 - *Revenue* ("IAS 18"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard on August 1, 2018, using the full retrospective approach without applying any practical expedients.

IFRS 15 requires entities to recognize revenue when 'control' of goods or services transfers to the customer whereas the previous standard, IAS 18, required entities to recognize revenue when the 'risks and rewards' of the goods or services transfer to the customer. The Company concluded there is no change in the timing of revenue recognition of its revenue under IFRS 15 compared to the previous standard as the point of transfer of risks and rewards of goods and services and transfer of control occur at the same time. As such, no adjustment was required to the Company's financial statements.

Additionally, IFRS 15 requires entities to apportion the transaction price attributable to contracts from customers to distinct performance obligations on a relative standalone selling price basis. The Company has evaluated its sales agreements and concluded delivery of products are the only performance obligations in the contracts and accordingly there was no change in the amount or timing of revenue recognition under the new standard.

Changes in accounting policies not yet effective

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2018. Pronouncements that are not applicable to the Company have been excluded from this note.

The following pronouncements have been issued but are not yet effective:

In January 2016, the IASB published a new accounting standard, IFRS 16 - *Leases* ("IFRS 16") which supersedes IAS 17 - *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value.

The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company will adopt IFRS 16 effective August 1, 2019.

Upon the adoption of IFRS 16, the Company expects to record a material balance of lease assets and associated lease liabilities related to leases with a term of 12 months or more previously classified as operating leases on the consolidated statements of financial position at August 1, 2019.

Due to the recognition of additional lease assets and liabilities, a higher amount of depreciation expense and interest expense on lease assets and liabilities, respectively, will be recorded under IFRS 16 compared to the current standard. Additionally, a corresponding reduction in production costs is expected. Lastly, the Company expects a positive impact on operating cash flows with a corresponding increase in financing cash outflows under IFRS 16. The Company has not quantified these impacts. The Company is currently evaluating the impact of applying IFRS 16.

DESCRIPTION OF THE U.S. 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 year ended July 31, 2018.

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, 2018.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A 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. Statements such as those about expected number of users of medical marijuana, the Company's ability to become a leader in the field of medical and/or adult use cannabis and the Company's ability to achieve profitability without further equity financing or at all are all forward looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors". Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of the MD&A. 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 the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.