MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 AND 2021

(in Canadian Dollars, except where noted)

This Management Discussion and Analysis ("MD&A") for 1933 Industries Inc., together with its wholly-owned subsidiaries ("1933" or "the Company") is prepared as of December 27, 2022, and relates to the financial condition and results of operations for the three months ended October 31, 2022 and 2021. 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 ("financial statements") and related notes for the three months ended October 31, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB").

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, 2023 and 2022, are also referred to as "fiscal 2023" and "fiscal 2022", 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 under the symbol "TGIF" and quoted on the OTCQB under the symbol "TGIFF". Continuous disclosure materials are available on the Company's 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.

OUTLOOK AND THE PATH FORWARD

1933 Industries is a licensed cannabis operator with cultivation, production, manufacturing, and distribution assets based in Las Vegas, Nevada. The Company operates two subsidiaries that combined, produce a full-range of cannabis and hemp-based products. The Company cultivates and produces its own branded cannabis products in a purpose-built, indoor cultivation facility under perpetual harvest cycle. Its craft-style flower cultivation is supported by an integrated production facility, focused on high-quality, in-demand strains, and concentrate products that are sold directly to licensed dispensaries in the State of Nevada. The Company's brand of cannabis flower, pre-rolls and extraction products have strong wholesale penetration in dispensaries in Las Vegas, while its ultra-craft, select-batch premium brand offers unique, exotic strains that appeal to cannabis connoisseurs. The Company also manufactures a proprietary line of hemp-infused wellness products for sale across the United States, offering a variety of effects-based cannabinoid-infused products and form factors that appeal to a wide range of consumers.

The Company holds cannabis licenses for cultivation, processing, and distribution in Nevada's limited license regime. The Company's revenue is derived from wholesale cannabis sales in Nevada, and from the sale of hemp-derived consumer packaged goods sold B2B and direct to consumers via ecommerce at cannahemp.com.

During Q1 2023, the Company achieved the highest quarterly revenue in the history of the Company. The Company recorded a 129% increase in revenue compared to the same period in fiscal 2022 and a 116% increase compared to Q4 2022. The Company succeeded in driving top line revenue by focusing on improving the quality and yield of its flower and by scaling up its cultivation and production operations, resulting in higher output. The appointments of a more experienced cultivation, production, and sales leadership a year ago have demonstrated measurable operational results today and have laid out a strong foundation for continued performance going forward. Strategic relationships with wholesale dispensaries, higher volume and improved quality of cannabis products and a disciplined approach to reducing expenses have led to a strong quarterly performance. Competitive wholesale flower pricing pressure continues to impact producers in Nevada, but the Company projects increased demand in calendar 2023 as consumption lounges open and provide a safe, legal place for tourists to consume cannabis. On November 30, 3022, the CCB issued 40 cannabis consumption lounge prospective licenses. Many consumption lounges project to be open for business in the second calendar quarter of 2023.

The Company posted a 224% increase in gross margin compared to Q1 2023, excluding $1.3 million in fair value adjustments. Without the fair value adjustments, the Company was profitable in the reporting quarter, with positive adjusted EBITDA, compared to an adjusted EBITDA loss in Q1 2022. Lowering expenses and achieving profitability have been key priorities for the Company's management team and realizing these goals will continue to be a focus in fiscal 2023

The Company's hemp-infused consumer packaged goods recorded comparable revenues to Q1 2022 with positive gross margins. Overall, demand for hemp-infused products remains soft due to decreased wholesale demand in dispensaries and brick and mortar accounts, macro-economic headwinds, and increased competition due to low barrier to entry for hemp-infused products. The Company's online sales have remained steady, as the Company continues to focus on increasing site traffic and conversions on e-commerce and introduces new in-demand cannabinoids in new formulas and form factors. The Company has responded to changing consumer trends by introducing products containing CBG and CBN to support outcomes such as relief and sleep management. The Company will continue to offer new and updated formulations, including CBG and CBN to differentiate its brand and capture market share.

COMPANY OVERVIEW AND DESCRIPTION OF THE BUSINESS

1933 Industries Inc. is a brand-focused cannabis company with operations in the United States, with cultivation, extraction and manufacturing facilities based in Las Vegas, Nevada. Operating through two subsidiary companies, the Company owns leading cannabis brands as well as licensed cannabis cultivation, extraction, processing, manufacturing and distribution assets. The Company owns 91% of Alternative Medicine Association LC ("AMA"), 100% of AMA Production LLC, and 100% of Infused MFG. ("Infused").

In Nevada, the Company operates two subsidiaries: AMA, a licensed cannabis cultivator, extractor, product manufacturer, and distributor; and Infused, a manufacturer of hemp-extracted wellness products.

The Company operates in three sought-after verticals:

- Craft cannabis flower cultivation;
- Extraction of cannabis concentrates and;
- Manufacturing of proprietary cannabinoid branded goods, focusing on CBD, CBG and CBN.

AMA's wholesale cannabis products include premium craft-style cannabis, infused pre-rolls, full spectrum oils, high quality distillates, proprietary blends of terpenes, vaporizer products and boutique concentrates such as shatter, crumble, batter, sugar wax, diamonds, and cured and live resins, sold under the AMA brand and the Company's premium brand, Level X. AMA cultivates its own cannabis plants and wholesales its products to regulated medical and adult-use dispensaries in the state. With an extensive selection of products, the AMA brand has strong penetration into dispensaries throughout Nevada, where it appeals to a wide range of both medical and recreational consumers. The AMA brand combines craft style cultivation, high quality and competitive pricing, while the Level X brand offers exclusive strains and premium quality.

Cannabis flower is cultivated in the Company's 67,000 sq. ft., purpose-built, state-of-the-art facility, serving the Las Vegas market. Biomass (remaining parts of the plant that contain THC such as sugar leaf trim and popcorn/small buds) is utilized to produce AMA's extensive line of concentrates. During the reporting period, the Company increased the production and sale of concentrate and vape products by 34% from the previous 2021. The Company continues to build its inventory and improve its plant genetics with the introduction of new cultivars to achieve the desired quality of flower that is in demand in the market. The Company anticipates continued demand for its cannabis flower and cannabis products as it increases yields and develops new strains in fiscal 2023.

Infused develops proprietary formulations for its Canna Hemp™ line of wellness products. With over 65 products in its portfolio, Infused manufactures and distributes products in a variety of verticals and consumption formats, including: effects-based tinctures, lotions, creams, vape pens and cartridges, gummies, and capsules for Sleep, Relief, Calm, Focus, Energy and exercise recovery. High-grade CBD and a proprietary blend of cannabis terpenes formulated for specific effects are key differentiators for the Canna Hemp™ line. The Company recently introduced previously untapped cannabinoids Cannabigerol (CBG) and Cannabinol (CBN) to its portfolio of products.

Infused distributes its branded products through wholesale and retail channels in Nevada and across the US via its e-commerce platform at cannahemp.com. The Company is focusing on increasing marketing efforts by strengthening its e-commerce business and by working in conjunction with dispensaries and specialized distributors to increase brand awareness and promote its products.

The Company abides by strict quality assurance standards, implementing required policies and procedures and adhering to licensing requirements set by regulators across all levels of government in order to ensure the safety, consistency and quality of its products.

The Company's common shares are listed for trading on the Canadian Securities Exchange under the symbol "TGIF". The Company's common shares also trade on the OTC Markets under the symbol "TGIFF".

The Company's head office is located at #300-1055 West Hastings Street, Vancouver, BC V6E 2E9. The head office of operations is located at 3370 Pinks Place, Suite C, Las Vegas, Nevada 89102.

AMA – Cultivation and Extraction Segment

AMA's business involves the growing of cannabis indoors for personal medicinal and recreational use and the production of premium, boutique concentrates for the Nevada market. 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 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 (which has approximately 3.0 million residents) and the recreational cannabis consumers, including those who visit Las Vegas each year (about 42.9 million visitors pre-Covid-19 pandemic). The Company is an established wholesale supplier of unique branded flower and extraction products to licensed dispensaries and cannabis stores. As its branded image and reputation is well established, the Company may license or acquire other cannabis businesses in the United States 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 products that have wide appeal to a growing and varied consumer base.

The Company has developed a comprehensive marketing program to create visibility and awareness in the market for its products. AMA markets its products locally, via social media, in-store programs, as well as via targeted marketing campaigns in conjunction with dispensaries and educational programs targeting budtenders and consumers.

CBD Products Segment

The Company, through Infused, is focused on developing, formulating, and producing CBD, CBG and CBN infused products and brands for retail sale and use in jurisdictions where permitted by law and regulation in the US.

Cannabinoids, as utilized by Infused, are extracted from industrial hemp, sourced from legal suppliers in the United States. Infused manufactures and distributes its products under the following brands:

1. Canna Hemp™ - a wellness line of CBD products that include tinctures, lotions, creams, vape pens and cartridges, gummies, and capsules;

2. Canna Hemp X™- a sports line of products targeting the action sports vertical, including pre and post workout tinctures, and recovery creams;

3. Canna Hemp™ CBG and CBN Natural Line; expansion of hemp-derived cannabinoids;

4. Canna Hemp™ HEMP, a line of products containing hemp-seed oil and free of CBD.

The Canna Hemp™ line is marketed through a variety of brick-and-mortar retail outlets, and retail dispensaries in Nevada and Arizona under its various brands, and direct to consumers via its e-commerce platforms. The Canna Hemp™ line has a robust social media outreach and educational programs. The Company believes that its success in the market is achieved by offering a broad range of premium quality products with wide-range appeal at competitive prices and delivered through outstanding client service under a well identified brand.

Combined the AMA and Canna Hemp™ brands offer over 100 different products. The Company has been focused on cultivating craft flower delivered to customers at competitive prices with an extensive line of news strains, and top-tier ultra-craft line branded as Level X. The Company believes that carrying a consistent base of high-quality strains and cannabis products, including CBD products and hemp-based products, is essential to its long-term success.

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, 2022 and 2021.

(In Canadian dollars, except where noted)

Q1 2023 CONSOLIDATED OPERATING FINANCIAL HIGHLIGHTS

- Total revenues were $5.6 million for Q1 2023 and $2.5 million for Q1 2022.

- Expenses were $1.4 million for Q1 2023 and $1.9 million for Q1 2022. The decrease was primarily due to refunds from the Internal Revenue Service ("IRS") (2021 - $nil (USD$nil) related to the CARES act that was enacted on December 27, 2020. In the CARES act there was the Employee Retention Credit created to help encourage business keep employees on their payroll during the COVID pandemic. It is the priority of the Company's executive management to continue to reduce costs, with the goal of maintaining consistent profitability in the near future.

- Gross margin was $0.7 million or 13% for Q1 2023 and $1.1 million or 45% for Q1 2022. The decrease was due primarily to decrease in fair value adjustments on biological assets.

- Net loss was $1.2 million for Q1 2023 and $0.9 million for Q1 2022. The increase was due primarily to the to decrease in fair value adjustments on biological assets which was partially offset by the refunds from the IRS as noted above.

- Adjusted EBITDA was $0.1 million for Q1 2023 and loss of $0.3 million for Q1 2022.

Q1 2023 KEY DEVELOPMENTS

- On September 9, 2022, the Company obtained a line of credit of up to $1,282,400 (USD$1,000,000) (the "Loan"), provided by Mr. Paul Rosen, Chairman and CEO of the Company. The Company agreed to provide Mr. Rosen (the "Lender") senior first priority security interests in all of its assets as collateral for the Loan. Withdrawals from the line of credit must be approved by the Lender and must include the requested amount and the use of the funds (the "Principal"). Interest on the Principal will commence to accrue on the date of each withdrawal, with an interest rate of 11% per annum accrued until the Principal is paid in full. The Loan has a one-year term (the "Maturity Date"). The Principal, together with all accrued interest and fees is due and payable on or before the Maturity Date. However, a minimum interest rate of 2% of the Principal will be paid in the event that the Loan is paid back prior to the end of the term.

- On September 27, 2022, the Company completed the sale of a building for net proceeds of USD$2.43 million after selling costs. Proceeds from the sale will be used for general working capital.

- The Company issued 917,043 common shares pursuant to the conversion of $36,000 of convertible debentures and interest payable on the convertible debentures of $9,852.

DEVELOPMENTS SUBSEQUENT TO OCTOBER 31, 2022

- On November 22, 2022, convertible debentures of $100,000 and interest payable on the convertible debentures of $28,917 were converted into 2,578,333 common shares of the Company.

REVIEW OF QUARTERLY RESULTS

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
	$	$	$	$
Revenue	**5,636,070**	2,607,511	4,256,280	3,208,082
Net loss	**(1,166,851)**	(3,921,644)	(12,375,391)	(819,814)
Basic / diluted loss per share	**(0.00)**	(0.01)	(0.03)	(0.00)
Number of weighted average shares	**451,045,719**	450,699,319	450,699,319	450,699,319

	Q1 2022	Q4 2021	Q3 2021	Q2 2021
	$	$	$	$
Revenue	2,466,064	2,510,169	3,370,510	3,406,826
Net (loss) income	(948,825)	(2,642,456)	582,673	(1,409,063)
Basic / diluted (loss) income per share	(0.00)	(0.01)	0.00	(0.00)
Number of weighted average shares	450,640,574	449,723,437	365,763,894	339,996,131

(In Canadian dollars, except where noted)

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.

SUMMARY OF RESULTS

Results of Operations	**Q1 2023**	Q1 2022
	$	$
Revenues	**5,636,070**	2,466,064
Gross margin	**745,727**	1,103,102
General and administration	**(347,676)**	(371,176)
License fees, taxes, and insurance	**(761,650)**	(506,236)
Management and consulting fees	**(128,000)**	(107,000)
Professional fees	**(317,213)**	(213,761)
Share-based compensation	**(116,913)**	(17,895)
Wages and benefits	**(186,434)**	(289,946)
Other expenses	**(54,692)**	(545,913)
Net loss for the period	**(1,166,851)**	(948,825)
Translation adjustment	**741,946**	(171,925)
Comprehensive loss	**(424,905)**	(1,120,750)
Basic and diluted loss per share	**(0.00)**	0.00

Review of Consolidated Financial Information for Q1 2023 compared to Q1 2022

Revenues

The Company recorded revenues of $5,636,070, compared to $2,466,064 during Q1 2022. The increase in revenues for the quarter as compared to Q1 2022 was primarily due to an increase in AMA revenues as cannabis sales continued to normalize to pre-pandemic levels with the full return of tourism to the state of Nevada.

Gross margin

Gross margin was a loss of $745,727 (13%), compared to $1,103,102 (45%) during Q1 2022. The decline in margins resulted from a net realizable value adjustment related to certain AMA inventories.

General and administration expenses

General and administration expenses ("G&A") were $347,676, compared to $371,176 during Q1 2022. The balance is consistent period over period based on the level of operations of the Company.

License fees, taxes, and insurance

License fees, taxes, and insurance were $761,650, compared to $506,236 during Q1 2022. This increase is due to an increase in cannabis transferred to production due to timing of harvest, which increased state taxes payable to the state of Nevada related to AMA sales.

Management and consulting fees

Management and consulting fees were $128,000, compared to $107,000 during Q1 2022. The balance is consistent period over period based on the level of operations of the Company.

Professional fees

Professional fees were $317,213, compared to $213,761 during Q1 2022. This change over the prior period is due to the timing and the annual cost is expected to remain consistent year over year. It is the priority of the Company's executive management to continue to reduce costs, with the goal of reaching consistent profitability in the near future.

Share-based compensation

Share-based payments, a non-cash expense, were $116,913, compared to $17,895 during Q1 2022. This change over the prior period is due to the timing of vesting of previously issued stock options and new stock options issued during the quarter. During Q1 2022, the Company issued 13,490,000 stock options to various directors, employee and consultants of the Company.

Wages and benefits

Wages and benefits were $186,434, compared to $289,946, during Q1 2022. The Company continues to make strategic cost reductions. It is the priority of the Company's executive management to continue to reduce costs, with the goal of reaching consistent profitability in the near future.

Other expenses

Other expenses were $54,692, compared to other expenses of $545,913 during Q1 2022. The components of other expenses include accretion expense, depreciation, foreign exchange gain, gain on change in fair value of warrant liability, gain on disposal of assets held for sale, interest expense, interest income, other income, foreign exchange gains and losses and income tax expense. This decrease over the prior year is primarily driven due to refunds received from the IRS during Q1 2023 related to the CARES act that was enacted on December 27, 2020. In the CARES act there was the Employee Retention Credit created to help encourage business keep employees on their payroll during the COVID pandemic.

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, the Company had an unrealized foreign exchange gain of $741,946, compared to a loss of $171,925 during Q1 2022, due to the favorable movement in the Canadian dollar against the U.S. dollar. This amount is recorded in other comprehensive income (loss).

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

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

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

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

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.

(In Canadian dollars, except where noted)

Liquidity related information as at October 31, 2022 and July 31, 2022 is summarized below:

	October 31, 2022	July 31, 2022
Cash	**3,316,477**	363,274
Liquid assets (1)	**10,782,884**	7,567,941
Quick ratio (2)	**2.57**	0.87
Working capital	**8,251,995**	3,676,278
Working capital ratio (3)	**2.97**	1.42
Convertible debentures	**4,620,292**	4,574,279

(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.

As at October 31, 2022, liquid assets, quick ratio, working capital and the working capital ratio increased as compared July 31, 2022 due primarily to the proceeds from assets held for sale.

Cash flow

Net cash provided by (used in)	**Q1 2023**	Q1 2022
	$	$
Operating activities	**(10,826)**	(1,117,526)
Investing activities	**-**	(8,616)
Financing activities	**2,990,940**	(103,962)
Effect of exchange rate changes on cash	**(26,911)**	(12,793)
Cash, beginning or period	**363,274**	4,405,849
Cash, end of period	**3,316,477**	3,162,952

Review of cash flows in Q1 2023 compared to Q1 2022:

Cash used in operating activities was $10,826, compared to $1,117,526 during Q1 2022:

- Net loss was $1,166,851, compared to net loss of $948,825 during Q1 2022. Included in net loss are non-cash items of $3,368,012, compared to $60,443 included in net loss for Q1 2022.
- Movements in receivables decreased cash by $696,477, compared to decreasing cash by $352,219 during Q1 2022 as a result of the timing of collection of receivables.
- Movements in inventory decreased cash by $446,931, compared to decreasing cash by $356,377 during Q1 2022 as a result of the timing of harvests and subsequent sales of inventory.
- Movements in biological assets decreased cash by $1,150,300, compared to increasing cash by $63,721 during Q1 2022.
- Movements in prepaid expenses and deposits increased cash by $123,225, compared to decreasing cash by $35,993 during Q1 2022 as a result of timing of payments related to these categories.
- Movements in accounts payable and accrued liabilities decreased cash by $499,700, compared to increasing cash by $457,912 during Q1 2022 as a result of the timing of payments of outstanding payables.
- Movements in income taxes payable increased cash by $508,459, compared to $114,698 during Q1 2022.

Cash used in investing activities was $8,616 during Q1 2023, compared to cash used by investing activities of $nil during Q1 2022 related to the purchase of property and equipment.

(In Canadian dollars, except where noted)

Cash provided by financing activities was $2,990,940, compared to cash used in financing activities of $103,962 during Q1 2022:

- Cash raised from the sale of assets held for sale raised $3,134,818, compared to $nil in Q1 2022.
- Lease principal repayment related to lease payments on the Company's facilities provided a decrease in cash of $143,878 during Q1 2023, compared to $103,962 during Q1 2022.

Capital Resources

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

	October 31, 2022	July 31, 2022
	$	$
Equity	**7,260,585**	7,522,725
Convertible debentures	**4,620,292**	4,574,279
	11,880,877	12,097,004
Less: cash	**(3,316,477)**	(363,274)
	8,564,400	11,733,730

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. The Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation and securing additional financing.

Dividends

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

Outstanding share data

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

Type of Security	**At October 31, 2022**	**At the date of this MD&A**
Common Shares	451,616,362	454,194,695
Stock Options	24,540,000	24,540,000
Warrants	48,745,929	48,745,929
Agent Options	3,153,214	3,153,214
Convertible debentures - $0.05 conversion(1)	$3,635,000	$3,535,000

(1) On August 24, 2022, debenture holders approved the amendment of the conversion price applicable to the convertible debentures to $0.05 per share being the lowest price at which the Company is permitted to amend the conversion price, the reduction of the price per share for interest payments on the Debentures from $0.10 to $0.05 per share.

(In Canadian dollars, except where noted)

As at October 31, 2022, the Company has issued various warrants and stock options as summarized below:

Description of security	Number	Exercise price ($)	Proceeds if exercised ($)	Expiry date
Stock options	11,050,000	0.10	1,105,000	8-Nov-25
Stock options	13,490,000	0.05	674,500	24-Aug-27
	24,540,000	**0.07**	**1,802,000**	
Warrants	45,045,929	0.16	7,207,349	4-Mar-23
Warrants	3,700,000	0.075	277,500	13-Jun-24
	48,745,929	**0.15**	**7,484,849**	
Agent Options	3,153,214	0.11	346,854	4-Mar-23
	3,153,214	**0.11**	**346,854**	

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, the Company's method for calculating Adjusted EBITDA may differ from that used by other companies using the same designation. Accordingly, we caution readers that Adjusted EBITDA should not be substituted for determining net income (loss) as an indicator of operating results or as a substitute for cash flows from operating and investing activities. Management believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, presentation of these measures is to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

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

	Q1 2023	Q1 2022
	$	$
Net loss for the period	**(1,166,851)**	(948,825)
Add:		
Interest expense	**431,517**	421,360
Accretion expense	**-**	10,434
Depreciation expense	**140,929**	80,460
Income tax expense	**508,459**	114,698
EBITDA loss	**(85,946)**	(321,873)
Share-based compensation expense	**116,913**	17,895
Adjusted EBITDA income (loss)	**30,967**	(303,978)

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.

(In Canadian dollars, except where noted)

Key management personnel compensation for the three months ended October 31, 2022 and 2021, was as follows:

	2022	2021
	$	$
Management and consulting fees	**98,000**	87,000
Wages and benefits	**-**	48,350
Directors’ fees included in general and administration expense	**29,422**	22,374
Share-based compensation	**71,193**	8,784
	198,615	166,508

As at October 31, 2022, $nil (July 31, 2022 - $208,903) was included in receivables from companies related to a Director of the Company.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of October 31, 2022. The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in note 3 to the audited consolidated financial statements for the years ended July 31, 2022 and 2021.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Company’s management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

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. The Company has identified the continued operating losses of AMA as an indicator of impairment.

As a result of these impairment indicators, the Company assessed the goodwill associated with the AMA CGU for impairment and concluded the recoverable value of the AMA CGU was more than its carrying value and no impairment 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.

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 note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement 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.

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.

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 CGU may be impaired, thereby requiring adjustment to the carrying value. The Company has identified the continued operating losses of AMA as an indicator of impairment.

As a result of these impairment indicators, the Company assessed the goodwill associated with the AMA CGU for impairment and concluded the recoverable value of the CGU was more than its carrying value and no impairment was required.

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.

Provisions of the Internal Revenue Code, Section 280E, are being applied by the Internal Revenue Service to businesses operating in the medical and adult-use marijuana industry. Section 280E of the Internal Revenue Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. In addition, cases before the federal courts have resulted in the denial of the application of non-capital losses where Section 280E of the Tax Code applies. This is an uncertain tax position and management will review the applicable case law and make a final determination on the utilization of the non-capital losses. Changes in Section 280E or applicable case law related to the application of non-capital losses could significantly affect the current income tax expense.

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.

<u>Equity-settled share-based payments</u>

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

<u>Contingencies</u>

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.

<u>Leases</u>

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. When it is reasonably certain that the extension or early termination options will be exercised, the Company determines that the term of its leases are the lesser of original lease term, the original lease term plus the extension option, or the remaining lease term assuming exercise of the early termination option. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

Incremental borrowing rate
When the Company recognizes a lease, the future lease payments are discounted using the Company's incremental borrowing rate. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the consolidated statement of loss and comprehensive loss.

FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Board approves and monitors the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration activities, and limited exposure to credit and market risks. There were no changes to the objectives or the process from the prior period.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet an obligation under contract. Credit risk primarily arises from the Company's cash and receivables. The risk exposure is limited to their carrying amounts at the statement of financial position date.

Cash is held as cash deposits on hand and deposits with financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the credit quality of its financial institutions and is satisfied with the credit ratings of its banks.

Receivable primarily consists of trade receivables and GST credits. The objective of managing counterparty credit risk is to minimize potential losses in trade receivables. The Company assesses the quality of its customers, taking into account their credit worthiness and reputation, past performance and other factors. The Company does not expect significant credit losses as the Company has not had bad debts in its history due to the regulated nature of the industry.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of assets, liabilities and cash flows.

Currency Risk

The Company has administration in Canada and operations in the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar and Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currency other than the U.S. dollar.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any cash flow interest rate volatility as its convertible debentures are carried at a fixed interest rate throughout their term.

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, 2022.