1933 INDUSTRIES

MANAGEMENT DISCUSSIONS AND ANALYSIS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019

(in Canadian Dollars, except where noted)

The following Management's Discussion and Analysis ("MD&A") for 1933 Industries Inc., together with its wholly-owned subsidiaries ("1933" or "the Company") is prepared as of December 29, 2020, and relates to the financial condition and results of operations for the three months ended October 31, 2020 and 2019. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements ("consolidated financial statements") and related notes for the three months ended October 31, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP").

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended July 31, 2021 and 2020, are also referred to as "fiscal 2021" and "fiscal 2020", 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 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

Under a new management team, the Company has set as key priorities the goals of achieving profitability, becoming cash-flow positive and building shareholder value.

Over the reporting period, the Company put in place a restructuring plan to improve and streamline operations across all departments in an effort to right-size costs, improve the balance sheet and drive revenue. In order to improve the overall performance of the business, the Company discontinued all projects which did not demonstrate an immediate and satisfactory return on investment. With a marked improvement over its performance over the previous quarter, the Company continues to position itself as a leading supplier of craft cannabis flower to the Nevada market and as an innovative manufacturer of high-quality hemp and CBD wellness products.

During Q1 2021, the Company began to scale up production of saleable cannabis flower from its cultivation facility, while continuing to improve the Company's plant genetics and cultivation quality and consistency. Management expects that the availability of high-quality cannabis flower cultivated in-house will increase demand for the Company's products and have a positive impact on the Company's gross margins going forward. The Company anticipates increasing the volume of cannabis flower produced each month and is scheduled to reach full output capacity by March 2021. The Company is looking to grow its market share in its core market of Nevada, where it is well-positioned to take advantage of a large addressable consumer market, a limited licensing regime and attractive cannabis flower pricing. The Company also continued efforts to build both online and retail distribution of its Canna Hemp™ branded products. Management expects that the benefits of these operational efficiencies and expanded sales networks will result in substantial improvements that will be realized in fiscal 2021.

In light of the continuing COVID-19 pandemic, the Company continues to adapt its business strategies to meet the challenges of the economic conditions. All of these noted efforts will continue as management maintains a keen eye on fiscal responsibility.

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, 2020 and 2019.

DESCRIPTION OF THE BUSINESS

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

On October 31, 2020, the Company owned 91% of both Alternative Medicine Association LLC ("AMA") and AMA Production LLC, and 100% of Infused MFG. ("Infused"). On November 4, 2020, the Company purchased the remaining 9% interest in AMA Production LLC thereby resulting in the Company's 100% ownership of the subsidiary.

In Nevada, the Company is vertically integrated with cultivation, extraction, production, manufacturing, sales and distribution. The Company is divided into two divisions: AMA, a licensed cannabis cultivator, and Infused, a manufacturer of CBD infused wellness products. 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. AMA cultivates its own cannabis plants and wholesales its products to regulated medical and adult-use dispensaries in the state.

The Company's move to a new 67,000 sq. ft., purpose-built, state-of-the-art facility, served to increase the production of biomass for concentrates as well as to initiate the cultivation of premium smokable flower and pre-rolls, which make up the largest portion of cannabis sales in Nevada. During fiscal 2019 and fiscal 2020, the Company struggled to attain production of high-quality flower due to delays in construction and operations of the new facility and issues with some of its plant genetics. Having addressed these issues, during the reporting period, AMA successfully launched smokable flower and pre-rolls, and continues to build its inventory and improve its plant genetics in order to achieve the desired quality of flower that is in demand in the market. The Company anticipates significant increases in demand for its cannabis flower as it continues to ramp up cultivation in fiscal 2021.

Infused develops proprietary formulations for its Canna Hemp™ line of CBD infused wellness products. It manufactures and distributes products under five distinct brands in a variety of verticals and consumption formats, including: tinctures, lotions, creams, vape pens and cartridges, lip balms, and capsules. Infused distributes its branded products through wholesale and retail channels in Nevada and across the US and its actively opening accounts in brick and mortar stores, online marketplaces and expanding its e-commerce platform. The Company is focusing on increasing marketing efforts by adding more sales representatives and brand ambassadors in multiple states, and by working in conjunction with dispensaries and specialized distributors to increase brand awareness and promote its products.

With over 100 products in its portfolio, the Company delivers a wide range of high-quality product offerings to a growing number of medical and recreational customers in a variety of formats that meet the changing needs of consumers. High-grade CBD and a proprietary blend of cannabis terpenes are key differentiators for the Canna Hemp™ line. 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.

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

The Company's business model is based on servicing the existing medicinal cannabis patient base in Nevada (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). The Company is an established wholesale supplier of unique branded flower and extraction products as well as several third-party brands to licensed dispensaries and cannabis stores. As this branded image and reputation is 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 brands that have wide appeal to a growing and varied consumer base. The Company markets its products via active marketing campaigns, educational programs, and an e-commerce platform. The Company has built its own distribution channels to dispensaries in Nevada and continues to build market share as it increases flower and concentrate production and adds new brands to its portfolio of products.

<u>CBD-Infused Products Segment</u>

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

CBD, as utilized by Infused, is extracted from industrial hemp, sourced from legal suppliers in the United States. Infused manufactures and distributes its products under five distinct brands:

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

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

3. Canna Hemp™ PLUS – selected products offered as 'extra strength', containing double the amount of CBD as its regular counterparts;

4. Canna Fused™- products with both CBD and THC concentrates. These are blended in pre-determined ratios and are considered controlled substances and are only distributed through legal retail dispensaries;

5. Canna Hemp™ HEMP, a line of products containing hemp-seed oil and free of CBD. These products are distributed via online marketplaces such as Amazon.com, Walmart.com and others.

The Canna Hemp™ portfolio of products are marketed direct to consumers online via its e-commerce website, and through a variety of brick and mortar retail outlets, such as health food stores, vape storefronts and retail dispensaries under its various brands. The Company has expanded its online sales and marketing through several platforms including Amazon.com and Walmart.com with others going live in Q2 2021.

Like other licensed operators, the Company has developed a comprehensive marketing program to create visibility and awareness in the market for its products. As a wholesaler of cannabis products to regulated dispensaries in Nevada, AMA markets its products locally, via social media, in-store programs, as well as via targeted marketing campaigns in conjunction with dispensaries.

The Canna Hemp™ line is marketed in conjunction with distributor partners, via its e-commerce platforms and through a robust social media outreach and education program. The Company believes that its success in the market has been 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.

AMA currently offers over 100 different cannabis products including flower, pre-rolls and many forms of concentrates. The Company has been focused on cultivating craft flower that commands a premium in the market with an extensive line of news strains soon to be introduced. 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.

Strategy and Outlook

During the reporting period, revenues increased by 13% from the previous quarter. However, the impact from the severe loss of tourism in Las Vegas due to COVID-19 continues to have an effect on sales across its product lines.

The Company will continue to monitor local developments related to COVID-19 and assess operations as the situation evolves.

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

The Company’s focus has been to bring its assets into continuous production, develop premium strains, expand its extractions capacities, expand distribution for its CBD line, and improve margins.

The Company has continued to minimize non-revenue generating costs and is carefully managing its cash position. While reorganizing nearly every operating area to reduce expenses, the Company also terminated certain previous branding deals and partnerships which had been reducing the Company’s cash position while providing little prospects for meaningful profits in the future and has temporarily postponed expenditures into the Company’s expansion projects in Nevada. Given the current economic uncertainty, the Company does not feel it is prudent to allocate the significant capital investment necessary to complete the hemp extraction lab at this time. The decisions will be re-assessed if, and when, market conditions change.

Q1 2021 CONSOLIDATED OPERATING FINANCIAL HIGHLIGHTS

- Total revenues were $2.7 million for Q1 2021 and $3.9 million for Q1 2020.
- Expenses were $3.5 million for Q1 2021 and $5.9 million for Q1 2020.
- Gross margin was $0.7 million or 27% for Q1 2021 and $2.1 million or 54% for Q1 2020.
- Net loss from continuing operations attributable to shareholders of the Company was $2.8 million or $0.01 per share for Q1 2021 and $3.8 million or $0.01 per share for Q1 2020.
- Adjusted EBITDA loss was $1.4 million for Q1 2021 and $1.8 million for Q1 2020.

Q1 2021 CONSOLIDATED BALANCE SHEET FINANCIAL HIGHLIGHTS

- Cash at October 31, 2020 was $2.0 million, compared to $2.8 million at July 31, 2020, a decrease of 29%.
- Total assets at October 31, 2020 were $45.4 million, compared to $46.6 million at July 31, 2020, a decrease of 3%.
- Working capital at October 31, 2020 was a deficiency of $5.0 million, compared to working capital surplus of $6.1 million at July 31, 2020, a decrease of 182%, primarily due to the reclassification of $10.0 million convertible debentures to current liabilities as they mature on September 14, 2021.

Q1 2021 KEY DEVELOPMENTS

Product Expansion

- The Company entered into two licensing agreements during the reporting period. Five Star Extracts and Orchid Ventures Inc. joined the company's select roster of licensed partners in Nevada.
- The Company introduced Canna Hemp™ Plus, a new line of extra strength products to its extensive wellness portfolio and announced distribution via CBD Plus.

Corporate Developments

- The Company announced that its Chief Executive Officer, Mr. Paul Rosen, has been appointed to the Board of Directors.

Financing Activities

- Pursuant to the closure of a private placement, the Company issued 10,510,040 Units at a price of $0.075 per Unit for gross proceeds of $788,253. Each Unit consists of one common share and one-half share purchase warrants. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.125 exercisable in whole or in part until September 4, 2022. The warrant is subject to an accelerated expiry if the closing price of the Company's common shares exceeds $0.25 per share for a period of 10 consecutive trading days. The Company issued 40,250 warrants and paid $6,037 as finder's fee in connection with the closing. All securities issued in connection with the private placement are subject to a regulatory hold period expiring on January 5, 2021. The net proceeds of the Offering will be used for general working capital.

DEVELOPMENTS SUBSEQUENT TO OCTOBER 31, 2020

Corporate Developments

- The Company signed a Membership Interest Purchase Definitive Agreement among the Company, its subsidiary FN Pharmaceuticals, E. Mark Zobrist and Linmark Enterprises Corp., to purchase the remaining 9% interest in AMA Production LLC, thereby resulting in the Company's 100% ownership of the subsidiary which contains the property located in Las Vegas, Nevada. In consideration of the acquisition of the remaining 9%, the Company will issue, in the aggregate, 3,700,000 non-transferable share purchase warrants, exercisable at a price of $0.075 per share expiring on June 13, 2024. The warrants, and any shares exercised pursuant to the warrants, will be subject to a four month and one day hold period as required by applicable securities laws in Canada and such additional restrictions as may be applicable pursuant to U.S. securities laws. In addition, as part of the transaction, a total of 1,650,000 outstanding warrants and 2,050,000 options will be cancelled, and the operating agreement for AMA will be amended to concede complete managerial control of AMA to the Company.

Financing Activities

- Pursuant to the closure of a private placement, the Company issued 13,920,000 Units at a price of $0.066 (USD$0.05) per Unit for gross proceeds of $918,720 (USD$696,000). Each Unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.106 (USD$0.08) per Unit until November 2, 2023. All securities issued in connection with the private placement are subject to a regulatory hold period expiring on March 4, 2021. The net proceeds of the Offering will be used for general working capital.
- The Company issued 10,869,531 common shares pursuant to the conversion of $998,000 of convertible debentures and interest payable on the convertible debentures of $88,953.

REVIEW OF QUARTERLY RESULTS

Amounts presented in thousands except per share amounts:

		Q1 2021		Q4 2020		Q3 2020		Q2 2020
Revenues	**$**	**2,687,516**	$	2,388,010	$	2,554,067	$	3,139,265
Net loss	**$**	**(2,818,577)**	$	(7,236,277)	$	(4,729,687)	$	(6,421,360)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.03)	$	(0.02)	$	(0.02)
Number of weighted average shares		**320,970,618**		286,550,173		285,478,539		285,478,539

		Q1 2020		Q4 2019		Q3 2019		Q2 2019
Revenues	$	3,881,183	$	5,244,946	$	4,597,361	$	3,720,993
Net loss	$	(3,816,298)	$	(5,688,422)	$	(7,277,021)	$	(3,086,938)
Basic and diluted loss per share	$	(0.01)	$	(0.02)	$	(0.03)	$	(0.01)
Number of weighted average shares		284,779,959		278,109,966		245,861,993		238,522,578

(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

Review of Consolidated Financial Information for Q1 2021 compared to Q1 2020

Results of Operations		**Q1 2021**		Q1 2020
Revenues	**$**	**2,687,516**	$	3,881,183
Gross margin		**728,700**		2,085,104
General and administration		**(1,228,567)**		(2,337,219)
Management and consulting fees		**(79,505)**		(367,028)
Wages and benefits		**(566,139)**		(980,655)
Professional fees		**(211,042)**		(228,134)
Share-based compensation		**(253,682)**		(554,594)
Other expenses		**(1,205,752)**		(1,433,772)
Loss from continuing operations		**(2,815,987)**		(3,816,298)
Loss from discontinued operations		**(2,590)**		-
Net loss		**(2,818,577)**		(3,816,298)
Foreign currency translation adjustment		**(110,086)**		(146,002)
Comprehensive loss		**(2,929,123)**		(3,962,300)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.01)

Revenues

The Company recorded revenues of $2,687,516 compared to $3,881,183 during Q1 2020. The decrease in revenues for the quarter as compared to Q1 2020 was primarily due to the effect of the COVID-19 pandemic, which lowered the demand for the Company’s cannabis and CBD products.

Gross margin

Gross margin was $728,700 (27%), compared to $2,085,104 (54%) during Q1 2020. The decrease in the gross margin percentage from the prior year is primarily due to increased allocation of general and administrative charges to inventories and inventory expensed to cost of sales. The Company’s enhanced ability to produce saleable flower and biomass from its cultivation facility is expected to substantially improve realized gross margins going forward.

General and administration expenses

General and administration expenses ("G&A") were $1,228,567, compared to $2,337,219 during Q1 2020. This change over the prior year is primarily driven by decreased advertising, investor relations, office expense, and travel and entertainment. Offsetting these decreases was an increase in license fees, taxes, and insurance. The key driver for the decrease in G&A is the Company making strategic reductions. It is the priority of the Company's executive management to continue to reduce costs, with the goal of reaching profitability in the near future.

Management and consulting fees

Management and consulting fees were $79,505, compared to $367,028 during Q1 2020. This change as compared to prior year is primarily due to the Company making strategic reductions in its management personnel and outside consultants. It is the priority of the Company's newly appointed executive management to continue to reduce costs, with the goal of reaching profitability in the near future.

Wages and benefits

Wages and benefits were $566,139, compared to $980,655 during Q1 2020. During fiscal 2020, the Company experienced 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. The expense was reduced in Q1 2021 as the Company continues to reduce costs, with the goal of reaching profitability in the near future.

Professional fees

Professional fees were $211,042, compared to $228,134 during Q1 2020.

Share-based compensation

Share-based payments, a non-cash expense, were $253,682, compared to $554,594 during Q1 2020. This change over the prior period is due to a decrease in the Black-Scholes value of stock options granted from $0.21 in Q1 2020 to $0.03 in Q1 2021.

Other expenses

Other expenses were $1,205,752, compared to $1,433,772 during Q1 2020. 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 a decrease in accretion expense due to the modification of the convertible debentures in Q4 2020.

Foreign currency translation adjustment

As part of the consolidation process, IFRS requires that foreign exchange gains and losses generated from the translation of subsidiaries with functional currencies different from the parent entity's must be recorded as other comprehensive income. As a result of the consolidation process for Q1 2021, the Company had an unrealized foreign exchange loss of $110,546, compared to a loss of $146,002 during Q1 2020, due to the unfavorable movement in the Canadian dollar against the U.S. dollar. This amount is recorded in other comprehensive income.

(In Canadian dollars, except where noted)

Review of Consolidated Financial Information for Q1 2021 compared to Q4 2020

Results of Operations		Q1 2021		Q4 2020
Revenues	**$**	**2,687,516**	$	2,388,010
Gross margin		**728,700**		63,177
General and administration		**(1,228,567)**		(2,011,747)
Management and consulting fees		**(79,505)**		(110,191)
Wages and benefits		**(566,139)**		(864,485)
Professional fees		**(211,042)**		(86,220)
Share-based compensation		**(253,682)**		(741,482)
Other expenses		**(1,205,752)**		(1,299,137)
Loss from continuing operations		**(2,815,987)**		(5,050,085)
Loss from discontinued operations		**(2,590)**		(2,186,192)
Net loss		**(2,818,577)**		(7,236,277)
Foreign currency translation adjustment		**(110,086)**		(1,190,555)
Comprehensive loss		**(2,929,123)**		(8,426,832)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.03)

Revenues

The Company recorded revenues of $2,687,516 compared to $2,388,010 during Q4 2020. The increase in revenues for the quarter as compared to Q4 2020 was primarily due to an increase in tourism to Nevada. Severe loss of tourism in Las Vegas due to COVID-19 continues to have an effect on sales across its product lines.

Gross margin

Gross margin was $728,700 (27%), compared to $63,177 (3%) during Q4 2020. The increase in the gross margin percentage from the prior year is primarily due to the Company's enhanced ability to produce saleable flower and biomass from its cultivation facility which is expected to substantially improve realized gross margins going forward.

General and administration expenses

General and administration expenses ("G&A") were $1,228,567, compared to $2,011,747 during Q4 2020. This change over the prior year is primarily driven by decreased advertising, investor relations, office expense, and travel and entertainment. Offsetting these decreases was an increase in license fees, taxes, and insurance. The key driver for the decrease in G&A is the Company making strategic reductions. It is the priority of the Company's executive management to continue to reduce costs, with the goal of reaching profitability in the near future.

Management and consulting fees

Management and consulting fees were $79,505, compared to $110,191 during Q4 2020. This change as compared to prior year is primarily due to the Company making strategic reductions in its management personnel and outside consultants. It is the priority of the Company's newly appointed executive management to continue to reduce costs, with the goal of reaching profitability in the near future.

Wages and benefits

Wages and benefits were $566,139, compared to $864,485 during Q4 2020. During fiscal 2020, the Company experienced 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. The expense was reduced in Q1 2021 as the Company continues to reduce costs, with the goal of reaching profitability in the near future.

Professional fees

Professional fees were $211,042, compared to $86,220 during Q4 2020.

Share-based compensation

Share-based payments, a non-cash expense, were $253,682, compared to $741,482 during Q4 2020. This change over the prior period is due to a decrease in the Black-Scholes value of stock options granted from $0.14 in Q4 2020 to $0.03 in Q1 2021.

Other expenses

Other expenses were $1,205,752, compared to $1,299,137 during Q4 2020. 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 a decrease in accretion expense due to the modification of the convertible debentures in Q4 2020.

Foreign currency translation adjustment

As part of the consolidation process, IFRS requires that foreign exchange gains and losses generated from the translation of subsidiaries with functional currencies different from the parent entity's must be recorded as other comprehensive income. As a result of the consolidation process for Q1 2021, the Company had an unrealized foreign exchange loss of $110,546, compared to a loss of $1,190,555 during Q4 2020, due to the unfavorable movement in the Canadian dollar against the U.S. dollar. This amount is recorded in other comprehensive income.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

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

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

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

(In Canadian dollars, except where noted)

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

At October 31, 2020 and July 31, 2020, the Company had the following liquidity related financial information:

		October 31, 2020		July 31, 2020
Cash	**$**	**2,044,574**	$	2,761,542
Liquid assets (1)	**$**	**5,519,194**	$	6,023,858
Quick ratio (2)		**0.45**		3.58
Working capital	**$**	**(4,986,967)**	$	6,106,285
Working capital ratio (3)		**0.59**		4.63
Convertible debt	**$**	**10,050,831**	$	10,923,172

(1) Liquid assets include cash, receivables, and inventory
(2) Quick ratio is defined as liquid assets divided by current liabilities. The decline in the quick ratio since July 31, 2020 is a direct result of the convertible debentures becoming current liabilities at October 31, 2020 from long-term liabilities at July 31, 2020 as they mature on September 14, 2021, which is within 12 months of the October 31, 2020.
(3) Working capital ratio is defined as current assets divided by current liabilities

Cash flow

Net cash provided by (used in)		**Q1 2021**		Q1 2020
Operating activities - continuing operations	**$**	**(1,351,762)**	$	(3,565,179)
Operating activities - discontinued operations		**(2,590)**		-
Investing activities		**(118,189)**		(153,670)
Financing activities		**625,953**		1,149,830
Effect of exchange rate changes on cash		**129,619**		(172,604)
Cash, beginning of period		**2,761,542**		17,613,900
Cash, end of period	**$**	**2,044,573**	$	14,872,277

Review of cash flow Q1 2021 compared to Q1 2020:

Cash used in operating activities from continuing operations was $1,351,762 compared to $3,565,179 during Q1 2020:

(In Canadian dollars, except where noted)

- Net loss from continuing operations was $2,815,987, compared to $3,816,298 during Q1 2020. Included in net loss are non-cash items of $1,129,891, compared to $1,217,692 for Q1 2020.
- Movements in inventory and biological assets increased cash by $159,979, compared to decreasing cash by $972,193 during Q1 2020.

- Movements in receivables decreased cash by $164,174, compared to $91,186 during Q1 2020.
- Movements in prepaid expenses and deposits decreased cash by $178,679 compared to increasing cash by $871,445 during Q1 2020.
  Movements in accounts payable and accrued liabilities increased cash by $517,208 compared to decreasing cash by $774,639 during Q1 2020.

Cash used in operating activities from discontinued operations was $2,590 during Q1 2021, compared to $nil during Q1 2020. In Q1 2021, funds were used to pay expenses for Green Spectrum LLC, per the Management Agreement between Green Spectrum (in California) and 1933 Legacy Inc. Management has terminated the Management Agreement and anticipates dissolving 1933 Legacy Inc; therefore, nominal future costs are anticipated.

Cash used in investing activities of continuing operations was $118,189 during Q1 2021 compared to cash used in investing activities of continuing operations of $153,670 during Q1 2020, as a result of cash spend on production equipment and office equipment.

Cash provided by financing activities was $625,953, compared to $1,149,830 during Q1 2020:

- Common shares issued pursuant to private placement increased cash by $788,253, compared to $nil during Q1 2020.
- Common shares issued pursuant to exercises of stock options increased cash by $nil, compared to $12,000 in Q1 2020.
- Common shares issued pursuant to exercises of warrants and agent options increased cash by $nil, compared to $1,181,806 during Q1 2020.
- Share issue costs decreased cash by $6,037, compared to $nil in Q1 2020.
- Lease principal repayment decreased cash by $156,263, compared to $43,976 during Q1 2020.

Capital Resources

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

		October 31, 2020		July 31, 2020
Equity	**$**	**18,717,250**	$	19,452,182
Convertible debentures		**10,050,831**		10,923,172
		28,768,081		30,375,354
Less: cash		**(2,044,573)**		(2,761,542)
	$	**26,723,508**	$	27,613,812

(In Canadian dollars, except where noted)

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.

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, 2020	At the date of this MD&A
Common Shares	327,975,325	352,764,856
Stock Options	21,030,000	30,880,000
Warrants	56,165,836	72,385,836
Agent Options	2,191,112	2,191,112
Convertible debentures - $0.10 conversion	$9,418,000	$8,420,000

As at October 31, 2020, the Company has issued various warrants and stock options as summarized below:

Description of security	Number	Exercise price	Expiry date
Warrants	10,000,000	$ 0.50	March 14, 2021
Warrants	1,000,000	0.53	March 28, 2021
Warrants	39,220,566	0.65	September 14, 2021
Warrants	650,000	0.37	June 13, 2022
Warrants	5,255,020	0.125	September 3, 2022
Warrants	40,250	0.125	September 3, 2022
	56,165,836	**$ 0.57**	

(In Canadian dollars, except where noted)

Stock options	50,000	$	0.50	November 14, 2020
Stock options	500,000		0.50	May 31, 2021
Stock options	2,890,000		0.55	October 4, 2021
Stock options	2,450,000		0.15	June 13, 2022
Stock options	240,000		0.15	June 13, 2022
Stock options	3,050,000		0.35	August 15, 2022
Stock options	250,000		0.35	January 19, 2023
Stock options	1,300,000		0.65	February 15, 2023
Stock options	1,000,000		0.35	February 25, 2023
Stock options	100,000		0.55	May 2, 2024
Stock options	9,200,000		0.075	August 6, 2025
	21,030,000	**$**	**0.26**	
Agent Options	2,191,112	$	0.45	September 14, 2021
	2,191,112	**$**	**0.45**	

NON-GAAP MEASURES

Earnings before interest, taxes, depreciation, and amortization (“EBITDA”) and Adjusted EBITDA are non-GAAP financial measures and accordingly they are not earnings measures recognized by IFRS and do not carry standard prescribed significance. Moreover, 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.

(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:

		Q1 2021		Q1 2020
Net loss for the period	$	(2,818,577)	$	(3,816,298)
Add (subtract):				
Interest expense		707,545		667,908
Accretion expense		40,122		276,527
Depreciation		463,426		489,570
EBITDA loss		(1,607,484)		(2,382,293)
Share-based compensation		253,682		554,594
Loss from discontinued operations		2,590		-
Adjusted EBITDA loss	$	(1,351,212)	$	(1,827,699)

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 three months ended October 31, 2020 and 2019, were as follows:

		Q1 2021		Q1 2020
Management and consulting fees	$	84,300	$	224,917
Directors fees		54,230		-
Shares issued for compensation		-		170,752
Share-based payments		195,803		457,848
	$	334,333	$	853,517

(In Canadian dollars, except where noted)

Other related party transactions for the three months ended October 31, 2020 and 2019, were as follows:

		Q1 2021		Q1 2020
Professional fees	**$**	**2,344**	$	7,524
Rent		**-**		17,921
Wages and benefits		**136,795**		164,711
	$	**139,139**	$	190,155

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

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of October 31, 2020. The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in note 3 to the annual financial statements.

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 and Infused as an indicator of impairment.

As a result of these impairment indicators, the Company assessed the goodwill associated with the AMA CGU and the Infused CGU for impairment and concluded the recoverable value of the 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.

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 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.

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 goods 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.

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 and Infused as an indicator of impairment.

As a result of these impairment indicators, the Company assessed the goodwill associated with the AMA CGU and the Infused 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.

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

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

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

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

Equity-settled share-based payments

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

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.

Leases as a result of adopting IFRS 16

Identifying whether a contract includes a lease

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

Estimate of lease term
When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. As it is not reasonably certain that the extension or early termination options will be exercised, the Company determined that the term of its leases are the lesser of original lease term or the life of the asset. 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 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 goods and services tax ("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 counterparty for the GST credits is the government of Canada and therefore credit risk is low.

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.

The Company's cash is deposited in major banks, which is available on demand to fund the Company's operating costs and other financial demands.

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. A change of 1% in the CAD/USD exchange rate would impact loss and comprehensive loss by $64,000. The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

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 interest rate volatility as its long-term debt instruments and 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, 2020.