1933 INDUSTRIES®

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2023 AND 2022

(in Canadian Dollars, except where noted)

This Management's Discussion & Analysis ("MD&A") of 1933 Industries Inc. ("1933", or the "Company") supplements but does not form part of the unaudited condensed interim consolidated financial statements for the three and nine months ended April 30, 2023 and 2022 and the notes thereto (referred to hereafter as the "financial statements").

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"), including IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). As such, the financial statements do not include all of the information required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended July 31, 2022 and 2021 ("Annual Financial Statements") and the annual Management's Discussion & Analysis for the years ended July 31, 2022 and 2021 ("Annual MD&A").

The Company's certifying officers are responsible for ensuring that the financial statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's certifying officers certify that the financial statements together with the other financial information included in the filings fairly present in all material respects the financial condition, financial performance, and cash flows of the Company as of the date of and for the periods presented in the filings.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The nine months ended April 30, 2023 and 2022, are referred to as "YTD 2023" and "YTD 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 Earnings before interest, taxes, depreciation, and amortization ("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.

The Company is publicly traded on the Canadian Securities Exchange under the symbol "TGIF" and quoted on the OTCQB under the symbol "TGIFF". Additional information relating to the Company is available on the Company's website at www.1933industries.com, and on SEDAR at www.sedar.com. Information in this MD&A is prepared as of June 29, 2023.

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 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 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. In addition, the Company 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. The Company's strengths lie in its expertise as a top cultivator in the Las Vegas market and in its ability to attain shelf space in dispensaries.

During the reporting period, the Company completed a retrofit and upgrade of the irrigation system in its cultivation facility. Although revenues increased from the previous quarter, margins were impacted as a result of lower flower yields during the period of construction. The Company recorded revenues of $4.1 million, a 12% increased from Q2 2023. Phase 2 of the improvements and maintenance to the cultivation facility, including the addition of new lights and fans, will continue well into Q4 2023. Pricing compression continues to impact cannabis operators in Nevada and sales of cannabis products are down industry wide. The Company's hemp-infused consumer packaged goods recorded positive gross margins, although the demand for hemp-infused products remains soft both in wholesale and retail stores as well as via e-commerce.

Demand for the Company's AMA products remains strong, and once the upgrades to its cultivation facility are completed, the Company will be well positioned to take advantage of the demand for cannabis flower and cannabis products. On November 30, 2022, the Nevada Cannabis Compliance Board issued 40 cannabis consumption lounge prospective licenses. On June 20, 2023, the Nevada Cannabis Compliance Board gave approval to three cannabis consumption lounges to move forward. Those include Planet 13, Thrive Cannabis, and SoL Cannabis. The consumption lounges must still obtain local approvals and complete their buildout. The current target for consumption lounges to open is end of year 2023 or early 2024. Consumption lounges will provide a safe, legal place for tourists to consume cannabis. It is currently illegal to consume cannabis anywhere outside of private residences. It is expected that the launch of consumption lounges will create a new attraction for visitors to the state and expand cannabis-related tourism. The Company is well positioned to benefit from increased demand, flower price stabilization, and the strength of its top brand and in-demand products that deliver excellent value to consumers.

Operationally, the Company has made substantial improvements in lowering its debt load, reducing expenses and conserving its working capital over the last several quarters. The Company has not significantly added to its capital structure, as it has not conducted new treasury raises and has not added any new debt to its balance sheet.

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 house brands AMA and Level X. AMA cultivates 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, quality and competitive pricing, while the Level X brand offers exclusive strains and premium quality.

Cannabis flower is cultivated in the Company’s 68,000 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.

Infused develops proprietary formulations for its Canna Hemp™ line of wellness products. With over 60 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 introduced previously untapped cannabinoids Cannabigerol (CBG) and Cannabinol (CBN) to its portfolio of products and continues to develop a pipeline of products to meet changing consumer demands.

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.

Infused has branched out into functional mushroom product category under the brand Ether Wellness. Infused recently launched a functional mushroom capsule sku - Ether Wellness Balance 10X Complex. Infused plans on further developing out the Ether Wellness brand of functional mushroom and other wellness 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”, and traded 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 B, 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 then, providing a first-mover advantage.

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.

Hemp Infused Products Segment

Infused focuses on developing, formulating, and producing CBD, CBG and CBN hemp-based 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 segments:

1. Canna Hemp™ hemp-derived cannabinoid products that include tinctures, lotions, creams, vape pens and cartridges, gummies, and capsules;
2. Canna Hemp X™ products targeting the action sports vertical, including pre and post workout tinctures, and muscle balms;
3. Canna Hemp™ 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 segments, and direct to consumers via its e-commerce platforms. 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 flowers 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 hemp-based products, is essential to its long-term success.

Infused is growing its product portfolio via the expansion into the functional mushroom category. Infused has created the Ether Wellness brand to grow its portfolio of mushroom based products targeting natural wellness categories.

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)

Q3 2023 CONSOLIDATED OPERATING FINANCIAL HIGHLIGHTS

- Total revenues were $4.1 million for Q3 2023 and $4.3 million for Q3 2022.
- Expenses of $1.8 million for Q3 2023 compared to expenses $13.7 million for Q3 2022. The high expenses in Q3 2022 were primarily a result of goodwill impairment relating to Infused Mfg. 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 a loss of $1.6 million or (39)% for Q3 2023 and a profit of $2.0 million or 47% for Q3 2022. The decrease in gross margin was due primarily due to delayed harvests and lower yields while the Company upgraded and retrofitted the building's complex irrigation piping system.
- Net loss was $3.4 million for Q3 2023 and $12.4 million for Q3 2022. Prior year comparable period net loss was primarily due to goodwill impairment relating to Infused Mfg.
- Adjusted EBITDA was a loss of $2.8 million for Q3 2023 and a loss of $11.1 million for Q3 2022.

Q3 2023 KEY DEVELOPMENTS

- During Q3 2023, convertible debentures of $166,000 and interest payable on the convertible debentures of $52,125 were converted into 4,362,509 common shares of the Company.

SUBSEQUENT EVENTS

- Subsequent to April 30, 2023, convertible debentures of $100,000 were converted into 2,676,666 common shares.
- Mr. Ranson Shepherd resigned from the Board and Mr. Curtis Floyd was appointed as Director.
- Infused launched the non-CBD Ether Wellness brand to capitalize on the growing demand of functional mushrooms and other wellness products.

REVIEW OF QUARTERLY RESULTS

A summary of the Company's result for the eight most recently completed quarters is as follows:

	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	$	$	$	$
Revenue	**4,073,142**	3,626,156	5,636,070	2,607,511
Net loss	**(3,362,402)**	(359,191)	(1,166,851)	(3,921,644)
Basic / diluted loss per share	**(0.01)**	(0.00)	(0.00)	(0.01)
Number of weighted average shares	**457,534,847**	453,578,137	451,045,719	450,699,319

	Q3 2022	Q2 2022	Q1 2022	Q4 2021
	$	$	$	$
Revenue	4,256,280	3,208,082	2,466,064	2,510,169
Net loss	(12,375,391)	(819,814)	(948,825)	(2,642,456)
Basic / diluted loss per share	(0.03)	(0.00)	(0.00)	(0.01)
Number of weighted average shares	450,699,319	450,699,319	450,640,574	449,723,437

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

(In Canadian dollars, except where noted)

The Company's net loss decreased in Q1 2022 and Q2 2022 compared to Q4 2021 resulting from increased sales and favorable change in fair value less costs to sell due to biological transformation during the periods. During Q3 2022, net loss increased resulting from impairment on goodwill for Infused compared to a reduction in net loss in Q4 2022 as a result of a significant reduction in management and consulting fees incurred during the period. During Q2 2023, a decrease in net loss is primarily attributed to the refunds received from IRS related to the CARES act. During Q3 2023, an increase in net loss resulting from the unfavorable change in fair value of less costs to sell due to biological transformation from Q2 2023 to Q3 2023.

SUMMARY OF RESULTS

Consolidated Financial Information for Q3 2023 compared to Q3 2022

A summary of the Company's results of operations for Q3 2023 and Q3 2022 is as follows:

	2023	2022
	$	$
Revenues	**4,073,142**	4,256,280
Gross margin	**(1,597,154)**	2,010,693
Expenses and current income tax expense		
General and administration	**411,052**	447,021
Goodwill impairment	**-**	11,472,845
License fees, taxes, and insurance	**411,539**	1,080,836
Management and consulting fees	**150,000**	107,000
Other expenses	**491,062**	702,930
Professional fees	**91,700**	425,698
Share-based compensation	**21,896**	(17,510)
Wages and benefits	**187,999**	167,264
	1,765,248	14,386,084
Net loss for the period	**(3,362,402)**	(12,375,391)
Foreign currency translation adjustment	**181,255**	140,235
Comprehensive loss	**(3,181,147)**	(12,235,156)

Revenues

The Company recorded revenues of $4,073,142 compared to $4,256,280 during the prior year comparable period. The decrease can be attributed to the Company's cultivation facility producing lower flower yields and fewer harvests while the Company upgraded and retrofitted the building's complex irrigation piping system.

Gross margin

Gross margin was a loss of $1,597,154 or (39)% compared to a profit of $2,010,693 or 47% during the prior year comparable period. The decline in margins resulted from a net realizable value adjustment related to certain AMA inventories due to the retrofitting and upgrading of the building complex's irrigation piping system.

General and administration

General and administration was $411,052 compared to $447,021 during the prior year comparable period. The amount is consistent period over period based on the level of operations of the Company.

Goodwill impairment

Goodwill impairment was $nil compared to $11,472,845 during the prior year comparable period as during the prior period the Company impaired goodwill related to Infused Mfg.

License fees, taxes, and insurance

License fees, taxes, and insurance decreased to $411,539 compared to $1,080,836 during the prior year comparable period. This decrease in expenditure is due to a decrease in cannabis transferred from cultivation to production following lower yields and fewer plants from retrofitting the building complex's irrigation piping system, which decreased state taxes payable to the state of Nevada related to AMA sales.

Management and consulting fees

Management and consulting fees were $150,000 compared to $107,000 during the prior year comparable period. The increase in the current amount relates to consulting fee for the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and corporate compliance services.

Other expenses

Other expenses were $491,062 compared to $702,930 during the prior year comparable period. The components of other expenses include accretion expense, change in fair value of warrant liability, depreciation, foreign exchange loss (gain), gain on sale of property and equipment, interest expense, interest income, other income, and current income tax expense. The decrease in expense over the prior year comparable period is primarily driven due to reduction of current income tax expense to $nil in the current period.

Professional fees

Professional fees decreased to $91,700 compared to $425,698 during the prior year comparable period. This change over the prior year comparable period is due to the timing of legal and professional services rendered and the annual cost is expected to remain broadly unchanged 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 compensation expense was $21,896 compared to a recovery of $17,510 during the prior year comparable period. This change over the prior period is due to the timing of the vesting of previously issued stock options. The Company did not issue any stock options during the current period. During the prior year comparable period, the recovery on share-based compensation resulted from the reversal of previously recognized expenses for forfeited unvested options.

Wages and benefits

Wages and benefits were $187,999 compared to $167,264, during the prior year comparable period. The amounts remain broadly unchanged period over period and based on the level of operations of the Company. 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.

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 to be recorded as other comprehensive income. As a result of the consolidation process, the Company had an unrealized foreign currency translation adjustment gain of $181,255 compared to $140,235 during prior year comparable period, due to the favorable movement in the Canadian dollar against the U.S. dollar.

(In Canadian dollars, except where noted)

Consolidated Financial Information for YTD 2023 compared to YTD 2022

A summary of the Company's results of operations for YTD 2023 and YTD 2022 is as follows:

	2023	2022
	$	$
Revenues	**13,335,368**	9,930,426
Gross margin	**(1,021,535)**	4,584,081
Expenses and current income tax expense		
General and administration	**1,126,661**	1,144,374
Goodwill impairment	**-**	11,472,845
License fees, taxes, and insurance	**1,797,066**	2,617,880
Management and consulting fees	**428,000**	321,677
Other expense (income)	**(997,637)**	1,477,310
Professional fees	**701,235**	972,459
Share-based compensation	**164,824**	8,138
Wages and benefits	**646,760**	713,428
	3,866,909	18,728,111
Net loss for the period	**(4,888,444)**	(14,144,030)
Foreign currency translation adjustment	**655,655**	140,145
Comprehensive loss	**(4,232,789)**	(14,003,885)

Revenues

The Company recorded revenues of $13,335,368 compared to $9,930,426 during the prior year comparable period. The increase in revenues as compared to prior year comparable period 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. Despite the increase, the Company's cultivation facility produced lower than expected flower due to the retrofitting and upgrading of the building complex's irrigation piping system.

Gross margin

Gross margin was a loss of $1,021,535 or (8)% compared to a profit of $4,584,081 or 46% during the prior year comparable period. The decline in margins resulted from a net realizable value adjustment related to certain AMA inventories due to the retrofitting and upgrading of the building complex's irrigation piping system.

General and administration expenses

General and administration expenses were $1,126,661 compared to $1,144,374 during prior year comparable period. The balance is consistent period over period based on the level of operations of the Company.

Goodwill impairment

Goodwill impairment were $nil compared to $11,472,845 during the prior year comparable period as during the prior period the Company impaired goodwill related to Infused Mfg.

License fees, taxes, and insurance

License fees, taxes, and insurance decreased to $1,797,066 compared to $2,617,880 during the prior year comparable period. This decrease in expenditure is due to a decrease in cannabis transferred to production following lower yields and fewer plants from retrofitting the building complex's irrigation piping systems, which decreased state taxes payable to the state of Nevada related to AMA sales.

Management and consulting fees

Management and consulting fees were $428,000 compared to $321,677 during the prior year comparable period. The amount relates to consulting fee for the CEO, CFO, and corporate compliance services.

Other expenses (income)

Other expenses (income) was a net income of $997,637 compared to a net expense of $1,477,310 during the prior year comparable period. The components of other expenses (income) include accretion expense, change in fair value of warrant liability, depreciation, foreign exchange loss (gain), gain on disposal of assets held for sale, gain on sale of property and equipment, interest expense, interest income, other income, and current income tax expense. The increase in income over the prior year comparable period is primarily driven due to a $2.5 million refund received from the IRS related to the CARES act, offset by fewer gains recognized compared to prior year comparable period on sale of property and equipment, interest income and change in fair value of warrant liability.

Professional fees

Professional fees decreased to $701,235 compared to $972,459 during the prior year comparable period. This change over the prior period comparable period is due to the timing of legal and professional services rendered 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 compensation increased to $164,824 compared to $8,138 during the prior year comparable period. 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 current period which includes 13,490,000 stock options issued to various directors, employees and consultants.

Wages and benefits

Wages and benefits were $646,760 compared to $713,428, during the prior year comparable period. The decrease in amounts is based on the level of operations of the Company. 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.

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, the Company had an unrealized foreign exchange gain of $655,655 compared to $140,145 during prior year comparable period, due to the favorable movement in the Canadian dollar against the U.S. dollar.

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)

A summary of the Company's liquidity-related information is as follows:

	April 30, 2023	July 31, 2022
	$	$
Cash	**1,694,672**	363,274
Liquid assets (1)	**8,220,598**	7,567,941
Working capital	**755,544**	3,676,278
Convertible debentures	**4,457,873**	4,574,279
Quick ratio (2)	**0.92**	0.87
Working capital ratio (3)	**1.08**	1.42

(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.

A summary of the Company's cash flow is as follows:

Cash provided by (used in)	**Q3 2023**	Q3 2022	**YTD 2023**	YTD 2022
	$	$	**$**	$
Operating activities	**(1,056,103)**	(1,122,648)	**(1,896,981)**	(4,112,191)
Investing activities	**(302,301)**	1,365,884	**2,832,517**	1,001,069
Financing activities	**(45,262)**	(90,266)	**(259,793)**	(252,374)
Effect of exchange rate changes on cash	**181,255**	9,896	**655,655**	(76,300)
Cash, beginning of period	**2,917,083**	803,187	**363,274**	4,405,849
Cash, end of period	**1,694,672**	966,053	**1,694,672**	966,053

Review of cash flows in Q3 2023 compared to Q3 2022:

Cash used in operating activities was $1,056,103 compared to $1,122,648 during the prior year comparable period and is broadly consistent period over period.

Cash used in investing activities was $302,301 in connection to the purchase of a water purification system. Cash provided by investing activities was $1,365,884 during the prior year comparable period due to cash received from the sale of property and equipment, offset by lease payments on the Company's facilities and purchases of property and equipment.

Cash used in financing activities was $45,262 compared to $90,266 during the prior year comparable period due to lease payments on the Company's facilities.

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

Cash used in operating activities was $1,896,981 compared to $4,112,191 during the prior year comparable period primarily as a result of receiving refunds of $2.5 million from the IRS related to the CARES act in the current period.

Cash provided by investing activities was $2,832,517 which was primarily due to cash received from the sale of assets held for sale, partially offset by the purchase of a water purification system. Cash provided by investing activities was $1,001,069 during the prior year comparable period primarily due to cash received from the sale of property and equipment, partially offset by the purchase of property and equipment and an advance on loan receivable.

Cash used in financing activities was $259,793 compared to $252,374 during the prior year comparable period due to lease payments on the Company's facilities.

(In Canadian dollars, except where noted)

Capital Resources

A summary of the Company's capital structure is as follows:

	April 30, 2023	July 31, 2022
	$	$
Equity	**3,847,654**	7,522,725
Convertible debentures	**4,457,873**	4,574,279
	8,305,527	12,097,004
Less: cash	**(1,694,672)**	(363,274)
	6,610,855	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.

A summary of securities outstanding is as follows:

Type of security	**April 30, 2023**	**At the date of this MD&A**
Common shares	458,557,204	461,233,870
Stock options	24,540,000	24,540,000
Warrants	3,700,000	3,700,000
Convertible debentures - $0.05 conversion (1)	3,526,007	3,260,007

(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 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.

A summary of the Company's stock options, warrants, and agent options as at April 30, 2023 is as follows:

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**	**1,779,500**	
Warrants	3,700,000	0.075	277,500	13-Jun-24
	3,700,000	**0.075**	**277,500**	

(In Canadian dollars, except where noted)

A summary of the Company's stock options, warrants and agent options as at the MD&A date is as follows:

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**	**1,779,500**	
Warrants	3,700,000	0.075	277,500	13-Jun-24
	3,700,000	**0.075**	**277,500**	

NON-GAAP MEASURES

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, caution is advised to 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, the 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.

A summary of the Company's reconciliation of the EBITDA and Adjusted EBITDA is as follows:

	Q3 2023	Q3 2022	**YTD 2023**	YTD 2022
	$	$	**$**	$
Net loss for the period	**(3,362,402)**	(12,375,391)	**(4,888,444)**	(14,144,030)
Add:				
Interest expense	**421,585**	440,046	**1,273,512**	1,335,139
Accretion expense	**-**	-	**-**	10,434
Depreciation expense	**69,678**	97,746	**291,115**	291,082
Income tax expense	**-**	718,368	**515,534**	718,368
EBITDA loss	**(2,871,139)**	(11,119,231)	**(2,808,283)**	(11,789,007)
Share-based compensation expense (recovery)	**21,896**	(17,510)	**164,824**	8,138
Adjusted EBITDA loss	**(2,849,243)**	(11,136,741)	**(2,643,459)**	(11,780,869)

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 includes 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 the CFO, CEO, and executive and non-executive members of the Company's Board of Directors.

(In Canadian dollars, except where noted)

A summary of the Company's related party transactions is as follows:

	Three months ended	April 30,	Nine months ended	April 30,
	2023	2022	**2023**	2022
	$	$	**$**	$
Directors' fees included in general and administration expense	**19,377**	19,143	**70,523**	71,361
Management and consulting fees	**120,000**	87,000	**338,000**	261,020
Share-based compensation	**11,087**	2,258	**93,918**	13,831
Wages and benefits	**-**	-	**-**	48,350
	150,464	108,401	**502,441**	394,562

As at April 30, 2023, $64,157 (July 31, 2022 - $nil) were owed to directors and officers or their related companies in respect of the services rendered and were included in accounts payable and accrued liabilities. These are non-interest bearing with standard payment terms.

As at April 30, 2023, $nil (July 31, 2022 - $208,903) was included in receivables related to a director of the Company.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of April 30, 2023. The accounting policies applied in the preparation of these 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 the Company's financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Management considers the critical judgements and estimates described in Note 3 of the Annual Financial Statements to be the most critical in understanding the judgements that are involved in the preparation of the Company's financial statements and the uncertainties that could impact its results of operations, financial condition, and cash flows.

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:

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash and receivables. The Company minimizes its credit risk related to cash by placing cash with major financial institutions. The Company regularly reviews the collectability of its receivables. The Company considers the credit risk related to both cash and receivables to be minimal.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's liquidity risk relates primarily to accounts payable and accrued liabilities, lease liability as well as convertible debenture. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company endeavors to ensure that there is sufficient capital to meet short term business requirement. One of management's goals is to maintain an optimal level of liquidity through the active management of assets, liabilities and cash flows.

A summary of the Company's financial liabilities as at April 30, 2023 is as follows:

	Within 1 year	**2 - 5 years**	**Greater than 5 years**	**Total**
	$	$	$	$
Accounts payable and accrued liabilities	2,560,661	-	-	**2,560,661**
Lease liability	158,192	869,740	12,597,704	**13,625,636**
Convertible debentures	4,457,873	-	-	**4,457,873**
	7,176,726	**869,740**	**12,597,704**	**20,644,170**

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.

c) Foreign exchange risk

The Company's operational activities are conducted in the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar relative to the Canadian dollar. Foreign exchange risk arises from financial assets and liabilities that are denominated in U.S. dollars. 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.

A summary of the Company's financial assets and liabilities held in foreign currencies, expressed in Canadian dollars, is as follows:

	April 30, 2023	July 31, 2022
	$	$
Cash	**1,678,370**	61,911
Receivables	**2,197,227**	1,343,273
Accounts payable and accrued liabilities	**(2,560,661)**	(2,344,178)
Lease liability	**(13,625,635)**	(13,106,796)
Net financial liabilities	**(12,310,699)**	(14,045,790)

The effect on net loss and comprehensive loss for the nine months ended April 30, 2023 of a 1% change in Canadian dollar against the U.S dollar on the above mentioned net financial liabilities of the Company is estimated to have an increase or decrease in foreign exchange gain or loss of $123,107.

d) 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 and uncertainties faced by the Company, please refer to the Company's Annual MD&A.