



SLANG WORLDWIDE INC.
(formerly Fire Cannabis Inc.)

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2019**

Dated MAY 29, 2019

SLANG Worldwide Inc. (formerly FIRE CANNABIS INC.)
Management Discussion and Analysis

The following Management Discussion and Analysis (“**MD&A**”) should be read in conjunction with SLANG Worldwide Inc.’s (formerly Fire Cannabis Inc.) (the “**Company**”, “**SLANG**”, “**we**”, “**our**”) unaudited consolidated financial statements and notes for the period ended March 31, 2019 (the “**Financial Statements**”). This MD&A was prepared with reference to the MD&A disclosure requirements set out by the National Instrument 51-102 – Continuous Disclosure Obligations (“**NI 51-102**”). The Financial Statements, together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. Results are reported in Canadian dollars, unless otherwise noted. The Financial Statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”). Information contained herein is presented as at May 29, 2019, unless otherwise indicated. The Financial Statements and related notes, and this MD&A have been reviewed by the Company’s Audit Committee, and approved by the Company’s Board of Directors on May 29, 2019.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain information that may constitute “forward-looking information” and “forward-looking statements” which are based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as “expect”, “likely”, “may”, “will”, “should”, “intend”, or “anticipate”, “potential”, “proposed”, “estimate” and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- regulatory risks;
- changes in laws, regulations and guidelines;
- market risks;
- concentration risks:
- limited operating history; and
- competition risks.

Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the cannabis industry and the general expectations of SLANG concerning the cannabis industry and concerning SLANG are based on estimates prepared by SLANG using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which SLANG believes to be reasonable. While SLANG is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors and SLANG has not independently verified such third-party information.

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Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give 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. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See "Risks and Uncertainties" for further details. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. Accordingly, readers should not place undue reliance on forward-looking statements contained in this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Overview

This overview summarizes the MD&A, which includes the following sections:

- *Our Business* — a general description of our business; our objective; our areas of focus; and challenges and risks of our business.
- *Critical Accounting Policies and Estimates* — a discussion of accounting policies that require critical judgments and estimates, and adoption of new and revised standards and interpretations.
- *Operations Review* — an analysis of our Company's consolidated results of operations for the three months presented in our Financial Statements.
- *Financial Position, Liquidity and Capital Resources* — an overview of financial position; an analysis of cash flows; off-balance sheet arrangements and aggregate contractual obligations.

Our Business

SLANG is a leading global cannabis consumer packaged goods company with a robust portfolio of renowned brands. The Company currently owns, licenses, and markets eleven brands which serve the following categories: flower, inhalable concentrates, and ingestibles (including edibles, pressed pills, and beverages). As of March 31, 2019, our portfolio of products has generated over US\$250 million in retail sales since January 2014. During Q1, nearly 200,000 servings of our branded products were consumed each day.

Our Company generates revenues and cash flows in two primary ways:

- 1) Collecting licensing fees and selling certain product components such as flavouring concentrates/bases, packaging and hardware pieces; and
- 2) Selling certain non-plant touching products, such as our Firefly 2+ vaporizer

We generally sell these products to our brand licensees, referred to as "The SLANG Network". The SLANG Network is a combination of licensed cannabis manufacturers, distributors and ecommerce distribution platforms that sell our branded products in 11 US states, and 5 continents and in over 2,600 stores. The SLANG Network provides a capital efficient and scalable platform through which SLANG drives brand value creation. Through The Slang Network, we continue to expand our presence in both established and emerging cannabis markets around the world.

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The Company is not aware of any members of The SLANG Network not acting in compliance with applicable licencing requirements and the regulatory framework enacted by the applicable U.S. state. See “Risks and Uncertainties – Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act.”

Our Objective

Our objective is to use The SLANG Network and our owned assets (brand IP, unparalleled distribution access, financial capabilities, and human capital) to create long-term growth of **branded unit volume**.

As we measure growth in branded unit volume, we will work collaboratively with all constituents of The Slang Network to maximize this metric. How customers vote with their dollars tells us the real story of how our brands are performing in the market.

Areas of Focus

Extraction/Manufacturing

At the cannabis extraction and manufacturing stage of The SLANG Network, we have three types of business relationships:

1. Regulated extractors/manufacturers in which **we own equity**.
2. Regulated extractors/manufacturers in which **we have options to own equity**.
3. Regulated contract extractors/manufacturers which **operate entirely at arm’s length**.

We authorize these extractors/manufacturers to produce and wholesale our branded goods to retailers. Manufacturers in which our Company has no ownership interest or a non-controlling ownership interest, represented the majority of worldwide branded unit volume of the Company in the quarter ended March 31, 2019. Generally, the Company’s operations which license our brands, sell ingredients, and components to third-party manufacturers who we own equity or have a controlling control generate lower net operating revenue but higher gross margin than our extracting/manufacturing operators in which we currently do not own equity or control, which generate higher net operating revenue but lower gross profit margins.

Marketing/Branding

We deploy capital throughout markets serviced by our SLANG Network in support of our brands, including for expenditures covering sponsorship opportunities, advertising, and promotional incentives. These expenditures promote the brands, and generate long-term growth of our branded unit volume and increase our global market share. In the future, we expect that expenditures, relative to net revenue, will mirror those of Fortune 500 Consumer Packaged Goods firms, as cannabis becomes further mainstream as a consumer good.

Distribution

In the cannabis industry, the weight of physical units is much lower per dollar of value than other consumer packaged goods categories, such as food, snacks, and beverages. Therefore, distribution is less logistically intensive and expensive per unit. The most important aspect of distribution to the Company is the

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relationship with the end retailer and consumer. To that end, our inside sales activities, local brand ambassadorship, and retail relationship support activities are key areas of focus and contributors to the success of The SLANG Network and the growth of branded unit volume.

Investing Activities

We support our manufacturing partners and SLANG Network constituents with funds designated for growth initiatives, where their existing working capital is insufficient. Capital relationships primarily include debt financing for activities such as the purchase of equipment, materials, and other items required to meet market demand for the brands they are contracted to produce.

Risks and Uncertainties

Operating in a newly regulated industry provides unique opportunities for our Company. Challenges and risks accompany those opportunities.

Management has identified certain challenges and risks that require more focused attention. These challenges and risks are discussed below:

Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act (the "CSA"). None of the Company, its subsidiaries, National Concessions Group, Inc. ("NCG") or NWT Holdings LLC ("Firefly"), are directly or indirectly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis. However, the Company's customers are directly or indirectly engaged in the medical and recreational cannabis industry in the United States where local state law permits such activities. However, the distribution, possession, and consumption of cannabis remains illegal under U.S. Federal Law. It is possible that the Company could be found to be violating laws relating to cannabis.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of cannabis under the *Cannabis Act*, investors are cautioned that in the United States, cannabis is largely regulated at the state level. To date, a total of 33 states, plus the District of Columbia, have legalized cannabis in some form.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the CSA in the United States and as such, remains illegal under federal law in the United States. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all United States district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the U.S. Department of Justice (the "DOJ") relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most

significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, on January 4, 2018, Mr. Sessions issued a memorandum (the "Sessions Memorandum") that rescinded and superseded the Cole Memorandum effective immediately. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The inconsistency between federal and state laws and regulations is a major risk factor.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Mr. William Barr, a former Attorney General under George H.W. Bush, with an anti-drug stance during his tenure, was appointed as the new Attorney General. During his Senate confirmation hearing, Mr. Barr stated that he disagrees with efforts by States to legalize marijuana, but won't go after marijuana companies in states that legalized it under Obama administration policies. He stated further that he would not upset settled expectations that have arisen as a result of the Cole Memorandum. On April 10, 2019, while providing testimony to a Senate Appropriations subcommittee, Mr. Barr stated his personal preference for one uniform, federal rule against marijuana. However, Mr. Barr qualified his statement by adding that if there was not sufficient consensus among U.S. States to obtain a uniform approach to cannabis, he would favour a more lenient, albeit federalist approach to cannabis law. Mr. Barr supported Mr. Sessions while Mr. Sessions ran the Department of Justice, and it is unclear what approach Mr. Barr will take with respect to cannabis policy.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Rohrabacher-Leahy Amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018 which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. In the event Congress fails to renew this federal law in the next budget bill, the foregoing protection for medical cannabis operators will be void. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Notwithstanding the foregoing, in March 2018, as part of the Congressional omnibus spending bill, Congress renewed, through the end of September 2018, the Rohrabacher-Leahy Amendment which prohibits the DOJ from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws. Congress passed the Continuing Appropriations Act, 2019 in September 2018, which extended the deadline of the March 2018 omnibus spending bill until December 21, 2018. The Rohrabacher-Leahy Amendment was included in the fiscal year 2019 budget signed on February 15, 2019 meaning that, the Rohrabacher-Leahy Amendment is in effect until September 30, 2019 when the fiscal year ends. It is uncertain whether Congress will extend this prohibition beyond such expiration date. As the Rohrabacher-Leahy Amendment protects only state medical cannabis actors, there can be no assurance that U.S. federal prosecutors will not use DOJ funds to interfere with state adult-use cannabis actors.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis,

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and furthermore may be changed at any time by the DOJ, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from former Attorney General Jeff Sessions by referencing federal law enforcement priorities set by Mr. Sessions. If the DOJ pursues prosecutions, then the Company could face: (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis; or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

The Company derives most of its revenue from ancillary involvement with the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. While the Company's business activities are compliant in applicable state and local laws, such activities remains illegal under United States federal law. The enforcement of relevant laws is a significant risk.

The Company Will Not be Able to Deduct Many Normal Business Expenses. Under Section 280E of the Internal Revenue Code ("**Section 280E**"), many normal business expenses incurred in the trafficking of cannabis and its derivatives are not deductible in calculating federal income tax liability. A result of Section 280E is that an otherwise profitable business may in fact operate at a loss, after taking into account its income tax expenses. The application of Section 280E likely will have a material adverse effect on businesses that the Company provides financing, consulting services and brand licensing to and may, in turn, have a material adverse effect on the Company.

Risks Related to Product Recalls. Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as malfunctioning hardware, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Recall of products could lead to adverse publicity, decreased demand for the Company's products and could have significant reputational and brand damage. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Limited Operating History. As a high growth enterprise, the Company does not have a history of profitability. The Company is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Inability to Protect Intellectual Property. The Company may have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Company relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Company relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate

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intangible property, technology or processes. There can be no assurances that the steps taken by the Company to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Company's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Company's. Other companies may also be able to materially duplicate the Company's proprietary products. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Company's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Company's names and logos. If the Company's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Company's business and might prevent its brands from achieving or maintaining market acceptance.

The Company may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Company to incur significant penalties and costs.

Intellectual Property Claims. Companies in the retail and wholesale industries frequently own trademarks and trade secrets and often enter into litigation based on allegations of infringement or other violations of intangible property rights. The Company may be subject to intangible property rights claims in the future and its products may not be able to withstand any third-party claims or rights against their use. Any intangible property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management's resources and attention. An adverse determination also could prevent the Company from offering its products to others and may require that the Company procure substitute products or services.

With respect to any intangible property rights claim, the Company may have to pay damages or stop using intangible property found to be in violation of a third party's rights. The Company may have to seek a license for the intangible property, which may not be available on reasonable terms and may significantly increase operating expenses. The technology also may not be available for license at all. As a result, the Company may also be required to pursue alternative options, which could require significant effort and expense. If the Company cannot license or obtain an alternative for the infringing aspects of its business, it may be forced to limit product offerings and may be unable to compete effectively. Any of these results could harm the Company's brand and prevent it from generating sufficient revenue or achieving profitability.

Key Personnel Risks. The Company's efforts are dependent on the skills of the founders. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, due to departure or other reasons, this could have a material adverse outcome on the Company and its securities.

The Market Price of the Common Shares May be Subject to Wide Price Fluctuations. The market price of the common shares of the Company (the "Common Shares") may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

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Public Company Expenses. As a public issuer, the Company is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Company's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business, financial condition, and results of operations.

Competitive Product Risks. The market is characterized by a growing number of new market entrants competing in the same product categories as the Company. As such there is considerable competition in the market place.

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the Company's business, financial condition and results of operations.

To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

To succeed in the marketplace the Company needs to differentiate itself which it has done via innovative design and technology.

Brand Perception. The Company is a new entrant in the marketplace with no prior history. This is partially mitigated by the targeted acquisitions of companies with market acceptance and by the experience of the founders. The Company believes its industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of its products and perceptions of regulatory compliance. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. In particular, vaporizers, electronic cigarettes and related products have only recently been developed and the long-term effects have yet to be examined. Currently, there is no way of knowing whether these products are safe for their intended use. If the scientific community were to determine conclusively that use of any or all of these products pose long-term health risks, market demand for these products and their use could materially decline.

The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis-related products in general, or the Company's products specifically, or associating the consumption of cannabis-related products with illness or other negative effects or events, could have such a material adverse effect.

Critical Accounting Policies and Estimates

Accounting Policies

Our Financial Statements are prepared in accordance with IFRS, which require management to make estimates, judgments and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. We believe that our most critical accounting policies and estimates relate to the following:

- Basis of consolidation
- Revenue
- Financial Instruments & Other Instruments
- Share-based payments
- Business combinations, goodwill and intangible assets
- Impairment of non-financial assets

Management has discussed the development, selection and disclosure of critical accounting policies and estimates with the Audit Committee of the Company's Board of Directors. While our estimates and assumptions are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. For a discussion of the Company's significant accounting policies, refer to Note 3 of Notes to the Financial Statements.

Basis of consolidation

The Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, The Purple Organisation, Inc. ("**Purple Org**"), NCG, and Firefly, on a consolidated basis after elimination of intercompany transactions and balances.

The subsidiaries are controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are fully consolidated from the date that control commences and de-consolidated from the date control ceases.

The functional currency of the Company is Canadian Dollar which is also the presentation currency of the Financial Statements. The functional currency of Purple Org, NCG and Firefly is the US Dollar.

Revenue

Revenue is derived from the sale of the Company's manufactured products including a product license fee and a licensee revenue-based milestone license fee structure as established in the terms of the licensee contract, as well as interest income on deposits, rental income, and advisory fees.

Interest income is recognized based on the number of days the investment was held during the year using the effective interest rate method.

Rental income is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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For product sales, revenue is recognized when the Company has shipped the product to the customer, and control of the product has been transferred to the customer, per the agreed upon shipping terms. The Company recognizes product licensing revenue when the underlying product has been sold to the licensee, and the Company is entitled to its related fee based on the terms in the licensee contract which is recognized proceeding the month the revenue-based milestone is achieved.

Contract obligations arise when the Company has received payments for goods not yet delivered to the customer based on the shipping terms.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

Financial instruments & other instruments

The Company's financial instruments consist of cash, accounts receivable, loans receivable, investments, accounts payable and accrued derivative liabilities. Cash, investments and derivative liabilities are classified as fair value through profit or loss. Accounts receivable, accounts payable and accrued liabilities are classified as financial assets or financial liabilities, which are measured at amortized cost or amortized cost less any impairment losses related to accounts receivable. The fair value of cash, accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of arms-length financial instruments approximates their carrying value due to the relatively short-term to maturity.

Share-based payments

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled share-based payments under share-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserve for share-based payments, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period ended March 31, 2019. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

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Business combinations, goodwill and intangible assets

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also re-measured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a gain or loss on acquisition.

Amortization of intangible assets is measured on a straight-line basis over the following periods:

Proprietary technology, know-how and design	5 years
Brands	15 years
Distributor relationship	5 years

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Adoption of new and revised standards and interpretations

Early adoption of IFRS 9

The Company elected to early-adopt IFRS 9 for the periods reported.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

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Early adoption of IFRS 15

The Company elected to early-adopt IFRS 15 for the periods reported.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 16 - Leases

On January 6, 2016, the IASB issued IFRS 16, Leases (“IFRS 16”). This standard specifies the methodology to recognize, measure, present and disclose leases. This standard provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17, Leases. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Company has adopted the exemption for leases with a lease term of 12 months or less and for leases that are low value. Given that the Company’s existing operating leases fall within this exemption, no adjustment to equity has been recognized upon IFRS 16 adoption on January 1, 2019.

Operations Review

General Overview

SLANG is a global business that operates on a local scale, in every community where we do business. We are a multi-state-operator and a multi-national operator. Our brands and cannabis products from our portfolio are available in Arizona, California, Colorado, Florida, Oregon, Maine, Massachusetts, Michigan, Nevada, New Mexico, Vermont, Canada, Puerto Rico and Jamaica. We are able to create global reach with local focus because of the strength of The SLANG Network, which comprises our company and our network partners worldwide. The SLANG Network is not a single entity from a legal or managerial perspective, and the Company does not own or control all of The SLANG Network partners. While many view the Company simply as “SLANG”, our network operates through multiple local channels. The primary way that our products reach the marketplace starts with SLANG, which manufactures and sells product formulation bases and packaging to The SLANG Network operations. SLANG also owns the brands and is responsible for consumer brand marketing and sales initiatives. The SLANG Network partners will manufacture, package, and distribute final branded products to retail customers, who then sell our products to consumers. The SLANG Network partners work closely with retail customers to execute localized strategies developed in partnership with SLANG. Retail customers then sell our products to consumers across 2,600 retail stores.

Acquisitions and Comparative Figures

SLANG Worldwide Inc.

For the 3-month period ended March 31, 2019

As of January 22nd, 2019, the Company completed the acquisitions of NCG, and Firefly. As such, this quarter ended March 31, 2019 financial results reflect operations from NCG and Firefly on a consolidated basis from January 22nd, 2019 to March 31, 2019, approximately 2.2 months. Therefore, the prior year comparative figures do not reflect the operations of these two companies. SLANG has an option to acquire NCG's two related companies, NS Holdings Inc. ("NSH") and Allied Concessions Group Inc. ("ACG"). Until the time the options are exercised, the consolidated figures will not reflect the NSH or ACG operations.

The 2018 comparative financial reporting is more reflective of acquisition and financing costs associated with the corporate development. This type of corporate activity results in accounting reporting that is complex. Such activity results in derivative accounting and goodwill analysis in a market characterized by significant valuation volatility. When shares are used to consummate a transaction, the recorded results will vary materially at closing versus agreement date; our income statement reflects this. This is a common occurrence for companies that consummate transactions using equity in a high growth industry. The investment is recorded at the share value at the time of closing the transaction, not the date at which the transaction terms were agreed to - when typically the share value was considerably lower. Accounting adjustments such as impairment are made to ensure the balance sheet investment is reflective of the value attributed when the transaction was agreed upon. Balance sheet and income statement accounts impacted are goodwill, marketing expense and potential impairment charges.

Branded Volume

As a consumer-packaged goods company, we believe that the strength of our brands should be measured by both 1) Branded Unit volume and 2) Branded Servings volume, with each metric providing insight into our consumer engagement with our brands.

Branded Unit volume represents the number of branded SLANG products sold at retail to a consumer - each Branded Unit represents one finished good. Also included in Branded Units are certain products licensed to, or distributed by, The SLANG Network for which the Company provides marketing support and from the sale of which it derives income. Such licensed products account for a minimal portion of Branded Units' volume.

Branded Serving volume represents the number of times a consumer engages with, or experiences, one of our products. A Branded Serving is a unit of measurement in milligrams (mg) of cannabinoid content delivered to a consumer. SLANG considers 5 mg to be a Branded Serving.

SLANG's Branded Unit and Branded Serving volumes for the quarter ended March 31, 2019 are based on management estimates, which are derived from both internal sales data (including the sale of packaging to licensee partners), feedback from retailers, and retail unit volumes from the third-party analytics provider, BDS Analytics.

The reported Branded Unit and Branded Serving volumes reflect finished goods sold by third-party retailers during the quarter ended March 31, 2019, whereas SLANG's direct brand revenue reflects sales to The SLANG Network consisting of packaging components, finished goods, and licensing fees. In any given period, SLANG's Branded Unit volume and direct sales revenues likely will not maintain a consistent relationship due to such items as: seasonality, inventory practices, supply point changes, price increases, new product introductions and changes in product mix, which can impact timing differences between Branded Unit volume and SLANG's direct revenue.

The number of Branded Servings per Branded Units may vary widely based on product sales mix in a given state. For example, one Branded Unit of our product District Edibles containing 100mg of THC may produce up to 20 Branded Servings, whereas one Branded Unit of the product ISH containing 200mg of THC may produce up to 40 Branded Servings. Additionally, our portfolio of inhalable products contains several SKUs with over 800mg of THC.

SLANG Worldwide Inc.

For the 3-month period ended March 31, 2019

In the quarter ended March 31, 2019, approximately 1 million Branded Units were sold across SLANG's licensee network in the United States. California and Colorado both generated roughly 40% of SLANG's total Branded Units volume, representing a combined 83% of SLANG's Branded Unit volume. The majority of SLANG's existing products are considered fast-moving consumer goods and are generally believed to be consumed, or experienced (5mg serving), relatively shortly after being purchased. During the quarter ended March 31, 2019, SLANG's products delivered over 50 million of such experiences.

	January 1 st , 2019 – March 31 st , 2019	
	Branded Unit Volume	Branded Servings Volume
Arizona	20,819	2,505,920
California	406,202	11,405,211
Colorado	412,862	26,410,818
Florida	N/M*	N/M*
Oregon	22,808	2,231,205
Maine	5,780	565,432
Massachusetts	28,780	2,815,419
Michigan	N/M*	N/M
Nevada	75,964	4,557,840
New Mexico	1,290	126,195
Vermont	5,280	516,519
Non-US	N/M*	N/M*
Total	979,785	51,134,559

*Florida and Michigan sales expected to begin in Q2 and Q3 respectively. Non-US is currently an insignificant amount but is expected to increase in October 2019 when new Canadian legislation is expected to be implemented.

*N/M – Not material.

Analysis of Consolidated Statement of Operations

The following is a selected presentation of the Income Statement for the quarter ended March 31, 2019:

	March 31, 2019	March 31, 2018
(In thousands except per share data and percentages)	CDN	CDN
Net Operating Revenue	\$ 4,006	\$ 29
Cost of goods sold*	4,230	0
Gross Profit	(224)	29
Gross Profit Margin	-6%	100%
Operating expenses	12,393	616
Operating Loss	(12,617)	(587)
Share of loss of investment	239	0
Financing cost and FV adjustment	3,257	0
Loss Before Income Taxes	(16,113)	(587)

SLANG Worldwide Inc.

For the 3-month period ended March 31, 2019

	March 31, 2019	March 31, 2018
Income taxes	1	0
Net Loss For Period	(16,114)	(587)
Exchange on translation of foreign operations	(250)	0
Total Comprehensive Loss	\$ (16,364)	\$ (587)
Earnings Per Share		
Basic	\$ (0.09)	\$ (0.01)
Diluted	\$ (0.09)	\$ (0.01)

**Includes an inventory increase fair value adjustment from the acquisition of NCG and Firefly in the amount of \$2,309. Cost of goods sold excluding this valuation adjustment would be \$1,921. Described in further detail below in the "Gross Margin" section.*

Revenue

Net operating revenue is comprised of:

	March 31, 2019	March 31, 2018
(In thousands except per share data and percentages)	CDN	CDN
Product and licensing revenue	\$3,786	\$0
Rental income	106	0
Interest income	114	29
Total	\$4,006	\$29

The growth, period over period, is attributed to the Company having limited operations in 2018. The acquisitions of NCG and Firefly were completed January 22nd, 2019. Operations were consolidated from that date representing fully consolidated figures for approximately 75% of the quarter.

If the NCG and Firefly acquisitions had closed on or before January 1st, 2019, a full quarter revenue comparison is provided below:

SLANG Worldwide Inc.

For the 3-month period ended March 31, 2019

	Including NCG and Firefly Jan 22 – Mar 31	Including NCG and Firefly Jan 1 – Mar 31
(In thousands except per share data and percentages)	CDN	CDN
Product and licensing revenue	\$3,786	\$4,823
Rental income	106	106
Interest income	114	114
Total	\$4,006	\$5,043

Product and licensing revenues are generated through the sale of:

- Product components and ingredients, such as flavouring concentrates/bases, packaging and hardware pieces
- Finished products such as dry-herb vaporizers, accessories, and other non-regulated products
- Licensing fees for the distribution of our brands.

As discussed in the “Our Business” section of this MD&A, we generally sell these products to our partners who are licensed manufacturers, and in the case of finished products, to distributors. Collectively our partners make up The SLANG Network. Generally, our licensed manufacturers produce higher net revenue, but lower operating margins, as compared to ingredients and materials sold to licensed partners for the manufacture of finished goods. Licensing revenue represented 85% of the Company’s total revenue. SLANG holds options to acquire NSH and ACG, NCG’s two related companies, which are manufacturing and distribution companies.

The Firefly business did not contribute material revenue during the reporting period ended March 31, 2019 as the company’s Firefly 2 product was at the end of its product lifecycle in 2018 and had sold through its inventory. The product was being phased out to make room for the next iteration of that device: The Firefly 2+. The device was released to the public on May 28, 2019. With the release of the 2+ and planned releases of additional Firefly vaporizer products throughout 2019, we expect Firefly to make a material contribution to revenue for the remainder of the 2019 financial year.

On November 30, 2017 the Company received a 20% ownership share in Agripharm Corp. (Agripharm), a licensed producer located in Creemore, Ontario, for the use of certain of the Company’s intellectual property (“IP”), over a period of 30 years plus two five-year renewal periods, valued on initial recognition at \$19,200,000 (\$15,083,520 USD). As such, the IP transferred has been recorded as deferred revenue and will be amortized over the 30-year period. During the period ended December 31, 2018 the Company recognized as license revenue of \$141,495 in the consolidated statement of operations and comprehensive income (loss).

Rental income earned in the period ended March 31, 2019 was from property owned by Purple Org, which in turn leases the property to a third party who farms the property for cannabis. There was no rental income in 2017, as the acquisition of Purple Org. closed April 30, 2018. Recorded rent is a combination of a fixed monthly rent, and interest and penalties thereon. Rent is accrued monthly in accordance with the lease terms. Purple Org. collects rent on an annual basis, as payments are dependent on crop yields. Under IFRS reporting standards, the level of risk requires credit provisions. Factors required to be considered are timing of collection, past payments, and estimated future collections. Given that the rental payments are crop dependent and periodic, IFRS deems the rent collectability to be in a higher risk category. Accordingly, a provision is required which we have accounted for in arriving at our net revenue and receivable figures. Notwithstanding the provisions, the Company considers the rent collectible. In total the Company has

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For the 3-month period ended March 31, 2019

accrued \$9,868,775 and has provided for \$9,266,226 leaving a receivable balance of \$602,549 which is the estimated net collectible amount specific to Purple Org.

Interest income is interest from deposits held at financial institutions of \$43,548 and from loans made to related parties: Pine River Consulting Ltd \$56,057, NCG and Firefly which totaled \$14,113 in the reporting period ended March 31, 2019 (2018 – \$nil).

Gross Margin

Cost of goods sold includes a one-time adjustment from the acquisition of NCG and Firefly which required the Company to record the fair value of the inventory on-hand on consolidation at the time the transaction closed. The increases were \$139,171 to Firefly and \$2,309,392 for NCG at January 22, 2019. The increased cost was subsequently expensed throughout the period ended March 31, 2019. This had the unintended impact of overstating cost of goods sold for the period and therefore reducing the margin. The normalized gross profit margin from operations, after adjusting for the FV increases, is detailed below:

	March 31, 2019	March 31, 2018
(In thousands except per share data and percentages)	CDN	CDN
Net Operating Revenue	\$ 4,006	\$ 29
Cost of goods sold	4,230	0
Inventory fair value adjustment	(2,449)	0
Adjusted Gross Profit	\$ 2,225	\$ 29
Gross Profit Margin	56%	100%

Since the acquisitions of NCG and Firefly, SLANG has initiated a process to integrate certain operations and as a result expects to realize increased gross margins as well as capture higher economics in future reporting periods. 2019 costs of goods sold were largely product and packaging costs relating to sales of branded units to licensees and distribution partners. 2018 revenue was limited to only rental and interest income, neither of which had direct costs allocated to them therefore resulting in a 100% margin.

Expenses

	March 31, 2019	March 31, 2018
	CDN	CDN
Consulting and subcontractors (1)	\$ 418,171	\$ 379,175
Marketing (1)	589,082	0
Expected credit losses (2)	70,936	0
Professional fees (3)	1,307,645	170,671
Salaries and wages (4)	2,293,112	0
General and administrative (5)	1,068,986	57,833
Depreciation (6)	4,971,497	0
Share based payments (7)	1,673,179	7,998

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For the 3-month period ended March 31, 2019

	March 31, 2019	March 31, 2018
Total	12,392,608	615,677
Share of loss of investment	239,478	0
Financing cost and FV adjustment	3,256,908	0
Income taxes	379	0
Exchange differences on translation	(250,237)	0
Totals	15,639,136	615,677

Operating Expenses

- (1) The increase in consulting and subcontractor, and marketing expenses reflects the additional operational activities and related costs associated with increased activity. The quarter ended March 31, 2019 covers a period of significant growth during which the Company listed on a public stock exchange and closed acquisitions of two companies, compared to 2018 that which was a period of start-up.
- (2) Expected credit losses of \$70,936 relates solely to NCG. This represents an operating bad debt expense.
- (3) Professional fees of \$1,307,645 (2018 – \$nil) were incurred in the quarter ended March 31, 2019 as the Company completed multiple substantive transactions during the period ended March 31, 2019 as well as requiring general corporate and securities advice. Tax planning and audit costs increased in connection with these substantive transactions as well. In 2018, activity related to corporate structuring and legal advice associated with potential acquisitions. As we remain active in corporate development expenditures will continue related to this function, but management expects the total amount to decrease.
- (4) Salaries and wages of \$1,461,412 pertain to NCG and Firefly for the period ended March 31, 2019 in the amounts of \$164,376 and \$1,297,036 respectively. Of the total amount, \$358,868 were management bonuses on acquisition, which we do not anticipate to reoccur.
- (5) General and administration expenses of \$1,068,986 for the period ended March 31, 2019 consist of \$525,973 for SLANG, of which \$429,645 is insurance, \$119,371 for Firefly, of which \$8,724 is insurance, \$420,246 for NCG of which \$45,725 is insurance, and \$3,396 to Purple Org of which \$nil is for insurance. In total the insurance amount for the quarter represents \$484,095 of the total \$1,068,986. Insurance premiums in the cannabis industry continue to be high when compared to other industries. As the industry matures, we anticipate insurance premiums to become less excessive.
- (6) Depreciation expenses of \$4,971,497 are primarily based on intangible assets allocated from the acquisition price of NCG and Firefly. The expense is a combination of the two companies along with the Purple Org. A significant amount of the purchase price was allocated to brand IP, followed by distribution and technology, with amortized like periods of 15 and 5 years respectively. The depreciation amount is expected to continue to be a significant expense and it will be subject to further review as the asset allocation amounts are provisional as of the date of this MD&A.

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- (7) Share based payments of \$1,673,179 (2017 – \$nil) includes stock options for advisors and management. An amount of \$493,851 was in respect of the issuance of restricted stock units to key management. Certain third-party advisors were also issued equity compensation in connection with the Company's financings, certain acquisitions, and other business activities.

Other Expenses

Share of loss of investment: on November 30, 2017 the Company received a 20% ownership share in Agripharm, a licensed producer located in Creemore, Ontario, for the use of IP. As such, the Company recognizes 20% of the net income or loss from operations.

Financing cost and FV adjustment:

	March 31, 2019	March 31, 2018
	CDN	CDN
Fair value adjustment (1)	\$ 4,934,155	\$ 0
Foreign currency exchange gain	(270,954)	0
Interest on convertible note (1)	24,510	0
Fair value adjustments of investments (2)	(1,476,478)	0
Other interest expense	45,675	0
Total	\$ 3,256,908	\$ 0

- (1) Fair value adjustment & Interest on convertible note:

On April 30, 2018, the Company issued a four-year, 4% unsecured convertible promissory note to The Purple Company Inc. (controlled by the Company's CEO) in the amount of USD \$1,843,031 (CAD \$2,364,849) (the "**Purple Note**") to exchange an existing loan to Purple Org. The expiry date of the Purple Note is April 30, 2022. The transaction met the definition of extinguishment, and the Company recognized a loss on extinguishment in its consolidated statements of loss and comprehensive loss. The Company has the right to prepay all or a portion of the amount due under the Purple Note any time and from time to time. The Purple Company Inc. has the right to convert the principal amount outstanding under the Purple Note into Common Shares at a conversion price of CAD\$0.20 per share, on thirty (30) days' written notice.

The conversion option created an embedded derivative which meets the definition of a financial liability as it is denominated in a currency other than the Company's functional currency. Accordingly, it must be bifurcated and recorded at fair value on initial recognition and at the end of each reporting period. The host contract is a financial liability that is stated at amortized cost using the effective interest method. The Company estimated the fair value of the derivative liability as \$5,424,517 and \$22,170,869 on issuance date, April 30, 2018, and March 31, 2019 accordingly and assigned a nominal value to the host contract on April 30, 2018. The amortised cost of the host contract on March 31, 2019 is nominal. The loan is accreted using an effective interest rate of 428.94%.

The fair value adjustment of derivative liability of \$4,934,155 and the interest on convertible note for the three-month period ended March 31, 2019 of \$24,510 was recorded in the consolidated statements of loss and comprehensive loss.

(2) Fair value adjustments of investments:

The fair value adjustment reflects the change in value of the warrants held to acquire 7.5% of ACG and NSH. On March 20, 2018 the Company entered into an agreement to acquire shares of NCG and obtained a warrant for ACG and NSH. The NSH and ACG warrant entitled the Company to acquire 339,930 and 327,601 common shares of the respective entities once US regulatory hurdles permit investment in NSH and ACG. The warrants can be exercised at USD \$0.001 per share of respective company until March 20, 2028. Had the ACG and NSH warrants been exercised before or on March 31, 2019, the Company would have owned 100% outstanding common shares of each of ACG and NSH. As at March 31, 2019 the Company re-valued the warrants based on the valuation work performed as part of the NCG acquisition, refer to note 4 of the Financial Statements. As a result of the re-valuation, the NSH warrant had a gain of \$1,599,275 and the ACG warrant a loss of \$122,797, with a net impact to the income statement of a gain of \$1,476,478.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS financial measures that the Company uses to assess its operating performance. EBITDA is defined as [net earnings (loss) before net finance costs, income tax expense (benefit) and depreciation and amortization expense]. Management defines Adjusted EBITDA as EBITDA adjusted for other non-cash items such as the impacts of unrealized fair values, share based compensation expense, impairments, one-time gains and losses, and one-time revenues and expenses. This data is furnished to provide additional information and is a non-IFRS measure and does not have any standardized meaning prescribed by IFRS. The Company uses these non-IFRS measures to provide investors and others with supplemental measures of its operating performance. The Company also believes that securities analysts, investors and other interested parties frequently use these non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. As other companies may calculate these non-IFRS measures differently than the Company, these metrics may not be comparable to similarly titled measures reported by other companies. We caution readers that Adjusted EBITDA should not be substituted for deterring net loss as an indicator of operating results or as a substitute for cash flows from operating and investing activities.

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For the 3-month period ended March 31, 2019

	March 31, 2019	March 31, 2018
(In thousands except per share data and percentages)	CDN	CDN
Total Comprehensive Loss	\$ (16,364)	\$ (587)
Exchange on translation of foreign operations	(250)	0
Income taxes	4	0
Financing cost and FV adjustment	3,257	0
Share of loss of investment	239	0
Share based payments	1,673	8
Depreciation	4,971	0
EBITDA	(5,972)	(587)
FV increase inventory on acquisitions	2,449	0
Non-recurring professional fees (1)	1,026	0
Non-recurring compensation (2)	1,177	0
Non-recurring marketing (3)	304	0
Adjusted EBITDA	\$ (1,016)	\$ (587)
Earnings Per Share		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.01)

- (1) As discussed in the Expenses section of this MD&A, during the quarter ended March 31, 2019 as the Company completed multiple substantive transactions as well as requiring general corporate and securities advice. Tax planning and audit costs increased in connection with these substantive transactions as well. Additionally, the work was finalized for the Company have the Common Shares traded on the CSE – the Common Shares commenced trading on January 29, 2019. This required a significant amount of legal and audit support that are considered to be one-time costs.
- (2) During the period ended March 31, 2019, bonuses were paid to key management personnel which are considered to be one-time costs.
- (3) During the period ended March 31, 2019 there were one-time marketing expenditures that are not expected to be recurring.

Guidance

Given the Company's strong outlook on the remainder of the 2019 fiscal year, we are providing guidance for revenue, and gross margin. The below table lays out the details of that guidance. Where the Company ends the year, relative to the guidance, will depend on a number of factors described in the 2019 Growth Catalysts.

Specifically, as previously described, as part of the acquisition of NCG the Company was issued options to acquire 100% of outstanding shares of NSH and ACG. The company anticipates pursuing the exercise of the options in the fiscal year, and the exercise of such options shall be subject to the terms and conditions of the applicable options agreements.

SLANG Worldwide Inc.

For the 3-month period ended March 31, 2019

	2019
(In thousands except per share data and percentages)	CDN
Revenue	\$130,000 - \$160,000
Adjusted Gross Margin*	50% - 60%

*Adjusted gross margin does not include the impact of any fair value adjustments.

2019 Growth Catalysts

- Continue to expand into new geographic areas—with sales expected to commence in Florida and Puerto Rico in Q2 2019 and in Canada in Q4 2019 (following the anticipated release of Canadian regulations governing infused cannabis products).
- Complete the acquisition and integration of certain supply chain assets of The SLANG Network by Q4 2019.
- Expansion of product categories and launches of new products, including the launch of SLANG Health & Wellness, Firefly 2+, Firefly Mini, and launch of the Strain Hunters flower brand

Financial Position, Liquidity, and Capital Resources

Financial position

	March 31, 2019	December 31, 2018
Selected statement of financial position data	CDN	CDN
Cash and cash equivalents	\$ 15,070,672	\$ 64,105,588
Working capital	15,578,381	57,279,714
Total investments (1)	282,833,577	20,670,465
Total assets	321,958,890	91,276,857
Long-term debt	120,245,628	17,236,727
Shareholders' equity	188,511,456	65,599,359
Dividends, per share	-	-

(1) This represents the sum of total investments, and interests in equity method investees

- The decrease in cash period over period is largely due to the payment of purchase consideration to NCG and Firefly that combined accounted for \$37,082,703 in cash payments. The difference in cash flow related to working capital investments in NCG and Firefly, which funds were used largely for investment in inventory to increase sales, as well as: (i) some one-time expenses: and (ii) recurring and non-recurring expenses, such as insurance and professional fees.
- In connection with both acquisitions, customer funds were held in escrow and as noted on the balance sheet totaled \$1,997,775 (comprised of \$1,000,000 USD for NCG and \$500,000 USD for Firefly). The conditions relating to NCG have been satisfied and accordingly the escrow funds have been released. The Firefly funds will be released in accordance with the escrow agreement 18 months from the date of closing which was January 22, 2019.
- The working capital decrease is attributed to the cash outflows described above. We expect our working capital amount to stabilize in future periods.

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- Total investments, total assets, long-term debt and shareholders' equity all increased significantly as part of the acquisitions of NCG and Firefly. For a full analysis of the purchase price allocation please see Note 4 of the Financial Statements.

Liquidity and Capital Resources

The Company closed its public offering in January 2019 raising gross proceeds of approximately \$66,000,000. The funds raised were sufficient to complete the cash consideration of the NCG and Firefly transactions as well as leave sufficient cash for working capital needs and potential accretive investment opportunities. As the Company's share price appreciated, additional cash was raised by holders exercising their warrants. At the end of the quarter ended March 31, 2019 cash on hand totaled \$13,072,897. Subsequent to the quarter ended March 31, 2018, funds were advanced for working capital purposes of related entities. The Company carefully monitors cash balances to ensure sufficient funding is available to meet operating needs, organic growth opportunities, and potential expansion plans as well as maintaining a contingency.

With current cash on hand the Company expects to have adequate funding to support current operations and carry out its business plans.

The Company has demonstrated an ability to raise capital, as reflected by the February 21, 2018 Special Warrant offering of \$16,800,000 and the September 26, 2018 Subscription Receipt offering of \$65,997,885. Pursuant to the aforementioned capital raises, there are a combined total of 28,922,908 warrants outstanding as of today's date. The total potential cash to be generated if all warrants are exercised is approximately \$65,209,662. The Company is not reliant on these funds, however should the remaining warrants be exercised it will allow the Company to accelerate future corporate activity. As noted the Company will continue to be diligent in managing current cash on hand, and any future requirements while carefully monitoring ongoing operations. On May 24, 2019 the Company announced that it has elected to exercise its right under the warrant indenture governing the warrants issued on July 23, 2018 to accelerate the expiry date of the such warrants.

As outlined in our plans, the Company has used issued securities as consideration for the purchase price in certain acquisitions and enters into strategic relationships that are revenue generating. This has the effect of minimizing cash outlays and increasing operations and ultimately positive cash flow.

Related Party Transactions

Balances due from related parties consist of the following:

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For the 3-month period ended March 31, 2019

	March 31, 2019	December 31, 2018
	CDN	CDN
Green House Holdings North America Inc.	\$ 66,424	\$ 66,424
CalVAPE	2,014,469	0
ACG	1,274,251	0
Due from Shareholders	31,234	0
GNT	37,395	0
Other	186,584	0
Total	\$ 3,610,357	\$ 66,424

The Company's wholly owned subsidiary NCG routinely conducts business with ACG, California Open Vape ("CalVAPE") and GNT Oregon ("GNT"). ACG and GNT have common ownership and common management with NCG and CalVAPE had common ownership with NCG. All entities are separate entities due to the US marijuana regulation licensing requirements. ACG, GNT and CalVAPE operate labs that manufacture oil and packages and markets products to be sold to dispensaries. NCG provides all packaging and marketing materials for their operations. ACG products are sold in the State of Colorado, whereas GNT's products are sold in the state of Oregon, and CalVAPE products are sold in the state of California.

Advances were made to Green House Holdings North America Inc. ("GHNA") (a company partially owned the by Company's CEO) during fiscal 2018.

These balances have no specified terms of repayment, however, balances are expected to be repaid in the normal course of business.

The aggregate value of transactions and outstanding balances relating to the quarter ended March 31, 2019 and year ended December 31, 2018 were as follows:

SLANG Worldwide Inc.

For the 3-month period ended March 31, 2019

	March 31, 2019	December 31, 2018
Related party balances	CDN	CDN
Pine River	\$ 1,513,489	\$ 1,548,001

Pine River is an entity controlled by the CEO of the Company, Peter Miller which was advanced a promissory note in 2018. The loan was renewed and now matures on November 8, 2020. The renewal was on the same terms and conditions as the original loan. The interest rate of the loan is 15% per annum which is considered the market rate given the demand nature and general security agreement Pine River in turn funds other businesses.

On April 30, 2018, the Company issued a 4-year, 4% unsecured convertible promissory note to Purple Co., which is a company controlled by the Company's CEO, Peter Miller. The change in the fair value of the derivative amounted to \$4,934,155 for the quarter ending March 31, 2019 (March 31, 2018 – \$nil).

Financial executive services are provided through the Purple Co.; charges to the Company are customary and totaled \$54,502 for the quarter ending March 31, 2019 (March 31, 2018 – 25,563).

On July 9, 2018, the Company entered into a rights agreement with GHNA, pursuant to which the Company obtained the right to license certain intellectual property from GHNA for use in certain territories. The purchase price for the grant of these rights is USD\$2,000,000 and the issuance of 10,000,000 Common Shares from treasury to GHNA. GHNA is 50% owned by Peter Miller Enterprises Inc. which is partially owned and fully controlled by Peter Miller, the Company's CEO. As of the date of this MD&A the cash liability remains outstanding.

On October 3, 2018, the Company advanced USD \$1,500,000 to NCG pursuant to a promissory note and security agreement with NCG (the "OB Loan"). The OB Loan has an interest rate of 12% per annum, with interest accrued and payable on a monthly basis commencing on October 31, 2018. Chris Driessen, a director of the Company, is a shareholder and officer of NCG. With the closing of the acquisition of NCG, this loan is eliminated for accounting purposes in the Financial Statements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

Proposed Transactions

Apart from the proposed acquisitions as set out under the heading "*Significant and Subsequent Events*" above, the Company has not committed to any other proposed transactions. Discussions on other potential alliances and acquisitions are a regular part of the business. The Company maintains an open dialogue with numerous individuals and entities that might fit with the Company's strategy and vision.

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Disclosure of Outstanding Share Data

Description	Authorized Capital of the Company	Outstanding as at the date of this MD&A
Common Shares	Unlimited	218,820,577
Restricted Voting Shares	Unlimited	17,500,000
Warrants	N/A	28,922,908
Stock options	Up to 10% of the I/O Common Shares	11,165,888
In addition to the above, <ul style="list-style-type: none">• 12,424,792 shares are subject to conversion by The Purple Company Inc.• The Canopy Warrant is subject to a formula and conditional as outlined above.		

Significant and Subsequent Events

On January 22, 2019, the acquisition of Firefly was closed with the payment of USD \$8,000,000 in cash and 7,087,464 Common Shares for total consideration of \$16,000,000 USD.

On January 22, 2019, the acquisition of NCG was closed with the payment of USD \$20,000,000 in cash, and the issuance of an aggregate of 65,000,000 Common Shares and 17,500,000 restricted voting shares ("**Restricted Shares**"). Previously, on November 29, 2018, the Company entered into a share purchase agreement with the shareholders of NCG to acquire 92.5% of the equity of NCG (the Company acquired 7.5% of the equity of NCG on March 20, 2018) and an option to purchase 100% of the equity of ACG and NSH. The fair market value of such Common Shares and Restricted Shares were determined to be CDN \$1.50 at the date of closing. As noted above, upon closing of the NCG acquisition, the Company was granted options to acquire ACG for an aggregate of 33,000,000 Common Shares or Restricted Shares (provided that a maximum of 19,800,000 of such shares may be Restricted Shares) and NSH for 49,500,000 Common Shares or Restricted Shares (provided that a maximum of 29,700,000 of such shares may be Restricted Shares). The exercise of the options is subject to the satisfaction or waiver of certain conditions precedent, and at the date of this report the options had not been exercised.

On January 29, 2019, the Company's shares began trading on the Canadian Securities Exchange under the ticker symbol "SLNG."

On February 29, 2019, the Company announced that it has entered into a partnership with Trulieve Cannabis Corp. ("**Trulieve**"), the largest vertically integrated cannabis production and retail company in Florida, to offer the state's more than 180,000 registered medical marijuana patients access to SLANG's portfolio of leading cannabis brands in Trulieve's dispensaries across the state. Pursuant to the partnership, Trulieve has an exclusive license to distribute SLANG's portfolio of branded cannabis products across its Florida distribution network, which currently includes 24 dispensaries and home delivery available statewide. Trulieve has recently been granted regulatory approval to expand its network to 49 dispensaries. Sales in Florida under this agreement are expected to commence in late Q2 2019.

On March 6th, 2019, the Company announced that it has entered into a partnership with Southern Development Holdings ("**SDH**") to offer its branded cannabis products to patients across Puerto Rico.

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Pursuant to the partnership, SDH has been granted an exclusive license in Puerto Rico to The SLANG product suite. SDH is expected to produce the Company's products at its state-of-the-art GMP facility, and distribute them broadly to medical cannabis dispensaries throughout Puerto Rico. The Company will receive royalty payments for each SLANG branded product sold in Puerto Rico, with sales expected to begin in late Q2 2019.

On March 11th, 2019, the Company announced the launch of the RESERVE product line in the California market as an extension of its O.penVAPE brand. Marketed as a curated selection of top strains at market-leading prices, RESERVE will complement the Company's existing product line.

On March 18th, 2019, the Company, through its subsidiary NWT Holdings, LLC, entered into an amendment to its existing distribution agreement with Warehouse Goods LLC, to be the exclusive distributor of the Firefly 2+ in the exclusive territory which shall consist of Canada and the United States of America and all states, provinces, and territories.

On March 25th, 2019, the Company announced that its shares are now trading on the Frankfurt Stock Exchange under the trading symbol 84S.

On March 28th, 2019 the Company announced that co-founders Peter Miller and Billy Levy have been honored as High Times 100 Most Influential People in Cannabis for 2019 for their leadership in the cannabis industry. High Times 100 is recognized as the highest honor for a cannabis executive or entrepreneur.

On April 16th, 2019 the Company announced that it had entered into an agreement to acquire Arbor Pacific, Inc. ("Arbor"). Upon completion, the proposed transaction will further bolster the company's brand portfolio through the acquisition of both the Avitas and Hellavated brands, as well as expand the company's distribution footprint into the Washington market. Arbor is a leading producer of branded cannabis products. Arbor's product portfolio includes a mix of branded offerings that span the Vaporizer, Flower, and CBD product categories. Arbor's Avitas and Hellavated brands are among the highest selling cannabis brands in the Pacific Northwest, with multiple products regularly listed among the top 10 best-selling vape SKUs in Washington state, according to Headset.

On May 2nd, 2019 the Company announced the establishment of its new wellness-focused business division, SLANG Health and Wellness. The new business unit will develop and market a portfolio of plant-based cannabidiol ("CBD") products that will be distributed in partnership with Greenlane Holdings, Inc. (NASDAQ: GNLN) ("Greenlane") through their extensive distribution network.

On May 14th, 2019 the Company announced that it has entered into an agreement to acquire LBA Global Corporation ("LBA") and its Lunchbox Alchemy ("Lunchbox") brand portfolio and subsidiary Hydra Distribution ("Hydra"). The proposed transaction will bolster SLANG's position in the Pacific Northwest by adding a complementary portfolio of top-selling products in Oregon and California and robust supply chain and distribution capabilities.

On May 23rd, 2019 the Company announced the launch its latest vaporizer product, the Firefly 2+. Firefly 2+ enhances the flagship product's purpose-built dry herb and extracts technology and premium experience while broadening accessibility with a lower price. The release of the new Firefly 2+ reinforces SLANG's leadership in vaporization products across all price points, from ultra-premium to entry level, value price segmentations.

On May 24th, 2019 the Company announced that it has elected to exercise its right under the warrant indenture governing the common share purchase warrants of the Company issued on July 23, 2018 to accelerate the expiry date of the Warrants. Pursuant to the terms of the Warrant Indenture, the Company may accelerate the expiry date of the Warrants if, at any time prior to July 21, 2020, the closing trading price of the common shares of the Company on the Canadian Securities Exchange exceeds \$1.75 for a period of at least 20 consecutive trading days. As of the close of markets on May 23, 2019, the closing

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trading price of the Common Shares on the CSE exceeded \$1.75 per Common Share for more than 20 consecutive trading days.

From January 31, 2019 to May 28, 2019, a total of 6,626,077 warrants were exercised for a total of 6,626,077 Common Shares at an exercise price of \$1.15 for total cash proceeds of \$7,619,989. Also, a total of 100,000 warrants were exercised for a total of 100,000 Common Shares at an exercise price of \$2.25 for total cash proceeds of \$225,000.

Other MD&A Requirements

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

Additional information related to the Company can be found on SEDAR at www.sedar.com.