SLANG WORLDWIDE INC.
(formerly Fire Cannabis Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

DATED NOVEMBER 25, 2019

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

The following Management's 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 September 30, 2019 (the "**Financial Statements**"). This MD&A was prepared with reference to the MD&A disclosure requirements set out by 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 November 25, 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 November 22, 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 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.

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" in this MD&A and "Risk Factors" in the final prospectus of Company dated January 17, 2019 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:

- *Highlights* — a summary of highlights from the quarter and recent development.
- *Our Business* — a general description of our business; our objective; and our areas of focus.
- *Operations Review* — an analysis of the 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.
- *Risks, 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.

Highlights

During the 3-months ended September 30, 2019:

- RESERVE line of vaporizer cartridges launched for sale in the State of Florida through a strategic partnership with Trulieve Cannabis Corp. ("**Trulieve**"), a leading cannabis company in the United States.
- Entered into an agreement that will provide access to the European cannabis market, starting with Greece, through a proposed partnership with Global Cannabis Corp. ("**GCC**"). GCC's wholly owned subsidiary, GCC Pharma S.A. is one of the first companies to receive a medical cannabis installation license from the government of Greece for cannabis cultivation, processing and manufacturing.
- Announced strategic investment from Bruce Linton, co-founder of Canopy Growth Corporation. The investment reinforces the existing relationship between SLANG leadership and Mr. Linton, and represents a vote of confidence in the fundamental strength of the SLANG business model.
- Directors and senior officers of SLANG entered into lock-up agreements with Bruce Linton, representing approximately 53 million common shares.

During the 9-months ended September 30, 2019:

- Closed the acquisition of NWT Holdings LLC ("**Firefly**") on January 22nd, 2019
- Closed the acquisition of National Concessions Group, Inc. ("**NCG**"). SLANG has an option to acquire NCG's two related companies, NS Holdings Inc. ("**NSH**") and Allied Concessions Group Inc. ("**ACG**").
- Satisfied escrow release conditions of $66 million subscription receipt financing, and on January 29, 2019, began trading on the Canadian Securities Exchange.

- Entered into a partnership with Southern Development Holdings ("**SDH**") to offer its branded cannabis products to patients across Puerto Rico.
- Entered into a partnership with Trulieve Cannabis to offer our portfolio of branded cannabis products to medical cannabis patients in Florida.
- Began trading on the Frankfurt Stock Exchange under the trading symbol 84S.
- Entered into an agreement to acquire Arbor Pacific, Inc. ("**Arbor**") which would expand the Company's distribution footprint into the Washington market with the acquisition of both the Avitas and Hellavated brands. The company continues working towards closing of the transaction.
- Established a 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.
- Entered into an agreement to acquire LBA Global Corporation ("**LBA**"). The proposed transaction will bolster SLANG's position in the Pacific Northwest with the acquisition of both the Lunchbox Alchemy ("**Lunchbox**") Hydra Distribution ("**Hydra**") brands. The company continues working towards closing of the transaction.
- Launched the latest vaporizer product, the Firefly 2+. Firefly 2+ enhances the flagship product's purpose-built dry herb and extracts technology.
- Announced a new strategic partnership with licensed processor Elite Cultivation LLC ("**Elite**") to offer its branded cannabis products to patients throughout the State of Oklahoma.

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 September 30, 2019, our portfolio of products has generated over US$250 million in retail sales since January 2014. During Q3, we estimate nearly 700,000 servings of our branded products were consumed each day.

The 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 12 US states, and 5 continents via 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.

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 and branded servings.

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 September 30, 2019. Generally, the Company's operations which license our brands, sell ingredients and components to third-party manufacturers generate higher gross margin, but lower net operating revenue, than our extracting/manufacturing operations, which generate higher net operating revenue, but lower gross profit margins.

Marketing/Branding

We deploy capital throughout markets serviced by The 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 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 for SLANG is the 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 focus on targeted support for our manufacturing partners and The SLANG Network constituents with funds designated for growth initiatives, where their existing working capital is insufficient. Similar to our other businesses, we are focused on investing in markets where the business is profitable or demonstrates a clear path to profitability. 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. This is demonstrated though our loans provided to companies such as ACG and NSH.

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 through Network partners and/or licensing agreements in Arizona, California, Colorado, Florida, Maine, Nevada, New Mexico, Oregon, Oklahoma, 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 the 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. Partners of The SLANG Network 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

On January 22, 2019, the Company completed the acquisitions of NCG and Firefly. As such, the financial results for the 9-months ending September 30, 2019, reflect operations from NCG and Firefly on a consolidated basis from January 22, 2019 to September 30, 2019, which is approximately 8.2 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, NSH and ACG. At the time the options are exercised, the consolidated figures will begin to reflect the NSH or ACG operations. As of the date of this report, the Company has provided notice of its exercise of the ACG option, no such notice has been provided for the option to acquire NSH.

The 2018 comparative financial reporting is more reflective of acquisition and financing costs associated with the corporate development activities related to establishing, financing and listing the Company. 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 often 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 by the parties involved. When accounting adjustments such as impairments are made, it is 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 and Branded Servings volume are both non-IFRS measures and do not have any standardized meaning prescribed by IFRS. See “*Non-IFRS Measures”* in this MD&A.

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 Servings 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 September 30, 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 September 30, 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.

In the quarter ended September 30, 2019, 950,586 Branded Units were sold across The SLANG Network. California and Colorado generated roughly 29% and 42% respectively of SLANG's total Branded Units volume, representing a combined 71% 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 September 30, 2019, SLANG's products delivered over 64 million of such experiences.

The following is a summary of Branded Unit volume and Branded Serving volume for the quarter ended September 30, 2019:

	July 1st, 2019 – September 30th, 2019	
	Branded Unit Volume	**Branded Servings Volume**
Arizona	6,498	684,320
California	275,321	15,185,157
Colorado	403,657	34,760,047
Florida(1)	40,000	3,200,000
Maine	4,500	240,000
Massachusetts	N/M(4)	N/M(4)
Michigan	N/M(4)	N/M(4)
Nevada	76,676	3,110,415
New Mexico	9,000	580,000
Oregon	46,108	6,307,521
Puerto Rico	1,500	120,000
Vermont	2,461	233,074
Broad Distribution(2)	46,865	N/M(4)
Non-US(3)	N/M(4)	N/M(4)
Total	**912,586**	**64,420,534**

Notes:

1. *Florida sales began in Q3 of fiscal 2019.*
2. *Broad Distribution includes hardware distributed in multiple states*

3. *Non-US is currently an insignificant amount but we expect an increase in late Q4 2019 and Q1 2020 when the impact of the new Canadian regulations for cannabis edibles, extracts and topicals will hit the market.*
4. *N/M – "Not material".*

Branded Unit volume decreased 20% for the quarter ending September 30, 2019 when compared to the quarter ending June 30, 2019, with Branded Servings volume decreasing 13%. During the same period, our revenue has increased 29% from $7.1 million to $9.3 million. The main driver of the variance between revenue increasing while Branded Unit and Branded Servings have decreased is the positive revenue impact of an increase in the premium product segment growth within the portfolio. The shift in product mix is due to both macro events and product releases.

Product Mix

The launch of the premium Firefly 2+ vaporizer has given us a high value product that generates significant revenue relative to its impact on Branded Units. This product retails for a US$250 MSRP and was a factor in the increase in revenues relative to volumes. As a durable good, rather than consumable, the Firefly 2+ does not generate Branded Servings as it is a dry herb vaporizer and does not contain THC. Although we had a decrease in branded unit volume of our O.penVAPE brand, we still saw strong performance of District Edibles and other brands in our core markets. District Edibles has a lower number of servings/unit than that of our O.penVAPE brand. We also saw consumers transition to premium, higher servings volume form factors within O.penVAPE which resulted in higher Branded Servings relative to the Branded Units sold.

Focus on Profitability and Cash-Flow

Strategic Direction

Management views cannabis markets as existing on a spectrum between an "emerging market" and a "core market" (as more fully described below). We will continue to focus on core markets.

<u>Emerging Markets</u>: In every new market that we have entered, we have witnessed similar early-stage dynamics of legalization. These dynamics are characterized by a limited number of retail environments and a fluctuation in the supply and demand of wholesale inputs until a period of relative equilibrium is reached. Once stability is attained, we can execute most effectively on our strategy, based on predictability in the supply/distribution chain and the reliability of our margins. Once stability is achieved, we consider a market to have evolved from "emerging market" to "core market" status.

<u>Core Markets</u>: Once stability is achieved in regards to the market dynamics described above, we consider a market to have evolved from "emerging market" to "core market" status. These are markets where we have a consistent track record of being amongst the top performing brands in State, and where we are either profitable and generating positive cash flow now, or see a short-term path to profitability and cash flow.

Our distinction between core and emerging markets, and our approach to them, bolster our continued strategy to be a top performer in Branded Units and Branded Servings sold. In accordance with our capital-light business model, until an emerging market has matured, we will employ a brand building strategy with cash-positive structures by partnering with operators in the market, providing our expertise and licensing our brands, similar to our Florida partnership with Trulieve Cannabis. We will continue to focus on growth, but responsible, sustainable growth. We will grow with markets as they mature. As new markets receive regulatory approval, we will track the maturity of the markets, particularly wholesale supply and demand dynamics, and select an optimal strategy to enter the market where appropriate.

Path to Profitability and Cash Flow

SLANG is well positioned to leverage its experience in mature, profitable markets such as Colorado. We are focused on reducing costs both within the existing SLANG businesses and with network partners in order to ensure we are positioned to achieve profitability in the short term. We continue to take steps to organize operating units to reflect the profitable dynamics of our more mature markets to move towards achieving profit and positive cashflow for the Company as a whole:

- Focus corporate expenditures on profitable markets: As conditions continue to evolve in cannabis markets throughout the US, we have focused corporate expenditures and working capital support on profitable or near-profitable markets and have reduced or eliminated expenditures in underperforming markets. We will continue to provide strategic and advisory support to SLANG Network partners in these markets.
- Elimination of redundant costs pertaining to ongoing integration: Within SLANG, we have continued to evaluate the requirements of acquired businesses and have identified several areas where we can optimize costs.
- Defer expansion projects within new markets: While our model is capital light in terms of expansion into new markets, it takes time and resources to establish a foothold before seeing a return. As we announced last quarter, we have deferred expansion in key new markets until they have matured to the point of stability with a healthy supply/demand balance and ample distribution with access to retail.
- Cost structure optimization: Our network partners have initiated reductions of redundant positions in order to optimize their cost structures. This includes certain businesses over which we hold options and while this does not impact our existing consolidated financials, it will benefit SLANG shareholders over the long term once we are in a position to consolidate these businesses, which commences on the date of exercising options.
- Recalibration in California: SLANG is working through the process of re-factoring its supply chain in California. Trade-offs between purchased versus produced inputs and other key cost components, as well as certain other key components of the California supply chain are being restructured, including an evaluation of alternative distribution partners and other suppliers within the state.
- Reduction of SG&A: We have scaled back marketing, travel, and ancillary expenses where possible. Professional fees associated with M&A activity have been reduced by slowing acquisitions and managing existing transactions with in-house finance and legal counsel. We are currently reviewing our insurance policies to consolidate and negotiate premiums.
- Consolidation of Colorado supply chain: As of the date of this report, we have provided notice of our exercise of the ACG option, which will allow us to consolidate operations in Colorado. This will increase revenue and margins while streamlining operations and costs in our largest market.

We believe the initiatives outlined above will establish a path to a profitable, cash flowing business that will translate into long-term sustainability. We expect the above initiatives will translate into saving of approximately $3 million over the next 12 months. As new markets mature, this framework will be the model that will be used to capitalize on responsible growth.

Update on Previously Announced Acquisitions

*Options to Acquire NS Holdings Inc. (“**NSH**”) and Allied Concessions Group Inc. (“**ACG**”)*

The Company’s notice of exercise of option to acquire ACG has been delivered and we are working with ACG towards completion of the acquisition, which will be subject to Colorado state licensing approval. The acquisition of ACG provides for the opportunity to consolidate the Colorado operating assets, increasing margins and profitability, in what the Company considers to be one of its most important core markets.

The option to acquire NSH has not yet been exercised but the Company continues to work towards being in a position to exercise this option.

*Arbor Pacific, Inc. (“**Arbor**”)*

The acquisition of Arbor represents an opportunity for entry into a new core market (Washington). Arbor has a proven management team evidenced by an EBITDA positive and cash flowing business. The acquisition will allow Slang to enter a new market, adding already strongly performing brands and expanding our portfolio into new product verticals.

We continue to work towards closing on mutually agreeable terms.

*LBA Global Corporation (“**LBA**”)*

The acquisition of LBA represents an opportunity for Slang to expand its presence in Oregon which management considers a core market. It would also expand Slang’s portfolio of edibles with brands that have an established history of performance. LBA has a growing portfolio of CBD (health and wellness) offerings, and would bring with it a strong management team.

We continue to work towards closing on mutually agreeable terms. As a condition precedent to closing, LBA must meet specific performance targets and we are working closely with LBA’s management on this goal.

Analysis of Consolidated Statement of Operations

The following is a selected presentation of the Income Statement for the quarter ended September 30, 2019:

	September 30, 2019	**September 30, 2018**
(In thousands except per share data and percentages)	**CDN**	**CDN**
Net Operating Revenue	**$ 9,314**	**$ 1,613**
Cost of goods sold	4,723	0
Gross Profit	**4,591**	**1,613**
Gross Profit Margin	**49%**	**100%**
Operating expenses	15,324	11,569
Operating Loss	**(10,733)**	**(9,956)**
Impairment	(95,366)	0
Share of loss of investment	(134)	0
Financing cost and FV adjustment	106,550	(6,142)
Unrealized exchange gain	77	0
Income (Loss) Before Taxes	**393**	**(16,098)**
Income taxes	(13)	0
Net Income (Loss) for Period	**381**	**(16,098)**
Exchange on translation of foreign operations	1,809	(12)
Total Comprehensive Income (Loss)	**$ 2,190**	**$ (16,110)**

Revenue

Net operating revenue for the quarter is comprised of:

3-months ending:	September 30, 2019	September 30, 2018
(In thousands except per share data and percentages)	CDN	CDN
Product and licensing revenue	$8,993	$0
Rental income	0	1,557
Interest income	321	56
Total	**$9,314**	**$1.613**

Net operating revenue year to date is comprised of:

9-months ending:	September 30, 2019	September 30, 2018
(In thousands except per share data and percentages)	CDN	CDN
Product and licensing revenue	$19,330	$0
Rental income	483	2,528
Interest income	701	138
Total	**$20,514**	**$2,666**

The growth, period over period, is attributed to the Company having limited operations in 2018. The acquisitions of NCG and Firefly were completed January 22, 2019. Operations were consolidated from that date.

If the NCG and Firefly acquisitions had closed on or before January 1, 2019, the following provides a full 9-months revenue comparison:

	Including NCG and Firefly Jan 22 – Sep 30	Including NCG and Firefly Jan 1 – Sep 30
(In thousands except per share data and percentages)	CDN	CDN
Product and licensing revenue	$19,330	$20,367
Rental income	483	483
Interest income	701	701
Total	**$20,514**	**$21,551**

Product and licensing revenues are generated through the sale of:

- Product components and ingredients, such as 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.

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. SLANG holds options to acquire

NSH and ACG, NCG's two related companies, which are manufacturing and distribution companies. As previously mentioned, SLANG has provided notice of its exercise of the ACG option.

On November 30, 2017, the Company through its subsidiary NCG, 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 from acquisition to September 30, 2019, NCG recognized license revenue of $501,300, and a foreign exchange gain of $146,071 in the consolidated statement of income (loss) and comprehensive income (loss).

Rental income earned in the period ended September 30, 2019 was from property owned by Purple Organisation, Inc. ("**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 accrued $15,284,385 of revenue and provided for a $14,587,484 allowance against the receivable, leaving a net receivable balance of $696,901 which is the estimated collectible amount specific to Purple Org.

Interest income is interest from deposits held at financial institutions of $8,284 and from loans made to related parties for the remaining balance of $512,917.

Gross Margin

Costs of goods sold for the 9-months ended September 30, 2019, 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 and therefore reducing the margin.

Below is the normalized gross profit margin from operations, for the 9-months ended September 30, 2019:

9-months ending:	**September 30, 2019**	**September 30, 2018**
(In thousands except per share data and percentages)	**CDN**	**CDN**
Net Operating Revenue	**$ 20,514**	**$ 2,666**
Cost of goods sold	12,880	0
Inventory fair value adjustment	(2,449)	0
Adjusted Gross Profit	**$ 10,082**	**$ 2,666**
Gross Profit Margin	**49%**	**100%**

Below is the normalized gross profit margin from operations, for the 3-months ended September 30, 2019:

3-months ending:	September 30, 2019	June 30, 2019
(In thousands except per share data and percentages)	CDN	CDN
Net Operating Revenue	**$ 9,314**	**$ 7,194**
Cost of goods sold	4,723	3,927
Adjusted Gross Profit	**$ 4,591**	**$ 3,267**
Gross Profit Margin	**49%**	**45%**

Since the acquisitions of NCG and Firefly, SLANG has initiated a process to integrate certain operations with a positive impact on gross margins. Slang expects to continue to 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

3-months ending:	September 30, 2019	September 30, 2018
	CDN	CDN
Consulting and subcontractors (1)	$ 785,108	$ 534,947
Marketing (2)	675,521	8,218,638
Expected credit losses		1,805,962
Professional fees (3)	1,231,426	718,511
Salaries and wages (4)	3,012,256	0
General and administrative (5)	1,659,365	110,665
Depreciation (6)	5,784,544	27,078
Share based payments (7)	2,175,913	153,302
Total	**15,324,133**	**11,569,103**
Impairment (8)	95,365,869	0
Share of loss of investment (9)	134,063	0
Financing cost and FV adjustment (10)	(106,549,919)	6,141,625
Unrealized exchange gain	(76,961)	0
Income taxes	12,862	0
Exchange differences on translation	(1,809,140)	12,478
Total comprehensive expenses	**$ 2,400,908**	**$ 17,723,206**

Operating Expenses

(1) The increase in consulting and subcontracting expense reflects the additional operational activities and related costs associated with increased activity. The quarter ended September 30, 2019 covers a period of significant growth for the Company.

(2) In 2018, the marketing expense was for the rights obtained in the agreement with Green House

Holdings North America Inc. ("**GHNA**") to license certain intellectual property of GHNA for use in certain territories. The cash portion of the purchase price for the grant of these rights is USD$2,000,000 ($2,728,400 CDN) and the issuance of 10,000,000 Common Shares from treasury to GHNA. The cash portion remains outstanding at the date of this report and is reflected as a long-term loan payable. GHNA is 50% owned by Peter Miller Enterprises Inc., which is partially owned and fully controlled by Peter Miller, the Company's CEO. As the investment had not met the criteria of an asset and an economic benefit could not be measured the cost was expensed as marketing.

(3) Professional fees of $1,231,426 were incurred in the quarter ended September 30, 2019 as the Company is working through completion of several substantive transactions during the period as well as requiring general corporate and securities advisory services. Tax planning and valuation costs increased in connection with these substantive transactions as well. 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 $3,012,256 included $571,566 of non-recurring costs relating to legacy bonus obligations and related employment tax and retirement funding. Subsequent to the quarter end, compensation costs have been rationalized which will flow through primarily in 2020. In addition, certain ongoing salary and wage costs have been re-aligned to functional areas resulting in product pricing increases which will continue into future reporting periods.

(5) General and administration expenses included insurance premiums for the quarter which represents $644,369 of the total $1,659,365. Insurance premiums in the cannabis industry continue to be high when compared to other industries. Recent industry risks associated with other public entities has increased the perceived risk exposure. In the short-term, premiums will continue at elevated levels. This will continue to be a high-risk cost category for the 2020 year.

(6) Depreciation expenses of $5,784,544 are primarily based on intangible assets allocated from the acquisition price of NCG and Firefly. A significant amount of the purchase price was allocated to brand intellectual property, followed by distribution and technology, with amortized periods of 10 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.

(7) Share based payments of $2,175,913 includes stock options for advisors and management and restricted stock issuances to key management personnel issued in previous periods. Options granted vest over a 4-year period from the issuance date, with the compensation expense recognized over that period. Compensation expense in regards to restricted stock units is recognized over the vesting period established by the board.

Other Expenses

(8) Impairment expense of $95,365,869 relates to a write-down of goodwill for both NCG and NWT. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. At September 30, 2019, management determined there are events and changes in circumstances that indicate goodwill is impaired for both companies. The carrying value of the companies' cash generating units exceeded their recoverable amount, resulting in management recognizing an impairment loss in the interim consolidated statements of loss and comprehensive loss. A total impairment loss of $87,826,303 was recognized for NCG and an amount of $7,539,566 for NWT.

(9) 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 each period.

(10) Financing cost and FV adjustment:

	Three months ended **September 30, 2019**	**Nine months ended** **September 30, 2019**
	CDN	**CDN**
Fair value adjustment (a)	$ (13,406,593)	$ 11,833,359
Fair value adjustment on option liability (b)	(93,296,925)	(117,181,823)
Foreign currency exchange gain	82,288	408,519
Interest on convertible note (a)	24,341	73,589
Fair value adjustments of investments (c)	0	(1,476,478)
Other interest expense	46,969	153,321
Total	**$ (106,549,920)**	**$ (129,856,231)**

(a) 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. ("**Purple Co**") (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. Purple Co has the right to convert the principal amount outstanding under the Purple Note into common shares in the capital of SLANG (each a "**Common Share**") at a conversion price of CAD$0.20 per share, on thirty (30) days' written notice.

The fair value adjustment of derivative liability of $11,833,359 and the interest on convertible note for the three and nine-month period ended September 30, 2019 of $24,341 and $73,589 was recorded in the consolidated statements of loss and comprehensive loss.

(b) Fair value adjustment on option liability:

As part of the acquisition of NCG, the Company also acquired an option to acquire 100% of the outstanding equity interests of ACG and NSH. Under the terms of the option agreements, the Company can choose to acquire either or both of ACG and NSH (the "**Call Options**"), in exchange for the issuance of an additional 33 million and 49.5 million of the Company's shares, respectively. These Call Options expire 36 months after closing of the NCG acquisition. During a 120-day period, commencing on the 13th month after closing of the NCG acquisition, the shareholders of ACG and NSH also have the right to sell 100% of the outstanding equity (the "**Put Rights**") of ACG or NSH, to the Company, on the same terms as the Call Options.

The Call Options and Put Rights (collectively, "**option liability**") related to ACG and NSH are recognized at fair value on the January 22, 2019 acquisition, as part of the business combination accounting. On September 30, 2019 the options liability was re-measured at fair value through profit or loss, in accordance with IFRS 9. This revaluation resulted in a gain on the revaluation of the option liability of $117,181,823, resulting in a net option asset.

(c) 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 the 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% of the outstanding common shares of each of ACG and NSH. As at March 31, 2019, and therefore included in the 9-month period ending September 30, 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. There was no change in the fair value of the warrants to September 30, 2019.

Non-IFRS Measures

EBITDA, Adjusted EBITDA, Branded Unit volume and Branded Servings volume 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 expense. Management defines Adjusted EBITDA as EBITDA adjusted for other non-cash items such as the impact of unrealized fair values, share based compensation expense, impairments, one-time gains and losses, and one-time revenues and expenses. See “Operations Overview – Branded Volume” for a description of how each of Branded Unit volume and Branded Servings volume is calculated. 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 shareholders 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.

3-months ended:	**September 30, 2019**
(In thousands except per share data and percentages)	**CDN**
Total Comprehensive income (Loss)	**$ 2,189,765**
Exchange loss on translation of foreign operations	(1,809,140)
Income taxes	12,862
Unrealized exchange gain	(76,961)
Financing cost and FV adjustment	(106,549,919)
Share of loss of investment	134,063
Impairment	95,365,869
Share based payments	2,175,913
Depreciation	5,784,544
EBITDA	**(2,773,004)**
Non-recurring professional fees (1)	579,951
Non-recurring compensation (2)	571,566
Adjusted EBITDA	**$ (1,621,497)**

(1) During the period ended September 30, 2019, legal fees in regards to non-recurring M&A transactions in the amount of $579,951 were paid.
(2) During the period ended September 30, 2019, $571,566 of non-recurring costs relating to legacy

bonus obligations and related employment tax were paid.

Growth Catalysts

- Continued execution of growth strategy by extension of brands into core markets as well as expansion of distribution capabilities to additional retail stores in core markets.
- Completing the acquisition and integration of certain supply chain assets that comprise The SLANG Network. Specifically, as previously described, as part of the acquisition of NCG, the Company was issued options to acquire the remaining 100% of the outstanding shares of NSH and ACG. The Company has provided notice of its exercise of the ACG option and anticipates pursuing the exercise of the option of NSH. The exercise of such options shall be subject to the terms and conditions of the applicable option agreements. Prior to closing acquisitions, we have been working with management to help to position the companies for strong, sustainable revenue growth and profitability. As we work through the operations and capabilities of the entities, SLANG will be well-positioned for accelerated growth.
- Completing previously announced acquisitions of Arbor and LBA, for which regulatory approvals such as State licensing approval, as well as ongoing due diligence, are a precondition.
- 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

	September 30, 2019	December 31, 2018
Selected statement of financial position data	**CDN**	**CDN**
Cash and cash equivalents	$ 10,612,904	$ 64,105,588
Working capital	11,084,098	57,279,714
Total investments (1)	176,021,879	20,670,465
Total assets	264,180,707	91,276,857
Long-term debt	41,801,677	17,236,727
Shareholders' equity	222,379,030	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, which funds were used largely for investment in inventory to meet anticipated demand for our products, 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, vendor 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.
- Total investments, total assets, long-term debt and shareholders' equity all increased significantly as a result 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 go-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. 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, combined with the cost reduction efforts outlined above, 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 (subsequently July 23, 2018) Special Warrant offering of $16,800,000 and the September 26, 2018 (subsequently January 21, 2019) Subscription Receipt offering of $65,997,885. On July 3, 2019 the Company announced the outcome of the accelerated expiry of its warrants issued on July 21, 2018 and originally expiring on July 21, 2020 (the "**Warrants**"). From the announcement of the accelerated expiry of the Warrants on May 24, 2019, 8,847,919 Warrants were exercised prior to the accelerated expiration date of June 28, 2019 and the Company received aggregate proceeds of CAD$10,031,356.85 in connection therewith. Overall, 13,181,997 Warrants were exercised, representing 98.11% of the total Warrants originally issued. Pursuant to the aforementioned capital raises, there are a combined total of 29,341,122 warrants outstanding as of today's date. The total potential cash to be generated if all warrants are exercised is approximately $57,171,483. 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 above, the Company will continue to be diligent in managing current cash on hand, and any future requirements while carefully monitoring ongoing operations.

As outlined in our plans, the Company has used issued securities as consideration for the purchase price in certain acquisitions for entering into strategic relationships that are revenue generating. This has the effect of minimizing cash outlays to maintain financial flexibility and sustain the Company's strategy over the foreseeable future. The company is also considering alternatives for sourcing additional capital through leveraging non-core assets which are not directly related to the production or sale of the Company's branded cannabis products.

Related Party Transactions

Balances due from related parties consist of the following:

	September 30, 2019	December 31, 2018
	CDN	CDN
Green House Holdings North America Inc.	$ 0	$ 66,424
NSH	9,149,166	0
ACG	1,970,648	0
Other	680,660	0
Total	**$ 11,800,474**	**$ 66,424**

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 with no set terms of repayment.

The Company's wholly owned subsidiary, NCG, routinely conducts business with Allied Concessions Group ("**ACG**"), and NS Holdings Inc. ("**NSH**"). ACG and NSH have common management with NCG. All entities are separate entities due to the US marijuana regulation licensing requirements. ACG and NSH operate labs that manufacture oil, packages and market products to be sold to dispensaries.

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.

The aggregate value of transactions and outstanding balances relating to the quarter ended September 30, 2019 and year ended December 31, 2018 were as follows:

	September 30, 2019	**December 31, 2018**
Related party balances	**CDN**	**CDN**
Pine River	$ 1,740,901	$ 1,548,001

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 $13,406,592 for the quarter ending September 30, 2019.

Financial executive services are provided through the Purple Co.; charges to the Company are customary and totaled $61,283 for the quarter ending September 30, 2019.

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*" below, and the acquisitions detailed under the heading "*Update on Previously Announced Acquisitions",* 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.

Disclosure of Outstanding Share Data

Description	**Authorized Capital of the Company**	**Outstanding as at the date of this MD&A**
Common Shares	Unlimited	223,236,516
Restricted Voting Shares	Unlimited	23,916,128
Warrants	N/A	78,364,643(1)
Call Options	N/A	82,500,000(2)
Convertible Promissory Note	N/A	12,465,3383)
Stock options	Up to 10% of the I/O Common Shares	11,059,416
Restricted Share Units	20,000,000(4)	2,300,000

Notes:

1. Includes 49,023,521 Canopy Warrants calculated pursuant to a formula and conditional.
2. As part of the acquisition of NCG, the Company also acquired options to acquire a 100% interest in each of ACG and NSH. To exercise the option in ACG the Company must issue 33,000,000 Common Shares; to exercise the option in NSH the Company must issue 49,500,000 Common Shares, the options to acquire either entity expire 36 months after the NCG acquisition, being January 22, 2022.
3. Subject to conversion by Purple Co., the USD amount of the outstanding principal elected to be converted at time of conversion to determine the number of Common Shares to be issued.
4. The aggregate number of Common Shares available for issuance from treasury under the Restricted Share Units plan shall be 20,000,000 Common Shares, provided that the aggregate number of Common Shares available for issuance under the plan together with all other Common Share compensation plans such as the Company's Stock Option Plan, may not exceed 10% of the issued and outstanding Common Shares at any given time.

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 Company has provided notice of its exercise of the ACG option, while no such notice has been provide for NSH.

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 commenced in late Q3 2019.

On March 6, 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. 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 commencing late Q3 2019.

On March 11, 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 18, 2019, the Company, through its subsidiary Firefly, 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 25, 2019, the Company announced that its shares are now trading on the Frankfurt Stock Exchange under the trading symbol 84S.

On March 28, 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 16, 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 2, 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) through their extensive distribution network.

On May 14, 2019, the Company announced that it has entered into an agreement to acquire LBA and its Lunchbox brand portfolio and subsidiary 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 21, 2019, SLANG's Canadian investee, Agripharm Corp., secured one of the country's first outdoor cannabis production licenses, further bolstering SLANG's Canadian supply chain with potentially increased access to low-cost material.

On May 23, 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 June 26, 2019, the Company announced a new strategic partnership with licensed processor Elite to offer its branded cannabis products to patients throughout the State of Oklahoma.

On July 3, 2019, the Company announced the outcome of the accelerated expiry of its Warrants. From the announcement of the accelerated expiry of the Warrants on May 24, 2019, 8,847,919 Warrants were exercised prior to the accelerated expiration date of June 28, 2019 and the Company received aggregate proceeds of CAD$10,031,356.85 in connection therewith. Overall, 13,181,997 Warrants were exercised, representing 98.11% of the total Warrants originally issued.

On July 22, 2019, the Company announced that it entered into a partnership with Global Cannabis Corp. ("**GCC**") which will provide access to the European Union, starting with Greece. The Company will be providing extraction and branding expertise to help establish operations and, in the future, will plan to bring our branded products to market, once regulation allows. GCC's wholly owned subsidiary, GCC Pharma

S.A. is one of the first companies to receive a medical cannabis installation license from the government of Greece for cannabis cultivation, processing and manufacturing.

On September 17, 2019, the Company announced an investment from Bruce Linton, co-founder of Canopy Growth Corporation.

On September 23, 2019, the Company announced that, in connection with the investment in the Company by Bruce Linton, each of the directors and senior officers of SLANG (the "**Locked-Up Holders**") entered into lock-up agreements with Bruce Linton. The Locked-Up Holders currently hold an aggregate of approximately 53 million common shares of SLANG (on a fully diluted basis).

On October 1, 2019, the Company and NCG entered into an Intellectual Property Purchase Agreement with National Patent Solutions, LLC to acquire certain intellectual property assets and separately, an Asset Purchase Agreement, to acquire manufacturing real estate and equipment. The acquisition will allow the Company to consolidate the Colorado market supply chain, streamlining costs and operations.

On October 15, 2019, the Company announced that it entered into a strategic partnership with Cookies Creative Consulting & Promotions, LLC, a leading California-based cannabis and lifestyle brand, to bring Cookies' products to the Colorado market.

On November 15, 2019, the Company has provided notice of its exercise of the ACG option pursuant to the option purchase agreement dated January 22, 2019, between SLANG, ACG, and the shareholders of ACG. Completion of the proposed acquisition of ACG is subject to the negotiation and execution of a definitive purchase agreement and the satisfaction or waiver of all closing conditions, including the receipt of all necessary regulatory approvals (including the approval of the Marijuana Enforcement Division of the Department of Revenue of the State of Colorado). The acquisition, in parallel with the acquisition of National Patent Solutions, LLC will further solidify the Company's supply chain in Colorado.

From January 21, 2019 to November 13, 2019:

- 13,181,997 warrants with an exercise price of $1.15 were exercised, for total cash proceeds of $15,159,296.55, resulting in the issuance of 13,181,997 Common Shares.
- 740,322 compensation options with an exercise price of $0.75 were exercised, for total cash proceeds of $555,241.50, resulting in the issuance of 740,322 Common Shares and 370,160 compensation warrants exercisable at $1.15 until July 21, 2020; 99,699 of those compensation warrants were exercised for total cash proceeds of $114,653.85, resulting in the issuance of 99,699 Common Shares.
- 100,000 warrants with an exercise price of $2.25 were exercised, for total cash proceeds of $225,000, resulting in the issuance of 100,000 Common Shares.
- 9,194 compensation options with an exercise price of $1.50 were exercised, for total cash proceeds of $13,791, resulting in the issuance of 9,194 Common Shares and 4,597 compensation warrants exercisable at $2.25 until January 21, 2021.

Risks, Critical Accounting Policies and Estimates

Risks and Uncertainties

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

In addition to the risk factors identified under the heading "Risk Factors" in the final prospectus of Company dated January 17, 2019, management has identified certain challenges and risks that require more focused attention, as set forth below:

*Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act (the "**CSA**").* None of the Company, its subsidiaries, NCG or 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, 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 remain 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.

United States Tax Classification of the Corporation. The Corporation, which is and will continue to be a Canadian company as of the date hereof, generally would be classified as a non-United States company under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States company to be taxed as a United States company for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a company created or organized outside the United States. (i.e., a non-United States company) will nevertheless be treated as a United States company for United States federal income tax purposes (such treatment is referred to as an "**Inversion**") if each of the following three conditions are met: (i) the non-United States company acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States company, (ii) after the acquisition, the former stockholders of the acquired United States Corporation hold at least 80% (by vote or value) of the shares of the non-United States company by reason of holding shares of the United States acquired company, and (iii) after the acquisition, the non-United States company's expanded affiliated group does not have substantial business activities in the non- United States company's country of organization or incorporation when compared to the expanded affiliated group's total business activities.

For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Corporation intends to be treated as a United States company for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Corporation is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the *Income Tax Act* (Canada)) for Canadian income tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the United States, which could have a material adverse effect on its financial condition and results of operations.

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 under-capitalization, 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 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 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.

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.

Recent Announcements and Risks Regarding Vaporizer Products. On March 13, 2019, the FDA issued draft guidance which proposes to modify the current compliance policy for certain deemed tobacco products that qualify as "new tobacco products". Relevant to vaping products, the document proposes to change the deadline for submitting a marketing application for flavoured products, which can include flavoured products containing cannabis. In September 2019, President Trump announced that the sale of most flavoured e-cigarettes would be banned by the FDA, but since has rescinded his position after meeting with industry in November 2019. Certain health problems have been linked to the inhalation of e-liquids. There may be governmental and private sector actions aimed at reducing the incidence of vaping and/or seeking to hold manufacturers of e-liquids responsible for the adverse health effects associated with the use of vaping products. These actions, combined with potential deterioration in the public's perception of e-liquids, may result in a reduced market for the Corporation's vaporizer products. While the Corporation does deal directly in e-liquids it does have vaporizer products. Certain chemicals used in vaporizer products, including Vitamin E acetate, polyethylene glycol (PEG), propylene glycol (PG), vegetable glycerin and medium chain triglycerides have been linked to certain health problems. The Corporation does not use any of these chemicals in its products.

Federal, state and local regulations or actions that prohibit or restrict the sale of the Company's vaporizer products, or that decrease consumer demand or the Company's products by prohibiting their use, raising the minimum age for their purchase, raising their prices to unattractive levels via taxation, or banning their sale could adversely impact the financial condition and results of operations of the Company.

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 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.

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 in 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 September 30, 2019. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

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	10 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.

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.

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.