SPEAKEASY CANNABIS CLUB LTD.

Management Discussion & Analysis

For the period ended January 31, 2020 and 2019

(Expressed in Canadian Dollars)

This Management Discussion & Analysis ("MD&A") for Speakeasy Cannabis Club Ltd. (the "Company" or "Speakeasy") for the period ended January 31, 2020 has been prepared by management, in accordance with the requirements of National Instrument 51-102, as of April 29, 2020.

This MD&A provides a detailed analysis of the business of the Company and should be read in conjunction with the Company's condensed interim consolidated financial statements for the six-month period ended January 31, 2020 and the consolidated financial statements for the year ended July 31, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and the notes thereto. All financial amounts are stated in Canadian currency unless stated otherwise.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of the Company. There are many risks and uncertainties attached to the cannabis industry. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. (See "Risks and Uncertainties" in this MD&A for more information).

DESCRIPTION OF THE BUSINESS

Overview

Speakeasy Cannabis Club Ltd. (the "Company") is a publicly traded company listed on the Canadian Securities Exchange ("CSE"), trading under the symbol EASY. The Company's wholly-owned subsidiary, 10161233 Canada Ltd, is a Licence Holder under the Cannabis Regulations, licensed for cultivation, processing and medical sales of cannabis since November 8, 2019. The head office of the Company is located at 1520 Meyers Creek Road West, Rock Creek, BC, Canada, V0H 1Y0.

In November 2019, the Company announced that it has received Health Canada's licence for cultivation, processing and medical sales. The Company, situated on 290 acres of fertile land in the Okanagan's renowned Golden Mile, has demonstrated adherence to the industry's rigorous compliance standards, and can now grow and provide its high quality, small-batch cannabis to the burgeoning recreational and medical markets.

The Company expects that in 2020 there will be a shift in the global cannabis industry into a consumer-packaged goods industry with the introduction of new product categories and increased segmentation in existing ones. The Company has developed a business model that adds core value and amplifies brand differentiation in what is expected to be a flourishing market. Building on its solid foundation, the Company intends to identify international revenue sources and replicate its operations in emerging global cannabis markets.

Moving from speculation to reality, a correction in the industry has taken place as dissatisfaction with current product offerings impacts sales projections. By focusing on both indoor and outdoor cultivation and following the proven business frameworks of successful multinational farming cooperatives, SpeakEasy is well positioned to cultivate premium BC cannabis and deliver significant revenues and cost efficiencies.

Outdoor cultivation

The Company has completed the preparation of its 2.6M sq. ft (60 acres) outdoor facility and received Health Canada approval for the facility on April 3, 2020, which will enable the production of approximately 70,000kg of cannabis in 2020. Throughout the 2020 season, the Company will continue to develop its Phase 1 outdoor grow facility on the remaining land suitable for growing cannabis on its 290 acre property, which positions the Company to be one of Canada's largest cannabis producers of exceptionally low-cost products. The long summer and dry harvest season will allow the Company to produce trimmed flower for approximately $0.04 per gram and biomass for extraction for approximately $0.02 per gram.

The cost of construction for the outdoor production facility, is expected to be approximately $10 per sq. ft, compared to $100-150 per sq. ft for greenhouse, and $150-200 per sq. ft for indoor construction. The resulting low cost to build for the Company, is expected to result in a favorable return on investment (ROI) in comparison to the traditional greenhouse and indoor grow facilities.

Subsequent to receiving Health Canada approval for our 60-acre outdoor field, the Company has been preparing the starting material to be ready for spring planting, with harvest expected in the fall of 2020.

Indoor cultivation
In November 2019, the Company received a cannabis licence from Health Canada for its 10,000 sq. ft purpose built indoor facility ("LP1"). The Company has completed the construction of two additional purpose-built facilities and is in the process of furnishing these buildings, which will provide the Company with over 63,000 sq. ft of indoor cultivation space.

On March 4, 2020, the Company announced the completion of its first harvest from LP1.

CBD hemp plantation
The Company expects to plant a minimum of 50 acres in 2020 in its outdoor field, which has been prepared in the fall of 2019. By controlling input costs by producing its own hemp, coupled with innovative extraction methods the Company projects to produce an 80% CBD distillate to be under $1,000/kg.

Online sales
The Company has undertaken projects to become vertically integrated through BWell – the first CBD e-commerce marketplace in Canada. The initiative will enable the Company to acquire new customers at a low cost and expand upon a business model that mirrors Amazon's marketplace approach.

Extraction processing
The Company is developing a state-of-the-art 26,000 sq. ft processing and extraction facility, which it expects to complete in the fall of 2020. Once in service the Company expects to augment operations by processing up to 350,000 kilograms of cannabis annually.

FINANCIAL STATEMENTS GOING CONCERN ASSUMPTION

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company's operations to date have been financed by issuing common shares. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at January 31, 2020, the Company has yet to generate revenues from operations and had a deficit of $38,393,432 (July 31, 2019 - $34,384,895). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements. These adjustments could be material.

RESULTS OF OPERATIONS

For the six-month period ended January 31, 2020, the Company incurred a net loss and comprehensive loss of $4,008,537 (2019 - $2,252,771); $0.05 loss per share (2019 - $0.02).

Significant increases during the period ended January 31, 2020 as compared to the period ended January 31, 2019 relate primarily to costs directly, or indirectly, related to the facility buildout. During the six-month period ended January 31, 2020 the Company spent $575,415 on the property. Significant changes include the following:

- Advertising and promotion of $92,549 (2019 - $32,534) increased primarily as a result of increase in activities in the current period to raise awareness regarding the Company's activities.

- Amortization and depreciation of $188,073 (2019 - $Nil) increased primarily due to an increase in additions to right-of-use assets and equipment becoming used in production during the current period.

- Consulting fees of $591,492 (2019 - $466,254) increased as a result of an increase in consulting services rendered as the Company advances towards the grant of its license to cultivate.

- Legal and professional fees of $198,292 (2019 - $279,703) decreased primarily due to costs related to regulatory inquiries.

- Office and general expenses of $623,400 (2019 - $138,232) increased due to an increase in general activities during the current period as the Company advances towards the grant of its license to cultivate. These include costs related to facilitate the property build out that were not capital in nature as well as general office costs such as rent and administrative.

- Share-based compensation of $99,350 (2019 - $118,071) decreased primarily as a result of fewer options granted during the current period as compared to prior periods.

- Travel of $23,945 (2019 - $90,049) decreased primarily as a result of less trips taken during the current period.

- Wages and salaries of $1,857,399 (2019 - $1,061,186) increased primarily as a result of more employees hired during the current period to facilitate increased activities required as the Company advances towards the grant of its license to cultivate.

For the three-month period ended January 31, 2020, the Company incurred a net loss and comprehensive loss of $2,091,141 (2019 - $1,082,089); $0.02 loss per share (2019 - $0.02).

Significant increases during the period ended January 31, 2020 as compared to the period ended January 31, 2019 relate primarily to costs directly, or indirectly, related to the facility buildout. During the three-month period ended January 31, 2020 the Company spent $317,876 on the property. Significant changes include the following:

- Advertising and promotion of $43,415 (2019 - $23,034) increased primarily as a result of increase in activities in the current period to raise awareness regarding the Company's activities.

- Amortization and depreciation of $163,096 (2019 - $Nil) increased primarily due to an increase in additions to right-of-use assets and equipment becoming used in production during the current period.

- Consulting fees of $369,360 (2019 - $154,358) decreased as a result of a decrease in consultants used as the Company advances towards the grant of its license to cultivate.

- Legal and professional fees of $135,891 (2019 - $156,307) decreased primarily due to costs related to regulatory inquiries.

- Office and general expenses of $298,630 (2019 - $54,975) increased due to an increase in general activities during the current period as the Company advances towards the grant of its license to cultivate. These include costs related to facilitate the property build out that were not capital in nature as well as general office costs such as rent and administrative.

- Share-based compensation of $99,350 (2019 - $118,071) decreased primarily as a result of fewer options granted during the current period.

- Travel of $12,611 (2019 - $39,532) decreased primarily as a result of less trips taken during the current period.

- Wages and salaries of $660,455 (2019 - $502,327) increased primarily as a result of more employees hired during the current period to facilitate increased activities required as the Company advances towards the grant of its license to cultivate.

Depending on future events, the rate of expenditures and general and administrative costs could increase or decrease.

For the six-month period ended January 31, 2020:

i) the net cash used in operating activities was $3,979,988 (2019 - $1,616,697). Operating activities consist of cash used for items on the consolidated statement of loss and comprehensive loss, adjusted for timing/changes in non-cash working capital items.

ii) net cash used in investing activities was $991,737 (2019 - $1,180,303). The cash used in both 2019 and 2018 consisted primarily of expenditures on property, plant and equipment.

iii) net cash provided by financing activities was $1,253,750 (2019 - $2,374,094). The cash provided in 2019 consisted of cash received for the issuance of shares less share issuance costs. The cash provided in 2019 consisted of $1,315,000 in cash received for the issuance of shares less share issuance costs.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	**Jan. 31, 2020**	**Oct. 31, 2019**	**Jul. 31, 2019**	**Apr. 30, 2019**
	$	**$**	**$**	**$**
Net loss	(2,091,141)	(1,917,396)	(5,982,395)	(5,377,260)
Current Assets	1,032,014	1,813,691	4,636,770	11,728,310
Total Assets	14,315,504	14,942,402	17,308,129	19,037,514
Total Liabilities	2,648,584	2,663,830	3,112,161	1,431,748
Total Shareholders' Equity	11,583,531	12,278,572	14,195,968	17,605,766
Quarter ended	**Jan. 31, 2019**	**Oct. 31, 2018**	**Jul. 31, 2018**	**Apr. 30 2018**
	$	**$**	**$**	**$**
Net loss	(1,082,089)	(1,170,682)	(7,310,428)	(13,212,267)
Current Assets	615,954	1,958,251	1,310,195	1,697,189
Total Assets	6,317,718	6,917,642	5,531,656	5,331,196
Total Liabilities	1,158,926	1,042,898	912,258	483,595
Total Shareholders' Equity(deficiency)	4,858,792	5,874,744	4,619,398	5,331,196

LIQUIDITY AND SOLVENCY

At January 31, 2020, the Company had a working capital deficiency of $1,616,570 (July 31, 2019 – working capital of $1,524,609).

The Company continues to use its cash resources to fund its administrative requirements and to complete its facility expansion plans. As the Company does not currently generate revenue, cash balances will continue to decline as funds are used to conduct its operations and on-going expansion plans, unless replenished by capital fundraising. The Company is actively seeking additional sources of financing. While the Company has been successful in the past, there is no guarantee that the Company will be successful at raising addition funding in the future.

On March 23, 2020, the Company has secured interest-free loans in the aggregate principal amount of $268,500 from Marc Geen, an insider of the Company, and certain non-arm's length parties and expects to secure up to an additional $250,000. Each of the interest free loans are repayable by the Company upon receipt of demand from the lender, which demand shall not occur until the proceeds of the secured loan (as defined below) are received by the Company.

The Company has also entered into a term sheet with an arm's length lender for a senior secured loan in the aggregate principal amount of $3,000,000. The Company and the lender entered into a definitive agreement on April 22, 2020, with the aggregate principal amount revised to $2,000,000 but other terms unchanged, as described in the following paragraphs.

On April 22, 2020, the Company entered into a convertible loan agreement with 10161233 Canada Limited (the "Guarantor"), 1244726 B.C. Ltd. (the "Lender"), Bhayana Ventures Ltd. and 1193213 B.C. Ltd. (the "Finder") dated April 21, 2020, pursuant to which the Lender has agreed to loan the Company an aggregate of $2,000,000.

The parties have agreed to a senior secured convertible loan in the aggregate principal amount of $2,000,000. The Loan will accrue interest at a rate of 55% per annum and will be repayable as to $1,810,000 (inclusive of interest) on the first anniversary of the closing date and as to $1,999,500 (inclusive of interest) on the second anniversary date of the closing date. The Guarantor has guaranteed SpeakEasy's obligations under the Loan Agreement. In connection with the Loan, the Company has agreed to pay the Finder a fee of $190,000. The finder's fee is payable on the first anniversary of the closing date.

The principal amount of the Loan, accrued interest thereon and the finder's fee will be convertible into common shares of the Company at the option of the Lender and the finder, respectively, at any time prior to the maturity date at a conversion price of $1.00 per share, subject to adjustment on the terms and conditions set forth in the loan agreement.

As security for the Loan, the Company will cause the grant to the lender of a first mortgage over the Guarantor's property in Rock Creek, British Columbia and a first-ranking general security agreement over all of the present and after-acquired personal property of the Company and the Guarantor.

CAPITAL RESOURCES

The Company has no operations that generate cash flow and its long-term financial success is dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company's primary capital assets as at January 31, 2020 consist of property and equipment. Other than the ongoing Facility expansion plans, the Company has no other commitments for capital expenditure, and there are no known trends or expected fluctuations in the Company’s capital resources.

Shares issued

During the period from August 1, 2019 to April 27, 2020, the Company:

i) received Health Canada's license for cultivation, processing and medical sales and issued 10,000,000 bonus shares valued at $5,000,000.

ii) issued 100,000 bonus shares valued at $43,000 to an advisory board member pursuant to a services agreement.

iii) issued 3,287,500 units at a price of $0.40 per unit for proceeds of $1,315,000. Each unit comprises of one common share and one warrant. Each warrant is exercisable into a common share at an exercise price of $0.80 with a 12 months expiry. In connection with this private placement, $59,950 in finders' fees were paid by the Company and issued 153,125 finders warrants valued at $16,296. Each broker warrant entitles the holder to acquire one common share at an exercise price of $0.80 per share for the period of 12 months following closing. The Company also paid other share issuance costs of $1,300.

Escrowed shares

At April 29, 2020, there were 2,400,000 shares held in escrow.

Stock options

During the period ended January 31, 2020, the Company:

i) granted 440,000 incentive stock options to a director, employees and consultants with a fair value of $199,467. The options are exercisable at a price of $0.70 per share for a period of 5 years. The 25% of the option were vested immediately, and the remaining options will be vested in equal tranches over a three-year period.

ii) granted 300,000 incentive stock options to an employee with a fair value of $100,611. The options are exercisable at a price of $0.32 per share for a period of 5 years. The options vested 25% at the grant date, and 25% each quarter thereafter.

iii) granted 100,000 incentive stock options to a director with a fair value of $36,331. The options are exercisable at a price of $0.39 per share for a period of 5 years. The options vested 25% at the grant date, and 25% each quarter thereafter.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

During the six months ended January 31, 2020, the Company,

i) incurred wages, labour and management fees, of $Nil (2019 - $90,000) to a former director and CEO of the Company, namely Marc Geen.

ii) incurred consulting fees of $Nil (2019 - $30,000) to a company controlled by a former director of the Company, namely Mervyn Geen.

iii) incurred wages, labour and management fees of $Nil (2019 - $122,500) to a former director of the Company, namely Brian Peery.

iv) incurred wages, labour and management fees of $110,000 (2019 - $Nil) to the CEO, namely Bin Huang, of the Company.

v) incurred wages, labour and management fees of $80,000 (2019 - $Nil) to a director of the Company, namely Frey Garabagi.

vi) incurred wages, labour and management fees of $Nil (2019 - $44,000) to the former corporate secretary of the Company for corporate secretary services, namely Deborah Cotter.

vii) incurred wages, labour and management fees of $72,000 (2019 - $Nil) to a director of the Company, namely Patrick Geen.

viii) incurred consulting fees of $70,000 (2019 - $Nil) to a company owned by a director of the Company, namely Zreyas Consulting Inc., owned by Zena Prokosh.

As at January 31, 2020, the Company had balances due to related parties of:

i) $996 (July 31, 2019 - $996), which is due to a former director and CEO of the Company, namely Daniel Wettreich. The amount has no set repayment term, is unsecured and is non-interest bearing.

ii) $27,520 (July 31, 2019 - $27,520), which is due to a former director and CFO of the Company, namely Anthony Jackson who resigned on September 6, 2018. The amount has no set repayment term, is unsecured and is non-interest bearing.

iii) $163,800 (July 31, 2019 - $163,800), which is due to a company controlled by a former director and CFO of the Company who resigned on September 6, 2018, namely Bridgemark Capital Corp., controlled by Anthony Jackson. The amount has no set repayment term, is unsecured and is non-interest bearing.

iv) $1,875 (July 31, 2019 - $1,875), which is due to a company controlled by a former director and CFO of the Company, namely Essos Corporate Services Inc. controlled by Von Torres who resigned on March 26, 2018. The amount has no set repayment term, is unsecured and is non-interest bearing.

v) $1,325 (July 31, 2019 - $494) which is due to the former corporate secretary of the Company, namely Deborah Cotter. The amount has no set repayment term, is unsecured and is non-interest bearing.

vi) $713 (July 31, 2019 - $713) which is due to the president of the Company, namely Brian Peery. The amount has no set repayment term, is unsecured and is non-interest bearing.

vii) $16,111 (July 31, 2019 - $4,574) which is due to a company owned by a former director of the Company, namely Mervyn Geen. The amount has no set repayment term, is unsecured and is non-interest bearing.

viii) $21,525 (July 31, 2019 - $67,725) which is due to a partnership in which the former CFO, namely Dave Cross, has an interest. The amount has no set repayment term, is unsecured and is non-interest bearing.

ix) $11,563 (July 31, 2019 - $962) which is due to the CEO, namely Bin Huang, of the Company.

x) $5,631 (July 31, 2019 - $7,613) which is due to a director of the Company, namely Frey Garabagi. The amount has no set repayment term, is unsecured and is non-interest bearing.

xi) $18,000 (July 31, 2019 - $18,000) which is due to a company owned by a former director of the Company, namely Hilliard Consulting LLC, owned by Alex Kaulins. The amount has no set repayment term, is unsecured and is non-interest bearing.

xii) $46,505 (July 31, 2019 - $Nil) which is due to a company owned by a director of the Company, namely Zreyas Consulting Inc., owned by Zena Prokosh. The amount has no set repayment term, is unsecured and is non-interest bearing.

As at January 31, 2020, the Company had balances due from a related party of $11,018 (July 31, 2019 - $11,874), which is due from a former director and CEO of the Company, namely Marc Geen.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet transactions.

PROPOSED TRANSACTIONS

There are no proposed transactions that will materially affect the performance of the Company other than those disclosed in this MD&A.

CURRENT AND FUTURE ACCOUNTING POLICIES

Please refer to the Condensed Consolidated Interim Financial Statements for the period ended January 31, 2020 on www.sedar.com.

FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND CAPITAL MANAGEMENT AND POLICIES

Please refer to the Condensed Consolidated Interim Financial Statements for the period ended January 31, 2020 on www.sedar.com.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Company, which factors investors should carefully consider when making an investment decision concerning the shares of the Company. The Company will face a number of challenges in the development of its business. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or which are currently deemed immaterial, may also impair the operations of the Company. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A.

Even though 10161233 Canada Ltd. was successful in obtaining the Cultivation, Processing and Medical Sales Licence, the Licence will be subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licence or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Company.

Furthermore, the License has an expiry date. Prior to the expiration of the License, the Company would be required to submit an application for renewal to Health Canada containing the information prescribed under the Cannabis Regulations, and renewal cannot be assured.

Regulatory Risks

The Company operates in a new industry which is highly regulated and is in a market that is very competitive and evolving rapidly. The Company's ability to grow, store and sell cannabis in Canada is dependent on the Licence from Health Canada and the need to maintain the Licence in good standing. Failure to comply with the requirements of the Licence or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomical. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Change in laws, regulations, and guidelines

The Company's operations are subject to a variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of cannabis and hemp but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company that it may invest in or acquire.

Limited operating history

The Company is subject to many of the risks common to early-stage enterprises, including 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.

History of Net Losses

The Company has incurred operating losses since incorporation and may not be able to achieve or maintain profitability and may continue to incur significant losses into the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Negative Operating Cash Flow

The Company has not generated operating revenue and historically has had negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flows in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- limited the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

Reliance on a Single Site

The Company's activities and resources are focused in its Facilities in Rock Creek, British Columbia and are expected to continue to be focused on these Facilities for the foreseeable future. Adverse changes or developments affecting the existing Facilities could have a material and adverse effect on the Company's ability, if and when it acquires the Licences from Health Canada, to produce cannabis, its business, financial condition and prospects.

Factors Related to the Facilities

As of the date of this MD&A, the certain facilities at the Rock Creek site have been completed, others are still under construction. Any adverse changes or developments affecting the Facilities and commencement of production could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could adversely affect the Facilities by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

(a) delays in obtaining, or conditions imposed by, regulatory approvals;
(b) plant design errors;
(c) environmental pollution;
(d) non-performance by third party contractors;
(e) increases in materials or labour costs;
(f) construction performance falling below expected levels of output or efficiency;
(g) breakdown, aging or failure of equipment or processes;
(h) contractor or operator errors;
(i) labour disputes, disruptions or declines in productivity;
(j) inability to attract sufficient numbers of qualified workers;
(k) disruption in the supply of energy and utilities; or
(l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

It is also possible that the costs of commencing production may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

Expansion

Expansion and licensing of additional Facilities are subject to approvals by Health Canada. While management does not anticipate significant issues receiving any necessary approvals in the future, the delay or denial of such approvals may have a material adverse impact on the business and may result in the Company not meeting anticipated or future demand when it arises.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the loss of any of senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all.

Restrictions on Sales Activities

The cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasigovernmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

Competition

The Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. To date, the Canadian government has only issued a limited number of licences under the Cannabis Regulations to cultivate, process and sell cannabis. The number of licences granted could have an impact on the business, financial condition and operating results of the Company. Because of early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, there are currently 279 Licence Holders as the date of this MD&A. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high 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 operating results of the Company.

Client Acquisition and Retention

The Company's success will depend on its ability to attract and retain clients. There are many factors which could impact the Company's ability to attract and retain clients, including but not limited to the Company's ability to continually produce desirable and effective product, the successful implementation of the Company's client-acquisition plan and the continued growth in the client base. The Company's failure to acquire and retain clients would have a material adverse effect on the business, financial condition and operating results of the Company.

Transportation Risks

Due to the perishable nature of some of the Company's proposed products, the Company will depend on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the third-party transportation services which will be used by the Company to ship its proposed products may also adversely impact the business of the Company and its ability to operate profitably.

Risks Inherent in an Agricultural Business

The Company's business will involve the growing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as environmental control, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

Energy Costs

10161233 Canada Ltd.'s indoor growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company and its ability to operate profitably.

Unfavorable Publicity or Consumer Perception

Management believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis products produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. 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 proposed products and the business, results of operations, financial condition and cash flows of the Company. 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 the Company's proposed 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 medical marijuana in general, or the Company's proposed products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its proposed products, either inhaled or ingested, are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the proposed products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with consumers generally, and could have a material adverse effect on the business, financial condition and operating results of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of proposed products.

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 contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's proposed 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. Although the Company intends to have detailed procedures in place for testing proposed finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's proposed products were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the Company 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 operations of the Company by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Additional Financing

The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating consistent positive cash flows. Continued negative cash flow may restrict the Company's ability to pursue its business objectives.

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and officers of other companies and consequently the possibility of conflict exists. Any decisions made by such directors or officers involving the Company will be made in accordance with the duties and obligations of directors and officers to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare their interest and refrain from voting on any matters in which such directors may have a conflict of interest.

Dilution

The Company may issue additional equity securities to finance its activities, including acquisitions. If the Company were to issue common shares, existing holders of such shares may experience dilution in the Company. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be materially adversely affected.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

CAUTIONARY FORWARD-LOOKING STATEMENTS

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future financial conditions, results of operations, plans, objectives, performance or business developments, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- the Company's lack of operating revenues;
- the ability to obtain additional financing and uncertainty as to the availability and terms of future financing;
- the Company's business strategies, objectives and plans to pursue the commercialization of its products;
- expectations for expansion plans for the Facilities and their costs;
- the suitability of the Facilities;

- expectations regarding production costs, capacity and yields of the Company and growth thereof;
- the Company's intentions to develop its business and operations;
- the Company's anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company;
- risks related to the Company's dependence on key personnel;
- estimates used in the Company's financial statements proving to be incorrect; and
- other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at December 30, 2019 and are subject to change after this date. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements.

Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

NON-RELATED CONSULTING TRANSACTIONS

During the year ended July 31, 2019, the Company incurred consulting fees of $Nil (2018 - $1,466,276) and share issuance costs of $Nil (2018 - $250,000) to consultants on the BCSC Temporary Order dated November 26, 2018. Pursuant to the BCSC decision dated January 15, 2019, the temporary order has not been extended against the Company. As at January 31, 2020, accounts payable and accrued liabilities of $320,000 (July 31, 2019 – $320,000) was owing to the above parties.

As at January 31, 2020 advances payable of $100,000 (July 31, 2019 - $100,000) is owing to above noted parties.

OUTSTANDING SHARES, OPTIONS AND WARRANTS

Common Shares

The authorized capital of the issuer consists of an unlimited number of common shares without par value of which 103,279,138 are outstanding as of April 29, 2020. Holders of the issuer's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate ratably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Issuer.

Stock Options

The following table sets out the details of the stock options granted and outstanding as at April 29, 2020:

Expiry date	Exercise price ($)	Number of options outstanding	Number of options exercisable
March 26, 2023	0.95	900,000	900,000
July 23, 2023	0.70	1,300,000	1,300,000
July 23, 2023	0.95	925,000	925,000
October 23, 2023	0.70	200,000	200,000
February 28, 2024	0.90	200,000	200,000
March 12, 2024	0.80	885,000	885,000
March 15, 2024	0.90	100,000	100,000
May 29, 2024	0.86	100,000	100,000
June 27, 2024	0.67	1,738,333	1,738,333
November 11, 2024	0.70	440,000	110,000
January 5, 2025	0.32	275,000	50,000
January 25, 2025	0.39	100,000	25,000
April 8, 2025	0.42	545,000	311,250
		7,708,333	**6,844,583**

Warrants

The following table sets out the details of the warrants issued and outstanding as at April 29, 2020:

Expiry date	Exercise price ($)	Number of warrants outstanding
September 27, 2020	1.00	2,170,550
December 6, 2020	0.80	3,287,500
December 6, 2020	0.80	153,125
March 8, 2021	1.00	8,250,000
March 8, 2021	1.00	245,000
March 10, 2021	0.50	400,000
March 10, 2021	0.75	400,000
March 10, 2021	1.00	400,000
April 24, 2021	1.00	9,778,463
April 24, 2021	1.00	14,500
April 25, 2021	1.00	1,745,385
April 25, 2021	1.00	86,500
		26,931,023

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.speakeasygrowers.com and www.sedar.com.