Dixie Brands Inc.

Management Discussion and Analysis
For the three months ended March 31, 2019

This Management Discussion and Analysis ("MD&A") of Dixie Brands Inc. (the "Company" "DBI") provides analysis of the Company's financial condition and results for the three months ended March 31, 2019. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following information should be read in conjunction with the accompanying audited financial statements and the notes thereto. This MD&A was prepared using information that is current as of May 30, 2019, unless otherwise stated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators.

This discussion includes certain statements that may be deemed "forward-looking statements". All Statements in this discussion other than statements of historical facts, that address future acquisitions and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements based on reasonable assumptions, such statements are not a guarantee of future performance and actual results or development may differ materially from those forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, regulatory approvals, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

The MD&A was prepared and approved by management of the Company on May 30, 2019.

Overview of the Company

DBI was founded on May 5, 2014. On November 27, 2018, it completed a reverse takeover of Academy Explorations Limited, a registered issuer in the Province of Ontario. On November 29, 2018, DBI's subordinate voting shares were listed on the Canadian Securities Exchange under the ticker symbol DIXI.U.

DBI was formed for the primary purpose of managing, protecting, and promoting a portfolio of licensed intellectual property and commercialization of proprietary processes and products related to the DIXIE™ brand. DBI owns intellectual property, including the DIXIE™ trademarks, recipes, processes, trade secrets and goodwill associated therewith. Dixie engages in the licensing of its intellectual property, proprietary bases, essences, and other prepared ingredients the formula for which is an industrial secret of DBI, from which branded and proprietary THC-infused products are manufactured by operating companies and distributed by third-party distributors. DIXIE™ products are made with pure, premium cannabis.

Through DBI's manufacturing and distribution agreements, each proprietary product is infused with clean, carbon dioxide extracted THC that is laboratory tested. DBI currently controls the intellectual property for many premium THC-infused product lines, including: DIXIE™ Elixirs Sparkling Beverages, DIXIE™ Mints, DIXIE™ Dew Drops (sublingual tinctures), DIXIE™ Chocolates, DIXIE™ Topicals, DIXIE™ Gummies, DIXIE™ Bursts, and DIXIE™ Synergy 1:1 CBD and THC Products, as well as its vaping line MINDSET. DBI also controls the operations and intellectual property for its hemp supplement subsidiaries, Aceso Wellness, LLC and Therabis, LLC.

The DIXIE™ family of word marks, including, but not limited to, "DIXIE ELIXIRS & EDIBLES", "DIXIE MINTS", "DIXIE TONICS", "DIXIE GUMMIES", "DIXIE BURST", "MINDSET" and "SYNERGY", "ACESO HEMP", "THERABIS" the DIXIE logo, as well as trade secret recipes and product manufacturing know-how are exclusively owned by DBI.

The market for cannabis products in the U.S. is regulated by numerous federal, state and local laws and regulations including those relating to cannabis, environmental protection and human health and safety. Marijuana, or cannabis, is illegal in the U.S. under the federal law and is listed as a Schedule I hallucinogenic substance pursuant to the Controlled Substances Act. Accordingly, DBI and its subsidiaries operate under the guidelines and regulations established on a state by state basis.

Currently, DBI has licensed certain portions of its intellectual property to qualified state regulated producers in the following five states: Colorado, California, Nevada, Maryland and Michigan, as well as Canada, Latin America and Mexico.

Selected Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the three months ending March 31, 2019 and 2018.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Revenues	$ 2,218,175	$ 937,571
Cost of Goods Sold	1,157,808	461,144
Gross Profit	1,060,367	476,427
Total Operating Expenses	7,742,527	990,647
Loss From Operations	(6,682,160)	(514,220)
Total Other (Income) Expense	(8,468)	303,735
Net Loss	$ (6,673,692)	$ (817,955)
	March 31, 2019	**December 31, 2018**
Current Assets	8,852,078	21,990,079
Total Assets	24,562,428	24,899,172
Total Liabilities	8,728,326	8,963,523

Revenue

Revenue for the three months ending March 31, 2019 and 2018 was $2,218,175 and $937,571, respectively, resulting in an increase of $1,280,604 (136.6%) from the prior year.

For the three months ending March 31, 2019 and 2018 revenues related to Packaging, Sales of Finished Goods, and Licensing were $2,186,011 and $635,468, respectively, resulting in an increase of $1,550,543 (244%) from the previous year. Other miscellaneous revenue at March 31, 2019 and 2018 was $32,164 and $302,103, respectively, which resulted in a decrease of $269,939 (-89.4%) from the previous year.

The increase in revenue was driven by our sustained presence in established markets, like Colorado, as well as our renewed focus on building a strong sales presence in California and Maryland. Opening new markets, like Michigan, will yield increased revenue in the coming quarters. Sales growth is attributable to both existing products and the launch of new products, as well as higher penetration into the dispensary channel.

The Company also began building distribution channels and routes to market in Q1 for its two CBD subsidiaries, Aceso Hemp and Therabis. We expect increased revenue in subsequent quarters from this focused investment.

Gross Profit

For the three months ending March 31, 2019 and 2018 gross profit was $1,060,367 (48%) and $476,427 (51%), respectively, resulting in an increase of total gross profit of $583,940. As a percentage of revenue, gross profit declined due to the upfront cost of scaling production to meet the increased demand in California. The Company expects a slight compression in margins as new markets open, which ultimately will improve as efficiencies and economies of scale are realized.

Total Operating Expenses

For the three months ending March 31, 2019 and 2018 total expenses were $7,742,527 and $990,647, respectively, resulting in an increase of $6,751,880. The increase in expenses related primarily to the following items.

General and Administrative expense for the three months ended March 31, 2019 and 2018 was $6,469,439 compared to $902,218 in 2018. The increase in G&A expenses was driven by the following items.

- Professional Fees were $2,325,724 in 2019 and $51,655 in 2018. Included in professional fees were accounting fees relating to initial public company audit that included third party valuation services, and the assistance of temporary accounting consultants. In addition to accounting fees, the company incurred fees relating to building our foreign market as we listed on the Frankfurt Exchange and third-party consulting fees. Included in the total expense were non-cash expenses relating to the issuance of stock options totaling $829,313 for third-party consulting fees.

- Stock Option Incentives and Share-Based Compensation were $2,141,539 in 2019 and $17,741 in 2018. This was a non-cash expense that was the result of the issuance of stock options to key management and third-party consultants.

- Salaries and Benefits were $1,214,243 in 2019 and $485,058 in 2018. Dixie headcount increased by 130% when comparing March 31, 2019 to March 31, 2018. The new additions included six positions at the Vice President level or higher at both the corporate and subsidiary levels, as the Company continues to add leadership talent to execute its growth strategy.

Other (Income) Expense totaled $(8,468) in 2019, compared to $303,735 in 2018. Notable items comprising Other (Income) Expense include the following.

- In 2018 the Company had interest expense of $266,665. The Company paid off all outstanding debt as of January 2, 2019 and has no other debt on the books.

In total, $2,970,852 of expenses for the three-month period ending March 31, 2019 was comprised of non-cash expenses as described above. These non-cash expenses were primarily incurred in association with the issuance of stock options to key management and third-party consultants as the Company looks to gain a stronger presence in foreign markets.

Current Assets

Current assets decreased by $13,138,001 for the three months ended March 31, 2019. The majority of the decrease can be attributed to the cash payments relating to the acquisition of additional equity in Therabis, LLC, the reimbursement of the Auxly Licensing fees', payment of third party consultants, as well as operating expenses.

Current Liabilities

Current liabilities remained consistent with the balance as of December 31, 2018.

*Historical Data**

Quarter Ended	Total Revenue
March 31, 2019	2,218,175
December 31, 2018	1,586,282
September 30, 2018	2,435,398
June 30, 2018	832,200
March 31, 2018	937,571
December 31, 2017	709,677
September 30, 2017	1,161,861
June 30, 2017	881,838
March 31, 2017	586,011

**Due to reclassifications certain quarters will have immaterial differences to previously released financial information*

Discussion of Operations

DBI plans to expand the DIXIE™ brand and line of products into selected U.S. states where medical and recreational marijuana are legal by contracting with local state license holders in those states to produce and distribute DIXIE™ brand products. DBI is typically paid an initial production and service fee as well as monthly branding fees, negotiated on a state-by-state basis, for each unit or a derivative thereof sold. DBI may also enter into financial transactions to support licensees or affiliated manufacturing companies in order to promote, support, and develop sales and distribution of DIXIE™ products including through investment in joint ventures in various states. DBI may also provide consulting services to manufacturers and retailers, in compliance with applicable state law; serve as a real estate, fixtures and equipment holding and management company that will acquire, lease, develop and/or manage real property, industrial fixtures and equipment and lease and/or sublease such infrastructure to manufacturers and retailers; invest in such companies, in compliance with applicable state law; and enter into financial transactions to support such, including, without limitation, loan transactions, in order to promote, support, and develop sales and distribution of products utilizing its portfolio of intellectual property. DBI also controls the operations and intellectual property for its hemp supplement subsidiaries, Aceso Wellness and Therabis, LLC.

Significant Events or Milestones

On January 2, 2019, the Company purchased an additional 25% of its subsidiary Therabis, LLC, or 25,000 units, for a total purchase price of $7,422,827, plus expenses not to exceed $63,774. The initial closing payment was in the amount of $3,922,827 with a deferred closing payment in the amount of $3,500,000. With this purchase, Dixie Brands holds an 85% ownership in Therabis, LLC. In addition to the purchase price of $7,422,827 the outstanding balance of the Promissory Notes of $877,173, of which principal totals $775,000 and interest totals $102,173 was paid.

On January 29, 2019, the Company's subordinate voting shares were listed and traded on the Frankfurt Stock Exchange under the trading symbol 0QV. Operated by Deutsche Börse AG, the Frankfurt Stock Exchange (known in Germany as Frankfurter Wertpapierbörse or FWB®) is one of the world's largest trading centers for securities, and the largest of Germany's seven stock exchanges. This listing will facilitate the process of trading in Dixie shares by investors in Europe and internationally.

On March 5, 2019, the Company entered into a Packaging and Supply Agreement with Choice Labs, whereby Dixie Brands' portfolio of products will be manufactured, sold and distributed across the state of Michigan. The companies had a selection of products available for sale in Michigan provisioning centers by late March and continued to expand the selection of available products into the second fiscal quarter.

On March 12, 2019, the Company signed a joint venture agreement with Khiron Life Sciences Corp. ("Khiron"), a vertically integrated cannabis leader with core operations in Latin America. With the execution of this agreement, a new company called Dixie Khiron JV Corp. ("Dixie-Khiron") has been established with 50% owned by each of the Company and Khiron. Dixie-Khiron will introduce Dixie's cannabis-infused products across Latin America to take advantage of opportunities arising from the legalization of cannabis throughout the region.
In accordance with the March 12 agreement, Dixie will also manufacture and distribute Khiron's Kuida® brand of cannabidiol (CBD)-based cosmeceuticals in the United States. Kuida is expected to be broadly distributed and is expected to have particular appeal to the growing U.S. Hispanic population, estimated at nearly 60 million.

On May 14, 2019, the Company received its full DTC eligibility under the Cusip # 25545P103. Receiving DTC eligibility means that Dixie's securities are able to be deposited through DTC. DTC, or the Depository Trust Company, is the largest securities depository in the world and holds over thirty-five trillion dollars' worth of securities on deposit.

Business Strategy and Outlook

The Company is pursuing a number of initiatives that are expected to result in significant revenue growth in 2019 and in future years. Key objectives for this year include the following:

- Continue to expand the number of dispensaries selling the Dixie Brands portfolio of THC-infused products within the existing U.S. footprint of California, Colorado, Maryland, Michigan and Nevada. California is estimated at one-third of the total U.S. cannabis market and represents a significant growth opportunity for Dixie which re-launched in the state in the final months of 2018.

- Establish operations in four-to-six new U.S. states in 2019, of which Michigan is the first.

- Secure additional distribution agreements for Aceso Hemp and Therabis to grow the presence of both brands in bricks and mortar locations and complement their established e-commerce channels.

- Continue to innovate by introducing new products that take advantage of Dixie's intellectual property and expertise.

- Enter the Canadian cannabis-infused products market by the end of 2019, following the publication of final regulations by Health Canada, through a licensing agreement with Auxly Cannabis.

- Evaluate potential mergers and acquisitions and other strategic partnerships in order to accelerate growth, enter new markets and add new brands.

Based on the combined impact of these growth initiatives as well as increasing consumer demand and acceptance for cannabis products in general, DBI currently believes that its total revenue opportunity for 2019 is approximately $65 million to $75 million, increasing to $140 million to $160 million in 2020. At these revenue levels, DBI believes it has the potential to generate EBITDA (earnings before interest, taxes, depreciation and amortization) equal to approximately 10% to 15% of revenue in 2019 and 20% to 25% of revenue in 2020.

Liquidity & Capital Resources

DBI has historically relied upon equity financings to satisfy its capital requirements. While the Company's 2019 business plan is expected to be fully funded by the proceeds of the financings completed in 2018, the Company may continue to depend upon equity capital to finance its activities in the future, including any significant corporate development opportunities that may arise.

Related Party Transactions

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

Left Bank LLC d/b/a Dixie Elixirs & Edibles ("Left Bank")

One Director of the Company is the sole owner of Left Bank.

The Company purchased the intellectual properties from Left Bank in 2015 for $1,000,000.

The Company leases the facility for DBI from Left Bank under a sub-lease agreement that expired in November 2018. Currently the Company leases the building under a month to month agreement. Annual rent is not to exceed $209,907. Total rent expense paid to Left bank for the three months ended March 31, 2019 and 2018 is $72,926 and 60,889, respectively. Left Bank holds inventory on behalf of the Company at the facility for a total amount of $140,245 at March 31, 2019 and $111,253 at December 31, 2018.

In addition to the above arrangements between the Company and Left Bank, DBI incurred shared expenses with Left Bank for accounting services provided by DBI accounting team and consultants for $30,000 and $31,500, respectively, for the three months ended March 31, 2019 and 2018. The Company also incurred various other shared expenses with Left Bank for $76,472 and $18,662 for the three months ended March 31, 2019 and 2018, respectively.

In addition to the above arrangements between the Company and Left Bank, Left Bank incurred shared expenses with DBI for facility maintenance and research and development services provided by Left Bank employees for $72,545 and $0, respectively, for the three months ended March 31, 2019 and 2018.

Purchases and sales between Left Bank and DBI are recorded in accounts payable or accounts receivable. The three months ended March 31, 2019 the Company earned $1,409,030 of packaging revenue. DBI also incurred $697,049 of cost of goods sold reimbursements. As a result, the Company wrote off the accounts receivable balance from Left Bank of $697,049 to offset the accounts payable balance. During the three months ended March 31, 2018, the Company earned $180,631 of packaging revenue and $143,470 of raw materials and ingredients resale revenue.

At March 31, 2019 and December 31, 2018, the Company had $3,145,372 and $2,793,198, respectively of accounts receivable from Left Bank.

Silver State Wellness

Silver State Wellness owns 30% of DBPN. In October 2016, DBPN issued $675,000 under a note receivable bearing interest at 12% from Silver State Wellness. DBPN had non-interest-bearing advances receivable from Silver State Wellness for $656,887 as at March 31, 2019 and December 31, 2018.

DBPN has equity contributions receivable of $228,263 as at March 31, 2019 and December 31, 2018 from Silver State Wellness. At March 31, 2019 and December 31, 2018, the Company had $831,388 and $1,107,741, respectively of accounts receivable from Silver State Wellness including $163,996 of affiliate packaging revenue and $75,560 of materials and ingredients resale revenue. The Company also incurred $40,999 of COGS reimbursement due to Silver State Wellness based on the licensing agreement.

DBI has $10,006 worth of accounts receivable from Silver State Wellness as at March 31, 2019 and December 31, 2018.

Rose Capital Fund

Rose Capital Fund owns 25% of Therabis. On January 2, 2019 DBI purchased Rose Capital Fund's 25% share of Therabis.

Auxly

Two of the Directors of the Company are officers of Auxly. During the previous year the Company entered into a licensing agreement with Auxly and received a prepayment of $4,000,000. During the three months ended March 31, 2019, $3,250,000 had been returned to Auxly.

Related party advances and notes receivable:

Related party advances and notes receivable consist of the following:

	March 31, 2019	December 31, 2018
Left Bank	$ 1,771,230	$ 1,755,886
Silver State Wellness	1,331,887	1,331,887
Total Related Party Notes Receivable	3,103,117	3,087,773
Related Party Advances	287,155	97,155
Less: Fair Value Adjustments on Notes Receivable	429,919	429,919
Less: Allowance on Related Party Advances	1,480,565	1,480,565
Total Related Party Advances and Notes Receivable	$ 1,479,788	$ 1,274,444

DBI holds two notes receivable from Left Bank. The first note for $633,333 and the second note is for $1,235,052. During the year, both notes receivables were extended to June 2022. The notes accrue interest at 2% per annum and are payable at maturity in June 2022. Interest on these notes is not significant as at March 31, 2019 and December 31, 2018.

Compensation of key management personnel:

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

	March 31, 2019	March 31, 2018
Management Compensation	$ 122,077	$ 57,692
Stock Incentives	644,270	-
	$ 122,077	$ 57,692

A list of key management personnel is represented below:

Name & Municipality of Residence	Position with the Resulting Issuer
Charles Smith Denver, Colorado	Director, Chief Executive Officer Member of Audit Committee
Brian Graham(4) Atlanta, Georgia	Director Member of Executive Compensation Committee
Melvin Yellin New York, New York	DirectorMember of Executive Compensation Committee
Devin Binford(3) New York, New York	Director Member of Audit Committee
Vincent "Tripp" Keber, III Denver, Colorado	Director
Michael Lickver Toronto, Ontario	Director Member of Audit Committee Member of Executive Compensation Committee
Hugo Alves Toronto, Ontario	Director
CJ Chapman Denver, Cororado	General Counsel and Secretary
James Feehan Denver, Colorado	Interim Chief Financial Officer

Financial Risk Management

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The Company's exposure to non-payment or non-performance by our counterparties is a credit risk. The maximum credit exposure as at March 31, 2019 is the carrying amount of cash, accounts receivable and other receivables and promissory notes receivable. The Company has a significant outstanding balance in accounts receivable over 90 days as of March 31, 2019. The Company mitigates its credit risk on its other receivables and promissory notes receivable through its review of the counterparties and business review. The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note's origination and duration and terms of the note. Notes that are overdue are assessed for impairment.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's cash holdings. As at March 31, 2019, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one-year, and notes payable, which have a contractual maturity within 18 months. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's ability to complete equity cash raises, management regards liquidity risk to be low.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property are never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

Capital structure risk management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of members' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the three months ended March 31, 2019.