Dixie Brands Inc.

Management Discussion and Analysis
For the six months ended June 30, 2019

This Management Discussion and Analysis ("MD&A") of Dixie Brands Inc. (the "Company" "DBI" "Dixie Brands" "Dixie") provides analysis of the Company's financial condition and results for the six months ended June 30, 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 August 28, 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 August 28, 2019.

Overview of the Company

Based in Denver, Colorado, Dixie Brands is one of the cannabis industry's leading consumer packaged goods ("CPG") companies, crafting award-winning Tetrahydrocannabinol ("THC") and Cannabidiol ("CBD") infused products since its inception in 2010. Starting with its flagship Elixir, the portfolio has grown through unparalleled production heritage and an industry-leading Research and Development ("R&D") capability to encompass five distinct brands, 15 product lines and over 100 individual products ("SKU's") representing some of the industry's finest edibles, beverages, tinctures, topicals and concentrates as well as world-class CBD-infused wellness products and pet dietary supplements.

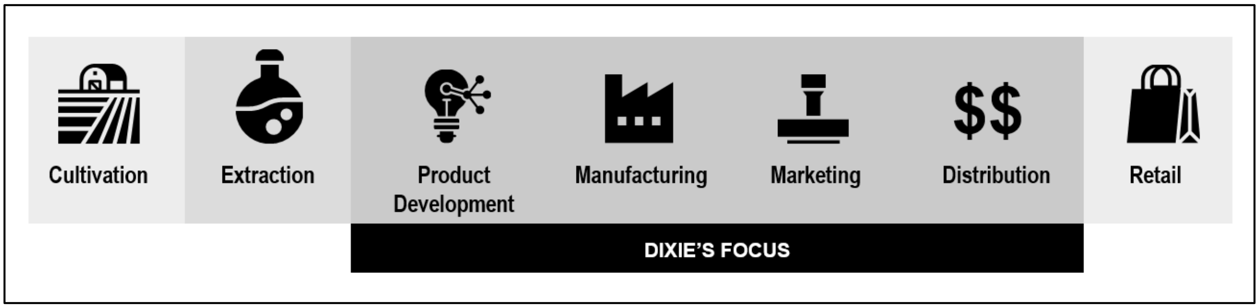
Dixie Brands has established a leadership position in the industry via:

- A proven track record over nearly 10 years in business
- A portfolio of brands that people recognize and trust
- Industry-leading R&D capability, intellectual property ("IP") and related formulations
- Unparalleled heritage and expertise in food-grade manufacturing
- Deep packaging and compliance experience and expertise
- Demonstrated ability to rapidly commercialize new markets

Overview of Operations

A Clear and Focused Business Model

Dixie Brands is a true multi-state operator ("MSO"), CPG company focused on high-return segments of the value chain:



Full vertical integration poses a number of challenges, costs and limitations to a world-class CPG company building a portfolio of 'famous brands' where flexibility in raw materials and the ability to maximize retail distribution are fundamental to sustainable success. Dixie avoids significant costs by sourcing its raw materials from third-party cultivators, and by selling its products through independent retailers rather than its own retail locations.

With that clearly defined focus, Dixie Brands has established an industry leading position on product development, food-grade manufacturing, quality control, packaging design and commercialization (sales and marketing) of one of the industry's broadest portfolios of consistently high-quality cannabis-infused products.

A True House of Brands

As one of the industry's only true House of Brands (a portfolio of distinct, differentiated brands created for specific consumer audiences, spanning multiple geographies), Dixie has built a purposeful consumer-driven portfolio spanning the full cannabis spectrum from 'Fun' to 'Functional' across three distinct business units:

Dixie Brands – THC and CBD infused edibles, topicals and concentrates available in select regulated markets only. Brands include:

- Dixie - Built for Experience Explorers, Dixie encapsulates contemporary cannabis culture providing high quality, consistent, flavorful and indulgent edible products for those looking to discover more from everyday moments.
- Synergy – Purposefully crafted, clean, green and predictably functional infused products for health and wellness worshippers looking to live life to the fullest. Synergy celebrates the entourage effect, thoughtfully combining THC and CBD with other hero ingredients to provide a wholistic experience.
- Mindset – A pointedly effect-based brand in development. Crafted for performance pragmatists who have the fire within, looking to elevate their performance and, chasing their summits, be they athletic, creative or intellectual.

AcesoHemp – Broad spectrum hemp-derived human supplements distributed via direct to consumer (“DTC”), eCommerce and broad market retail channels.

- A brand created to capture the essence of all things natural, AcesoHemp combines all natural ‘Herb to Hemp’ ingredients including terpenes, L-theanine, turmeric, glucosamine and B-vitamins to provide a portfolio of products targeting specific outcomes such as anxiety, pain and inflammation.

Therabis – Broad spectrum hemp-derived pet supplements distributed via DTC, eCommerce, broad market pet retail and Veterinary-only channels.

- Originally founded by Dixie with veterinarian Dr Steven Katz, Therabis is a broad-spectrum hemp brand providing natural, efficacious alternative remedies for cats and dogs, offering indication-specific relief via Calming, Mobility and Stop the Itch formulas.

Operating Across Multiple Markets

The Dixie Brands regulated portfolio currently operates through licensed manufacturers in five US states (CO, CA, NV, MD and MI) and is on track to add an additional one to three markets by the end of 2019. Dixie Brands products are currently sold in more than 900 dispensaries across existing markets (with approximately 90% penetration in CO, NV, MD, and MI), targeting 1,200 by the end of the year.

Beyond the domestic US market, the Company plans to expand into Canada via its licensing agreement with Auxly Cannabis Group (“Auxly”). In addition, Dixie Brands expects to capitalize on a first-mover opportunity across Latin America via a joint venture (JV) with Khiron Life Sciences (“Khiron”) and anticipate distributing Khiron’s Kuida Cosmeceutical brand to the US CBD cosmetic market.

The AcesoHemp and Therabis hemp-derived product portfolios are currently available nationwide via owned DTC channels and indirectly through third-party distributors and key online plus brick-and-mortar retailers, and on a combined basis they expect to be available in more than 3,000 retail locations by Q4 2019.

Business Strategy

Since being publicly listed on the Canadian Stock Exchange on November 29th, 2018, Dixie Brands has aggressively pursued its stated goal of becoming the number one CPG company in the cannabis industry via demonstrated progress against five key strategic imperatives:

1) Optimize Global Reach

Establish a truly global portfolio of consumer brands via purposeful, rapid expansion into new markets organically, via strategic partnerships and/or focused M&A. To date in 2019, Dixie Brands has:

- Opened MI, generating revenue less than 60 days after signing the agreement.
- Secured OK, expecting to commence commercial operations by end of Q4 2019.
- Finalized a JV with Khiron Life Sciences that enables revenue generation in Latin America from Dixie formulated products and distribution revenue in the US via Khiron’s Kuida cosmeceutical brand.
- Confirmed licensing agreement with Auxly in Canada, presenting to provincial boards in order to finalize manufacturing and distribution launch plans.

2) Control Quality by Managing Production

Build manufacturing operations in each market for the regulated portfolio via local licensing agreements or joint ventures with local partners. Utilize deep experience and robust IP library to establish and accelerate production efficiently and effectively. To date in 2019, Dixie Brand has:

- Increased available SKU's in MI by approximately 400% since launch
- Launched eight additional SKU's into CA

3) Be Masters of Our Own Destiny

Maximize control over route to market with dedicated sales and marketing efforts in each geography, deploying proven commercial strategic framework via localized team:

- Dominate at retail (brick and mortar and online)
- Build meaningful relationships with budtenders and/or retail staff (non-regulated)
- Engage target audiences directly and digitally
- Fuel word of mouth

To date in 2019, Dixie Brands has:

- Built a strong executive team with deep CPG experience and a demonstrated track record of building brands
- Finalized portfolio architecture, brand definition and consumer profiling underpinning house of brands
- Launched a dedicated field marketing team in CA, the world's largest cannabis market

4) Satisfy Consumer needs via Innovation

Deploy innovation as a weapon via unparalleled R&D capability, utilizing localized consumer insight to drive new product development and localized consumer feedback to drive ongoing existing product review, refinement and renovation. To date in 2019, Dixie Brands has:

- Launched Dixie Bursts into CO, driving 23% market share within first 90 days.
- Announced breakthrough in water solubility via proprietary emulsification technique and ingredient management with new brand FUSE, drink additive which has an expected launch planned for Q4.
- Launched AcesoHemp CBD-infused dissolvable tablets and range of topical creams
- Launched an industry-first in Therabis' CBD-infused feline soft chew targeting a specific indication (stress)

5) Leverage Leadership Position for Growth

Utilize strength of brands and commercial performance to rapidly drive revenue growth organically (increased distribution, accelerated new product launches, enhanced retail presence and recommendation) via focused M&A and strategic partnerships. To date in 2019, Dixie Brands has:

- Entered into a binding letter of intent with AriZona Beverages, bringing two iconic, trusted and innovative brands together for the production, distribution and sales of THC-infused products. The entry of such an iconic CPG brand has been widely recognized as a watershed moment for the cannabis industry, validating Dixie Brands' unparalleled experience and market strategy.

Revenue model

Dixie generates revenue from the regulated industry based on specific contracts with licensed manufacturers for the grant of the right to use the intellectual property rights of Dixie. Revenue from Therabis and Aceso are derived from multiple sales channels including DTC, eCommerce and broad market retail channels.

Selected Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the six months ending June 30, 2019 and 2018.

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenues	$ 2,995,310	$ 817,558	$ 5,213,485	$ 1,755,130
Cost of Goods Sold	1,955,246	434,388	3,113,054	895,532
Gross Profit	1,040,064	383,170	2,100,431	859,598
Total Operating Expenses	7,464,355	1,943,738	15,206,882	2,934,385
Loss From Operations	(6,424,291)	(1,560,568)	(13,106,451)	(2,074,787)
Total Other (Income) Expense	681,228	(289,879)	672,760	13,856
Net Loss	$ (7,105,519)	$ (1,270,689)	$ (13,779,211)	$ (2,088,643)

	June 30, 2019	December 31, 2018
Current Assets	$ 7,977,341	$ 21,990,079
Total Assets	$ 11,192,241	$ 24,899,172
Total Liabilities	$ 11,023,501	$ 8,963,523

Discussion of Operations

Revenue

Revenue for the three months ending June 30, 2019 was $2,995,310, an increase of $2,177,752 (266%) from the first quarter of the prior year. Revenue for the six months ending June 30, 2019 were $5,213,485, an increase of $3,458,355 (197%) over the prior year.

The increase in revenue continues to be driven by our sustained presence in established markets, like Colorado. Our renewed focus on California, a market Dixie re-entered in October 2018, continues to open new opportunities and revenue has increased quarter over quarter. Additionally, opening new markets, like Michigan at the end of March 2019, adds new revenue streams and is expected to continue to 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 developed new distribution channels and routes to market in the first half of 2019 for its two CBD subsidiaries, AcesoHemp and Therabis. We expect increased revenue in subsequent quarters from this focused investment.

Gross Profit

For the three months ending June 30, 2019 and 2018 gross profit was $1,040,064 and $383,170, respectively, an increase of $656,894. For the six months ending June 30, 2019 and 2018 gross profit was $2,100,431 and $859,598, respectively, an increase of $1,240,833. As a percentage of revenue, the gross margin for the three months ending June 30, 2019 and 2018 was 35% and 47%, respectively. The gross margin for the six months ending June 30, 2019 and 2018 was 40% and 49%, respectively. The decline in gross margin in 2019 was due to the upfront cost of scaling production to meet the increased demand in new markets. The Company expects a compression in margins as new markets open, with margins ultimately expected to improve as efficiencies and economies of scale are realized.

Total Operating Expenses

For the three months ending June 30, 2019 and 2018, total expenses were $7,464,355 and $1,943,738, respectively, an increase of $5,520,617. For the six months ending June 30, 2019 and 2018 total expenses were $15,206,882 and $2,934,385, respectively, an increase of $12,272,497. The increase in expenses related primarily to the following items.

General and Administrative expense for the three months ended June 30, 2019 was $5,243,124 compared to $1,761,072 in 2018, an increase of $3,482,052. General and Administrative expense for the six months ended June 30, 2019 was $11,620,685 compared to $2,663,289 in 2018, an increase of $8,957,396.

The increase in G&A expenses was driven by the following items for the six months ended June 30, 2019:

- Professional Fees were $3,356,780 in 2019 and $686,537 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 $977,641 for third-party consulting fees.

- Stock Option Incentives and Share-Based Compensation were $4,397,198 in 2019 and $32,919 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 $2,320,840 in 2019 and $928,391 in 2018. Headcount increased by 175% when comparing June 30, 2019 to June 30, 2018 as the Company expanded its work force in order to target new growth opportunities. 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.

- Legal expenses were $464,116 in 2019 and $250,536 in 2018. The regulations and requirements of being a public company vs private company have increased the Legal spend. Additionally, the expansion into new markets as well as the due diligence into future business expansion strategies increase the amount of legal expense that is needed.

- Travel and entertainment expenses were $303,476 in 2019 vs $66,921 in 2018. Increases in travel and entertainment expenses relate to entering new markets in 2019 and exploring potential new markets and partnerships.

Sales and Marketing expenses for the three months ended June 30, 2019 were $2,115,897 compared to $126,054 in 2018, an increase of $1,989,843. Sales and Marketing expenses for the six months ended June 30, 2019 were $3,421,134 compared to $192,973 in 2018, an increase of $3,228,161.

Notable items comprising Sales and Marketing expenses for the six months ending June 30, 2019 include the following.

- Salaries and Benefits were $774,212 in 2019 and $161,967 in 2018. Marketing and Sales headcount increased by 567% when comparing June 30, 2019 to June 30, 2018. In 2019, a VP of Sales and a VP or Marketing were hired for Dixie Brands, Inc. Additionally, a VP of Marketing was hired for Therabis, LLC. Other new team members were hired to fill important internal marketing positions that are used to create a strong brand moving forward.

- Trade marketing spend in 2019 was $2,540,651 compared to $117,824 in 2018. The increase in spend relates to management's effort to become a national brand vs. being a brand that was historically located predominately in one market.

Other (Income) Expense for the three months ended June 30, 2019 was $681,228 compared to ($289,879) in 2018, an increase of $971,107. Other (Income) Expense for the six months ended June 30, 2019 was $672,760 compared to $13,856 in 2018, an increase of $658,904. In 2018 the Company had a gain on the change in fair value of derivative liabilities of $498,232 which offset the majority of the interest expense occurred.

In total, non-cash expenses, as described above, totaled $5,374,839 for the three-month period ending June 30, 2019 and $2,403,987 for the six-month period ending June 30, 2019. 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 develop effective long-term incentives and gain a stronger presence in foreign markets.

Current Assets

Current assets decreased by $14,012,738 from December 31, 2018 to June 30, 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 increased by $1,980,478 from December 31, 2018 to June 30, 2018. The majority of the increase can be attributed the acquisition of additional equity in Therabis, LLC. The deferred closing payment of $3,500,00 is due to the former owners. The deferred closing payment is currently accruing interest pursuant to the purchase agreement.

*Historical Data**

Quarter Ended		Total Revenue
June 30, 2019	$	2,995,310
March 31, 2019	$	2,218,175
December 31, 2018	$	1,586,282
September 30, 2018	$	2,435,398
June 30, 2018	$	817,558
March 31, 2018	$	937,572
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.*

Awards and Accolades

The Dixie Brands portfolio continued to build on its heritage of crafting the highest quality cannabis-infused products, winning more awards and accolades in Q2:

Liquidity and Capital Resources

DBI has historically relied upon equity financings to satisfy its capital requirements. 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.

Significant Events

The following material events have occurred in 2019:

Corporate Developments

January 29th – Dixie Brands lists its shares on the Frankfurt Stock Exchange, one of the world's largest trading centers for securities, under the trading symbol OQV.

June 26th – Dixie Brands announces its subordinate voting shares will commence trading on the OTCQX Best Market under the symbol DXBRF. The Company also announced its shares are now eligible for electronic clearing and settlement in the US through the Depository Trust Company, otherwise known as the DTC.

Key Additions to the Leadership Team

January 7th – Veteran consumer marketing executives Andrew Floor (Treasury Wine Estates + Campari) and Hilal Tabsch (Red Bull) join the Dixie Brands team.

January 14th – Pet food and CPG veteran Bob Rubin joins the Dixie Brands leadership team as the first President of Therabis, Dixie's hemp-infused Pet Wellness subsidiary

June 4th – CPG veteran Greg Robbins joins Dixie Brands from Red Bull North America as Chief Financial Officer.

Establishing Innovation as a Weapon

February 19th – Dixie Brands subsidiary Aceso Hemp launches a line of broad-spectrum hemp derived CBD dissolvable drink tablets (Fizz Tabs) in Calm, Soothe and Wellness formulations and enters the topicals category with a new CBD-infused Soothe balm.

February 25th – Dixie Brands subsidiary Therabis enters the $2 billion feline treat market with first-ever CBD-infused soft chew cat treat targeting a specific indication.

April 5th – Dixie Brands expands its industry leading regulated THC-infused edibles line with the launch of Dixie Bursts, pulled taffy chews into CO.

May 30th – Dixie Brands subsidiary Therabis announces the launch of its increased strength 'Therabis Veterinarian Formula' versions of its existing canine and feline product range, available only via licensed Veterinarians. The range will include higher concentrations of cannabinoids and other approved natural ingredients for more targeted therapeutic value.

July 25th – Dixie Brands announces a breakthrough in THC water solubility via a proprietary emulsification technique and enhanced ingredient management delivering improved uptake of cannabis-infused liquids. Dixie will showcase this breakthrough in a new range of drink additives called FUSE in Q4.

Expanding our Reach into new territories and channels

January 30th – Dixie Brands enters a transformative Joint Venture with Khiron Life Sciences establishing an early mover advantage for its portfolio of THC and CBD infused products where legal across Latin America and securing an additional revenue stream via the distribution of Khiron's Kuida Cosmeceutical brand to the federally legal US CBD cosmetic market.

February 6th – Dixie Brands announces Joint Venture with Choice Labs to bring portfolio of cannabis-infused products to more than 300,000 registered medical marijuana patients in Michigan.

May 30th – Dixie Brands subsidiary Therabis announces its hemp-based Pet supplements will be made available to Veterinarians across the USA through a distribution agreement with Vedco Inc.

June 6th – Dixie Brands subsidiary Aceso Hemp secures distribution for its broad-spectrum hemp-based supplement portfolio across Alaska via new agreement with Bill's Distributing.

June 11th – Dixie Brands continues its drive into new geographies with the announcement of an agreement with Globus Holdings to manufacture and sell Dixie Brands regulated THC and CBD-infused products in Oklahoma beginning in Q4. This will be the sixth state in Dixie's growing US footprint.

Other Significant News

March 28th – Dixie Brands wins another industry quality award with the Best Beverage award for Dixie's Fruit Punch Elixir from High Times.

April 10th – Dixie Brands builds on industry leadership position by announcing it's 'Go Green' initiative to highlight the impact the industry is having on the environment and to make a commitment to transition Dixie towards a more sustainably and environmentally friendly future. The announcement included 7,000 Budtender kits, a partnership with Clean Green certification and a commitment to support the One Tree Planted charity to the value of $25,000 for re-forestation efforts in Northern California and Colorado.

April 25th – Dixie Brands to host 'Future of CBD and Cannabis' Lounge at FounderMade Discovery show in New York City. With a major focus on education and information, Dixie's installation will showcase its full portfolio to over 2000 of the most influential trade, media and consumers on the East Coast.

May 28th – Dixie Brands subsidiary Therabis announces it has been selected to partner in a clinical trial at the University of Pennsylvania's School of Veterinary Medicine to study the effectiveness of cannabinoids to treat dogs for joint immobility.

Subsequent to the Quarter End

August 7th – Dixie Brands and AriZona Beverages announce Strategic Partnership to launch collection of THC-infused cannabis products.

August 19th – Dixie Brands subsidiary AcesoHemp expands distribution into California and Nevada with Power Distribution LLC.

August 28th – The Company received $1,000,000 of cash in the form of an unsecured, non-dilutive loan (the "Loan") bearing annual simple interest at 12% from a new strategic funding partner. The Loan is contemplated to be the first part of a broader financing plan, as the Company is in discussions with this partner relating to the same.

Also subsequent to the end of the quarter, the Company received proceeds of approximately $248,000 in cash from the exercise of outstanding options by various shareholders.

Outlook

Dixie has made significant investments through the first half of 2019 to establish important elements of its growth platform. Significant results have included strong organic revenue growth, the announcement of key strategic partnerships, entry into the Michigan market, the build-out of a sales and marketing infrastructure in California, the development of important channel relationships, the launch of multiple new products, and an expanded team capable of executing the Company's growth strategy.

The Company's strategic focus is now shifting to driving increased revenue and returns from these existing investments. Management believes there are significant opportunities within the existing portfolio of markets and products to generate growth and advance towards profitability, and expects to be EBITDA-positive on a consistent basis by the first half of 2020. In the remainder of 2019, the Company plans to prioritize executing on these opportunities, with investment in new markets and categories playing a secondary role.

The Company anticipates to continue its pattern of solid organic growth through the remainder of the year, with multiple initiative adding to revenue beginning next year. Initiatives expected to generate new revenue streams in 2020 include the commencement of sales in the Latin American and Canadian markets and the development of a new line of cannabis-infused products under the AriZona banner. The Company also expects to experience significant year-over-year growth in its two CBD lines, AcesoHemp and Therabis, as a result of an expansion of distribution networks throughout 2019.

Based on the Company's business strategy, year to date achievements and growth initiatives, management believes the total 2019 revenue opportunity is approximately $20 million to $25 million which is less than the previously reported targets. The reasons for the reduced short-term expectations include regulatory delays that have pushed back the potential acquisition of the Company's Colorado affiliate, the Company's decision to delay certain expansion activities and slower than expected ramp up of revenue in certain new and existing markets due to regulatory uncertainty and FDA constraints on CBD products.

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 six months ended June 30, 2019 and 2018 is $116,253 and $104,954, respectively. Left Bank holds inventory on behalf of the Company at the facility for a total amount of $103,312 at June 30, 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 $60,000 and $63,000, respectively, for the six months ended June 30, 2019 and 2018. The Company also incurred various other shared expenses with Left Bank for $131,094 and $45,976 for the six months ended June 30, 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 $175,254 and $0, respectively, for the six months ended June 30, 2019 and 2018.

Purchases and sales between Left Bank and DBI are recorded in accounts payable or accounts receivable. The six months ended June 30, 2019 the Company earned $3,238,100 of packaging revenue. DBI also incurred $2,018,171 of cost of goods sold reimbursements. During the six months ended June 30, 2018, the Company earned $392,396 of packaging revenue and $56,624 of raw materials and ingredients resale revenue.

At June 30, 2019 and December 31, 2018, the Company had $3,428,170 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 June 30, 2019 and December 31, 2018.

DBPN has equity contributions receivable of $228,263 as at June 30, 2019 and December 31, 2018 from Silver State Wellness. At June 30, 2019 and December 31, 2018, the Company had $447,559 and $1,107,741, respectively of accounts receivable from Silver State Wellness including $23,709 of affiliate packaging revenue and $0 of materials and ingredients resale revenue. The Company also incurred $74,743 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 June 30, 2019 and December 31, 2018.

Rose Capital Fund

Rose Capital Fund owned 25% of Therabis as of December 31, 2018. On January 2, 2019 DBI purchased Rose Capital Fund's 25% share of Therabis.

Auxly

Two former 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 six months ended June 30, 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:

	June 30, 2019	December 31, 2018
Left Bank	$ 1,638,653	$ 1,755,886
Silver State Wellness	1,331,887	1,331,887
Total Related Party Notes Receivable	2,970,540	3,087,773
Related Party Advances	673,291	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	$ 1,733,347	$ 1,274,444

DBI holds two notes receivable from Left Bank. The first note for $633,333 and the second note is for $1,005,320. During the prior 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 June 30, 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.

	June 30, 2019	June 30, 2018
Management Compensation	$ 261,500	$ 125,000
Stock Incentives	1,271,955	66,800
	$ 1,533,455	$ 191,800

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 June 30, 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 June 30, 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 June 30, 2019, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one-year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's ability to raise funding through debt or equity, management believes it has the ability to fund operations and expansion plans.

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 stockholders' 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 period ended June 30, 2019.