Dixie Brands Inc.

Management Discussion and Analysis
For the nine months ended September 30, 2019

This Management Discussion and Analysis ("MD&A") of Dixie Brands Inc. (the "Company" "DBI" "Dixie Brands", or "Dixie") provides analysis of the Company's financial condition and results for the nine months ended September 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 the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and the audited consolidated financial statements for the year ended December 31, 2018. This MD&A was prepared using information that is current as of November 26, 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.

The information provided in this MD&A may contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. All statements, other than statements of historical fact, made by the Company (or its predecessors) that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments including, without limitation, proposed sales of the Company's products in Michigan, Oklahoma and other United States and foreign jurisdictions, and the development and launch of new products. These statements speak only as at the date they are made and are based on information currently available and on current expectations and assumptions concerning future events, which 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, including, but not limited to, risks and uncertainties related to: (i) the regulation of the medical and recreational marijuana industry in the United States, Canada, Mexico, Australia, New Zealand, Latin America and other countries in which the Company may carry on its business; (ii) the ability of the Company to obtain meaningful consumer acceptance and a successful market for its products on a national and international basis at competitive prices; (iii) the ability of the Company to develop and maintain an effective sales network; (iv) the success of the Company in forecasting demand for its products or services; (v) the ability of the Company to maintain pricing and thereby maintain adequate profit margins; (vi) the ability of the Company to achieve adequate intellectual property protection; (vii) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and (viii) other risks described from time to time in documents filed by the Company with securities regulatory authorities, including the Company's listing statement dated November 23, 2018.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including that: (i) there will be no material adverse competitive or technological change in condition of the Company's business; (ii) there will be a demand for the Company's products that the Company has accurately forecast; and (iii) there will be no material adverse change in the Company's operations, business or in any governmental regulation affecting the Company or its suppliers.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements as no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including the risks described above. 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. The cautionary statements contained or referred to herein should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company's behalf may issue.

The MD&A was prepared and approved by management of the Company on November 26, 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.

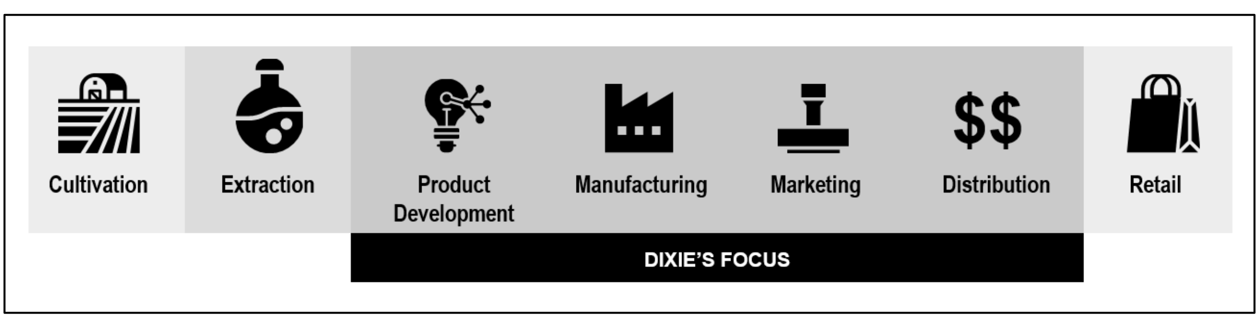
Dixie Brands has established a leadership position in the industry via:

- 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 and products

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 optimizes profitable revenue potential by sourcing its raw materials, and by driving availability of its products through all applicable licensed retailers.

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 and distribution channels), 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 (Colorado, California, Nevada, Maryland and Michigan) and recently announced expansion into Oklahoma by the end of 2019. Dixie Brands products are currently sold in more than 900 dispensaries across existing markets (with approximately 90% penetration in Colorado, Nevada, Maryland and Michigan), 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 begin capitalizing on a first-mover opportunity across Latin America in Q4 2019 via a joint venture (JV) with Khiron Life Sciences ("Khiron") including distribution of 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

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, distributors, wholesalers and broad market retail channels.

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 Michigan, generating revenue less than 60 days after signing the agreement
- Secured Oklahoma, 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 locally licensed 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 Michigan, currently offering 21 SKU's
- Launched three additional SKU's into Maryland
- Launched eight additional SKU's into California

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 California, 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 Colorado, 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 early 2020. Previously projected in Q4 2019
- 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:

- Finalized definitive agreement with Herbal Enterprises LLC, an affiliate of the AriZona™ brand, 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.

Selected Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the nine months ended September 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 September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues				
Licensing Revenue	$ 2,892,895	$ 1,754,961	$ 7,366,037	$ 2,678,042
Finished Goods	295,304	166,136	673,805	548,300
Materials and Ingrediants	(86,192)	428,081	212,738	697,604
Other	19,204	86,220	82,116	281,223
	3,121,211	2,435,398	8,334,696	4,205,169
Cost of Goods Sold	1,777,168	1,397,230	4,890,222	2,269,015
Gross Profit	1,344,043	1,038,168	3,444,474	1,936,154
Total Operating Expenses	5,645,028	1,577,689	20,851,910	4,752,494
Loss From Operations	(4,300,985)	(539,521)	(17,407,436)	(2,816,340)
Total Other Expense	721,180	1,946,956	1,208,040	2,049,202
Net Loss	$ (5,022,165)	$ (2,486,477)	$ (18,615,476)	$ (4,865,542)

	September 30, 2019	December 31, 2018
Current Assets	$ 7,531,507	$ 21,990,079
Total Assets	$ 9,969,174	$ 24,899,172
Current Liabilities	$ 12,104,350	$ 8,725,423
Total Liabilities	$ 12,174,350	$ 8,963,523

Discussion of Operations

Total Revenue

Revenue for the three months ended September 30, 2019 was $3,121,211, an increase of $685,813 (28%) from the third quarter of the prior year. Revenue for the nine months ended September 30, 2019 was $8,334,696, an increase of $4,129,527 (98%) over the prior year.

The increase in total revenue continues to be driven by our sustained presence in Colorado, an established market and our renewed focus on California, a market Dixie re-entered in October 2018. Revenue also has increased due to opening a new market in Michigan at the end of March 2019. Sales growth is attributable to both existing products and the launch of new products, as well as higher penetration into dispensaries.

The Company also developed new distribution channels and routes to market in 2019 for its two CBD subsidiaries, AcesoHemp and Therabis. Revenue for the three months ended September 30, 2019 was $295,304, an increase of $129,168 (78%) from the third quarter of the prior year. Revenue for the nine months ended September 30, 2019 was $673,805, an increase of $125,505 (23%) over the prior year. We expect increased revenue in subsequent quarters from this focused investment.

Revenue is classified as licensing revenue, finished goods, materials and ingredients and other. Licensing revenue is the main driver of the change in revenue recognized in 2019 compared to 2018.

Licensing Revenue

Licensing revenue is derived from affiliate sales of Dixie branded products in their related state and governed by the individual contract between the Company and the affiliate.

Licensing revenue for the three months ended September 30, 2019 was $2,892,895, an increase of $1,137,934 (65%) from the third quarter of the prior year. Revenue for the nine months ended September 30, 2019 was $7,366,037, an increase of $4,687,995 (175%) over the prior year.

Licensing revenue related to each line of business is detailed out below.

	Three months ended September 30,		**Nine months ended September 30,**	
	2019	**2018**	**2019**	**2018**
Affiliate by State				
Colorado	$ 2,055,820	$ 1,553,663	$ 5,293,920	$ 1,946,060
California	521,815	17	1,263,433	19,791
Maryland	83,988	82,430	278,441	217,671
Nevada	103,907	118,851	402,878	494,520
Michigan	127,365	-	127,365	-
	$ 2,892,895	$ 1,754,961	$ 7,366,037	$ 2,678,042

Colorado

Colorado license revenue for the three months ended September 30, 2019 was $2,055,820 an increase of $502,157 (32%) from the third quarter of the prior year. Revenue for the nine months ended September 30, 2019 was $5,293,920 an increase of $3,347,860 (172%) over the prior year.

The increase in Q3 2019 compared to Q3 2018 due to higher sales by the Colorado affiliate on Dixie branded products. These higher sales were achieved by an 10% increased penetration into dispensaries, successful introduction of Dixie Burst and 189% increase in Dixie gummies sales.

The increase in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 can be attributed to the change in the Colorado affiliate revenue model on July 1, 2018. The new revenue model allowed the Company to recognize a higher percentage of the revenue from the sale of Dixie branded products. Under this model, the Company incurred certain expenses that had previously been allocated to the manufacturer. Revenue increased $2,666,671 due to the change in revenue model.

California

California license revenue for the three months ended September 30, 2019 was $521,815 an increase of $521,798 from the third quarter of the prior year. Revenue for the nine months ended September 30, 2019 was $1,263,433 an increase of $1,243,642 (6,284%) over the prior year.

The California affiliate terminated production of Dixie branded products at the end of 2017. The first three quarters of 2018 sales were related to inventory on hand until a new contract was negotiated. In third quarter 2018 a new agreement was executed, and manufacturing of Dixie branded products started in fourth quarter 2018.

Maryland

Maryland license revenue for the three months ended September 30, 2019 was $83,988 an increase of $1,558 (2%) from the third quarter of the prior year. Revenue for the nine months ended September 30, 2019 was $278,441 an increase of $60,770 (28%) over the prior year.

Maryland licensing revenue remained consistent in Q3 2019 compared to Q3 2018. The increase in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 is due to a 94% increase in patients with medical cards in Maryland.

Nevada

Nevada license revenue for the three months ended September 30, 2019 was $103,907 a decrease of $14,944 (-13%) from the third quarter of the prior year. Revenue for the nine months ended September 30, 2019 was $402,878 a decrease of $91,642 (-19%) over the prior year.

The decrease for the three month and nine months ended September 30, 2019 compared to prior year periods was due to the Nevada affiliate increasing the number of brands it manufactures from three in 2018 to five in 2019 resulting in lower manufacturing capacity for Dixie branded products. Additionally, the Nevada affiliate did not increase the number of sales representatives thereby reducing the focus on Dixie branded products.

Michigan

Michigan license revenue for the three and nine months ended September 30, 2019 was $127,365. Michigan is a new market in 2019. Revenue in the second quarter of 2019 was classified in materials and ingredients and reclassified into licensing revenue in the third quarter.

Gross Profit

For the three months ended September 30, 2019 and 2018 gross profit was $1,344,043 and $1,038,168, respectively, an increase of $305,875. For the nine months ended September 30, 2019 and 2018 gross profit was $3,444,474 and $1,936,154, respectively, an increase of $1,508,320. As a percentage of revenue, the gross margin for the three months ended September 30, 2019 and 2018 was 43% and 43%, respectively. The gross margin for the nine months ended September 30, 2019 and 2018 was 41% and 46%, respectively.

The decrease in gross margin for the nine months ended September 30, 2019 was due to inventory adjustments and the upfront cost of scaling production to meet the increased demand in new markets, California and Michigan specifically. 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 ended September 30, 2019 and 2018, total operating expenses were $5,645,028 and $1,577,689, respectively, an increase of $4,067,339. For the nine months ended September 30, 2019 and 2018 total operating expenses were $20,851,910 and $4,752,494, respectively, an increase of $16,099,416.

General and administrative ("G&A") expense for the three months ended September 30, 2019 was $3,771,794 compared to $1,245,410 in 2018, an increase of $2,526,384. General and administrative expense for the nine months ended September 30, 2019 was $15,365,606 compared to $4,128,693 in 2018, an increase of $11,236,913.

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

- Stock Option Incentives and Share-Based Compensation were $6,616,169 in 2019 and $77,439 in 2018. This was a non-cash expense that was the result of the issuance of stock options to key management. In 2018 the share-based compensation was related to the employee incentive plan that was in place prior to the Company becoming a public entity.

- Professional fees were $3,388,092 in 2019 and $972,183 in 2018. Professional fees increased due to the higher costs associated with being a public company. Included in the 2019 professional fees were stock and stock options expense on contracts, fees related to the 2018 year-end audit, third party accounting consultants, market makers fees, research and development wages, public relations firms and operations consultants. Included in the 2018 professional fees were derivative liability expense, third party accounting consultants and fees related to the 2016 and 2017 year-end audit.

- Salaries and benefits were $3,561,405 in 2019 and $1,539,157 in 2018. The increase was due to hiring and promoting key executive positions in 2019 to focus on growing revenue in all channels and business lines. Specifically, the new additions included 6 positions at the Vice President level or higher.

- Legal expenses were $567,708 in 2019 and $365,061 in 2018. The increase in legal expenses is due to the regulations and requirements of being a public company, the expansion into new markets and the complexities around the cannabis regulations in current and new markets.

- Travel and entertainment expenses were $421,900 in 2019 and $79,611 in 2018. Increases in travel and entertainment expenses were due to increased headcount and costs associated with entering new markets.

- Other general and administrative expenses were $442,031 in 2019 and $111,814 in 2018. The increase is due to software purchases in 2019 and production supplies needed to open additional affiliate markets.

- Bad debt expense is a credit of $210,011 in 2019 and expense of $218,696 in 2018. Bad debt was a credit in 2019 due to the estimated credit loss calculation. The estimated credit loss was adjusted due to receipt of payments previously reserved.

Sales and Marketing expense for the three months ended September 30, 2019 was $1,597,021 compared to $263,883 in 2018, an increase of $1,333,138. Sales and marketing expense for the nine months ended September 30, 2019 were $5,018,155 compared to $456,865 in 2018, an increase of $4,561,290.

Sales and marketing expenses increased as the Company invested heavily to drive sales in all channels.

- Sales and marketing salaries and benefits were $1,377,461 in 2019 and $227,040 in 2018. The Company hired a VP of Sales and a VP of Marketing for Dixie Brands and a VP of Marketing for Therabis in additional to other new sales and marketing team members.

- Consumer and trade marketing spend in 2019 was $3,640,694 compared to $229,825 in 2018. The increase was due to marketing spends to develop the California market, refine brand strategy, marketing studies, enhance the various company websites, tradeshows and events and ad spend to drive Ecommerce sales.

Other Expenses

Other expenses for the three months ended September 30, 2019 was $721,180 compared to $1,946,956 in 2018, a decrease of $1,225,776. Other expenses for the nine months ended September 30, 2019 was $1,208,040 compared to $2,049,202 in 2018, a decrease of $841,162.

- The Company had interest expense for the nine months ended September 30, 2019 and 2018 of $1,201,730 and $564,240, respectively. The increase in interest expense in 2019 relates to the deferred purchase price from the acquisition of additional equity in Therabis.

- In 2018, the Company had one-time non-cash expense relating to the loss on conversion of DBFN debt of $2,186,614.

Non-Cash Expenses

Non-cash expenses were $2,245,413 for the three-month period ending September 30, 2019 and $7,620,252 for the nine-month period ending September 30, 2019. These non-cash expenses were related to the issuance of stock and stock options to key management and third-party consultants.

Current Assets

Current assets decreased by $14,458,572 from December 31, 2018 to September 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 prepaid licensing fees, payment of third-party consultants, as well as operating expenses.

Current Liabilities

Current liabilities increased by $3,378,927 from December 31, 2018 to September 30, 2019. The majority of the net increase is due to the deferred closing payment and interest on the Therabis acquisition of $4,690,070, increase in accounts payable of $1,730,709, offset by the repayment of Auxly licensing fees of $3,250,000.

Historical Data

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Revenues *	709,677	937,572	817,558	2,435,397	1,600,924	2,218,175	2,995,310	3,121,211
Loss From Operations	(873,475)	(514,219)	(1,560,568)	(539,521)	(10,495,550)	(6,682,160)	(6,424,291)	(4,300,986)
Net Loss Before Non-Controlling Interest	(2,044,824)	(817,954)	(1,270,689)	(2,486,477)	(16,663,131)	(6,673,692)	(6,919,619)	(5,022,166)
Non Controlling Interest	(47,101)	(10,234)	(83,495)	(81,592)	(769,972)	(79,356)	(150,062)	(106,358)
Net Loss Attributable to the Company	**(1,995,368)**	**(807,720)**	**(1,187,194)**	**(2,404,885)**	**(15,893,259)**	**(6,594,336)**	**(6,769,557)**	**(4,915,808)**
Earnings (Loss) Per Share - Basic and Diluted	**$ (0.05)**	**$ (0.02)**	**$ (0.03)**	**$ (0.05)**	**$ (0.14)**	**$ (0.05)**	**$ (0.05)**	**$ (0.04)**
Attributable to Dixie Brands Inc	$ (0.05)	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.14)	$ (0.05)	$ (0.05)	$ (0.04)
Attributable to Non-Controlling Interest	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted-Average Shares Outstanding - Basic and Diluted	**43,565,515**	**44,761,432**	**44,786,711**	**46,687,223**	**115,769,702**	**125,038,597**	**125,711,190**	**126,196,426**
	**	**	**	**				

*Due to relassifications of revenue at year end, certain quarters will have immaterial differences to previously released financial information. Revenue for the entire year is correctly stated.

** Note that all shares outstanding have been converted to the post RTO amounts, each share converted to 10.535

Revenue by Quarter

The general factors that cause quarterly variations in revenue are organic growth, new product introductions, expansion into new states, impacts of changes to the revenue model in Colorado and California in Q3 2018 and the general seasonality of the business where as the Company experiences higher growth during the summer months and certain holidays in Q2 and Q3.

Net Loss Before Non-Controlling Interest by Quarter

The general factors that cause quarterly variations in the net loss before non-controlling interest are available funding to drive aggressive revenue growth through increased investing in sales and marketing efforts and general and administrative spends. Some of the other factors include the cost of going public in Q4 2018 and supporting the higher cost structure.

Significant Events

The following material events have occurred to this point in 2019:

Corporate Developments

January 29th – Dixie Brands listed 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 announced that its subordinate voting shares will commence trading on the OTCQX Best Market under the symbol DXBRF. The Company also announced that its subordinate voting shares are now eligible for electronic clearing and settlement in the US through the Depository Trust Company, otherwise known as the DTC.

September 23rd – Dixie Brands Announces Warrant Extension to October 1, 2020.

November 18th – The Company formed a wholly owned subsidiary DB Oklahoma, LLC.

Key Changes to the Leadership Team

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

January 14th – Pet food and CPG veteran Bob Rubin joined the Dixie Brands leadership team as the first President of Therabis, Dixie's hemp-infused Pet Wellness subsidiary. Bob Rubin subsequently separated from the Company on September 30, 2019.

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

Establishing Innovation as a Weapon

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

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

April 5th – Dixie Brands expanded 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 announced 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 announced 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 Q1 2020.

Expanding our Reach into new territories and channels

January 30th – Dixie Brands entered into 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 announced a 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 announced that 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 secured distribution for its broad-spectrum hemp-based supplement portfolio across Alaska via a new agreement with Bill's Distributing.

June 11th – Dixie Brands continued 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 2019. This will be the sixth state in Dixie's growing US footprint.

August 7th – Dixie Brands and AriZona Beverages announced a strategic partnership to launch a collection of THC-infused cannabis products.

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

November 14th – Dixie Brands' AcesoHemp expanded its distributor network with Colorado's Sunrise Beverage.

November 14th – the Company finalized the supply agreement with Herbal Enterprises LLC, an affiliate of the AriZona™ brand. A collection of THC-infused branded products is expected to be launched in 2020.

November 19th – Dixie Brands finalized entry into the rapidly growing Oklahoma market. Dixie branded products expected on shelves in January 2020.

Other Significant News

March 28th – Dixie Brands won 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 announced that 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.

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.

October 30th, November 11th and November 25th – Dixie executed three promissory notes ("Loans") totaling $1,500,000, each for $500,000 in favor of a third-party strategic lender. The Loans are interest bearing at 10% and principal and interest will be due one year from the date of the note. The financing is non-dilutive, unsecured loan with a strategic unrelated party. This loan is part of a strategic financing initiative between the parties.

Outlook

Dixie has made significant investments through the first three quarters 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 profitability 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. 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 continuing its pattern of organic growth through the remainder of the year, with multiple initiatives adding to revenue next year. Initiatives expected to generate new revenue streams in 2020 include the commencement of sales in Oklahoma, the Latin American and Canadian markets and the development of a new line of cannabis-infused products in conjunction with the AriZona™ beverage team in addition to the launch of expected new products across the existing portfolio of brands. The Company also expects to experience 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 $11 to $12 million, representing a year over year increase of 89% or 107%, respectively, which is lower than previously reported targets. The reduced revenue target is due to regulatory delays pushing 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. In the Company's 2018 annual MD&A the Company previously disclosed higher revenue and EBITDA opportunities in both 2019 and 2020. As a result of the uncertainty in the current market, potential regulation changes and expansions, management has decided not to forecast revenue and EBITDA beyond 2019.

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, Vincent 'Tripp' Keber III, is the sole owner of Left Bank.

The Company purchased 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 nine months ended September 30, 2019 and 2018 is $160,579 and $139,938, respectively. Left Bank holds inventory on behalf of the

Company at the facility for a total amount of $86,807 at September 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 $90,000 and $94,500, respectively, for the nine months ended September 30, 2019 and 2018. The Company also incurred various other shared expenses with Left Bank for $183,560 and $69,760 for the nine months ended September 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 $290,177 and $0, respectively, for the nine months ended September 30, 2019 and 2018.

Purchases and sales between Left Bank and DBI are recorded in accounts payable or accounts receivable. The nine months ended September 30, 2019 the Company earned $5,293,920 of packaging revenue. DBI also incurred $3,064,406 of cost of goods sold reimbursements. During the nine months ended September 30, 2018, the Company earned $1,946,060 of packaging revenue and $126,523 of raw materials and ingredients resale revenue.

At September 30, 2019 and December 31, 2018, the Company had $3,611,891 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 September 30, 2019 and December 31, 2018.

DBPN has equity contributions receivable of $228,263 as at September 30, 2019 and December 31, 2018 from Silver State Wellness. At September 30, 2019 and December 31, 2018, the Company had $485,138 and $1,107,741, respectively of accounts receivable from Silver State Wellness including $21,520 of affiliate packaging revenue and $441 of materials and ingredients resale revenue. The Company also incurred $100,720 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 September 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, Michael Lickver and Hugo Alves, 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 nine months ended September 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:

	September 30, 2019	December 31, 2018
Left Bank	$ 1,580,713	$ 1,755,886
Silver State Wellness	1,331,887	1,331,887
Total Related Party Notes Receivable	2,912,600	3,087,773
Related Party Advances	97,155	97,155
Less: Fair Value Adjustments on Notes Receivable	429,919	429,919
Less: Allowance on Related Party Advances	1,730,437	1,480,565
Total Related Party Advances and Notes Receivable	$ 849,399	$ 1,274,444

DBI holds two notes receivable from Left Bank. The first note for $633,333 and the second note is for $947,380. 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 September 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.

	September 30, 2019	September 30, 2018
Management Compensation	$ 429,375	$ 125,000
Stock Incentives	1,915,034	66,800
	$ 2,344,409	$ 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 September 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 September 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

The Company’s ability to generate cash to fund operations, fund planned growth and development activities is contingent on its ability to increase revenues amongst its various product lines in combination with its ability to raise capital through various funding partners and reduce expenditures. The Company expects to increase revenues in its various CBD product lines through new distribution partners, expanding ecommerce sales, and new sales channels. The Company also expects to increase licensing revenue from affiliate sales of medicated products by expanding into new states and organic growth in current operating states. The Company expects to reduce expenses by effectively managing headcount and focused effort on ensuring cost effective spending. Any negative cash flows will be managed by funding provided by a funding partner. The inability to increase revenue, obtain funding or reduce expenses according to management’s plans could result in liquidity risk.

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 September 30, 2019.