



QUINSAM CAPITAL CORPORATION

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2020

November 23, 2020

QUINSAM CAPITAL CORPORATION
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For the Three and Nine Months Ended September 30, 2020

The following Management's Discussion and Analysis ("MD&A") constitutes management's assessment of the factors that affected the financial condition and results of operations of Quinsam Capital Corporation ("Quinsam", the "Company" or "We") for the three and nine months ended September 30, 2020. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the three and nine months ended September 30, 2020 and 2019, as well as the audited financial statements for the years ended December 31, 2019 ("Fiscal 2019").

Except as otherwise indicated (see "Use of Non-IFRS Financial Measures" section in this MD&A), the Company's financial statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. In preparing this MD&A, management has taken into account information available up to November 23, 2020, and all figures are reported in Canadian dollars ("\$" or "CAD") unless otherwise stated.

About Quinsam Capital Corporation

Quinsam was incorporated under the Canada Business Corporations Act on March 18, 2004 in the Province of British Columbia. The Company is a merchant banking firm focused on the small-cap market with early-stage investments in the technology, healthcare, e-sports, and cannabis markets. The Company's business may encompass a wide range of activities including acquisitions, advisory services, lending activities and portfolio investments. Quinsam invests its capital for its own account in assets, companies or projects which management believes are undervalued and where we see a viable plan for unlocking such value. The Company does not invest on behalf of any third-party and does not offer investment advice.

The Company's common shares are publicly-traded on the Canadian Securities Exchange (the "CSE") under the ticker symbol "QCA".

The Company is domiciled in the Province of Ontario, and its registered office address is at 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

Outlook

Canadian capital markets have been extremely volatile in recent months as a result of the coronavirus outbreak ("COVID-19") pandemic. The pandemic initially brought about a very negative market tone, which has since been followed by a somewhat buoyant market tone. There has been strength in many small cap sectors including technology, mining, health care and cannabis. The Company is hopeful that recent market trends will continue. However, there is substantial uncertainty about future economic conditions.

While the legislative climate for cannabis remains in flux in the United States (the "US"), Quinsam believes that, if progress with legalization reforms continues in the US, merger & acquisition ("M&A") activities in the US market will increase. With legalization of recreational marijuana (2018) and edibles (2019) setting the platform for the industry, the Company expects to continue providing assistance to our investee companies as they look to make acquisitions, undertake M&A transactions, and undertake other strategic growth initiatives.

Quinsam will continue to consider new cannabis sector investments. However, management is increasingly interested in investments in other small cap market sectors.

Recent Developments

On May 26, 2020, Peter Bilodeau resigned from his roles as President and director of Quinsam. The Company does not currently plan on appointing a new President at this time.

On May 29, 2020, the Company paid its Q1 2020 quarterly dividend of \$0.00125 per share, to shareholders of record on May 8, 2020.

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On July 17, 2020, the Company held its annual general and special meeting ("AGM") of shareholders. Roger Dent, the Company's Chief Executive Officer ("CEO"), Eric Szustak, the Company's Chairman, Adam Szweras, Ross Geddes and Anthony Roodenburg were elected directors and to hold office until the close of the next AGM.

On August 20, 2020, Adam Szweras resigned as a director of the Company.

On August 25, 2020, the Company granted 2,500,000 stock options to various officers and directors. The options are exercisable at \$0.13 per share and vest quarterly over three years.

On August 26, 2020, the Company paid its Q2 2020 quarterly dividend of \$0.00125 per share, to shareholders of record on August 10, 2020.

On October 26, 2020, the Board of Directors (the "Board") approved a quarterly dividend of \$0.00125 per share. The dividend distribution will be paid on November 25, 2020, to shareholders of record on November 4, 2020. It will mark the 25th consecutive quarter in which Quinsam will have issued dividends to its shareholders.

Impact of COVID-19

At the time of issuance of this MD&A, the World Health Organization ("WHO") had declared COVID-19 to be a pandemic, which has had far-reaching impacts on every business and every individual globally. As Quinsam has operated on a "virtual basis" for a number of years, the general closure of non-essential businesses in response to the outbreak has not significantly impacted the Company's day-to-day operations.

As the COVID crisis progressed, it was generally reported that there was increasing consumer interest in cannabis products. Also, in Canada, there has been general progress in the rollout of edible products and retail locations. As a result of these factors and a general improvement in market conditions, Quinsam has seen some improvement in our investment portfolio and the market since the fall-out in March 2020. That being said, overall market conditions remain currently very volatile. For the time being, and until economies stabilize, Quinsam will remain cautious in overseeing its investment portfolio.

Canadian Companies with U.S. Marijuana-Related Assets

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice"), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the US as permitted within a particular state's regulatory framework. All issuers with US cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

Such disclosure includes, but is not limited to: (i) a description of the nature of a reporting issuer's involvement in the US marijuana industry; (ii) disclosure that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the US; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice. Public reaction to the notice was generally positive and industry participants welcomed the opportunity to review and provide enhanced disclosure.

At this time, the Company's involvement in the US cannabis industry is limited and its industry involvement of cannabis activities is "Indirect" through investments in entities operating in the US cannabis industry (the "Investees"). In addition, the Company does not operate, nor control any entities that is directly engaged in the cultivation or distribution of marijuana in accordance with a US state license. As a result of the Investees having cannabis operations in the US (as described below), the Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

Compliance with Applicable State Laws in the US

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal laws in the states where its Investees conduct operations. For each of the Investees

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involved in the US cannabis industry listed in the below summary of investments, to the best of the Company's knowledge, we are not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable US state for any of such Investees' business and the Company is not aware of: (i) any non-compliance by these Investees with respect to marijuana-related activities, or (ii) any notices of violation with respect to any Investees' marijuana-related activities by its respective regulatory authorities.

Nature of investments with US cannabis-related activities

Blackshire Capital Corp. (Arizona, Massachusetts, Washington)

In October 2018, Quinsam subscribed for units of Blackshire Capital Corp. ("Blackshire") for \$385,000 through a private placement. Each unit is comprised of one common share and a half warrant exercisable at \$1.75 for 24 months. Blackshire is a principal investor and asset manager, focused on investing growth capital in the securities of private cannabis companies on a global basis. It is currently invested in emerging cannabis companies operating out of Canada, and in the states of Arizona, Massachusetts and Washington, respectively.

C21 Investments Inc. (Nevada, Oregon)

In January 2019, Quinsam subscribed for units of convertible debentures of C21 Investments Inc. ("C21") for \$300,000 through a private placement. Each unit is comprised of a principal amount of \$1,000 and a half warrant exercisable at \$0.90 for 24 months. The debenture units are convertible into shares at the Company's option, at a conversion price of \$0.80 for 24 months from closing. C21 is a vertically integrated company that cultivates, processes, and distributes cannabis and hemp-derived consumer products in the US. It owns Silver State Relief and Silver State Cultivation in Nevada, and Phantom Farms, Swell Companies, Eco Firma Farms, and Pure Green in Oregon. These brands produce and distribute a broad range of tetrahydrocannabinol ("THC") and Cannabidiol ("CBD") products from cannabis flowers, prerolls, cannabis oil, vaporizer cartridges and edibles.

CannAmerica Brands Corp. (Colorado, Maryland, Massachusetts, Nevada, Oklahoma)

In July 2018, Quinsam subscribed for shares of CannAmerica Brands Corp. ("CannAmerica") for \$495,000 through a private placement. CannAmerica is a US marine veteran founded and operated portfolio of cannabis brands with licensing agreements in the states of Colorado, Nevada, Oklahoma, Maryland, Massachusetts, and Canada. CannAmerica aims to maximize value of its brands by employing brand management teams, marketing and licensing the brands through various distribution channels, including dispensaries, wholesalers and distributors in the US and internationally. Its core strategy is to enhance and monetize the global reach of its existing brands, and to pursue additional strategic acquisitions to grow the scope and diversity of its brand portfolio.

Cansortium Inc. (Florida, Michigan, Pennsylvania, Texas)

In March 2019, Quinsam subscribed for units of Cansortium Inc. ("Cansortium") for \$534,640 through a prospectus offering, which the Company had since disposed of. In May 2019, Quinsam also subscribed for units of convertible debentures of Cansortium for USD \$400,000 through a private placement. Each unit is comprised of a senior secured convertible debenture with face value of USD \$1,000 accruing interest at 12.0% per annum, and 292 warrants, each exercisable to acquire one common share at any time prior to March 21, 2021 at USD \$2.40. Headquartered in Miami, Florida, and operating under the Fluent™ brand, Cansortium is focused on being the highest quality cannabis company in the state of Florida driven by commitment to operational excellence from seed to sale. Cansortium has developed proficiencies in each of cultivation, processing, retail, and distribution activities. In addition to Florida, it is seeking to create shareholder value in the markets of Texas, Michigan, and Pennsylvania, where the Company has secured licenses and established operations.

CLS Holdings USA Inc. (Nevada)

In December 2018, Quinsam subscribed for units of convertible debentures of CLS Holdings USA Inc. ("CLS") for USD \$400,000, which bear interest at 8% per annum for a term of three years. At Quinsam's option, the debentures are convertible into units at USD \$0.80 per share. CLS is a diversified cannabis company that acts as an integrated cannabis producer and retailer through its Oasis Cannabis subsidiaries in Nevada, and it has plans to expand to other states. CLS stands for "Cannabis Life Sciences" in recognition of its patented proprietary method of extracting various CBD from the marijuana plant and converting them into products. CLS's business model includes licensing operations, processing operations, processing facilities, sale of products, brand creation and consulting services.

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Corsica Innovations Inc. (Colorado)

In March 2019, Quinsam subscribed for units of convertible debentures of Corsica Innovations Inc. ("Corsica") for \$250,000 through a private placement which closed in Q2 2019. Each unit is comprised of a principal amount of \$1,000 and four warrants exercisable at \$0.30 for 36 months. The debenture units are convertible into shares at a conversion price of \$0.25 for 36 months. Based in Boulder, Colorado, Corsica manufactures and markets Plug N' Plant cannabis growing systems. Its cannabis growing systems monitor various aspects of grow box and keeps it at optimal settings for plant growth; and takes care of nutrient dosing, pH balancing, light, temperature, water level, and ventilation controls.

Empower Clinics Inc. (Arizona, Florida, Illinois, Nevada, Oregon, Washington)

In March 2018, Quinsam subscribed for shares of Empower Clinics Inc. ("Empower") for \$310,000 through a private placement. In September 2018, the Company also subscribed for \$250,000 of Empower's unsecured convertible debentures which bear interest at 7% per annum, payable on maturity which is one year from closing. On maturity, the debentures will be automatically converted at \$0.18, into units consisting of one common share and one warrant exercisable at \$0.19 for one year from the maturity date. In 2020, the Company and Empower settled the maturity proceeds through issuance of more than 4 million units. Empower is a multi-state vertically integrated operator of health and wellness company operating networks of physician-staffed wellness clinics that are focused on helping patients improve and protect their health, through innovative physician recommended treatment options. It is focused on helping patients improve and protect their health, through innovative physician recommended treatment options. Empower also provides COVID-19 testing services to consumers and businesses as part of a four-phased nationwide testing initiative in the US.

Evio Inc. (California, Florida, Massachusetts, Oregon, Washington)

In January 2018, Quinsam subscribed for units of convertible debentures of Evio Inc. ("Evio") for USD \$450,000 (\$556,850) through a private placement. Each unit is comprised of one common share and a half warrant exercisable at USD \$0.40 for 18 months. During Q2 2019, the Company subscribed for additional units of Evio for \$80,084, comprised of one common share and one warrant exercisable at \$0.65 for 24 months. Founded in 2014, Evio provides advisory, management, and analytical testing services to the legalized cannabis industry in the US. It also offers industry research, business and market intelligence, market forecasts, and operational insights; and advisory and consulting services, including license application support, regulatory compliance, and operating services for current and prospect licensed cannabis businesses. Evio is publicly-traded on the OTC market in the US.

Flower One Holdings Inc. (Nevada)

In March 2019, Quinsam subscribed for units of convertible debentures of Flower One Holdings Inc. ("Flower One") for \$450,000 through a prospectus offering. Each unit is comprised of a principal amount of \$1,000 and 192 warrant exercisable at \$2.60 for 36 months. The debenture units are also convertible into shares at Quinsam's option, at a conversion price of \$0.26 for 36 months. Flower One is fully licensed for medical marijuana cultivation and production, as well as recreational marijuana cultivation and production in Nevada. It produces a wide range of top-performing brands cannabis products ranging from wholesale flower, full-spectrum oils, and distillates to finished consumer packaged goods including flower, pre-rolls, concentrates, edibles, beverages, and topicals. Its 400,000 square feet ("sq. ft.") greenhouse and 55,000 sq. ft. production facility are used for large scale cannabis cultivation, processing, and manufacturing. It also operates a second facility in North Las Vegas with 25,000 sq. ft. of indoor cultivation and production capacity.

Gefion Canada Inc. (Various states in the US)

In September 2018, Quinsam subscribed for shares of Gefion Canada Inc. ("Gefion") for \$300,000 through a private placement, and the Company subscribed for an additional investment of \$60,000 in September 2020. Gefion is a private Canadian corporation which has licensed transdermal delivery technology from BioPhysics Pharma, Inc., for the development and sale of herbal extracts products which include cannabis and hemp-based products. Its mission is to become the preeminent transdermal specialty pharmaceutical company in the cannabinoid industry focused on utilizing both CBD and herbal extracts as active ingredients. In Canada, Gefion has developed products for entry into the CBD OTC market. In the US, its business model provides for the sale of the formula bases in bulk to extractors in all states.

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Grown Rogue International Inc. (California, Michigan, Oregon)

In July 2018, Quinsam subscribed for shares of Grown Rogue International Inc. ("Grown Rogue") for \$440,000 through a private placement. Grown Rogue is a vertically integrated multi-state brand operating in the Oregon recreational market. Its products are categorized according to user experiences, and its brand offers flower, pre-rolls and extracts including shatter, wax, oil and sugar. It operates from its two wholly owned outdoor facilities and one 17,000 sq. ft. indoor grow operation, utilizing organic farming practices and meeting Clean Green Certification standards. Grown Rogue's cannabis product offerings include premium flower, patent-pending nitrogen sealed pre rolls, oil and concentrates, and edibles. Grown Rogue also operates out of California and Michigan.

Halo Labs Inc. (California, Nevada, Oregon)

In July 2018, Quinsam subscribed for subscription receipts units of Halo Labs Inc. ("Halo") for \$500,000 through a private placement. Each subscription receipt unit is comprised of one common share and one warrant exercisable at \$0.80 until December 31, 2020. Halo is a vertically integrated company that cultivates, extracts, manufactures and distributes quality cannabis flower, oils, and concentrates, and has sold approximately 6 million grams of oils and concentrates since inception. Halo is currently expanding its operations with new facilities in Nevada and California, and has also begun operations in Lesotho, Africa through a strategic partnership. It is also planning an expansion into the European and Canadian markets.

Harborside Inc. (California, Oregon)

Harborside Inc. ("Harborside") operates four cannabis dispensary stores in Oakland, San Jose, San Leandro and the Desert Hot springs, and a cannabis cultivation facility in Salinas, California. Harborside is considered as a pioneer in the California cannabis market. In May 2019, Harborside and Lineage Grow Company Ltd. ("Lineage") completed a reverse takeover transaction which resulted in Lineage acquiring all of the issued and outstanding securities of Harborside. All Lineage securities were converted into Harborside securities based on an exchange ratio of 41.818182. Harborside is aiming to become the premium vertically integrated cannabis company in the San Francisco Bay Area. In August 2020, Harborside was briefly subject to a cease traded order (the "CTO") pending filing of its interim financial reports for the period ended March 31, 2020, and trading of its subordinate voting shares had since resumed on the CSE following revocation of the CTO.

Helix TSC Inc. (California, Colorado, Florida, Nevada, Washington)

In July 2018, Quinsam subscribed for units of convertible debentures of Green Tree International Inc. ("Green Tree") for USD \$400,000 (\$526,280), which bear interest at 10% per annum for a term of three years. The debentures are convertible into shares at USD \$1.00. In September 2019, Green Tree merged with Helix TCS, Inc. ("Helix"), a company incorporated under the laws of the state of Delaware. Helix is a provider of critical infrastructure services, helping owners and operators of licensed cannabis businesses stay competitive and compliant while mitigating risk. Through its proprietary technology suite and security services, Helix provides comprehensive supply chain management, compliance tools, and asset protection for any license type in any regulated cannabis market. Its products reach over 2,000 customer locations in 38 states and nine countries and has processed over \$20 billion in cannabis sales.

Herbiculture Inc. (Maryland)

In 2017, Quinsam signed an agreement to finance the start-up costs of Herbiculture Inc. ("Herbiculture"), in the form of a USD \$655,000 senior secured promissory note carrying interest at 10% on a 3-year term. On February 12, 2018, Herbiculture received a Processor License from the Maryland Medical Cannabis Commission ("MMCC") to commence dispensary operations. On receipt of the Processor License, Quinsam was granted a right equal to a 35% interest shares of Herbiculture's outstanding shares. As Quinsam is not in the business of operating, nor controlling any subsidiary that is directly engaged in the cultivation or distribution of marijuana in accordance with a US state license, the Company had continued to look for interested parties to take on the 35% interest in Herbiculture.

Ikänik Farms Inc. (California)

In May 2019, Quinsam subscribed for units of convertible debentures of Ikänik Farms Inc. ("Ikänik") for USD \$300,000 (\$404,610), which bear interest at 6% per annum for a term of two years. At Quinsam's option, the debentures are convertible into units at USD \$0.61. Ikänik holds a portfolio of cannabis lifestyle brands, deep rooted in action sports and entertainment, unified with passion. Ikänik had recently announced that it had entered into a business combination agreement with Canadian Imperial Venture Corp. ("CIV") whereby CIV has agreed to acquire all of the issued and outstanding securities of Ikänik by

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way of a three-cornered amalgamation, which will result in a reverse takeover of the Company by the security holders of Ikānik. In October 2019, Ikānik acquired all of the issued and outstanding common shares of Pideka SAS (“Pideka”), an indoor medical cannabis cultivator based in Bogotá, Colombia whose founders have over 20 years of R&D experience and cultivation expertise. In July 2020, Pideka signed a collaborative agreement with CAS Biotechnology, for cannabis research on the potential medical benefits in the treatment of COVID-19, with pharmaceutical grade cannabis oil provided by its GACP and GMP-Pharma certified Casa Flores facility in Bogota.

INDVR Brands Inc. (formerly Cannabis One Holdings Inc.) (Colorado, Nevada, Oregon, Washington)

In September 2018, Quinsam subscribed for subscription receipts of Bertram Capital Finance Inc. (“Bertram Capital”) d/b/a Cannabis One (“Cannabis One”) for \$341,550 through a private placement. Each unit is comprised of one common share and a half warrant exercisable at \$4.45 for 24 months. On February 26, 2019, Cannabis One completed a business combination with Bertram Capital. Upon execution of the definitive agreement, and as approved by shareholders at the shareholder meeting held on October 3, 2018, Quinsam received additional shares and warrants of Cannabis One, following a 5.93-to-1 split. Based in Colorado, Cannabis One is focused on aggregating and optimizing popular cannabis brands throughout North America. With its franchise-ready retail brand, The Joint™, and through targeted acquisition and partnership opportunities, Cannabis One intends to become the premier, globally-recognized, “House of Brands”, holding a client portfolio of award-winning products with an extensive market footprint. Through the Joint™ retail concept, Cannabis One intends to leverage the consumer and brand data harvested from its retail locations to bring data-driven analytics to an emerging, branded industry. In August 2020, Cannabis One changed its name to INDVR Brands Inc. to reflect the current business model.

Ionic Brands Corp. (California, Illinois, Massachusetts, Nevada, Oregon, Washington)

In February 2019, Quinsam subscribed for common shares of Vegas Valley Capital Corp. (“Vegas Valley”) for \$216,000 through a private placement. On June 12, 2019, Ionic Brands Corp. (“Ionic”) acquired Vegas Valley, and exchanged Quinsam’s investment into shares of Ionic. Ionic is dedicated to building a regionally based multi-state consumer-focused cannabis concentrate brand portfolio with strong roots in the premium and luxury segments of vape concentrates and edibles. Its cornerstone brand of the portfolio, IONIC, has aggressively expanded throughout the Pacific Northwest of the US. The brand is currently operating in the states of Washington and Oregon.

Nutritional High International Inc. (California, Colorado, Oregon)

In March 2018, Quinsam subscribed for units of convertible debentures of Nutritional High International Inc. (“Nutritional High”) for \$750,000 through a private placement. Each debenture unit is comprised of (i) \$1,000 principal amount of 10% unsecured debentures convertible at \$0.60, and (ii) 1,667 warrants exercisable at \$0.70 for a period of 36 months. In May 2020, Quinsam subscribed for additional convertible debentures units from a new round of financing for \$50,000; each debenture unit is comprised of (i) \$10,000 principal amount of 12% unsecured debentures convertible at \$0.05, and (ii) 20,000 warrants exercisable at \$0.05 for a period of 36 months from closing. Nutritional High develops and manufactures branded products in the cannabis products industry, with a specific focus on edibles and oil extracts for adult recreational use. It works exclusively through licensed facilities in jurisdictions where such activity is permitted and regulated by state law and follows a vertically integrated model with a strategy for acquisitions in extraction, production, and distribution sectors of the cannabis industry. Nutritional High’s flagship FLI™ edibles and extracts product lines are currently manufactured and marketed in California, Oregon, and Colorado.

OG DNA Genetics Inc. (California and various states)

In 2017, Quinsam subscribed for common shares and units of Seed Capital Corp. (“Seed Capital”) for \$200,000. Seed Capital was acquired by OG DNA Genetics Inc. (“DNA”) through an amalgamation agreement, whereby DNA issued securities for each Seed Capital security at an exchange ratio of 0.294962. DNA was founded in Amsterdam and is currently based in Los Angeles. Over the past decade, it had built and curated a seasoned genetic library and developed proven standard operating procedures for genetic selection, breeding, and cultivation. DNA is licensed in over 10 distinct jurisdictions, including Canada, and States such as Nevada, Pennsylvania, and Michigan, to name a few. DNA is positioned to become the first geographically-diversified company with multiple partnerships with top-licensed producers and brands that have built their companies and global presence utilizing the “Powered by DNA” model.

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Phoenix Extractions Inc. (Arizona)

In November 2018, Quinsam subscribed for USD \$250,000 (\$330,125) of convertible debentures of Phoenix Extractions Inc. (“Phoenix Extractions”). Each debenture unit is comprised of (i) \$1,000 principal amount of 8% unsecured debentures which are convertible at a conversion rate of \$0.29, and (ii) a half warrant exercisable at \$0.35 for a period of 24 months from closing. Phoenix Extractions operates a hemp-extraction business out of Phoenix, Arizona.

XS Financial Inc. (formerly Xtraction Services Holdings Corp.) (Florida)

In April 2018, Quinsam subscribed for units of convertible debentures of Xtraction Services Inc. for USD \$400,000 through a private placement. On June 26, 2020, it changed its name to XS Financial Inc. (“XS”) to reflect its business model, highlighting it as a specialty finance company providing a variety of leasing solution to the cannabis and hemp industry. Founded in 2017, XS specializes in providing equipment leasing solutions in the US to owner/operators of cannabis and hemp companies, including cultivators, oil processors, manufacturers, testing laboratories, among others. In addition, XS provides a full range of consulting services including equipment selection and procurement, through its network of preferred vendor partnerships with original equipment manufacturers and equipment distributors.

As at September 30, 2020, the Company held the following investments in the cannabis sector:

Investees	Investments relationship	Investments type	Jurisdiction	Industry involvement ¹	Cost \$	Fair value \$	Company’s ownership %
AgraFlora Organics International Inc. (formerly Spectrum Brands Canada Inc.)	Public-listed	Shares	Canada	N/A	496,000	26,673	Under 10%
Agriforce Growing Systems Ltd. (formerly Canivate Growing Systems Ltd.)	Private	Shares & warrants	Canada	N/A	497,000	916,825	Under 10%
Aion Therapeutics Inc. (formerly Osoyoos Cannabis Inc.)	Publicly-listed	Shares, convertible debentures & warrants	Canada	N/A	478,162	616,669	Under 10%
Aleafia Health Inc.	Publicly-listed	Convertible debentures	Canada	N/A	355,991	342,613	Under 10%
Ancient Strains Limited	Private	Shares & warrants	Uruguay	N/A	400,000	48,904	Under 10%
Asterion Cannabis Inc.	Private	Shares & warrants	Canada, Australia	N/A	400,000	728,960	Under 10%
Ballistic Capital Corp.	Private	Shares	US (Oregon)	Indirect	390,000	-	Under 10%
Blackshire Capital Corp.	Private	Shares & warrants	US (Arizona, Massachusetts, Washington)	Indirect	385,000	149,080	Under 10%
Budd Hutt Inc.	Private	Shares, loans & promissory notes	Canada	N/A	2,806,518	2,773,571	17% ²
C15 Solutions Inc. (formerly Cannabis OneFive Inc.)	Private	Shares	Canada	N/A	220,000	490,000	Under 10%
C21 Investments Inc.	Publicly-listed	Warrants	US (Nevada, Oregon)	Indirect	44,676	22,102	Under 10%
Canada House Wellness Group Inc.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	150,000	119,207	Under 10%
CanaQuest Medical Corp.	Publicly-listed	Shares	Canada	N/A	173,059	80,034	Under 10%
Cannaverse Inc.	Private	Shares	Canada	N/A	369,375	321,625	Under 10%
CannAmerica Brands Corp.	Publicly-listed	Shares	US (Colorado, Maryland, Massachusetts, Nevada, Oklahoma)	Indirect	421,500	21,075	Under 10%
Consortium Inc.	Publicly-listed	Shares, convertible debentures & warrants	US (Florida, Michigan, Pennsylvania, Texas)	Indirect	550,717	509,312	Under 10%
CB2 Insights Inc.	Publicly-listed	Shares	Canada	N/A	276,127	408,658	Under 10%
CBD Acres Management Inc.	Private	Shares	Canada	N/A	510,000	155,235	Under 10%
City View Green Holdings Inc.	Publicly-listed	Shares	Canada	N/A	697,025	2,334,144	Under 10%
CLS Holdings USA Inc.	Publicly-listed	Shares & convertible debentures	US (Nevada)	Indirect	537,744	430,831	Under 10%
Corsica Innovations Inc.	Private	Convertible debentures	US (Colorado)	Indirect	250,000	201,592	Under 10%

¹ Industry involvement refers to Quinsam’s involvement in regard to the Investees with marijuana-related activities in the US. For greater clarity per the Staff Notice, Investees classified as “Indirect” in this column generally represents entities with a license to either cultivate and/or sell marijuana in the US, and for which Quinsam has an equity or “convertible-into-equity” stake in that particular investee.

² In June 2020, Budd Hutt Inc. (“Butt Hutt”) received a retail cannabis license from Alberta Gaming, Liquor and Cannabis (“AGLC”) at its Grand Cache, Alberta location. Three other locations are undergoing final inspections by the AGLC during June 2020. During the three months ended September 30, 2020, the Company increased its investment to \$2.7 million, from its initial investment of \$1.1 million, under an additional loan and promissory note arrangement with Budd Hutt, which represents an ownership stake of about 17%.

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Eden Empire Inc.	Private	Shares & convertible debentures	Canada	N/A	375,000	389,906	Under 10%
Embark Health Inc.	Private	Shares & warrants	Canada	N/A	500,000	1,071,522	Under 10%
Empower Clinics Inc.	Publicly-listed	Shares & warrants	US (Arizona, Florida, Illinois, Nevada, Oregon, Washington)	Indirect	272,263	103,431	Under 10%
Eve & Co Inc.	Publicly-listed	Shares & warrants	Canada, Germany	N/A	684,617	101,733	Under 10%
Evergreen Reinsurance	Private	Shares	Canada	N/A	325,000	220,000	Under 10%
Evio Inc.	Publicly-listed	Convertible debentures & warrants	US (Colorado, California, Florida, Massachusetts, Oregon)	Indirect	582,563	489,489	Under 10%
Flower One Holdings Inc.	Publicly-listed	Convertible debentures	US (Nevada)	Indirect	395,281	144,009	Under 10%
Frontier Wellness Management Inc.	Private	Shares & convertible debentures	Spain	N/A	499,998	914,838	Under 10%
Gefion Canada Inc.	Private	Shares	Canada, US ³	N/A	360,000	110,000	Under 10%
Georgian Bay Biomed Inc.	Private	Shares	Canada	N/A	263,808	300,000	Under 10%
Good Buds Company Ltd.	Private	Shares & warrants	Canada	N/A	495,000	446,080	Under 10%
Green Stripe Naturals Ltd.	Private	Shares & warrants	Jamaica	N/A	640,000	1,140,000	Under 10%
Grown Rogue International Inc.	Publicly-listed	Warrants	US (California, Michigan, Oregon)	Indirect	131,765	-	Under 10%
Halo Labs Inc.	Publicly-listed	Warrants	US (California, Nevada, Oregon)	Indirect	118,038	6,238	Under 10%
Harborside Inc.	Publicly-listed	Warrants	US (California, Oregon)	Indirect	101,555	84	Under 10%
Helix TCS Inc.	Publicly-listed	Shares, convertible debentures & warrants	US (California, Colorado, Florida, Nevada, Washington)	Indirect	626,218	474,170	Under 10%
Hemp Hydrate Int'l Holdings Inc.	Private	Shares	Canada	N/A	401,321	881,370	Under 10%
Hempsana Inc.	Private	Shares	Canada	N/A	480,000	480,000	Under 10%
Herbiculture Inc.	Private	Loans	US (Maryland)	Indirect	831,480	877,245	Right to 35% interest ⁴
Hystyle Brands Inc.	Private	Convertible debentures	Canada	N/A	51,952	110,000	Under 10%
Ikänik Farms Inc.	Private	Convertible debentures & warrants	US (California)	Indirect	404,610	346,910	Under 10%
INDVR Brands Inc. (formerly Cannabis One Holdings Inc.)	Publicly-listed	Warrants	US (Colorado, Nevada, Oregon, Washington)	Indirect	54,819	-	Under 10%
Inner Spirit Holdings Ltd.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	461,307	468,801	Under 10%
Ionic Brands Corp.	Publicly-listed	Shares	US (California, Illinois, Massachusetts, Oregon, Washington)	N/A	216,000	9,189	Under 10%
King and Pegahmagabow Inc.	Private	Convertible debentures	Canada	N/A	1,220,000	1,186,521	Under 10%
Medical Compassion Canni Farms Inc.	Private	Loans	Canada	N/A	2,000,000	2,000,000	Under 10%
Mercro Payments Inc.	Private	Shares	Canada	N/A	150,000	33,992	Under 10%
Molecule Holdings Inc. (Molecule Inc.)	Publicly-listed	Shares	Canada	N/A	250,000	200,000	Under 10%
Nexe Innovations Inc.	Private	Shares	Canada	N/A	150,000	150,000	Under 10%
Nutritional High International Inc.	Publicly-listed	Shares, convertible debentures & warrants	US (Colorado, California, Washington, Nevada, Oregon)	Indirect	837,500	709,508	Under 10%
OG DNA Genetics Inc.	Private	Shares & warrants	US (California and other states) ⁵	Indirect	200,000	553,475	Under 10%
Pharmadrug Inc.	Publicly-listed	Shares, convertible debentures & warrants	Germany, the Netherlands	Indirect	140,754	104,021	Under 10%
Pharmex Life Sciences Inc.	Private	Shares & warrants	Mexico	N/A	300,000	930,482	Under 10%
Phoenix Extractions Inc.	Private	Convertible debentures & warrants	US (Arizona)	Indirect	330,125	379,013	Under 10%

³ Gefion Canada Inc., through service agreements with third-parties, has access to OTC retail distribution channels for all 50 states in the US. Its products contain hemp extracts with CBD with 0.3% or less THC which are sold throughout the US pursuant to the recently enacted 2018 Farm Act.

⁴ In Q4 2017, the Company signed an agreement with Herbiculture Inc. to finance the start-up costs of establishing a medical marijuana dispensary located in Maryland. The financing is structured as a USD \$655,000 senior secured promissory note bearing interest at 10% with a 3-year term. On February 12, 2018, Herbiculture received a marijuana processor license from the MMCC to commence dispensary operations. On Herbiculture's receipt of the processor license, Quinsam was granted a right to a 35% interest of Herbiculture's common shares. While Quinsam had provided the above-noted financing to fund the necessary costs to complete the establishment of Herbiculture's dispensary business, its industry involvement in Herbiculture is considered indirect. While Quinsam has a non-controlling investment in Herbiculture through the right to a 35% equity interest, Quinsam has not exercised this right in question, and does not expect to trigger it in the future. Besides the financing, Quinsam had not provided any goods or services to Herbiculture.

⁵ OG DNA Genetics Inc. has entered into various licensing agreements with cannabis producers in ten (10) distinct jurisdictions, including Canada, and States such as Nevada, Pennsylvania, and Michigan, to name a few. For confidentiality reasons, some states cannot be named.

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Phytopharma International Ltd.	Private	Convertible debentures	Israel	N/A	408,844	427,429	Under 10%
PlanText Ltd.	Private	Shares	Israel	N/A	317,988	517,304	Under 10%
Pure Global Cannabis Inc.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	350,000	134,183	Under 10%
Rocky Mountain Marijuana Inc.	Publicly-listed	Shares	Canada	N/A	500,000	100,000	Under 10%
Segra International Corp.	Private	Shares	Canada	N/A	348,905	198,072	Under 10%
Sproutly Inc.	Publicly-listed	Special warrants & convertible debentures	Canada	N/A	258,777	276,118	Under 10%
Stem Holdings Inc. (formerly 7LV Seven Leafs Ventures Corporation)	Publicly-listed	Shares, convertible debentures & warrants	US (California, Nevada, Oklahoma, Oregon)	Indirect	500,000	340,859	Under 10%
Swiss Luxe Products Inc.	Private	Shares	Canada	N/A	200,000	37,217	Under 10%
TheraCann Int'l Benchmark Corp.	Private	Convertible debentures	Panama	N/A	143,886	202,251	Under 10%
Therma Bright Inc.	Publicly-listed	Options	Canada	N/A	68,331	42,795	Under 10%
Verabys Inc.	Private	Shares	Columbia	N/A	350,000	350,000	Under 10%
Xebra Brands Ltd.	Private	Shares	Colombia, Mexico	N/A	190,000	390,000	Under 10%
XS Financial Inc. (formerly Xtraction Services Holdings Corp.)	Publicly-listed	Shares	US (Florida)	Indirect	514,440	129,074	Under 10%
					29,411,038	29,174,439	

As at December 31, 2019, the Company held the following investments in the cannabis sector:

Investees	Investments relationship	Investments type	Jurisdiction	Industry involvement ⁶	Cost	Fair value	Company's ownership %
					\$	\$	
Aleafia Health Inc.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	477,763	385,022	Under 10%
Ancient Strains Limited	Private	Shares & warrants	Uruguay	N/A	400,000	92,401	Under 10%
Asterion Cannabis Inc.	Private	Shares & warrants	Canada, Australia	N/A	400,000	954,526	Under 10%
Ballistic Capital Corp.	Private	Shares	US (Oregon)	Indirect	390,000	96,720	Under 10%
Blackshire Capital Corp.	Private	Shares & warrants	US (Arizona, Massachusetts, Washington)	Indirect	385,000	300,685	Under 10%
Braingrid Limited	Publicly-listed	Shares & warrants	Canada	N/A	26,450	-	Under 10%
Budd Hutt Inc.	Private	Shares & loans	Canada	N/A	2,259,375	2,275,000	Under 10%
C21 Investments Inc.	Publicly-listed	Warrants	US (Maine, Nevada, Oregon)	Indirect	44,676	38,283	Under 10%
Canada House Wellness Group Inc.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	150,000	105,783	Under 10%
CanaQuest Medical Corp.	Publicly-listed	Shares & warrants	Canada	N/A	200,000	120,122	Under 10%
Canivate Growing Systems Ltd.	Private	Shares & warrants	Canada	N/A	470,000	956,248	Under 10%
Cannabis One Holdings Inc.	Publicly-listed	Shares & warrants	US (Colorado, Nevada, Oregon, Washington)	Indirect	209,916	58,818	Under 10%
Cannabis OneFive Inc.	Private	Shares	Canada	N/A	220,000	490,000	Under 10%
Cannaverse Inc.	Private	Shares	Canada	N/A	369,375	321,625	Under 10%
CannAmerica Brands Corp.	Publicly-listed	Shares	US (Colorado, Maryland, Massachusetts, Nevada, Oklahoma)	Indirect	421,500	35,125	Under 10%
Consortium Inc.	Publicly-listed	Shares & warrants	US (Florida, Michigan, Pennsylvania, Texas)	Indirect	539,120	408,978	Under 10%
CB2 Insights Inc.	Publicly-listed	Shares & warrants	Canada	N/A	432,464	113,913	Under 10%
CBD Acres Management Inc.	Private	Shares	Canada	N/A	510,000	186,915	Under 10%
City View Green Holdings Inc.	Publicly-listed	Shares	Canada	N/A	697,025	1,726,608	Under 10%
CLS Holdings USA Inc.	Publicly-listed	Convertible debentures	US (Nevada)	Indirect	533,840	381,072	Under 10%
Corsica Innovations Inc.	Private	Convertible debentures	US (Colorado)	Indirect	250,000	294,135	Under 10%
Eden Empire Inc.	Private	Shares & convertible debentures	Canada	N/A	375,000	382,985	Under 10%
Embark Health Inc.	Private	Shares & warrants	Canada	N/A	500,000	1,140,954	Under 10%
Empower Clinics Inc.	Publicly-listed	Shares & convertible debentures	US (Arizona, Florida, Illinois, Nevada, Oregon, Washington)	Indirect	220,157	126,566	Under 10%
Eve & Co Inc.	Publicly-listed	Shares	Canada, Germany	N/A	684,617	353,019	Under 10%

⁶ Industry involvement refers to Quinsam's involvement in regard to the Investees with marijuana-related activities in the US. For greater clarity per the Staff Notice, Investees classified as "Indirect" in this column generally represents entities with a license to either cultivate and/or sell marijuana in the US, and for which Quinsam has an equity or "convertible-into-equity" stake in that particular investee.

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Evergreen Reinsurance	Private	Shares	Canada	N/A	325,000	220,000	Under 10%
Evio Inc.	Publicly-listed	Shares, convertible debentures & warrants	US (Colorado, California, Florida, Massachusetts, Oregon)	Indirect	636,934	324,141	Under 10%
Flower One Holdings Inc.	Publicly-listed	Convertible debentures	US (Nevada)	Indirect	370,806	297,000	Under 10%
Frontier Wellness Management Inc.	Private	Shares	Spain	N/A	399,998	486,663	Under 10%
Full Spectrum Brands Canada Inc.	Private	Shares	Canada	N/A	496,000	211,110	Under 10%
Gefion Canada Inc.	Private	Shares	Canada, US	N/A	300,000	169,750	Under 10%
Georgian Bay Biomed Inc.	Private	Shares	Canada	N/A	263,808	300,000	Under 10%
Good Buds Company Ltd.	Private	Shares & warrants	Canada	N/A	495,000	477,624	Under 10%
Green Stripe Naturals Ltd.	Private	Shares & warrants	Jamaica	N/A	640,000	1,140,000	Under 10%
Greentec Holdings Ltd.	Publicly-listed	Warrants	Canada	N/A	60,037	-	Under 10%
Grown Rogue International Inc.	Publicly-listed	Shares & warrants	US (California, Michigan, Oregon)	Indirect	312,237	59,086	Under 10%
Halo Labs Inc.	Publicly-listed	Warrants	US (California, Nevada, Oregon)	Indirect	118,038	24,950	Under 10%
Harborside Inc.	Publicly-listed	Shares & warrants	US (California, Oregon)	Indirect	1,129,156	132,630	Under 10%
Helix TCS Inc.	Publicly-listed	Convertible debentures & warrants	US (California, Colorado, Florida, Nevada, Washington)	Indirect	626,218	544,409	Under 10%
Hemp Hydrate Int'l Holdings Inc.	Private	Shares & warrants	Canada	N/A	525,000	1,056,907	Under 10%
Hempsana Inc.	Private	Shares	Canada	N/A	480,000	480,000	Under 10%
Herbiculture Inc.	Private	Loans	US (Maryland)	Indirect	831,480	854,161	Right to 35% interest
Hystyle Brands Inc.	Private	Convertible debentures & warrants	Canada	N/A	100,000	125,437	Under 10%
Ikänik Farms Inc.	Private	Convertible debentures & warrants	US (California)	Indirect	404,610	390,576	Under 10%
I.M.C. Holdings Ltd.	Publicly-listed	Shares & warrants	Israel	N/A	445,000	455,697	Under 10%
Inner Spirit Holdings Ltd.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	499,637	451,516	Under 10%
Ionic Brands Corp.	Publicly-listed	Shares	US (California, Illinois, Massachusetts, Oregon, Washington)	N/A	216,000	12,252	Under 10%
King and Pegahmagabow Inc.	Private	Convertible debentures	Canada	N/A	1,220,000	1,173,574	Under 10%
Med. Compassion Canni Farms Inc.	Private	Loans	Canada	N/A	2,000,000	2,000,000	Under 10%
Merco Payments Inc.	Private	Shares	Canada	N/A	150,000	33,992	Under 10%
Mojave Jane Brands Inc.	Publicly-listed	Shares & warrants	US (California)	Indirect	117,595	-	Under 10%
Molecule Inc.	Private	Shares	Canada	N/A	250,000	250,000	Under 10%
Nutritional High International Inc.	Publicly-listed	Convertible debentures & warrants	US (Colorado, California, Washington, Nevada, Oregon)	Indirect	750,000	552,267	Under 10%
OG DNA Genetics Inc.	Private	Shares & warrants	US (California and other states)	Indirect	200,000	557,028	Under 10%
Osoyoos Cannabis Inc.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	524,370	549,105	Under 10%
Pharmadrug Inc.	Publicly-listed	Shares & warrants	Israel, Germany	Indirect	772,500	103,100	Under 10%
Pharmex Life Sciences Inc.	Private	Shares & warrants	Mexico	N/A	300,000	936,122	Under 10%
Phoenix Extractions Inc.	Private	Convertible debentures & warrants	US (Arizona)	Indirect	330,125	391,096	Under 10%
Phytopharma International Ltd.	Private	Convertible debentures	Israel	N/A	400,000	389,162	Under 10%
PlanText Ltd.	Private	Shares	Israel	N/A	317,988	1,007,383	Under 10%
Pure Global Cannabis Inc.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	350,000	233,946	Under 10%
Rocky Mountain Marijuana Inc.	Publicly-listed	Shares	Canada	N/A	500,000	127,500	Under 10%
Segra International Corp.	Private	Shares & warrants	Canada	N/A	400,000	577,696	Under 10%
Sproutly Inc.	Publicly-listed	Special warrants & convertible debentures	Canada	N/A	280,632	226,201	Under 10%
Stem Holdings Inc.	Publicly-listed	Shares, convertible debentures & warrants	US (California, Nevada, Oklahoma, Oregon)	Indirect	500,000	476,295	Under 10%
Swiss Lux Products Inc.	Private	Shares	Canada	N/A	200,000	70,320	Under 10%
Theraeann Int'l Benchmark Corp.	Private	Convertible debentures & warrants	Panama	N/A	300,000	233,922	Under 10%
Therma Bright Inc.	Publicly-listed	Shares & convertible debentures	Canada	N/A	100,000	91,768	Under 10%
Verabys Inc.	Private	Shares	Columbia	N/A	350,000	350,000	Under 10%
Western Canadian Cannabis Stores	Private	Shares	Canada	N/A	57,143	57,143	Under 10%

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Westleaf Inc.	Publicly-listed	Shares	Canada	N/A	101,000	40,400	Under 10%
Xebra Brands Ltd.	Private	Shares	Colombia, Mexico	N/A	100,000	100,000	Under 10%
Xtraction Services Holdings Corp.	Publicly-listed	Shares & warrants	US (Florida)	Indirect	514,440	200,841	Under 10%
					31,927,028	30,288,273	

The Company's financial position for US cannabis-related activities is strictly comprised of its investment portfolio. The following is a summary of the Investees from the cannabis sector, including those having US cannabis-related activities, as at September 30, 2020 and December 31, 2019:

<u>September 30, 2020</u>			Investees involved in US cannabis activities	
By type	All cannabis investments		Cost	Fair value
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Equities	13,637,115	14,537,758	2,941,997	740,617
Warrants	2,095,846	663,953	1,063,799	71,731
Convertible debentures	8,156,597	8,405,484	3,492,738	3,309,999
Loans	5,521,480	5,567,244	831,480	877,245
Total	29,411,038	29,174,439	8,330,014	4,999,592
By ownership percentage				
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Under 10% ownership	29,411,038	29,174,439	8,330,014	4,999,592
Over 10% ownership	-	-	-	-
Total	29,411,038	29,174,439	8,330,014	4,999,592
<u>December 31, 2019</u>			Investees involved in US cannabis activities	
By type	All cannabis investments		Cost	Fair value
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Equities	15,828,444	16,017,984	4,285,757	1,529,027
Warrants	2,840,166	1,476,778	1,178,038	250,257
Convertible debentures	8,226,938	7,739,350	4,056,572	3,606,710
Loans	5,031,480	5,054,161	831,480	854,161
Total	31,927,028	30,288,273	10,351,847	6,240,155
By ownership percentage				
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Under 10% ownership	31,927,028	30,288,273	10,351,847	6,240,155
Over 10% ownership	-	-	-	-
Total	31,927,028	30,288,273	10,351,847	6,240,155

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The following is the summary of net investment revenues of the Investees from the cannabis sector, including those having US cannabis-related activities, for the nine months ended September 30, 2020:

By type	All cannabis investments		Investees involved in US cannabis activities	
	Net realized (losses) on disposals of investments	Net changes in unrealized gains (losses) on investments	Net realized (losses) on disposals of investments	Net changes in unrealized gains (losses) on investments
	\$	\$	\$	\$
Equities	(1,109,570)	802,753	(1,095,141)	571,320
Warrants	(757,571)	(68,505)	(201,355)	(64,287)
Convertible debentures	(94,777)	(248,603)	-	(357,699)
Total	(1,961,918)	(485,645)	(1,296,496)	(149,334)

Regulatory Overview

US federal law

While cannabis (“marijuana”) and cannabis-infused products are legal under the laws of several US states (with vastly differing restrictions), presently the concept of “medical”, “retail” or “adult-use” cannabis does not exist under US federal law. The US Federal Controlled Substances Act (“FCSA”) classifies marijuana as a Schedule I drug. Under US federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the US, and a lack of safety for the use of the drug under medical supervision.

The US Supreme Court has ruled in a number of cases that the federal government does not violate the federal constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal law criminalizing the use of cannabis pre-empts state laws that legalizes its use for medicinal and adult-use purposes.

The US Department of Justice (the “DOJ”) has issued official guidance regarding cannabis enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use cannabis. In each instance, the DOJ has stated that it is committed to the enforcement of federal laws and regulations related to cannabis. However, the DOJ has also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the DOJ has rescinded all federal enforcement guidance specific to cannabis (including the Cole memo, discussed below) and has instead directed that federal prosecutors should follow the “Principles of Federal Prosecution” originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the US Attorney’s Manual. This direction has created broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use cannabis businesses, even if they are not engaged in cannabis-related conduct enumerated by the Cole Memo.

Prior to 2018 and in the Cole Memo (issued on August 29, 2013), the DOJ acknowledged that certain US states had enacted laws relating to the use of cannabis and outlined the US federal government’s enforcement priorities with respect to cannabis notwithstanding the fact that certain states have legalized or decriminalized the use, sale, and manufacture of cannabis. The Cole Memo was addressed to “All United States Attorneys” from James M. Cole, Deputy Attorney General of the US, indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent:

- (i) Distribution of cannabis to minors.
- (ii) Criminal enterprises, gangs, and cartels from receiving revenue from the sale of cannabis.
- (iii) Transfer of cannabis from states where it is legal to states where it is illegal.
- (iv) Cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity.
- (v) Violence or use of firearms in cannabis cultivation and distribution.
- (vi) Drugged driving and adverse public health consequences from cannabis use.
- (vii) Growth of cannabis on federal lands; and
- (viii) Cannabis possession or use on federal property.

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On November 14, 2017, Jeff Sessions, then the US Attorney General, made a comment before the House Judiciary Committee about prosecutorial forbearance regarding state-licensed cannabis businesses. In his statement, Mr. Sessions stated that the US federal government's current policy is the same fundamentally as the Holder-Lynch policy, whereby the states may legalize cannabis for its law enforcement purposes, but it remains illegal with regard to federal purposes.

On January 4, 2018, the Cole Memo was rescinded by a one-page memo signed by Mr. Sessions (the "Sessions Memo"). It is the Company's opinion that the Sessions Memo does not represent a significant policy shift as it does not alter the DOJ's discretion or ability to enforce federal cannabis laws, but rather provides additional latitude to the DOJ to potentially prosecute state-legal cannabis businesses even if they are not engaged in cannabis-related conduct enumerated by the Cole Memo as being an enforcement priority. The result of the rescission of the Cole Memo is that federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions; however, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

Furthermore, the Sessions Memo did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis was protected against enforcement by enacted legislation from US Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding (see "US Enforcement Proceedings"). Due to the ambiguity of the Sessions Memo in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law (see "Risk Factors").

Even though the Cole Memo has been rescinded, the Company will continue to abide by its principles and prescriptions, as well as strictly following the regulations set forth by the current US federal enforcement guidelines and US states in which the Investees operate or have investments in.

On January 16, 2018, a bipartisan coalition of state Attorneys General ("AGs") had issued a letter to Congressional leadership urging them to "advance legislation" to permit state-licensed cannabis businesses greater access to banking and other financial services. The letter was undersigned by the Attorneys General from the states of Alaska, California, Colorado, Connecticut, Hawaii, Illinois, Iowa, Maine, Maryland, Massachusetts, New Mexico, New York, Oregon, Pennsylvania, Vermont, and Washington, as well as from the District of Columbia and the US Territory of Guam. With broad bipartisan support, the Secure and Fair Enforcement (SAFE) Act ("SAFE Banking Act") was introduced for legislation regarding disposition of funds gained through the cannabis industry in the US.

On March 22, 2018, the House of Representatives and Senate voted in favor of approving the Omnibus Spending Bill (the "Bill") and it was signed into law the following day by US President Donald Trump. With the Bill's approval came an extension of Rohrabacher-Leahy Amendment until September 2018, which is represented by Section 538 of the Bill. The Rohrabacher-Leahy Amendment prevents the DOJ from using federal funds in enforcing federal law relating to medical cannabis, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical cannabis. The amendment was first introduced in 2014 and has been reaffirmed annually since then. It should be noted that this amendment does not apply to adult-use cannabis.

On April 13, 2018, the Washington Post reported that President Trump and, then Colorado US Senator Cory Gardner, reached an understanding that the marijuana industry in Colorado will not be the subject of interference from the federal government and that the DOJ's rescission of the Cole memo will not impact Colorado's legal marijuana industry. Furthermore, President Trump provided assurances that he will support a federalism-based legislative solution to fix the issue regarding of states' rights to regulate cannabis. The Company is pleased to see reports that President Trump has promised top Senate Republicans that he will support congressional efforts to protect states that have legalized marijuana. The Company is cautiously optimistic that it represents a clear and positive sign that the industry is shifting towards a climate where cannabis users and business can participate in the industry without fear of interference from the US federal government.

On November 7, 2018, Mr. Sessions resigned after the US mid-term elections, both developments potentially impacting the US cannabis industry. From the mid-term elections, US voters delivered a split verdict for the US federal Congress, as the

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Democrats secured a majority in the US House of Representatives (the “House”) while the Republicans expanded their majority in the US Senate (the “Senate”). With the Democrats taking back control of the House, it may prove to be a catalyst for the sector to reinforce the notion that cannabis in the US is getting closer to the path of eventual full legal status. While pro-cannabis legislation would still require passage by the Senate and enactment by the US federal executive branch of government, the path to legalization seems to have opened up with Mr. Sessions’ departure. With divided congressional power, there will be opportunity for bipartisanship on a number of issues, including the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, S. 3032 (“STATES Act”), which would protect individuals working in cannabis sectors from federal prosecution. The STATES Act was introduced in June 2018 through bipartisan efforts initiated by former Senator Gardner together with Massachusetts US Senator Elizabeth Warren. Senator Warren won re-election which suggests she will support the change to federal law regarding cannabis. In addition, constituents of the State of Michigan voted to legalize recreational cannabis, making Michigan the first state in the Midwest US to do so and the 10th in the US overall, demonstrating growing sentiment among Americans towards legalization. Voters in the states of Missouri and Utah also approved ballot measures legalizing cannabis for medical use, making their states the 31st and 32nd to do so.

On December 20, 2018, the 2018 Farm Bill was signed by President Trump, and it permanently removed hemp and hemp derivatives such as CBD from the purview of the FCSA. Prior to its enactment, the 2014 Farm Bill allowed industrial hemp to be cultivated under agricultural pilot programs conducted by State departments of agriculture and institutions of higher education. The Statement of Principles published by the USDA, the DEA and the FDA in 2016 confirmed that state departments of agriculture, and persons licensed, registered, or otherwise authorized by them to conduct research under an agricultural pilot program in accordance with the 2014 Farm Bill, or persons employed by or under a production contract or lease with them to conduct such research, may grow or cultivate industrial hemp as part of the agricultural pilot program.

On March 9, 2019, a bill to advance the SAFE Banking Act, a landmark bill that would provide safe harbor and guidance to financial institutions that work with legal cannabis businesses, was introduced in the House by Colorado Federal congressperson Ed Perlmutter and was referred to the House Judiciary and Financial Services Committees. On March 28, 2019, the Financial Services Committee voted 45 to 15 to advance the bill to the full House. The bill had broad bipartisan support, and there were 152 co-sponsors at the time of the committee vote – over a third of the entire House.

On May 8, 2019, AGs of 33 states and five territorial attorneys sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for cannabis companies. The new letter, led by Colorado AG Phil Weiser, was joined by AGs from Alaska, Arizona, Arkansas, California, Connecticut, Delaware, the District of Columbia, Guam, Hawaii, Illinois, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nevada, New Jersey, New Mexico, New York, North Dakota, the Northern Mariana Islands, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, Utah, the US Virgin Islands, Vermont, Virginia, Washington, West Virginia and Wisconsin.

On June 20, 2019, the 2020 Appropriations Act was amended by a Congress house floor vote to include “Amendment No. 17,” which expanded the previously-mentioned protective cannabis amendments to appropriations bills, and which now specifically prohibits the DOJ from interfering with “state cannabis programs,” which include both medical and adult-use cannabis programs.

On July 10, 2019, the House Judiciary Subcommittee on Crime, Terrorism and Homeland Security gathered to debate cannabis reform, as lawmakers sought input on federal laws reform in a hearing titled “Marijuana Laws in America: Racial Justice and the Need for Reform.” Numerous members of Congress had indicated their intention to loosen US federal laws, and to even legalize cannabis. Despite the optimism, lawmakers did not appear to have a clear consensus on the best approach, such as whether to give states the right to legalize on their own, remove cannabis from Schedule 1 of the FCSA, legalize it or include promote social and racial equity in cannabis laws.

On September 23, 2019, AGs of 21 states sent another letter to congressional leaders, voicing support for a bipartisan bill that would shield state-legal cannabis programs from federal interference. The letter emphasizes that the STATES Act would enable cannabis businesses to access financial services, increasing transparency and mitigating risks associated with operating on a largely cash-only basis. This new letter, led by AG Karl Racine of the District of Columbia, was joined by Attorneys General from Alaska, California, Colorado, Connecticut, Illinois, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Mexico, New York, Nevada, Oregon, Pennsylvania, Rhode Island, Vermont and Washington State.

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On September 25, 2019, the House voted in favor of the SAFE Banking Act. The historic vote was the first time that a standalone cannabis bill has come before the House. The vote needed a two-thirds majority to pass and was supported by 321 votes in favor to 103 against. While the Company was pleased with the vote, which will help remedy the severe impact the lack of access to banking has had on the industry and the particular risks associated with operating in a largely cash-based industry, it would also urge the Senate to adopt similar banking protections and approve the Marijuana Opportunity Reinvestment and Expungement (MORE) Act ("MORE Act") which would remove cannabis from the FCSA and take steps to begin repairing the harms of the war on drugs.

On November 21, 2019, the House Judiciary Committee voted 24 to 10 in favor of passing the MORE Act of 2019. The bill would effectively put an end to cannabis prohibition in the US on the federal level by removing it from Schedule 1 of the FCSA, and past federal cannabis convictions would be expunged. Additionally, if fully passed, the law would allow the Small Business Administration to issue loans and grants to cannabis-related businesses and provide a green light for physicians in the Veterans Affairs system to prescribe medical cannabis to patients, as long as they abide by state-specific laws.

While the MORE Act has yet to be voted on by the full House, provisions of the SAFE Banking Act have been incorporated into the latest stimulus package passed by the House on May 15, 2020. The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act is a \$3 trillion stimulus bill passed in response to the economic and health crisis caused by COVID-19. The Senate is expected to vote on its own version of the stimulus bill sometime in the next several weeks. The bill, if passed, would eliminate the possibility of any repercussions for federally regulated financial institutions for doing business with cannabis companies. However, because the banking reform is included in coronavirus relief legislation, there is a newborn sense of hope that the bill could be signed into law.

Since Jeff Sessions' replacement as US Attorney General by President Trump with William Barr, there has been very little clarity as to how the Trump administration, or more specifically Attorney General Barr, will enforce federal law or how they will deal with states that have legalized medical or recreational cannabis. While bipartisan support is gaining traction on decriminalization and reform, there is no imminent timeline on any potential legislation. There is no guarantee that the current Presidential administration will not change its stated policy regarding the low-priority enforcement of US federal laws that conflict with state laws.

On November 3, 2020, the US held its 2020 presidential election, and cannabis legalization was approved via ballot measures in four states: Arizona, Montana, South Dakota and New Jersey. Additionally, medical cannabis was legalized via ballot measures in Mississippi and South Dakota, which became the first state to legalize medical and recreational cannabis simultaneously. Once all ballot measures take effect in 2021, a total of 15 states will have legalized cannabis for recreational use.

On November 6, 2020, despite ongoing legal challenges from the Trump administration, Joseph R. Biden was named the next President-Elect of the US. While this development is widely viewed to be favorable for the cannabis industry, the ultimate impact of the election of former Vice President Biden as the next President-Elect of the US and a Biden administration is, as yet, unknown.

Any changes in the US federal government's enforcement of current US federal law could cause adverse financial impact and remain a significant risk to the Company and its Investees' businesses, which could in turn have an impact on the Company's investments portfolio and financial results. See "Risk Factors".

US enforcement proceedings

The US Congress has passed appropriations bills each of the last four years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 ("Rohrabacher-Blumenauer Amendment"), which by its terms does not appropriate any federal funds to the DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with state medical cannabis laws. Subsequent to the issuance of the Sessions Memo on January 4, 2018, Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the "Rohrabacher-Leahy Amendment") and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. These protections were subsequently extended through December 7, 2018 as part of a short-term continuation of appropriations. Following the much-

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publicized shutdown of the US federal government, the Consolidated Appropriations Act of 2019 was signed into law on February 15, 2019 with the Joyce Amendment intact (Section 538).

On June 20, 2019, the House voted 267 to 165 to approve a broader amendment that, in addition to protecting state medical cannabis programs, also protected recreational use. On September 26, 2019, the Senate Appropriations Committee declined to take up the broader amendment but did approve the Rohrabacher–Farr Amendment for the 2020 fiscal year spending bill. On September 27, 2019, the amendment was renewed as part of a stopgap spending bill, in effect through November 21, 2019.

On December 20, 2019, the amendment was renewed through the signing of the “Fiscal Year 2020 spending legislation”, effective through to September 30, 2020. President Trump added a signing statement regarding the amendment similar to the ones he added in May 2017 and February 2019. In July 2020, a House subcommittee introduced a base appropriations bill with the amendment included. On October 1, 2020, the amendment was renewed through the signing of a stopgap spending bill, effective through December 11, 2020.

US courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate US federal law, US courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the FCSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of US federal law. If Congress restores funding, the US federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the FCSA’s five-year statute of limitations.

State-level overview

Regulations differ significantly amongst US states. Some states only permit the cultivation, processing and distribution of medical marijuana and marijuana-infused products. Some others may also permit the cultivation, processing, and distribution of marijuana for adult purposes and retail marijuana-infused products. The following sections present an overview of state-level regulatory conditions for the marijuana industry in which the Company’s Investees have an operating presence:

Arizona

On November 2, 2010, Arizona passed legislation under Proposition 203 to legalize the use of medical marijuana under the “Arizona Medical Marijuana Act” (“AMMA”). The AMMA allows residents in the state with specific medical conditions to be treated with certain amounts of marijuana for personal use. The AMMA also appointed the Arizona Department of Health Services (“ADHS”) as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. ADHS Regulations are embodied in the Arizona Administrative Code Title 9 Chapter 17 (the “Rules”).

In order for an applicant to receive a Dispensary Registration Certificate (the “Certificate”) they must: (i) fill out an application proscribed by the ADHS, (ii) submit the applying entity’s articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer or board member of the applicant for a background check to exclude felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the dispensary will operate in compliance and (v) designate an Arizona-licensed physician as the Medical Director for the dispensary. Certificates are renewed annually so long as the dispensary is in good standing with the ADHS and pays the renewal fee and submits an independent third-party financial audit.

Once an applicant has been issued the Certificate, they are allowed to establish one physical retail dispensary location, one cultivation location which is co-located at the dispensary’s retail site (if allowed by local zoning) and one additional off-site cultivation location. None of these sites can be operational, however, until the dispensary receives an approval to operate from the ADHS for the applicable site. This approval to operate requires: (i) an application on the ADHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by the ADHS of the applicable location to ensure compliance with the Rules and consistency with the dispensary’s applicable policies and procedures.

The ADHS may revoke the Certificate if a dispensary does not: (i) comply with the requirements of the AMMA or the Rules, (ii) implement the policies and procedures or, (iii) comply with the statements provided to the ADHS with the dispensary’s application.

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Following the issuance of the Sessions Memo, no public comments have been made by the Office of the Attorney General in Arizona. However, in October 2018, AG Mark Brnovich withdrew his office’s argument to the Arizona Supreme Court to declare hashish and extracts of marijuana illegal in all situations under the state’s medical marijuana law, fearing unintended consequences for patients.

On July 22, 2019, AG Brnovich indicated that he did not want Arizona voters to decide on adult-use marijuana legalization via ballot initiative, rather be in favor of seeing state lawmakers pass a law legalizing marijuana. He also noted that lawmakers should handle the issue because it is “far too complex to be left to a take-it-or-leave-it ballot measure,” “Generally speaking, as a matter of public policy, the public policy makers, i.e., the Legislature should step up and address issues so voters don’t have to do it via the initiative process.” Arizona Governor Doug Ducey, who vehemently opposes recreational marijuana, had also indicated that he likely would prefer having a Legislature-crafted recreational marijuana legalization law in Arizona than a voter-approved law. “Of course, I want to protect the will of the voters. But I also think we have a legislative process for a reason, and that’s to adjust and improve policy when we can.”

On August 9, 2019, it was reported that legalization advocates in Arizona had filed paperwork with the Arizona Secretary of State, so that the Arizona Marijuana Legalization Initiative – Proposition 2017 – may appear on the election ballot as an initiated state statute. The ballot initiative would legalize the possession, consumption, cultivation, and sale of marijuana for adults who are 21 years of age or older, provide for the immediate relief of prior charges for marijuana offenses, and allocate revenue from the sales tax on marijuana, which could not exceed the state’s general sales tax, to school districts, charter schools, and state healthcare programs. It would also make the ADHS responsible for adopting rules to regulate marijuana, including the licensing of marijuana retail stores, cultivation facilities, and production facilities, provide local governments with the power to ban marijuana facilities and testing centers and give local control over elements of regulation, zoning, and licensing.

On September 26, 2019, the Arizona Dispensaries Association filed a ballot initiative application called the “Smart and Safe Act”. For inclusion on the November 3, 2020 ballot, the initiative would first require 237,645 signatures from registered Arizona voters no later than July 2, 2020. On August 11, 2020, it was reported by Secretary of State Katie Hobbs that the Smart and Safe Arizona campaign had successfully submitted 255,080 valid signatures to her office, which qualified the cannabis legalization initiative on the November 3, 2020 ballot. Proposition 207 was on the ballot as an initiated state statute on November 3, 2020. On approval, it legalized the possession and use of marijuana for adults (age 21 years or older) in Arizona. Individuals were permitted to grow no more than six marijuana plants in their residences, as long as the plants are within a lockable enclosed area and beyond public view.

Proposition 207 adopted a Social Equity Ownership Program, which was designed to issue licenses to entities whose owners are “from communities disproportionately impacted by the enforcement of previous marijuana laws.” The ballot initiative also provided local governments with the power to ban marijuana facilities and testing centers and give local control over elements of regulation, zoning, and licensing.

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Arizona.

California

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996. The City of Oakland was the first jurisdiction to license commercial cannabis activities in the US. This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief. However, there was no state licensing authority to oversee businesses that emerged.

In September of 2015, the California state legislature (the “Legislature”) passed three bills collectively known as the “Medical Cannabis Regulation and Safety Act” (“MCRSA”). The MCRSA establishes a licensing and regulatory framework for medical marijuana businesses in California. The system has multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible-infused product manufacturers will require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies will oversee different aspects of the program and businesses will require a State license and local approval to operate.

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On November 8, 2016, California voted to approve the “Adult Use of Marijuana Act” (“AUMA”) to tax and regulate for all adults 21 years of age and older.

On June 27, 2017, the Legislature passed Senate Bill (“SB”) 94, known as the “Medicinal and Adult-Use Cannabis Regulation and Safety Act” (“MAUCRSA”), which amalgamates the MCRSA and AUMA frameworks to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in California. On November 16, 2017, the state government introduced the emergency regulations, which shall be governed by the California Bureau of Cannabis Control (the “BCC”), the California Department of Public Health and the California Department of Food and Agriculture, which provide further clarity on the regulatory framework that will govern cannabis businesses. The regulations build on the regulations provided by MCRSA and AUMA, and also specify that the businesses will need to comply with the local law in order to also comply with the state regulations. On January 1, 2018, the new state regulations took effect as California moved to full adult-use state legalization for cannabis products.

To operate legally a medical or adult-use cannabis business in California, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining the state license, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under the MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are no residency requirements for ownership under the MAUCRSA.

In California, two state leaders had issued statements signaling intent to defend the state’s voter-approved law legalizing recreational marijuana, in response to the Sessions Memo. California AG Xavier Becerra has stated publicly, “In California, we decided it was best to regulate, not criminalize, cannabis,” “We intend to vigorously enforce our state’s laws and protect our state’s interests.” The BCC’s Chief Executive Lori Ajax also stated, “We’ll continue to move forward with the state’s regulatory processes covering both medicinal and adult-use cannabis consistent with the will of California’s voters, while defending our state’s laws to the fullest extent.”

On May 29, 2018, federal and state authorities announced a joint effort to target illegal cannabis grows, with \$2.5 million in federal money backing the effort. McGregor Scott, US Attorney for the Eastern District of California, said he will prioritize illegal cannabis rather than going after the legal recreational marijuana market even though US federal law bans marijuana. He stated, “The reality of the situation is there is so much black-market marijuana in California that we could use all of our resources going after just the black market and never get there,” “So for right now, our priorities are to focus on what have been historically our federal law enforcement priorities: interstate trafficking, organized crime, and the federal public lands.”

In March 2019, lawmakers in California had proposed SB 51, which is designed to help cannabis businesses that have been shut out from the traditional banking system. Cannabis businesses has dealt predominantly in cash due to continued federal banking restrictions that make it nearly impossible for them to have bank accounts with federally chartered financial institutions. There had also been efforts underway at the federal level to pass legislation that would allow banks to serve cannabis-related businesses without the risk of being prosecuted. The proposed measure would allow private banks or credit unions to apply for a limited-purpose state charter so they can provide depository services to licensed cannabis businesses. California’s legal marijuana industry is struggling to compete with the black market and is facing challenges that include banking access and high taxes.

On August 6, 2019, the California DOJ released the “Guidelines for the Security and Non-Diversion of Cannabis Grown for Medicinal Use” to clarify the state’s laws governing medicinal cannabis, specifically those related to the enforcement, transportation, and use of medicinal cannabis. The guidelines come after significant changes in state law on recreational cannabis use. The revised guidelines include:

- A summary of applicable laws.
- Guidelines regarding individual qualified patients and primary caregivers.
- Best practices for the recommendation of cannabis for medical purposes.
- Enforcement guidelines for state and local law enforcement agencies; and
- Guidance regarding collectives and cooperatives.

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On September 23, 2019, AG Becerra was among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system. "It's time for our federal laws relating to cannabis to enter the 21st century. A large majority of states have now legalized the use of marijuana in some form. But federal inaction has accelerated concerns about public safety, uncertainty, and disruptions to licensed businesses, and ultimately the respect for states' rights," said AG Becerra. "The STATES Act is a promising step in the right direction that would safeguard licensed businesses that play by the rules in what has become a more than \$8 billion industry. We call on Congress to pass legislation to bring certainty to states and territories that regulate an established and growing cannabis industry in America."

On October 12, 2019, California Governor Gavin Newsom signed several cannabis-related bills that, among other things, are designed to bolster minority participation in the industry, ensure labor peace and institute a vaporizer cartridge labeling requirement, and including one that will let legal businesses take advantage of more tax deductions, but he also vetoed another measure that would have allowed some patients to use medical cannabis in health care facilities. A summary of the cannabis bills enacted into law include:

- SB 595 requires the State to implement a program by January 1, 2021, that defers or waives license application and licensing or renewal fees for qualified "needs-based" applicants. This is a social equity provision to boost minority participation in the industry.
- Assembly Bill ("AB") 1529 requires adding a universal symbol no smaller than a quarter-inch-by-quarter-inch on all cannabis vaporizer cartridges. The symbol must be engraved, affixed with a sticker, or printed in black or white.
- AB 1291 strengthens an existing provision for marijuana businesses by requiring applicants with 20 or more employees to provide a notarized statement that they will enter into and abide by the terms of a labor peace agreement.
- AB 858 clarifies some requirements for "specialty cottage" growers with a maximum 2,500 sq. ft. of canopy.
- SB 34 allows marijuana retailers to provide free products to medical patients that meet certain criteria. Such was a common industry practice until new regulations went into effect in 2018.

Gov. Newsom also signed AB 37, that allows cannabis business owners to deduct business expenses at the state level, something that remains illegal federally.

On January 10, 2020, Gov. Newsom unveiled his annual budget proposal which contains several provisions aimed at simplifying and streamlining regulations for the marijuana industry. The biggest proposed change concerns the state's cannabis licensing system, which would consolidate into The Department of Cannabis Control, rather than the three that are currently in charge of approving marijuana businesses. "Establishment of a standalone department with an enforcement arm will centralize and align critical areas to build a successful legal cannabis market, by creating a single point of contact for cannabis licensees and local governments," the administration said in a summary. The proposals are not yet final, and the administration is scheduled to post changes in May 2020, with the final budget expected to be enacted in the summer of 2020. The proposals, however, are unlikely to be enforced until 2021 at the earliest.

In response to the rapid spread of COVID-19, on March 19, 2020, Gov. Newsom issued Executive Order N-33-20 directing all residents immediately to stay home and remain sheltered, except as needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as the State Public Health Officer (the "SPHO") may designate as critical to protect the health and well-being of all Californians. In accordance with this order, the SPHO designated a list of Essential Critical Infrastructure Workers to help state, local, tribal, and industry partners as they work to protect communities, while ensuring continuity of functions critical to public health and safety, as well as economic and national security. Cannabis workers were included in this essential designation list under the Healthcare/Public Health and Food and Agriculture Sectors. In addition, cannabis operations were also deemed essential and encouraged to remain open under the various shelter-in-place orders issued by local county health officers as well.

On April 21, 2020, the Governor's Office of Business and Economic Development, in partnership with the BCC, announced \$30 million in grant funding through the Cannabis Equity Grants Program for Local Jurisdictions, which focuses on the inclusion and support of individuals in California's legal cannabis marketplace who are from communities negatively or disproportionately impacted by cannabis criminalization. This is done through small business support services like technical assistance to individuals, reduced licensing fees or waived fees, assistance in recruitment, training, and retention of a qualified and diverse workforce, and business resilience such as emergency preparedness. At least \$23 million of the funding, in the

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form of low/no-interest loans or grants, will be directly allocated to applicants and licensees specifically identified by local jurisdictions as being from communities most harmed by cannabis prohibition. To date, jurisdictions seeking to create this inclusive regulatory framework represent roughly a quarter of the state's population.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of California.

Colorado

On November 6, 2012, Colorado Amendment 64 was passed to amend Colorado's constitution, subsequently enacted as Article 18, section 16 of the Colorado constitution, addressing "personal use and regulation of marijuana" for adults 21 and over, as well as commercial cultivation, manufacture, and sale, effectively regulating cannabis in a manner similar to alcohol. Pursuant to the Retail Code adopted in April 2017, by the state of Colorado, licensed operators are subject to residency requirements. Medical and retail marijuana programs in the state are regulated by the Marijuana Enforcement Division of the Department of Revenue.

Businesses must be licensed to operate a retail marijuana establishment including, retail marijuana stores; retail marijuana products manufacturers; retail marijuana cultivation facilities; retail marijuana testing facilities; retail marijuana transporters; and retail marijuana business operators. The state licensing authority must act on applications within 45 to 90 days after receipt. A license applicant must undergo a criminal background check and a license can be denied based on certain previous criminal convictions. All officers, managers, and employees of a retail marijuana business must be residents of Colorado, and all owners must be residents of Colorado for at least two years prior to applying for licensure.

In response to the Sessions Memo, former Colorado AG Cynthia Coffman had previously stated that she will defend the state's marijuana legalization law, while she expected that "the federal government is going to continue its focus on enforcement efforts to combat the grey and black markets."

On April 16, 2019, Jason Dunn, Colorado's new US Attorney, had stated that he agrees with the Trump administration's decision in 2018 to rescind an Obama-era directive that largely took a hands-off approach to enforcement in states that legalized marijuana. Dunn noted that he believes in the tenets of the Cole Memo, but that his concerns are with the state-federal conflict it created. "I think the problem with the Cole Memo was sort of what was implied," "It essentially was saying, 'If you're not doing one of these things and you're lawfully operating under state law, the DOJ policy is that we will not come after you.' I think what Attorney General Sessions' point was, and I agree with, is that we as law enforcement should never be saying, 'We won't enforce the law,' especially when it comes to criminal activity." Members of Colorado's legal cannabis industry had since been interviewed and had indicated that they are not overly concerned by Attorney Dunn's stance and feel confident that as long as they stay within the bounds of state law, they won't see any changes.

In May 2019, AG Weiser led a coalition of fellow AGs in urging Congress to legalize banking for the marijuana industry. AG Weiser's is the first signature on a May 8, 2019 letter sent to leaders in both the House and Senate from AGs of 38 states and territories, all pleading their case that financial services should be provided to the legal marijuana businesses in their respective jurisdictions. "I am proud that Colorado is at the forefront in calling on our federal government to provide legitimate marijuana businesses with access to the banking system," he said in a statement. "For too long, the status quo has pushed legitimate businesses outside the banking system and into cash-dependent models, creating a lucrative target for violent and white-collar crime. This is a public safety issue. We are especially heartened that Colorado's view is now the official policy of the National Associations of Attorneys General, an unprecedented milestone. "The message from the states' top law enforcement offices is loud, clear, and bipartisan: Congress must act to allow legitimate marijuana businesses to access banking services."

As one of the first states to legalize recreational cannabis, Colorado has continued to advocate for the legalization of marijuana delivery services. On May 29, 2019, Colorado Governor Jared Polis signed House Bill ("HB") 1234, to legalize marijuana delivery services in Colorado as long as local municipalities approve. The bill creates marijuana delivery permits for licensed medical marijuana centers and transporters and licensed retail marijuana stores and transporters that allow the centers, stores, and transporters to deliver medical marijuana, medical marijuana-infused products, retail marijuana, and retail marijuana products to customers. The bill gives the state licensing authority rule-making authority over the permit and delivery system. Medical marijuana delivery permitting began on January 2, 2020, and retail marijuana delivery permitting will begin on January 2, 2021. Gov. Polis pointed at the passing of legislation by saying, "We just passed the enabling legislation around

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that, beginning with medical marijuana and then moving to full regulated sale of marijuana so people exercise – in our state, it’s a constitutional right to use marijuana in their home – [that right] without the risk of them using it somewhere else and driving. We’re really looking at a wide variety of tactics to decrease that risk.” The first permit was issued in March 2020.

On September 23, 2019, AG Weiser was among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system. “We are a bipartisan group of state and territorial attorneys general who share a strong interest in defending states’ rights, protecting public safety, improving our criminal justice systems, and regulating new industries appropriately,” said AG Weiser. “Legislation like the proposed STATES Act is simply meant to ensure that if a state or territory does choose to legalize some form of marijuana use – which at least 33 states and several territories have done – its residents are not subject to a confusing and dangerous regulatory limbo.”

In addition to HB 1234, a second law came into effect on January 1, 2020. HB 1230 allows two new types of marijuana-related businesses in the state. Businesses can apply to be licensed as a tasting room that can sell cannabis products on-site. The law also allows for “marijuana hospitality establishments,” which allow the on-site consumption of marijuana, but the not sale of it. Hospitality establishments can be mobile, such as a tour bus.

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Colorado.

Florida

In 2016, Florida voters passed a constitutional amendment known as the “Florida Medical Marijuana Legalization Initiative” (“Amendment 2”). Amendment 2 came into effect on January 3, 2017, and legalized medical marijuana for individuals with specific debilitating diseases or comparable debilitating conditions as determined by a licensed state physician. Amendment 2 protects qualifying patients, caregivers, physicians, and medical marijuana dispensaries and their staff from criminal prosecutions or civil sanctions under Florida laws.

The state of Florida Statutes 381.986(8)(a) provides a regulatory framework that requires licensed producers, which are statutorily defined as “Medical Marijuana Treatment Centers” (“MMTC”), to both cultivate, process and dispense medical cannabis in a vertically integrated marketplace.

Applicants must demonstrate (and licensed MMTCs must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five (5) years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture (“FDOA”), (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any byproducts to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the FDOA, (vii) they have the financial ability to maintain operations for the duration of the 2-year approval cycle, including the provision of certified financial statements to the department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the FDOA, the applicant must post a performance bond of up to USD \$5 million, which may be reduced by meeting certain criteria.

While residents of Florida overwhelmingly voted in favor of a constitutional amendment to allow medical marijuana in 2016, then Florida Governor Rick Scott signed a law in 2017 that banned marijuana smoking in all forms. The ban was overturned on March 18, 2019, when current Governor Ron DeSantis signed legislation to repeal it. Shortly after Gov. DeSantis took office in January 2018, he called on the Florida legislature to send a bill to his desk that would legalize medical marijuana. The enacted law allows patients to receive 2.5 ounces of whole flower cannabis every 35 days. Patients younger than 18 can smoke medical marijuana if they have a terminal condition and get a second opinion from a pediatrician.

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Legalizing recreational marijuana in Florida will likely be on the ballot in upcoming elections, according to Senator Jeff Brandes, who co-sponsored the medical marijuana legislation back in 2016. "I think the likelihood that it passes is pretty good in 2022 or 2024, and we should prepare for its passage" said Senator Brandes.

On September 12, 2019, AG Ashley Moody challenged the proposed ballot initiative for the 2020 election that seeks to legalize marijuana for recreational use in Florida. AG Moody had stated that the 10-page constitutional amendment is misleading to voters because it is too long and cannot be adequately summarized. "There is no way 10 pages of the law can be summarized clearly in 75 words or less and would adequately convey to the voters what exactly they will be voting on," "That is why I will ask the Florida Supreme Court to seriously consider the sheer length and ambiguous language chosen by the sponsor when reviewing the legality of this proposed initiative."

Despite a brief but expensive campaign, the Make it Legal Florida political committee did not make it on the 2020 ballot. The campaign, which raised over USD \$8.7 million in primarily marijuana industry money since it launched in August 2019, has spent USD \$7.7 million on the effort. The signed petitions, which are valid for two years, will be used for a 2022 ballot initiative campaign. The Florida Marijuana Legalization Initiative (#16-02) may now appear on the ballot in Florida as an initiated constitutional amendment on November 8, 2022. The amendment was designed to legalize possession of up to one ounce of marijuana by residents at least 21 years old. Residents would also be allowed to cultivate up to six plants per household, but only three or fewer plants could be mature or flowering. The plants would need to be grown in "an enclosed, locked space," and users would not be permitted to sell the plants they grow. Under the amendment, marijuana would be treated like alcohol and would be prohibited for residents under 21 years of age, consumers would need to show proof of age before purchasing marijuana from retail facilities, and it would be illegal for anyone to drive while impaired or under the influence of marijuana. The amendment also outlines regulations for marijuana cultivation, retail marijuana sales, and manufacturing marijuana products.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Florida.

Illinois

On August 1, 2013, the Illinois General Assembly ("IGA") passed the "Compassionate Use of Medical Cannabis Pilot Program Act (Illinois)" ("CUMCPPA"), which legalized medical marijuana in Illinois with the legislation taking effect on January 1, 2014. The CUMCPPA establishes a patient registry program, protects registered qualifying patients, and registered designated caregivers from "arrest, prosecution, or denial of any right or privilege" and allows for the registration of cultivation centers and dispensing organizations. The statute that sets out the regulations for dispensaries is: Title 68; Chapter VII; Subchapter b of the Illinois Administrative Code, titled "Rules for Administration of The Compassionate Use of Medical Cannabis Pilot Program" ("IDFPR Rules"). IDFPR Rules impose a number of restrictions on the affairs of the Dispensary, including rules pertaining to changes in ownership structure, addition of new dispensary agents and principal officers, entry into management agreements, bonding rules, changing the location of dispensary and setting the criteria for annual renewals. On March 22, 2017, Illinois lawmakers proposed legalizing recreational marijuana in the state, allowing residents to possess up to 28 grams of cannabis, or about an ounce, and to grow five plants.

Following the issuance of the Sessions Memo, no public comments have been made by the Office of the Attorney General, headed by former Illinois AG Lisa Madigan. Former Illinois Governor Bruce Rauner had not directly commented on the issue, but he did state during a subsequent interview in March 2018, that "there are some appropriate medical uses for that and we're monitoring it," but that that he would veto any recreational marijuana bill passed by the state legislature if it reached his desk.

On August 28, 2018, Illinois' medical cannabis program greatly expanded by becoming available as an opioid painkiller replacement. The legislation also eased the application process as applicants will no longer have to be fingerprinted or undergo criminal background checks. Some estimate the expansion could bring in up to 365,000 new patients into the medical marijuana program generating an additional \$425 million in revenue for the state.

Current Governor J.B. Pritzker supports legalizing recreational marijuana in the state and has indicated it as a top priority. In his inaugural speech on January 14, 2019, Gov. Pritzker pledged, "In the interests of keeping the public safe from harm, expanding true justice in our criminal justice system, and advancing economic inclusion, I will work with the legislature to legalize, tax and regulate the sale of recreational cannabis in Illinois."

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On May 31, 2019, the IGA passed a HB 1438 legalizing recreational marijuana use and sale in the state for adults. On June 25, 2019, Gov. Pritzker signed the bill into law for Illinois to be the 11th state to legalize marijuana on January 1, 2020.

In July 2019, newly elected AG Kwame Raoul joined a coalition of AGs from 35 other states and the District of Columbia in urging the FDA to work with them in developing regulations to govern the fast-growing industry. "As attorney general, it is my responsibility to protect Illinois consumers by enforcing our consumer protection laws," said AG Raoul. "I urge the FDA to include state attorneys general in oversight over the emerging market of cannabis-derived products so we can continue to protect consumers and ensure they are not at risk of misleading advertising or exposed to products that could be harmful to their health."

On August 12, 2019, Gov. Pritzker signed into law legislation that expands Illinois' medical cannabis program and also makes it permanent. The new law adds an additional 11 conditions to the existing program including chronic pain, anorexia nervosa, autism, irritable bowel syndrome, migraines, osteoarthritis, Ehlers-Danlos syndrome, Neuro-Behcet's autoimmune disease, neuropathy, polycystic kidney disease, and superior canal dehiscence syndrome.

On September 23, 2019, AG Raoul was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system.

On January 1, 2020, Illinois became the 11th US state to legalize marijuana. On the eve of the legalization, Gov. Pritzker granted more than 11,000 pardons for low-level marijuana convictions, describing the step as a first wave of thousands of such expungements anticipated under the state's new marijuana legalization law. Officials estimate that over 100,000 convictions for possession of 30 grams or less of marijuana are eligible for pardons under the new law. "We are ending the 50-year-long war on cannabis," said Gov. Pritzker. "We are restoring rights to many tens of thousands of Illinoisans. We are bringing regulation and safety to a previously unsafe and illegal market. And we are creating a new industry that puts equity at its very core." The pardons allow AG Raoul's office to ask courts to formally clear or seal the records.

On August 12, 2020, the IDFPR announced that permanent rules have been adopted for adult-use cannabis dispensary licensees to be selected when there are two or more applicants in the same Bureau of Labor Statistics Regions ("BLS Region") with tied high scores. The approval of these rules allows IDFPR to move forward in awarding 75 conditional adult-use cannabis dispensary licenses that were authorized by the 2019 Cannabis Regulation and Tax Act. Consistent with the new rules, IDFPR will provide a public notice announcing the applicants with tied high scores who, if they meet the requirements in the rules, may participate in the selection process for a conditional license. "We are pleased that these rules have been adopted, and we remain unwavering in our commitment to ensuring these licenses are issued in a fair and objective way that implements Illinois' equity-centric law," said Toi Hutchinson, Senior Advisor for Cannabis Control to Gov. Pritzker. "Additional licenses will be made available in the coming years and these rules will help ensure a strong foundation is established for the licensing process in the future." Once IDFPR awards a conditional license, the licensee will have 180 days to find a location within its BLS Region to operate. A license to operate cannot be issued if the location is within 1,500 feet of an existing licensed dispensing organization.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Illinois.

Maine

In 2009, Maine voted to legalize medical marijuana. The Maine Medical Use of Marijuana Act was legislated in 2009 and the Maine Medical Use of Marijuana Program became operational in 2010, when the first six dispensaries received licenses in July. The rules governing the program became effective September 17, 2013 requiring the Department of Health and Human Services to report to the Legislature an annual report. In the last reported year, 2017, there were 302 caregiver employees, two caregiver cards revoked, eight registered dispensaries, 186 dispensary employees, 21 dispensary board members, and seven dispensary principal officers. Licenses to operate retail marijuana are regulated by the Department of Agriculture, Conservation and Forestry. Municipalities may impose zoning restrictions for all retail marijuana businesses. They may also regulate the location and operation of all retail marijuana establishments and social clubs. They may in addition impose a separate local licensing requirement, if it chooses to do so, and this may include a mandatory public hearing.

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In response to the Sessions Memo, US Attorney Halsey Frank issued a public statement, noting that his office will not make prosecuting marijuana users a priority, and that it will instead focus on traffickers of “hard drugs”, stating “This office has prioritized the prosecution of cases involving the trafficking of opiates, cocaine, crack and similar hard drugs.”

Legalization of recreational marijuana in Maine has faced numerous delays since 2016, when voters approved the idea in a statewide vote. Former Maine Governor Paul LePage was an opponent of legalization, which made implementing laws difficult until his term ended in 2018. In November 2017, Gov. LePage vetoed a bill to tax and regulate recreational cannabis sales, citing conflicts with federal law, and it was overturned by the state legislature on May 2, 2018, allowing the bill to become law. His successor, Governor Janet Mills, has been more supportive of implementing legalization.

On April 22, 2019, Maine released its long-awaited draft rules about its adult-use cannabis program, revealing a plan that would limit licenses to residents of the state for the first two years. The draft stated Maine would give licenses to grow and sell marijuana only to people who have lived in the Pine Tree State and filed income tax returns there for four years, and that standard would apply until June 2021.

On June 27, 2019, Gov. Mills signed a bill setting up a legal framework for the sale of recreational marijuana to adults as early as 2020, which endorsed regulations that spell out how Mainers can grow, buy, and sell marijuana without a public bill-signing ceremony. The rules, which went into effect in September 2019, make Maine the 8th US state to have a clear path to a fully legal commercial adult-use cannabis market. “Over the course of the last several months, my administration has worked quickly to implement the law regarding Maine’s adult-use recreational marijuana market as Maine voters asked the state to do 2½ years ago,” “The rule development demonstrates what can be accomplished when state government works with lawmakers, industry stakeholders and the public to accomplish a shared goal.” “With this law, we are one step closer to honoring the will of Maine voters,” said Gov. Mills. Her office noted that the state’s Office of Marijuana Policy (“OMP”) plans to accept applications for licenses by the end of 2019.

On September 23, 2019, AG Aaron Frey was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system.

In October 2019, state officials in Maine had indicated that they are on track to meet the previously announced target launch of retail adult-use marijuana by Spring of 2020 and expect customers will have the ability to purchase products in retail stores in March.

In April 2020, regulators announced that retail sales will not begin in June as planned, as COVID-19 delayed local approvals and created other challenges for the state. The OMP now expects to allow the first wave of recreational marijuana testing labs, grow facilities and manufacturing labs to open by the end of September. According to OMP Director Erik Gundersen, licensing supply-chain businesses will give the state’s recreational cannabis industry time to grow, test and manufacture the products that will stock the shelves of Maine’s first stores. As at the end of July 2020, the OMP had received 342 marijuana business license applications. Of them, 27 are in the final phase of licensing, having obtained a conditional state license and local authorization. These are now undergoing a final state review, which includes state approval of security and operational plans and an on-site inspection.

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Maine.

Maryland

In Maryland, a state law was enacted in 2012 by the MMCC to establish a state-regulated medical marijuana program. On December 1, 2017, the program became operational and the MMCC has issued medical cannabis dispensary pre-approvals to 102 companies as of June 2018. As of November 2019, there were 16 growers, 18 processors and 85 dispensaries operating statewide.

The MMCC grants medical cannabis grower, processor, and dispensary licenses. A licensee may hold a license in each category to obtain vertical integration. The applicant must first seek pre-approval from the MMCC in order to be granted a license. As part of the pre-approval application, the applicant must submit information related to its operations; safety and

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security; medical cannabis professionalism; retail management factors; business and economic factors; and other additional factors that may apply.

In order to become a licensed medical cannabis dispensary, each applicant must submit an application detailing the location of the proposed dispensary, the personal details of each principal officer or director, and operating procedures the dispensary will use. An owner, a member, an employee, a volunteer, an officer, or a director of a dispensary must undergo a criminal background check and register as a dispensary agent. Once licensed, the medical cannabis dispensary is required to submit to the MMCC quarterly reports including the following information: (i) the number of patients served; (ii) the county of residence of each patient served; (iii) the medical condition for which medical cannabis was recommended; (iv) the type and amount of medical cannabis dispensed; and (v) if available, a summary of clinical outcomes, including adverse events and any cases of suspected diversion. The medical cannabis dispensary must not include any patient personal information in the quarterly report.

In response to the Sessions Memo, Maryland AG Brian Frosh commented that “this decision has the potential to cause fear and disruption in nascent marijuana industries across the country, including those like Maryland’s, specifically designed to meet the needs of the very ill.”

In February 2019, Maryland lawmakers filed bills that would make the state the latest to legalize marijuana. Adults 21 and older would be allowed to possess, consume, grow, and purchase cannabis under the legislation. Possession would be capped at one ounce for flower and five grams of concentrate, and individuals could grow up to four plants at a time.

In May 2019, Maryland legalized the sale of edible medical marijuana products, which will provide a substantial revenue boost to the state’s businesses in the fast-growing market. It would also open new business opportunities for edibles manufacturers. Maryland Governor Larry Hogan signed the provision into law on May 13, along with a marijuana-related, antitrust bill. State lawmakers had passed both bills in April. Notable provisions in the two new laws include:

- An individual may own up to four dispensaries in Maryland.
- State regulators may not issue more than one grower or one processing license to each applicant; and
- Research institutions such as universities will be allowed to purchase medical cannabis for research. The provision was part of the marijuana edibles bill.

The state had also expanded a program to allow dispensaries to sell pot brownies and other edible forms of the drug and to let research institutions study the effects of medicinal use. At the same time, a new antitrust law enacted will place a cap on the number of medical-marijuana businesses a single company can own.

On September 23, 2019, AG Frosh was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system. On March 11, 2020, the House of Delegates in Maryland approved 93 to 44, in favor of HB 550 that would increase the amount of marijuana decriminalized in Maryland from ten grams to one ounce. The bill is pending consideration by the Senate; however, it was not taken up before the legislature adjourned early on March 18, 2020. The legislature will hold a special session at the end of May. HB 550 would make possession of up to an ounce of cannabis punishable by a civil fine of \$100 rather than a criminal penalty that carries possible jail time. Also, a person could no longer be charged with possession with intent to distribute based solely on possession of an ounce or less.

Just before the General Assembly adjourned its 2020 session early in light of the COVID-19 pandemic, it also approved HB 83, a bill that would automatically shield past cannabis charges occurring before October 1, 2014 in which possession was the only charge in the case. The bill was however vetoed by Gov. Hogan. If enacted, HB 83 would shield nearly 200,000 past cannabis possession charges from public view on the Judiciary’s “Case Search” website. This is, however, not a full record expungement. Full record expungement of marijuana possession is available by application after four years.

On May 7, 2020, Gov. Hogan allowed HB 617/ SB 604, “Connor and Raina’s Law,” to become law without his signature. The bill allows for the administration of medical cannabis to students who are qualifying patients during school hours and school-sponsored events. The Department of Education and the Medical Cannabis Commission are required to develop guidelines on or before December 31, 2020.

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To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Maryland.

Massachusetts

In Massachusetts, recreational cannabis was legalized in 2016. The Medical Use of Marijuana Program (the “Program”) registers qualifying patients, personal caregivers, Registered Marijuana Dispensaries (“RMDs”), and RMD agents. The Program was established by Chapter 369 of the Acts of 2012, “An Act for the Humanitarian Medical Use of Marijuana”, following the passage of Ballot Question 3 in the 2012 general election. RMD certifications are vertically integrated licenses in that each RMD license entitles a license holder to one cultivation facility, one processing facility and one dispensary location, and there is a limit of three RMD licenses per person/entity. Currently, there are a total of 19 medical licenses outstanding in either provisional or final status.

Massachusetts has authorized the cultivation, possession, and distribution of cannabis by certain licensed cannabis businesses. The Massachusetts Department of Public Health (“MDPH”) regulates the State’s regulatory program, of which the applicable regulations are summarized below:

- **Registration and Certification** – The MDPH grants cannabis cultivation, processing, and dispensary licenses. To obtain a license to cultivate, process and/or dispense cannabis, each applicant must file an application detailing the applicant’s business structure, management profile, operations profile, capitalization, architectural plans, and the proposed location of business operations.
- **Inspections** – A license holder must be available for inspection by the MDPH upon request. A license holder must maintain written records for a period of at least two years regarding operating procedures, inventory, seed-to-sale tracking, personnel, financials, and waste disposal.
- **Security Requirements** – A license holder must implement sufficient security measures to deter and prevent unauthorized entrance into areas containing cannabis and theft of cannabis. A license holder is required to use and maintain security alarms, locks, surveillance equipment, safes, a lit outside perimeter, and additional safeguards as required by the MDPH if the MDPH determines that additional safeguards are necessary. A license holder’s written operating procedures must contain a policy requiring the immediate dismissal of any employee that diverts cannabis or engages in unsafe practices.
- **Operations** – A license holder must maintain a set of detailed written operating procedures regarding security measures, employee security policies, hours of operations, pricing, inventory storage, record keeping procedures, quality control, staffing plan and records, emergency procedures, employee termination procedures, a list of board members and executives, and cash handling procedures. Each license holder must maintain minimum liability insurance coverage. A license holder’s employees are required to complete training prior to performing job functions. Furthermore, a license holder is required to abide by packaging and labelling requirements and edible cannabis products cannot bear a reasonable resemblance to any product available for consumption as a commercially available candy. Certain license holders are required to provide educational materials about cannabis to customers.
- **Record Keeping and Inventory Tracking** – Massachusetts requires license holders to maintain written records for a period of at least two years regarding operating procedures, inventory, seed-to-sale tracking, personnel, financials, and waste disposal. Each license holder is required to track cannabis inventory from seed-to-sale, including by tagging all cannabis inventory. A license holder is required to conduct a monthly inventory of cannabis inventory.

Though Massachusetts legalized recreational marijuana in 2016, the state was not set up for a retail market until late 2018. As of July 1, 2018, licensed dispensaries were allowed to begin selling cannabis, but the State had yet to award a license when the day came. Through the Cannabis Control Commission (“CCC”), the recreational use license application process commenced on April 1, 2018 for existing RMD license holders, and July 1, 2018 for all non-RMD license holders. Existing RMD license holders that timely applied for a recreational license on or before April 1, 2018 are eligible to receive three recreational licenses per medical RMD license, and one for cultivation, processing, and dispensary, respectively.

The first sales in Massachusetts took place on November 20, 2018, when two licensed retail stores began selling cannabis to adults. Five stores were open by the end of the year, and more than 20 are now open across the state. Massachusetts is now the only state on the East Coast with state-legal, adult-use cannabis sales.

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Massachusetts Governor Charlie Baker had generally opposed the 2016 ballot initiative to legalize recreational use of marijuana in the state, but after its passage stated “Our view on this is the people spoke and we’re going to honor that, but we need to make sure that we implement this in a way...[that protects] public safety and [ensures] that only those who are supposed to have access to these products will.” The month following the ballot initiative’s passage, Gov. Baker signed into law a six-month delay in the issuance of licenses for retailing marijuana in shops from January 2018 to July 2018, and in July 2017, signed into law a compromise bill that increased the excise tax on marijuana sales, expanded the size of the CCC created by the ballot initiative, mandated background checks for commission and marijuana shop employees, shifted control of the state’s medical cannabis program from the MDPH to the CCC, and created rules for town governments to restrict or ban marijuana shops based on the results of the 2016 ballot initiative within their jurisdiction.

In response to the Sessions Memo, Gov. Baker had expressed opposition to the rescission, with his administration stating that it “believes this is the wrong decision and will review any potential impacts from any policy changes by the local US Attorney’s Office”, and he reiterated his support for implementing the legal and regulated recreational marijuana market as passed by voters on the 2016 ballot initiative. In addition, Gov. Baker also expressed concerns about federal prosecutors creating confusion and uncertainty in states where marijuana has been legalized for either medical or recreational usage, and argued that the Massachusetts US Attorney’s Office, instead of prosecuting local marijuana businesses, should focus its resources on resolving the opioid epidemic in the state.

After meeting with incoming US Attorney Andrew Lelling in February 2018, Gov. Baker stated the following month that Attorney Lelling “made pretty clear his primary focus is going to be on fentanyl and heroin”, and that after speaking with governors in other states with legal recreational marijuana markets at a National Governors Association meeting, Gov. Baker said that he “did not get the impression any of them felt there had been a significant change in their relationship with the US attorneys in their states as a result of the change in the administration... because people are pretty focused on the opioid issue.” He also argued that the CCC should create its regulatory framework in incremental steps by prioritizing marijuana shops over cafés, saying “that if they try to unwrap the entire package straight out of the gate, the role and responsibility they have as an overseer and as a regulator is going to be compromised”, reiterating that the purpose of legalization was to create a “safe, reliable, legal market” in the state.

In response to the Sessions Memo, Attorney Lelling issued a public statement in July 2018 which outlined areas of potential prosecution amid legalization of marijuana at the state level, by stating that he has “a constitutional obligation” to uphold federal laws. But given the state’s opioid epidemic, his office would “most likely” prosecute Massachusetts residents for just three types of marijuana-related crimes: selling to minors, overproduction, and organized crime’s involvement in the cannabis retail market. “This list is not exclusive and is only intended to clarify which aspects of the state-level marijuana industry are most likely to warrant federal involvement.” His office will continue to weigh prosecuting all marijuana-related crimes on a “case-by-case basis,” he added.

Significant progress has been made in 2019. The state’s first-of-its-kind social equity program finally began to show signs of success after some frustrating initial delays. Additionally, the CCC published draft regulations for home delivery and social consumption in June and is working to finalize those policies.

In May 2019, AG Maura Healey, along with 37 other state and territorial attorneys, had sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for marijuana companies.

On September 23, 2019, AG Healey was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system.

On July 20, 2020, the CCC assembled to approve draft changes to the cannabis adult-use, medical-use, and collocated operator regulations. A virtual public hearing on the draft regulations was held on August 3, and public comments will be accepted until August 14. The new draft regulations encompass various changes across the board – from new CCC approval procedures, operational requirements, licensing updates, and receivership processes. Given the expansiveness of the proposed changes, it is critical for current and future operators as well as investors, lenders, and financial institutions engaging with industry participants to review and understand the additions and modifications. Some key developments in the new regulations regarding licensure include:

- Expansive processes pertaining to patient certification/registration such as:

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- permitting patients with certain identified hardships to renew on a 2-year basis instead of annually.
 - expressly adding telehealth visitation as a proper means for patients to receive an assessment by a Bona Fide Healthcare Provider.
 - allowing patients to cultivate up to 12 flowering plants without hardship cultivation; and
 - opening patient certification and registration to certain patients from out of state who frequently travel to Massachusetts for its top-tier hospitals and medical care.
- Updates to the definition of Equity Holder and Persons or Entities with Direct Control to reach persons or entities acting as manager (director-type roles) in limited liability companies and setting forth a specific dollar value as to the Commission's viewpoint of "significant contracts".
 - Revisions to allow craft marijuana cooperative farmers to take part in industry operations as landlords without requiring active involvement as cultivators on the licensure.
 - Addition of repackaging to a permitted activity under retail licensure. Such addition is likely an effort to match and acknowledge the current processes and operations of dispensaries when preparing their marijuana and marijuana-related products for sale.

There are also critical changes to the operational requirements that medical, adult-use and other operators must follow. Notable changes include:

- Addition of operational procedures for Marijuana Research Facility Licenses and Permits.
- Procedures regarding expedited applicants such as Social Equity Participants, minority- or woman-owned business or Microbusinesses.
- Implementation of a CCC Product Database, whereby operators must display information about marijuana products produced by product manufacturers and sold by dispensaries to expand the CCC's oversight of products circulating the Massachusetts market.
- Mandating dispensaries, cultivators, and product manufacturers to develop policies and procedure to ensure compliance with the Massachusetts fire code; and
- Regulations governing sales of vaporizers and procedures with respect to the disclosure of vape ingredients and components.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Massachusetts.

Michigan

Cannabis in Michigan is legalized for both medical and recreational use. Medical use was approved by ballot measure in 2008 and recreational use was approved in 2018. In November 2008, the Michigan Compassionate Care Initiative was approved by Michigan voters, allowing patients with a physician's recommendation to possess up to 2.5 ounces of cannabis for treatment of certain qualifying medical conditions. Michigan voters approved the Michigan Regulation and Taxation of Marijuana Act, which allows persons age 21 and over to possess up to 2.5 ounces of cannabis in public, up to 10 ounces at home, and cultivate up to 12 plants at home. It also sets up a system for the state-licensed cultivation and distribution of cannabis, with sales subject to a 10% excise tax (in addition to the state's 6% sales tax). The law went into effect on December 6, 2018.

In June 2019, Michigan Governor Gretchen Whitmer was among a group of 18 governors to sign a letter urging Congress to open the US banking system to the legal cannabis industry, as the cash-only environment is viewed as a threat to public safety and a burden for governments that tax and regulate cannabis businesses. Gov. Whitmer said in a written statement that states are seeking a "real solution to a real problem." "Michigananders turned out in historic numbers in this last election to legalize the use of recreational marijuana, and we must respect the will of the voters," "There is an inherent danger for businesses operating in an all-cash business because financial institutions are unable to accept the risks and penalties associated with providing service to this industry under current law. This letter sends a clear message to Congress that our states are looking for a real solution to a real problem, and we support them to get this done."

In August 2019, AG Dana Nessel and a workgroup are exploring clarifying changes to the recreational marijuana law approved by voters in 2018. The law, which appeared as Proposal 1 on the 2018 ballot, legalizes marijuana for those over 21

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and creates a regulatory structure to license marijuana businesses, 56 to 41 percent. AG Nessel supported Proposal 1 back then but is left with some legal questions about how to implement it. There are some things “they just didn’t address” in the law, she said, including penalties for some marijuana-related infractions. “So now there are certain portions of the bill that, you know something’s illegal, right, but then it doesn’t tell you what the penalty is.”

In terms of the new regulations, Michigan regulators began taking recreational marijuana business applications on November 1, 2019, but sales were not expected to begin until March or April of 2020 at the earliest. There were a number of factors delaying the launch: (i) the state is concerned about a medical cannabis shortage and has not yet decided if existing marijuana license holders may transfer their flower and other products to the rec market; and (ii) even if some applications are approved quickly, it still takes several months to grow and harvest a cannabis crop.

“It’s incumbent upon us to ensure that there’s access for medical patients through the medical marijuana facilities,” said Andrew Brisbo, director of the state Marijuana Regulatory Agency, “So I would err on the side of caution and ensuring better access to their needs instead of moving products into the broader adult-use market.” Robin Schneider, executive director of the Michigan Cannabis Industry Association, told Michigan Public Radio that she is not expecting a rush of businesses to apply on November 1 for recreational retail licenses because of the lack of product supply on the marijuana market right now.

On September 23, 2019, AG Nessel was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system. “All legal and legitimate businesses should have a safe place to deposit their revenue and not have to rely on under-the-floor safes to store their legally earned money,” said AG Nessel. “This is not just a states’ rights issue, this is an issue of safety. The expansion of Michigan’s market to include legal sales of recreational marijuana this year compels us to join this effort to ensure we protect Michigan businesses from becoming unnecessary targets of bad actors.”

On December 1, 2019, legal cannabis sales officially begin in Michigan. However, both supply and locations to purchase at will be limited. Sales were originally scheduled to begin in January 2020, before the state abruptly moved the date up to December 1, 2019, leaving many businesses unprepared. The majority of towns and cities in Michigan, over 1,400, have opted out of recreational sales, including Detroit. However, many are simply delaying approval until legislative details can be ironed out and expect to have a system of adult-use sales implemented. While timelines for roll-out vary by place, more widespread sales are expected to roll out by 2021.

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Michigan.

Nevada

In 2001, the use of medical marijuana was legalized in Nevada, and state-certified medical marijuana establishments, like dispensaries, became operational in 2015. The Nevada Medical Marijuana Program is governed by Nevada Revised Statute (“NRS”) 453A and Nevada Administrative Code 453A. Patients meeting certain criteria can apply for a Nevada medical marijuana card. The medical marijuana card allows patients to legally purchase marijuana from a state-certified medical marijuana dispensary and a registry of medical marijuana patient cardholders is administered by the Division of Public and Behavioral Health (“DPBH”).

The sale of marijuana for adult-use in Nevada was approved by ballot initiative on November 8, 2016 and NRS 453D exempts a person who is 21 years of age or older from state or local prosecution for possession, use, consumption, purchase, transportation or cultivation of certain amounts of marijuana and requires the Nevada Department of Taxation (“NDT”) to begin receiving applications for the licensing of marijuana establishments on or before January 1, 2018. As of July 1, 2017, NDT is responsible for licensing and regulating and retail marijuana businesses in Nevada and for the state medical marijuana program. The legalization of retail marijuana does not change the medical marijuana program.

Licensing and operations requirements for production and distribution of medical marijuana are set out in NRS 435A. Each medical marijuana establishment must register with the NDT and apply for a medical marijuana establishment registration certificate. Among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical marijuana establishment as well as restrictions relating to the age and criminal background of employees, owners, officers, and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any previous felony conviction or had a previously granted medical marijuana registration revoked.

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Additionally, each volunteer, employee, owner, officer, and board member of a medical marijuana establishment must be registered with the NDT as a medical marijuana agent and hold a valid medical marijuana establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical marijuana establishment will sell or deliver edible marijuana products or marijuana-infused products, proposed operating procedures for handling such products which must be preapproved by the NDT.

In determining whether to issue a medical marijuana establishment registration certificate pursuant to NRS 453A.322, the NDT, in addition the application requirements set out, considers the following criteria of merit:

- The total financial resources of the applicant, both liquid and illiquid.
- The previous experience of the persons who are proposed to be owners, officers, or board members of the proposed medical marijuana establishment at operating other businesses or nonprofit organizations.
- The educational achievements of the persons who are proposed to be owners, officers, or board members of the proposed medical marijuana establishment.
- Any demonstrated knowledge or expertise on the part of the persons who are proposed to be owners, officers, or board members of the proposed medical marijuana establishment with respect to the compassionate use of marijuana to treat medical conditions.
- Whether the proposed location of the proposed medical marijuana establishment would be convenient to serve the needs of persons who are authorized to engage in the medical use of marijuana.
- The likely impact of the proposed medical marijuana establishment on the community in which it is proposed to be located.
- The adequacy of the size of the proposed medical marijuana establishment to serve the needs of persons who are authorized to engage in the medical use of marijuana.
- Whether the applicant has an integrated plan for the care, quality, and safekeeping of medical marijuana from seed to sale.
- The amount of taxes paid to, or other beneficial financial contributions made to, the State of Nevada or its political subdivisions by the applicant or the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment; and
- Any other criteria of merit that the DPBH determines to be relevant.

A medical marijuana establishment registration certificate expires one year after the date of issuance and may be renewed upon resubmission of the application information and renewal fee to the NDT.

The regular retail marijuana program under Nevada's Regulation and Taxation of Marijuana Act began in early 2018 and for the first 18 months of the program, only existing medical marijuana establishment certificate holders can apply for a retail marijuana establishment license. In November 2018, the NDT opened up the application process to those not holding a medical marijuana establishment certificate. There are five types of retail marijuana establishment licenses under Nevada's retail marijuana program:

- (i) Cultivation Facility – licensed to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.
- (ii) Distributor – licensed to transport marijuana from a marijuana establishment to another marijuana establishment. For example, from a cultivation facility to a retail store.
- (iii) Product Manufacturing Facility – licensed to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers. Marijuana products include things like edibles, ointments, and tinctures.
- (iv) Testing Facility – licensed to test marijuana and marijuana products, including for potency and contaminants.
- (v) Retail Store – licensed to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

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Administration of the regular retail program in Nevada will be governed by permanent regulations, currently being drafted by the NDT. The NDT has been conducting public consultation and receiving public comments on the Revised Proposed Adult-Use Marijuana Regulation (LCB File No. R092-17) dated December 13, 2017 (the “Nevada Adult-Use Regulation”).

In response to the Sessions Memo, former Nevada AG Adam Laxalt had issued a public statement, pledging to defend the law after it was approved by voters. Former Governor Brian Sandoval also stated, “Since Nevada voters approved the legalization of recreational marijuana in 2016, I have called for a well-regulated, restricted and respected industry. My administration has worked to ensure these priorities are met while implementing the will of the voters and remaining within the guidelines of both the Cole and Wilkinson federal memos,” and that he would like for Nevada to follow in the footsteps of Colorado, where the US attorneys do not plan to change the approach to prosecuting crimes involving recreational marijuana.

In the November 2018 election, Nevada elected a new Governor, Steve Sisolak, and a new AG, Aaron Ford. Both have historically been supportive of Nevada’s marijuana industry and allowing it to grow in a healthy, regulated market in the state.

On September 23, 2019, AG Ford was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system. “Defending states’ rights, protecting public safety and improving our criminal justice system are priorities for my administration,” said AG Ford. “I believe each state knows its industry and needs best, and I urge Congress to pass legislation that will allow Nevada and other states to determine the best approach for regulating cannabis within their borders.”

On October 11, 2019, Gov. Sisolak had expressed outrage and vowed to tighten control of the state’s lucrative legal marijuana marketplace in response to reports that a foreign national contributed to two top state political candidates last year in a bid to skirt rules to open a legal cannabis store. Gov. Sisolak declared in a statement that there has been “lack of oversight and inaction” of the recreational and medical pot industry by the state Marijuana Enforcement Division. He also said he is commissioning a multi-agency task force to “root out potential corruption or criminal influences in Nevada’s marijuana marketplace.”

Effective July 1, 2020, the medical cannabis program in Nevada is now administered by the Cannabis Compliance Board.

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Nevada.

Oklahoma

As part of a larger trend nationwide to restrict cannabis, the state of Oklahoma banned the drug in 1933. Through the decades, state authorities had zealously prosecuted cannabis users, sellers and growers including through the use of helicopter patrols. In 2014, Oklahomans for Health (“OFH”) circulated a petition to get medical cannabis legalization on the ballot but failed to gain sufficient signatures.

In April 2015, former Oklahoma Governor Mary Fallin signed HB 2154 allowing the sale of CBD oil with less than 0.3% THC under specified restrictions, however, the use of CBD oil manufactured from industrial hemp became widespread in Oklahoma during the mid-late 2010s. Later in 2015, Green the Vote announced that they were beginning a new petition drive to place medical legalization on the 2016 ballot. The initiative gathered the required number of signatures, but backers alleged that former AG Scott Pruitt had changed the verbiage of the initiative in a misleading way. After OFH sued over the ballot rewrite, the Oklahoma Supreme Court ordered the original language be restored. As result of the legal dispute, the vote for the initiative was pushed back to 2018. Gov. Fallin established a ballot date of June 26, 2018 as a referendum initiative.

The referendum (State Question 788) (“SQ 788”) ultimately passed 57 to 43 percent, making Oklahoma the 30th US state to legalize medical use of cannabis. SQ 788 instructed the state to promulgate a regulatory scheme for marijuana online within 30 days and begin licensing by August 25, 2018. However, on July 10, 2018, the Oklahoma Board of Health (“OBH”) voted 5 to 4 in favor to ban smokable marijuana products at dispensaries and to require licensed pharmacists to be on-site at dispensaries. After two lawsuits were filed, these regulations were dropped.

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On August 1, 2018, many of the original rules promulgated by the OBH were rescinded with the support of Oklahoma AG Mike Hunter who stated that the OBH rules overreached and did not meet the intent of SQ 788. Oklahoma City adopted the “simple possession” rule in their city code on October 26, 2018 and additionally lowered the maximum fine for possession of marijuana paraphernalia to \$50.

The statewide regulator for marijuana is the Oklahoma Medical Marijuana Authority. Under SQ 788, an individual who obtains a Medical Marijuana License from the state of Oklahoma may consume marijuana legally and may legally possess up to:

- Three ounces of marijuana.
- Six mature marijuana plants (defined as plants that are in the budding stage).
- Six seeding plants (defined as plants that are in the vegetative stage and are not yet budding).
- One ounce of concentrated marijuana.
- 72 ounces of edible marijuana; and
- Eight ounces of marijuana in their residence.

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Oklahoma.

Oregon

At present, the state of Oregon has both medical and adult-use cannabis programs. In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical cannabis law with an inclusive set of qualifying conditions that include chronic pain. In 2013, the Oregon legislature passed, and HB 3460 created a regulatory structure for existing unlicensed medical cannabis businesses. However, the original regulations created by the Oregon Health Authority (“OHA”) after the passage of HB 3460 were minimal and only regulated storefront dispensaries, leaving cultivators and infused-product manufacturers within the unregulated patient/caregiver system. On June 30, 2015, Oregon Governor Kate Brown signed HB 3400 into law, which improved on the existing regulatory structure for medical cannabis businesses and created a licensing process for cultivators (growers) and processors. The OHA is the state agency that licenses and regulates medical cannabis businesses. The medical cannabis regulatory framework is referred to as the Oregon Medical Marijuana Program.

In November of 2014, Oregon voters passed Measure 91, the “Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act,” creating a regulatory system for individuals 21 years of age and older to purchase cannabis for personal use from licensed retail cannabis stores, as well as cultivating cannabis at home. The OLCC licenses and regulates adult-use cannabis businesses. On October 15, 2015, the OLCC published draft recreational cannabis rules, which were finalized and took effect on June 29, 2016, as OLCC Division 25 of the Oregon Administrative Rules (“OAR Division 25”). These rules have been updated on a regular basis since that time, due to administrative prerogative and legislative changes. Currently licensed cannabis companies in Oregon are not subject to residency requirements. OAR Division 25 will continue to evolve and there is no certainty that changes will not adversely affect the Company’s operations or financial results, as the changes are subject to OLCC’s review and approval.

In Oregon, there are six types of recreational marijuana licenses for commercial uses: Producer, Processor, Wholesaler, Retail, Laboratory, a Certificate for Research, and a Hemp Certificate. While there is no limit on the number of licenses being issued, state regulators in Oregon had temporarily discontinued processing new adult-use licenses effective June 15, 2018, due to an oversupplied recreational cannabis market and a backlog of applications in the state.

In February 2018, US Attorney Billy Williams told a gathering that included Gov. Brown, law enforcement officials and representatives of the cannabis industry that Oregon has an “identifiable and formidable overproduction and diversion problem.” In May 2018, Attorney Williams issued a memorandum spelling out five US federal enforcement priorities for illegal cannabis operations that violate US federal laws, with the first priority to crack down on the leakage of surplus cannabis into bordering states where cannabis is still illegal. The memo also stated that US federal prosecutors will also target keeping cannabis out of the hands of minors, any crimes that involve violence or firearm violations or organized crime, and cultivation that threatens to damage US federal lands through improper pesticide and water usage.

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In May 2019, Oregon AG Ellen Rosenblum, along with 37 other state and territorial attorneys, had sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for marijuana companies.

On September 23, 2019, AG Rosenblum was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Oregon.

Pennsylvania

On April 17, 2016, Pennsylvania passed SB No. 3, known as the "Medical Marijuana Act". The law went into effect on May 17, 2016, and the first dispensaries began serving patients in April 2018.

The Pennsylvania Department of Health ("PDOH") is responsible for implementing programs, including developing rules, processing applications, and issuing patient ID cards and licenses. The law created an advisory board to make recommendations to the department. The board is comprised of 15 members, including three law enforcement members, several health, or medical experts, and at least one patient advocate. Two (2) years after the law took effect, the board was required to issue a report including recommendations regarding access to dry leaf or plant cannabis. In its report, the board recommended a number of changes to the program, including allowing dry leaf cannabis, and the health department accepted the recommendations and promulgated revised rules.

Initially, the only types of medical cannabis allowed were pills, oils, gels, creams, ointments, tinctures, liquid, and non-whole plant forms for administration through vaporization. In May 2018, in keeping with the advisory board recommendations, the PDOH issued revised regulations to allow whole plant, flower cannabis. Dispensaries cannot sell edibles, but medical cannabis products could be mixed into food or drinks to facilitate ingestion by a patient in a facility or residence. Vaporization is allowed, and smoking is prohibited.

The board was directed to issue permits to no more than 50 dispensaries, which can each have three locations, allowing for up to 150 total dispensaries. In the first round of granting permits, the department issued 27 permits for dispensaries. Dispensaries first began serving patients in April 2018. There are currently 12,000 approved medical marijuana patients in Pennsylvania, but it is expected to accumulate with 30,413 more patients waiting to be enrolled in this program as well. In 2018, there are believed to be nine operational medical marijuana dispensaries, and two market-ready medical marijuana producers.

In response to the Sessions Memo, Pennsylvania AG Josh Shapiro had said that medical marijuana is legal under state law, stating "It's my job to uphold the law here in Pennsylvania; and on a bipartisan basis, the legislature passed, and the governor signed a medicinal marijuana law that is very popular." US Attorney David Freed also stated, "My office has no intention of disrupting Pennsylvania's medical marijuana program or related financial transactions."

In May 2019, AG Shapiro, along with 37 other state and territorial attorneys, had sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for marijuana companies.

On September 23, 2019, AG Shapiro was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system.

On September 25, 2019, Pennsylvania Governor Tom Wolf, for the first time, had said he backed legalizing cannabis for adult recreational use. The announcement followed a 67-county listening tour undertaken by Lt. Governor Fetterman that found a "substantial majority" of Pennsylvanians are for legalization. "I think it's time for the General Assembly to sit down and craft a bill that actually recognizes that Pennsylvania is ready for this, and also takes advantage of what we've learned from other states in terms of what to do and what not to do," Gov. Wolf told a news conference in his Capitol offices. Lt. Gov. Fetterman, who has been a proponent of marijuana legalization, declared, "If you are opposed to the recreational adult use of cannabis that is a minority view now in Pennsylvania."

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Two days after Gov. Wolf’s announcement, AG Shapiro also voiced his support for the legalization of marijuana for recreational use by adults. “Continuing to criminalize adult personal marijuana use is a waste of limited law enforcement resources, it disproportionately impacts our minority communities and it does not make us safer. We must also expunge records of those with non-violent marijuana use convictions,” said AG Shapiro.

On July 9, 2020, a majority of Pennsylvania Senate Democrats sent a letter to Gov. Wolf and legislative leaders, arguing that lawmakers should pursue adult-use marijuana legalization in order to generate revenue to make up for losses resulting from the coronavirus pandemic. The letter, led by Senator Sharif Street, stresses that the state’s economic situation is “dire” and that the government “should do absolutely everything we can to raise revenue.” “That is why we come together as a committed group of Pennsylvania Senators to urge our leaders to take up the bi-partisan issue of adult-use cannabis legalization,” they wrote. Senator Street and the other 14 senators made a series of arguments in favor of approving comprehensive cannabis reform, emphasizing the need to avoid raising taxes on Pennsylvanians or making budget cuts as well as the potential boon to the job market that legalization could represent. “We need to ensure our spending on healthcare, education, housing, and small businesses continues unabated throughout this crisis,” the letter states. “Legalizing adult-use cannabis will raise revenue and help mitigate the possible need for cuts, and additionally can serve as a revenue saving tool in agencies such as the Department of Corrections.” Lt. Gov. Fetterman stated in an interview that “there’s never been a more appropriate time to have this conversation.” “I’ve been saying this now since the pandemic started. I’ve never understood why it wasn’t always a top Democratic priority along with the other ones,” he said. “It hits on every cylinder. You have the criminal justice reform aspect, you have the economic development reform aspect, jobs, revenue. I mean, there’s so many different things that this can bring. And now that we’re in the height of a pandemic with record unemployment and record budget deficits.”

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Pennsylvania.

Texas

Marijuana is currently not legal for either medical or recreational usage in Texas, however in 2015, the state signed a CBD-specific law into force that allows low-THC (no more than 0.5%) high-CBD (no less than 10.0%) oil products to be consumed by patients based on doctor’s recommendation. There are currently three licensed facilities operating that formulate these products for eligible patients. Additionally, laws relaxing punishment for possession of small amounts of cannabis have been passed at the county and municipal level in jurisdictions including El Paso, Austin, Dallas, and Harris County.

On April 17, 2019, a Texas House Committee unanimously approved a bill to expand the state’s medical marijuana program by adding over a dozen health conditions that would qualify patients for participation. Additional cannabis-related legislation is on the horizon, with lawmakers in position to potentially vote on marijuana decriminalization and hemp legalization in short order. Under the medical marijuana bill, patients with cancer, autism, post-traumatic stress disorder, Alzheimer’s, Parkinson’s, Huntington’s disease, amyotrophic lateral sclerosis, Tourette syndrome, Crohn’s, ulcerative colitis, muscular dystrophy, and multiple sclerosis would qualify to access cannabis. Patients who experience certain side effects such as severe nausea from conventional therapies would also be able to get medical cannabis.

That would mark a significant expansion of the state’s currently limited medical marijuana system, which only allows patients with intractable epilepsy who have exhausted their pharmaceutical options to access cannabis. Finding a specialist doctor to make the recommendation has been another challenge, which further explains why the program has roughly 600 registered medical marijuana patients in a state of about 29 million people. “Overall, we’re really pleased to see unanimous support for the legislation out of the public health committee,” Heather Fazio, director of Texans for Responsible Marijuana Policy, told Marijuana Moment. “Legislators are taking this issue more seriously now than every before, and they’re responding to their constituents who want to see these laws changed.” The bill now heads to the House Calendars Committee, where it will await placement on the agenda for a full House floor vote.

In June 2019, Texas passed legislation that legalized hemp and hemp-based products, but it remains highly unlikely that cannabis will be legalized in the state anytime soon.

On July 18, 2019, Texas Governor Greg Abbott sent out a letter to all of the state’s district and county attorneys, commanding them to resume prosecuting individuals for possession of marijuana. “Marijuana has not been decriminalized in Texas, and these actions demonstrate a misunderstanding of how HB 1325 works,” reads the letter, signed by Gov. Abbott, Lt. Gov. Dan

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Patrick, House Speaker Dennis Bonnen, and AG Ken Paxton. “First, a person claiming to transport hemp must have a certificate. Failure to have the required certificate while transporting hemp is a separate crime. Second, lab tests are not required in every case and are more affordable than initial reporting indicated.” The final line of the letter’s opening section takes a defensive tone regarding the snafu created by lawmakers: “Failing to enforce marijuana laws cannot be blamed on legislation that did not decriminalize marijuana in Texas.” The joint letter makes the case that hemp cannot currently be legally transported unless the product is accompanied with a “Department-approved shipping certificate” – otherwise, it is a misdemeanor. “If a person is transporting hemp but has no certificate, you may now prosecute that person for the offense of failing to have a hemp certificate,” the memo reads ... before going on to state that such certification does not yet exist: “If they have a certificate, which the Department has yet to promulgate, then it’s a fake – which is a felony.” The Governor’s letter says “criminal cases may be prosecuted with lab tests or with the tried and true use of circumstantial evidence. ... Lab tests are not always needed, and they are not as costly as some initial reporting indicated.”

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Texas.

Washington

The state of Washington has both medical and adult-use marijuana programs. The original medical law, passed by voters in 1998, allows physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a patient/caregiver system without explicitly permitting businesses. But, unlike Colorado, the legislature was unable to pass laws regulating the medical marijuana businesses that developed around 2008.

On November 6, 2012, Initiative 502 was passed to legalize marijuana for adults 21 years of age and older in 2012. It regulated adult-use marijuana businesses and left the unregulated medical marijuana establishments in a precarious situation. Christine Gregoire, then Governor of Washington, signed SB 5052 in 2015, which forced the closure of existing unregulated medical dispensaries and allows existing adult-use retail marijuana stores to apply for a “medical marijuana endorsement” to sell medical marijuana tax free to registered qualifying patients and their designated caregivers.

The Washington State Liquor and Cannabis Board (the “WSLCB”) regulates adult-use marijuana businesses and those with a medical endorsement. The WSLCB licenses cultivation facilities, product manufacturing facilities (“processors”), retail stores, transportation licensees, and testing facilities. All individuals and entities considered a “true party of interest” in a marijuana business license must have at least six months of Washington residency.

Unlike many other states, the state of Washington prohibits vertical integration between adult-use marijuana retailers and cultivators. Common ownership between cultivation and processors is permitted. A single entity, and/or principals within an entity, are limited to no more than three marijuana producer licenses, and/or three marijuana processor licenses, or five retail marijuana licenses.

In response to the Sessions Memo, Washington AG Bob Ferguson stated that his office was prepared for a legal fight over marijuana legalization in the state, if necessary, and that he would be willing to get involved if the federal government takes any “adverse action” against a marijuana business compliant with state law. Current Washington Governor Jay Inslee also stated, “We will use every single power at our disposal to preserve and protect the mission statement Washington State voters gave us,” noting that voters approved the initiative legalizing marijuana in Washington.

On May 13, 2019, Gov. Inslee signed SB 5605, a new law went into effect on July 28, 2019. Beginning that date, every person convicted of misdemeanor marijuana possession offenses in the state of Washington, who was 21 years of age or older at the time of the offense, may apply to the sentencing court to vacate his or her conviction record for the marijuana offense. And if an individual has multiple marijuana convictions from different courts, then the individual will need to apply to vacate each conviction separately in the court in which the conviction was prosecuted. The court will then vacate that qualifying individual’s marijuana conviction record.

On September 23, 2019, AG Ferguson was also among a bipartisan coalition of 21 state AGs, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system.

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On April 1, 2020, in an effort to ensure the spoils of marijuana legalization are available to everyone, Gov. Inslee signed a bill to allow state regulators to funnel unused marijuana business licenses to people from communities that have been negatively impacted by the drug war. The legislation came at the request of state cannabis regulators, who have pointed out that Washington’s legalization law, which voters approved in 2012, failed to include any provisions aimed at addressing past prohibition harms. The new law aims to diversify the industry by issuing more business licenses to people negatively affected by drug law enforcement and providing them with technical assistance to get their companies off the ground. It creates a state Marijuana Equity Task Force and allows the WSLCB to grant forfeited, canceled, revoked or otherwise unissued marijuana business licenses to qualified equity applicants. “HB 2870 creates a new social equity program that provides business opportunities to people from disproportionately-harmed communities so they can benefit economically from the cannabis industry and become a cannabis retailer,” Governor Inslee said in a statement issued from his office.

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Washington.

Overall Performance and Investments

As at September 30, 2020, the Company held cash and investments at fair value totaling \$31,895,601 (December 31, 2019 – \$33,051,823). During the three months ended September 30, 2020 (“Q3 2020”), Quinsam has continued to dispose certain of its investments in order to preserve cash and to fund additional investments, while the market gradually rebounded from its low point in March due to the COVID-19 pandemic. The Company has not been highly active on the new investment front in recent months. As we exit our position from existing investments, in light of current cannabis market conditions, Quinsam may choose to look at investments outside the cannabis sector going forward.

In Q3 2020, the total fair value of the Company’s investments increased by about \$1.1 million to \$31,474,664, from a portfolio value of \$30,358,731 as at June 30, 2020. The increase in the quarter is primarily attributed to an unrealized gain on investments of \$1,262,568 (Q3 2019 – unrealized loss of \$6,693,563). Since the second half of Fiscal 2019, the Company had been gradually decreasing its positions in certain cannabis holdings. Overall, the Company incurred total realized loss on disposals of investments of \$801,696 in Q3 2020 (Q3 2019 – realized loss of \$945,112), and total realized loss on disposals of investments of \$1,786,804 during the nine months ended September 30, 2020 (2019 – realized gains of \$850,664).

In the comparative period from 2019, the Company’s investments were valued at \$38.2 million as a number of investee companies obtained listings on recognized Canadian exchanges, and the entities’ shares were trading at prices substantially over their initial costs, which further increased the unrealized gains in the investment portfolio. However, due to poor performance of the cannabis sector in the second half of 2019, the Company receded all of the gains experienced in the early part of 2019.

Total cash dividends of \$414,106 were also paid to the Company’s shareholders during the nine months ended September 30, 2020 (2019 – \$437,965).

Investment portfolio

The Company’s investments portfolio consisted of the following as at September 30, 2020:

Investments by type	Cost	Fair Value			Total fair value
		Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Equities	14,694,515	4,957,448	-	11,280,162	16,237,610
Warrants	2,373,446	7,822	358,029	898,475	1,264,326
Convertible debentures	8,156,597	-	4,813,538	3,591,945	8,405,483
Loans	5,521,480	-	-	5,567,245	5,567,245
Total	30,746,038	4,965,270	5,171,567	21,337,827	31,474,664

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Investments by sector	Cost	Fair Value			Total fair value
		Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Cannabis-related	29,411,038	3,768,964	4,976,057	20,429,418	29,174,439
Non-cannabis	1,335,000	1,196,306	195,510	908,409	2,300,225
Total	30,746,038	4,965,270	5,171,567	21,337,827	31,474,664

In addition to the investments in the cannabis sector as described in the above section, the Company also held the following non-cannabis related investments in its investments portfolio as at September 30, 2020:

Investees	Investments relationship	Investments type	Cost	Fair value	Company's ownership %
			\$	\$	
California Nanotechnologies Inc.	Publicly-listed	Shares	150,120	72,280	Under 10%
Commercial Royalty Corp	Private	Shares	50,000	-	Under 10%
Deveron Corp. (formerly Deveron UAS Corps.)	Publicly-listed	Shares	50,000	100,000	Under 10%
Intelgenx Technologies Corp.	Publicly-listed	Warrants	62,157	786	Under 10%
LexaGene Holdings Inc.	Public-listed	Warrants	93,525	100,026	Under 10%
Newlox Gold Ventures Corp.	Publicly-listed	Shares & warrants	177,508	566,950	Under 10%
Pioneering Technology Corp.	Publicly-listed	Warrants	25,961	-	Under 10%
Platinex Inc.	Publicly-listed	Warrants	9,688	12,923	Under 10%
PMML Corp.	Private	Shares & warrants	50,000	858,389	Under 10%
Solarvest BioEnergy Inc.	Publicly-listed	Shares	170,675	58,030	Under 10%
Tuscany Energy Limited	Publicly-listed	Shares	40,000	-	Under 10%
Umajin Limited	Private	Shares	50,020	50,020	Under 10%
Vitalhub Corp.	Publicly-listed	Shares	42,000	197,400	Under 10%
Water Ways Technologies Inc.	Publicly-listed	Shares & warrants	350,000	148,697	Under 10%
WealthCraft Capital Inc.	Publicly-listed	Shares	13,346	134,724	Under 10%
			1,335,000	2,300,225	

The Company's investments portfolio consisted of the following as at December 31, 2019:

Investments by type	Cost	Fair Value			Total fair value
		Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Equities	17,367,040	5,232,102	-	12,535,246	17,767,348
Warrants	3,024,241	26,702	316,347	1,473,649	1,816,698
Convertible debentures	8,226,938	-	4,596,571	3,142,779	7,739,350
Loans	5,031,480	-	-	5,054,161	5,054,161
Total	33,649,699	5,258,804	4,912,918	22,205,835	32,377,557

Investments by sector	Cost	Fair Value			Total fair value
		Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Cannabis-related	31,927,028	3,892,760	4,863,653	21,531,860	30,288,273
Non-cannabis	1,722,671	1,366,044	49,265	673,975	2,089,284
Total	33,649,699	5,258,804	4,912,918	22,205,835	32,377,557

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In addition to the investments in the cannabis sector as described in the above section, the Company also held the following non-cannabis related investments in its investments portfolio as at December 31, 2019:

Investees	Investments relationship	Investments type	Cost	Fair value	Company's ownership %
			\$	\$	
California Nanotechnologies Inc.	Publicly-listed	Shares	150,120	44,480	Under 10%
Commercial Royalty Corp	Private	Shares	50,000	-	Under 10%
Deveron UAS Corp.	Publicly-listed	Shares	50,000	95,000	Under 10%
Engagement Labs Inc.	Publicly-listed	Warrants	-	420	Under 10%
Intelgenx Technologies Corp.	Publicly-listed	Warrants	62,157	35,166	Under 10%
Newlox Gold Ventures Corp.	Publicly-listed	Shares & warrants	183,204	331,359	Under 10%
Pioneering Technology Corp.	Publicly-listed	Warrants	25,961	-	Under 10%
Platinex Inc.	Publicly-listed	Warrants	9,688	466	Under 10%
PMML Corp.	Private	Shares & warrants	50,000	623,955	Under 10%
Primaria Medical (Canada) Inc.	Private	Shares	63,000	-	Under 10%
Sixth Wave Innovations Inc.	Publicly-listed	Shares	412,500	412,500	Under 10%
Solarvest BioEnergy Inc.	Publicly-listed	Shares	170,675	98,992	Under 10%
Tuscany Energy Limited	Publicly-listed	Shares	40,000	-	Under 10%
Umajin Limited	Private	Shares	50,020	50,020	Under 10%
Vitalhub Corp.	Publicly-listed	Shares	42,000	147,000	Under 10%
Water Ways Technologies Inc.	Publicly-listed	Shares & warrants	350,000	120,046	Under 10%
WealthCraft Capital Inc.	Publicly-listed	Shares	13,346	129,880	Under 10%
			1,722,671	2,089,284	

Results of Operations

The Company's selected annual financial information as at and for the three most recently completed financial years ended December 31 are summarized as follows:

	2019	2018	2017
	\$	\$	\$
Net investment (loss) income			
(including interest, advisory services and other income)	(10,037,791)	17,632,603	3,924,369
(Loss) income from operations	(11,919,190)	14,577,617	3,728,304
Net (loss) income and comprehensive (loss) income	(10,077,619)	10,590,795	1,658,028
Net (loss) income per share – basic	(0.09)	0.09	0.05
Net (loss) income per share – diluted	(0.09)	0.09	0.04
Total assets	34,467,139	48,351,400	19,695,859
Total liabilities	1,708,566	4,918,546	88,613
Shareholders' equity	32,758,573	43,432,853	19,607,256

The Company's selected financial results for the eight most recently completed quarters are as follows:

	Q3 2020	Q2 2020	Q1 2020	Q4 2019
	\$	\$	\$	\$
Investment revenue (loss)	460,872	2,187,860	(3,396,023)	(5,710,388)
Interest, advisory services and other income	643,444	501,705	926,482	497,819
Net income (loss)	895,327	2,373,855	(2,589,999)	(5,886,817)
Working capital	32,734,629	32,179,099	30,139,934	32,758,573
Net Asset Value per share (NAV)	0.30	0.29	0.26	0.29
Shares outstanding	106,689,058	108,939,058	111,172,693	111,172,693

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	Q3 2019	Q2 2019	Q1 2019	Q4 2018
	\$	\$	\$	\$
Investment revenue (loss)	(7,638,675)	(4,249,457)	5,000,696	424,181
Interest, advisory services and other income	966,779	231,518	863,917	280,931
Net income (loss)	(5,207,962)	(2,685,940)	3,703,100	(3,204,312)
Working capital	39,078,001	48,126,454	50,204,888	45,297,547
Net Asset Value per share (NAV)	0.34	0.38	0.41	0.37
Shares outstanding	112,672,693	113,563,693	117,849,644	118,692,644

Three Months Ended September 30, 2020

Results of operations

During Q3 2020, the Company had a net investment revenue of \$460,872, as compared to a net investment loss of \$7,638,675 for the three months ended September 30, 2019 (“Q3 2019”). The net investment revenue in Q3 2020 is due to a rebound in the capital markets experienced in the current quarter, as the global market stabilized after the sell-out in late March and through the summer months caused by uncertainties from the COVID-19 pandemic. In the comparative period in 2019, the cannabis sector was in the midst of a down trend which carried into the remainder of Fiscal 2019. In light of the generally improving market conditions, the Company recorded realized losses on disposals of investments of \$801,696 during Q3 2020 (Q3 2019 – realized loss of \$945,112), as it disposed of certain investments at a loss for tax planning purposes.

During Q3 2020, other income totaled \$643,444, as compared to \$966,779 recorded in Q3 2019. Other income is comprised of interest income from loans and convertible debentures, advisory services and other income associated with the Company’s investments. While the Company continued to earn and accrue interest on its loans and convertible debentures investments, the comparable decrease is related to an one-time loan subordination payment from an investee company of \$99,938 (USD \$75,000) and advisory fees of \$136,000 in closing off a mortgage transaction for another investee company recorded in Q3 2019.

Total operating expenses for Q3 2020 increased by \$18,662, from the comparative period, to \$258,989 (Q3 2019 – \$240,327). The slight increase in operating expenses for the current quarter was primarily due to salaries, bonus and other employment benefits of \$106,221 (Q3 2019 – recovery of \$26,333), which included a provision for management bonus of \$55,000 (Q3 2019 – \$nil due to negative performance of the investment portfolio), and general and administrative (“G&A”) expenses of \$8,429 (Q3 2019 – recovery of \$34,198). These increases in operating expenses are partially offset by lower non-cash stock-based compensation recorded for \$79,906 (Q3 2019 – \$187,464) from vesting of options and deferred share units (“DSUs”), and lower professional fees of \$63,229 (Q3 2019 – \$107,353).

During Q3 2020, the Company recorded an income tax recovery of \$50,000 (2019 – income tax recovery of \$37,128 and deferred tax recovery of \$1,667,133).

As a result of the above, net income and comprehensive income for Q3 2020 was \$895,327 (income of \$0.01 and \$0.01 per share on a basic and diluted basis, respectively), as compared to a net loss and comprehensive loss of \$5,207,962 (loss of \$0.05 and \$0.04 per share on a basic and diluted basis, respectively) for Q3 2019.

Cash flows

Net cash flows used in operating activities for Q3 2020 was \$208,907, as compared to net cash flows from operations of \$947,002 in Q3 2019. During the current quarter, the Company was relatively more active as compared to the first two quarters of the year in terms of its investments, as new investments of \$1,254,855 were subscribed for in the portfolio (Q3 2019 – \$2,101,726). The Company also disposed of certain investments during the quarter for total proceeds of \$1,376,787 (Q3 2019 – \$2,238,738), to preserve cash during the market downturn. In Q3 2019, the Company drew funds of \$1,313,685 from its broker margin facility.

Net cash used in financing activities for Q3 2020 was \$419,703, which comprised the quarterly dividend to its shareholders of \$136,174 (Q3 2019 – \$143,341). In Q3 2020, the Company also repurchased 2,250,000 common shares of its own under the normal course issuer bid (the “Bid”) for \$283,529 (Q3 2019 – \$340,406). Those common shares had since been cancelled and returned to the Treasury.

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Nine Months Ended September 30, 2020

Results of operations

During the nine months ended September 30, 2020, the Company had a net investment loss of \$747,291, as compared to a net investment loss of \$6,887,436 in the comparative period in 2019. The net investment loss year-to-date is a reflection of the negative trend seen in the cannabis sector which carried over from the end of 2019. The global capital market also became increasingly volatile from the uncertainties caused by the COVID-19 pandemic. During the nine months ended September 30, 2020, the Company recorded total unrealized gains of \$1,039,513 (2019 – unrealized loss of \$7,738,100). In the comparative period in 2019, the cannabis sector experienced a general downturn which carried over for the remainder of Fiscal 2019. In light of the somewhat improving market conditions especially noted in Q3 2020, the Company recorded realized losses on disposals of investments of \$1,786,804 during the nine months ended September 30, 2020 (2019 – realized gains of \$850,664).

During the nine months ended September 30, 2020, other income totaled \$2,071,631, as compared to \$2,062,214 recorded in the comparative period in 2019. Other income is comprised of interest income from the Company's loans and convertible debentures investments, advisory services and other income associated with the Company's investments. The consistent trend noted in other income received reflects the increased diversification into fixed-income securities and related investments which had been added into the Company's portfolio primarily during the second half of Fiscal 2019.

Total operating expenses for the nine months ended September 30, 2020 decreased by \$620,354, from the comparative period, to \$725,658 (2019 – \$1,346,012). The substantial decrease in operating expenses for the period year-to-date was primarily due to lower non-cash stock-based compensation recorded for \$264,470 (2019 – \$626,721) from vesting of options and DSUs, lower professional fees of \$213,351 (2019 – \$447,682), and lower G&A expenses of \$31,395 (2019 – \$67,840). Also included in the total operating expenses in for the nine months ended September 30, 2020, was a net recovery for ECL of \$84,417 (2019 – \$nil). The decreases in operating expenses is partially offset by an increase in salaries, bonus and other employment benefits of \$355,894 (2019 – \$174,534), which included a provision for management bonus of \$185,000 (2019 – \$nil).

During the nine months ended September 30, 2020, the Company recorded an income tax recovery of \$80,500 (2019 – income tax recovery of \$365,738, and deferred tax recovery of \$1,614,694).

As a result of the above, net income and comprehensive income for the nine months ended September 30, 2020 was \$679,182 (net income of \$0.01 and \$0.01 per share on a basic and diluted basis, respectively), as compared to a net loss and comprehensive loss of \$4,190,802 (net loss of \$0.04 and \$0.04 per share on a basic and diluted basis, respectively) for the comparative period in 2019.

Cash flows

Net cash flows from operating activities for the nine months ended September 30, 2020 was \$714,267, as compared to net cash flows from operations of \$1,616,027 in the comparative period in 2019. During the period year-to-date, the Company was relatively more cautious in its investment selection approach in comparison to a year ago, as additions of \$1,819,331 were made into the portfolio (2019 – \$15,211,989). The Company also disposed of certain investments during the period for total proceeds of \$3,729,885 (2019 – \$15,054,705), to preserve cash during the market downturn. During the period, the Company was able to replenish its broker margin facility by \$699,974 (2019 – draw of \$1,313,685).

Net cash used in financing activities for the nine months ended September 30, 2020 was \$967,596, which comprised three quarterly dividends to its shareholders of \$414,106 (2019 – \$437,965) in total. During the nine months ended September 30, 2020, the Company also repurchased 4,483,635 common shares of its own under the Bid for \$553,490 (2019 – \$1,225,731). In the comparative period, proceeds of \$119,800 were also received from exercises of stock options.

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Liquidity and Capital Resources

	September 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017
	\$	\$	\$	\$
Total assets	33,825,752	34,467,139	48,351,400	19,695,869
Total liabilities	1,091,123	1,708,566	4,918,547	88,613
Shareholders’ equity	32,734,629	32,758,573	43,432,853	19,607,256
Retained earnings	7,510,513	4,000,881	12,627,021	2,598,251
Net Asset Value per share – basic	0.30	0.29	0.37	0.21
Net Asset Value per share – diluted	0.31	0.30	0.39	0.25

The Company relies upon various sources of funding for its ongoing operating and investing activities. These sources include proceeds from disposals of investments, interest and dividend income earned from investments, consulting fees, and capital raising activities such as debt and equity private placement financings.

During the nine months ended September 30, 2020, the Company had paid total dividends of \$414,106 (2019 – \$437,965) to its shareholders. As disclosed in the Company’s financial statements, when the Company raises funds from financings, it classifies this inflow as a “financing activity”, whereas when these funds raised from financings are deployed, this outflow of net investments is classified as an operating cash flows. Therefore, in periods where new funds are raised and deployed in any material extent, the Company’s financial statements would show negative operating cash flows, and vice versa.

In Fiscal 2019 and during the nine months ended September 30, 2020, the Company did not raise any funds from financing, but was able to deploy funds through turnovers with its investment portfolio, for a net redemption of \$1,910,554 (2019 – net deployment of \$157,284) into the investment portfolio.

The raising and deployment of funds are inextricably linked from a management point of view, as the Company will only deploy the funds after they have been raised. Therefore, the sustainability of paying dividends to shareholders is tied to the Company’s ability over time to deploy funds to earn a quarterly return that is in excess of the payment of the quarterly dividend. In order to fund dividend payments, the Company has the discretion to use available cash or dispose of some of its public company investments for liquidity. Despite the unfavorable performance in 2019 which carried over into the first half of the current fiscal year, the market had seen a rebound in Q3 2020, and the Company anticipates that future dividends will be sustainable and it will reevaluate the payment of dividends to shareholders, as required.

Management believes that the Company will be able to generate sufficient cash to fund its normal course of operations through the course of purchases and disposals of existing investments.

The Company’s present liabilities are limited to trade payables incurred in the normal course of business.

Related Party Transactions

Key management includes the Company’s directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

Key management personnel compensation

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2020 and 2019 were as follows:

	2020	2019
	\$	\$
Salaries, bonus and other benefits	355,894	171,409
Professional fees	87,010	196,225
Stock-based compensation	248,530	586,872
	691,434	954,506

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During the nine months ended September 30, 2020, officers and directors of the Company were paid compensation benefits of 355,894 (2019 – \$171,409) for services rendered, including a provision for management bonus of \$185,000 (2019 – \$nil), based on 5% of net investment income on a quarterly basis), which was charged to salaries, bonus and other benefits. As at September 30, 2020, accrued management bonus of \$185,000 (December 31, 2019 – \$nil) was included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2020, Mr. Dent and Mr. Szustak were issued 81,155.49 and 4,271.34 DSUs (2019 – 16,047.30 and 844.59 DSUs), respectively, upon distribution of the cash dividends paid, as adjustments in accordance with the terms of the DSU Plan. These DSUs were valued at \$9,672 (2019 – \$3,125) and recorded as stock-based compensation.

During the nine months ended September 30, 2020, Branson Corporate Services Ltd. (“Branson”), where Keith Li, the Chief Financial Officer (“CFO”) of the Company is employed, were paid professional fees of \$81,360 (2019 – \$169,500), for CFO services provided to the Company, as well as other accounting and administrative services, which are included in professional fees. As at September 30, 2020, no balance was owed to Branson (December 31, 2019 – \$nil).

During the nine months ended September 30, 2020, Mr. Bilodeau, who resigned on May 26, 2020, was paid \$5,650 (2019 – \$25,425) for consulting services provided to the Company, which are included in professional fees. As at September 30, 2020, no balance was owed to Mr. Bilodeau (December 31, 2019 – \$nil).

During the nine months ended September 30, 2020, officers and directors of the Company received stock-based compensation of \$238,858 (2019 – \$583,747) on vesting of options granted on August 25, 2020 and from prior years.

Investments on companies with common management personnel

As at September 30, 2020, the Company held investment positions in the following issuers with common officers and directors:

	Investments	Holdings	Fair Value
		#	\$
California Nanotechnologies Inc. ⁽¹⁾	Common shares	1,112,000 shares	72,280
Deveron Corp. ⁽¹⁾	Common shares	500,000 shares	100,000
Pharmadrug Inc. ⁽²⁾	Warrants	1,425,000 units	5,480
Pharmadrug Inc. ⁽²⁾	Convertible debentures	75 units	98,541
Vitalhub Corp. ⁽¹⁾	Common shares	84,000 shares	197,400
			473,701

(1) Roger Dent is also a Director of California Nanotechnologies Inc., Deveron Corp. and Vitalhub Corp.

(2) Keith Li is also the CFO of Pharmadrug Inc.

Off-Balance Sheet Arrangements

As at September 30, 2020 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Investor Relations

During the nine months ended September 30, 2020, Quinsam’s management handled the Company’s investor relations activities.

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Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. The risk in cash is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Company's secondary exposure to credit risk is on other receivables. As at September 30, 2020, the Company had recorded an allowance for ECL of \$122,139 (2019 – \$nil) on a matured convertible debentures investment, which are included in investments.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company invests from time to time into securities, debentures and loan investments issued and denominated in foreign currencies, notably in US dollars. The Company's primary exposure to foreign exchange risk is that investments in foreign securities may expose the Company to the risk of exchange rate fluctuations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash and convertible debentures and loan investments affected by changes in short-term interest rates will be minimal. The Company does not use any derivative instruments to reduce its exposure to interest rate risk.

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's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and investments with reputable Canadian financial institutions.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at September 30, 2020:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	\$	\$	\$	\$
Accounts payable and accrued liabilities	282,762	282,762	-	-

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices. A 1% change in closing trade price of the Company's investments portfolio would impact net income by \$314,747 based upon balances as at September 30, 2020.

Capital Management

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. The Company's objectives when managing capital are:

- (a) to maintain sufficient liquidity to allow the Company to pursue business opportunities expeditiously; &
- (b) to earn investment returns while managing risk.

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The Company's strategy remained unchanged for the nine months ended September 30, 2020 and the year ended December 31, 2019.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. There were no changes in its approach to capital management for the nine months ended September 30, 2020 and the year ended December 31, 2019.

The Company is not subject to externally imposed capital requirements.

Significant Accounting Judgments and Estimates

The preparation of the Company's unaudited condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on a regular basis for reasonableness. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas which require management to make significant judgments, estimates and assumptions include, but are not limited to:

Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets and financial liabilities recorded on the Company's unaudited condensed interim statements of financial position, including shares, warrants, convertible debentures and loans investments, cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

Fair value of financial derivatives

Investments in warrants and conversion features of debentures that are not traded on a recognized securities exchange do not have readily available market values. When there are sufficient and reliable observable market inputs, a valuation technique is used.

Valuation of share-based compensation and share purchase warrants

Management determines the costs for share-based compensation and share purchase warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying the valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future share option and share purchase warrant exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based compensation and share purchase warrants.

Income taxes

Income taxes and tax exposures recognized in the financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts

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indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Expected credit losses on financial assets

Determining an allowance for ECLs for all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management’s judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

For accounts receivable, the Company applies the simplified approach as permitted by IFRS 9 – Financial Instruments, whereby lifetime ECL are recognized based on aging characteristics and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer’s ECL have increased.

Significant Accounting Policies

The accounting policies applied in the Company’s unaudited condensed interim financial statements are the same as those applied by the Company in its audited financial statements as at and for the year ended December 31, 2019, unless otherwise noted below.

Changes in Accounting Policies

The Company adopted the following amendments, effective January 1, 2020. These changes were made in accordance with the applicable transitional provisions.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Company had assessed that there was no material impact of adopting this new standard on the Company’s unaudited condensed interim financial statements.

Outstanding Share Data

As at November 23, 2020, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Quinsam are as follows:

Common Shares	Number Outstanding
Issued and Outstanding	106,689,058
Issuable under DSU Plan	2,633,780
Issuable under Options	7,500,000
Issuable under Warrants	3,148,753

Segmented Information

Quinsam’s management is responsible for the Company’s entire investments portfolio and considers the business to have a single operating segment. The management’s investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis.

Quinsam has a single reportable geographic segment, Canada, and all of the Company’s management are based in Canada.

The internal reporting provided to management of the Company’s assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the nine months ended September 30, 2020 and the year ended December 31, 2019.

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Subsequent Events

Warrants expiry

On October 17, 2020, 4,000,000 warrants exercisable at \$0.30 expired unexercised.

Dividends

On October 26, 2020, the Board of the Company approved a quarterly dividend of \$0.00125 per share. The dividend distribution will be paid on November 25, 2020, to shareholders of record on November 4, 2020.

Risk Factors

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks occur, the Company's business, financial condition or results of operation may be adversely affected. In such case, the trading price of the Company's common shares could decline, and investors could lose all or part of their investment. The following is a summary of risks that could be applicable to the business of the Company:

Portfolio exposure

Given the nature of the Company's activities, its results of operations and financial condition are dependent upon the market value of securities that comprise the Company's investments portfolio. Quinsam invests primarily in small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows, but which may not ever mature or generate returns the Company expects or may require a number of years to do so.

Junior cannabis companies may never achieve commercial discoveries and productions. This may create an irregular pattern in the Company's revenue and profitability. Additionally, macro factors such as fluctuations in commodity prices and global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, and a disproportionate effect on the sectors as compared to the overall market, thereby negatively impacting one or more of the portfolio Investees concurrently.

Risks related to the US regulatory environment

As a specialty investor focusing in the cannabis industry, the Company is making substantial investments in entities operating in a highly regulated industry which is rapidly evolving. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

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

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

The Company is expected to have a substantial portion of its revenues derived from its investments in Investees that are engaged in the cannabis industry in certain states of the US, which industry is illegal under US federal law. Quinsam is indirectly involved in marijuana-related activities in the US, through the entities held in the Company's investments portfolio, which may engage in the cultivation or distribution of marijuana in the US. The enforcement of relevant laws is a significant risk.

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Over half of the states in the US have enacted legislation to regulate the sale and use of medical marijuana without limits on THC, while other states have regulated the sale and use of medical marijuana with strict limits on the levels of THC. Other US states had also legalized cannabis for adult use. Notwithstanding the permissive regulatory environment of medical or adult-use marijuana at the state level, marijuana continues to be categorized as a Schedule 1 controlled substance under the FCSA. As such, marijuana-related practices, or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution, are illegal under US federal law. Strict compliance with state laws with respect to marijuana will neither absolve the Company and its Investees of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against them. Any such proceedings brought against the Investees may adversely affect the Company's financial performance.

Because of the conflicting views between state legislatures and the federal government of the US regarding marijuana, investments in marijuana businesses in the US are subject to inconsistent legislation, regulation, and enforcement. Unless and until the US Congress amends the FCSA with respect to marijuana or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future investments of the Company in the US. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future investments in the US.

Regulatory changes and compliance

The Company's activities, as well as those of the Investees, are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required for certain of its Investees to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on these Investees' business and results of operations, which may negatively affect the performance of the Company's investment portfolio.

Certain Investees' operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company cannot predict the nature of any future laws, regulations, interpretations, policies, or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the Investees' operations. Changes to such laws, regulations, and guidelines due to matters beyond the control of the Investees may cause adverse effects to the Company's operations.

Local, state, and federal laws and regulations governing marijuana for medicinal and adult use purposes are broad in scope and are subject to evolving interpretations, which could require certain Investees the invest to incur substantial costs associated with bringing the operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Investees' operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's investment portfolio.

US federal laws on cannabis industry

Marijuana is illegal under US federal laws and enforcement of relevant laws is a significant risk. Therefore, the business operations of many of the cannabis-related securities that the Company invests in, are dependent on US state laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacturer and sale of marijuana, which would negatively impact the return on the Company's investment portfolio.

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The concepts of “medical marijuana” and “retail marijuana” do not exist under US federal law. The FCSA classifies “marijuana” as a Schedule I drug. Under US federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the US, and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices, or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under US federal law. Strict compliance with State laws with respect to marijuana will neither absolve the Company of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against the Investees.

Violations of any US federal law and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the US federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect, and as a result the Company, including their reputation and ability to conduct business, their holdings (directly or indirectly) of medical cannabis licenses in the US, and the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of their publicly-traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

To the Company's knowledge, 36 states, the District of Columbia, Puerto Rico and Guam allow their residents to use medical marijuana as of the date of this MD&A. Voters in the states of Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, Oregon, South Dakota, Vermont and Washington have approved and have implemented or are implementing regulations to legalize cannabis for adult use. The state laws are in conflict with the FCSA, which makes marijuana use and possession illegal on a national level. The Obama administration has made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. While the status quo has been maintained by the Trump administration, there is no guarantee that President -Elect Biden and his upcoming administration will not change the government's stated policy regarding the low-priority enforcement of federal laws and decide to enforce the federal laws to the fullest extent possible.

Any changes in the US federal government's enforcement of current US federal law could cause adverse financial impact and remain a significant risk to the Company and its Investees' businesses, which could in turn have an impact on the Company's investments portfolio and financial results. See “Risk Factors”.

The constant evolution of laws and regulations affecting the marijuana industry could detrimentally affect the Company's operations. Local, state, and federal medical marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Investees to incur substantial costs associated with legal and compliance fees and ultimately require the Investees to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt the business of the Investees and result in a material adverse effect on operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to the business of the Investees, which could have on the Company's investment portfolio.

There are risks associated with removal of U.S. Federal Budget Rider Protections

The US Congress has passed appropriations bills (the “Leahy Amendment”) each of the last four years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating compliance with state and local laws. The 2018 Consolidated Appropriations Act was passed by Congress on March 23, 2018 and included the re-authorization of the Leahy Amendment. It continued in effect up to September 30, 2018, the last day of fiscal year 2018. These protections were subsequently extended through December 7, 2018 as part of a short-term continuation of appropriations. Following the much-publicized shutdown of the US Federal Government, the Consolidated Appropriations Act of 2019 was signed into law on February 15, 2019 with a key amendment intact (Section 538) (the “Joyce Amendment”).

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On June 20, 2019, the House voted 267–165 to approve a broader amendment that, in addition to protecting state medical cannabis programs, also protected recreational use. On September 26, 2019, the Senate Appropriations Committee declined to take up the broader amendment but did approve the Rohrabacher–Farr Amendment for the 2020 fiscal year spending bill. On September 27, 2019, the amendment was renewed as part of a stopgap spending bill, in effect through November 21, 2019.

On December 20, 2019, the amendment was renewed through the signing of the “Fiscal Year 2020 spending legislation”, effective through to September 30, 2020. President Trump added a signing statement regarding the amendment similar to the ones he added in May 2017 and February 2019. In July 2020, a House subcommittee introduced a base appropriations bill with the amendment included. On October 1, 2020, the amendment was renewed through the signing of a stopgap spending bill, effective through December 11, 2020.

US courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate US federal law, US courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the FCSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of US federal law. If Congress restores funding, the US federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the FCSA’s five-year statute of limitations.

Local regulation could change and negatively impact on the Company's operations

Most US states that permit marijuana for adult-use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use marijuana businesses in their jurisdictions. If local municipalities where the Investees or their Licensed Operators have established facilities decide to prohibit marijuana businesses from operating, the Investees or their Licensed Operators could be forced to relocate operations at great cost to the Investees, and the Investees or their Licensed Operators may have to cease operations in such state entirely if alternative facilities cannot be secured.

Reliance on securing agreements with Licensed Producers

The regulatory framework in most states may restrict the Investees from obtaining a License to grow, store and sell marijuana products. As such, these Investees rely on securing agreements with Licensed Producers in the targeted jurisdictions that have been able to obtain a License with the appropriate regulatory authorities. Failure of a Licensed Producer to comply with the requirements of their License or any failure to maintain their License would have a material adverse impact on the business, financial condition and operating results of the Investees, and indirectly, the operations of the Company. Should the regulatory authorities not grant a License or grant a License on different terms unfavorable to the Licensed Operators, and should the Investees be unable to secure alternative Licensed Operators, the business, financial condition and results of the operation of the Investees would be materially adversely affected.

If the US federal government changes its approach to the enforcement of laws relating to marijuana, the Investees would need to seek to replace those tenants with non-marijuana tenants, who would likely pay lower rents. It is likely that the Investees would realize an economic loss on its capital acquisitions and improvements made to its capital assets specific to the marijuana industry, and the Investees would likely lose all or substantially all of its investments in the markets affected by such regulatory changes.

The Investees may have advanced, and may continue to advance, significant funds to potential sellers in the form of promissory notes, which the Investees may not be able to collect if the sellers fail to profitably operate its business. There is no assurance that any or all of the amounts loaned will be recovered by the Investees.

Reliance on third-party suppliers, manufacturers, and contractors

Some of the Investees may intend to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the US, these Investees’ third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Investees’ operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Investees’ business and operational results, which could have on the Company’s investment portfolio.

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Cash flows and revenue

The Company generates revenue and cash flows primarily from proceeds from the disposition of its investments, in addition to a lesser degree income from interest, dividend and financial advisory services. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to the Company, or if the value of the Company's investments decline, resulting in lesser proceeds of disposition and capital losses for the Company upon disposition.

Share prices of investments

The Company's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the control of the Company, including quarterly variations in the subject companies' results of operations, changes in earnings, analyst estimates, industry conditions and general market and economic conditions. Such fluctuations could adversely affect the market price of the Company's investments and significantly negatively impact upon the Company's operating results.

Private or illiquid securities

The Company invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. The Company may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

Dependence on management

The Company is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's continued success will depend upon the continued service of these individuals who are not obligated to remain employed with the Company. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm the Company's ability to maintain and grow existing assets and raise additional funds in the future.

Dependence on suppliers and skilled labor

The ability of the Company to compete and grow is dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts, and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, equipment, parts, and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial and operational results of the Company.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

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The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the shares and warrants may be due to the Company's operating results or its US Investees' operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

Additional financing requirements

The Company anticipates ongoing requirements for funds to support the Company's growth and may seek to obtain additional funds for these purposes through public or private equity share offerings. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or prices. Any additional equity financings may cause shareholders to experience dilution. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investment portfolio.

Ability to access public and private capital

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. Since the Company had started making investments in entities operating in the cannabis market as a focused specialty investor, it has completed private placement financings ("Offerings"), including the October 2017 Offering which raised \$2.4 million of capital, the December 2017 Offering which raised \$11.5 million, and the March 2018 Offering which raised \$13.1 million for the Company. Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants, given that marijuana is illegal under US federal law. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company has never needed to access public equity capital in the US.

Operating risk and insurance coverage

The Company's insurance coverage is intended to address all material risks to which it is exposed and is adequate and customary in its current state of operations. However, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken a number of procedures to help ensure the reliability of its financial reports, including those required of the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations, or

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cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the value of the Company's equity securities.

Data breaches and privacy law

The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws. The Company has previously provided medical cannabis to patients and maintains patient records. Due to the sensitive nature of this information, the Company could be found liable if a breach of security at its facility resulted in the theft, loss, or mishandling of electronic data. If such a breach did occur, the Company could be liable for fines, penalties and for any third-party liability which could result in a material adverse effects to the financial or operating condition of the Company.

Liability for activity of employees, contractors, and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's and its Investees' operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the WHO declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines, and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

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Use of Non-IFRS Financial Measures

This MD&A contains references to “net asset value per share” (basic and diluted) (“NAV”) which is a non-IFRS financial measure. NAV is calculated as the value of total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. NAV (diluted) is calculated as total assets less total liabilities divided by the total number of common shares of the Company outstanding as at a specific date, calculated based upon the assumption that all outstanding securities of the Company that are convertible into or exercisable for common shares have been converted or exercised. The term NAV does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. There is no comparable IFRS financial measure presented in Quinsam’s financial statements and thus no applicable quantitative reconciliation for such non-IFRS financial measure. The Company believes that the measure provides information useful to its shareholders in understanding our performance and may assist in the evaluation of the Company’s business relative to that of its peers.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions, or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance and our ability to generate taxable income from operations, our ability to realize sufficient proceeds from the disposition of our investments in order to fund our obligations as they become due (which will be based upon market conditions beyond our control), market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, the US and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company’s portfolio investments are located, and other risks included elsewhere in this MD&A under the headings “Risk Factors” and “Risk Management” and in the Company’s current annual

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information form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under Quinsam's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The unaudited condensed interim financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the unaudited condensed interim financial statements in all material aspects.

The Audit Committee has reviewed the Company's unaudited condensed interim financial statements and this MD&A with management of Quinsam. The Board of the Company has approved the unaudited condensed interim financial statements and this MD&A on the recommendation of the Audit Committee.

Additional Information

Additional information relating to Quinsam, including its annual management information circular for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at www.sedar.com.

November 23, 2020

Roger Dent
Chief Executive Officer