



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2019  
AND FEBRUARY 28, 2018  
REPORT DATE – APRIL 25, 2019**

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## **1. INTRODUCTION**

This management discussion and analysis (“**MD&A**”) of the Company covering the six months ended February 28, 2019 is prepared as of April 25, 2019. This MD&A reviews and summarizes the activities of High Hampton Holdings Corp. (the “Company”) and supports the financial results for the six months ended February 28, 2019 with historical information. This information should be read along with the Company’s interim condensed consolidated financial statements for the six months ended February 28, 2019, and related notes attached thereto, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts herein are stated in Canadian Dollars unless otherwise indicated. Our financial statements and the management’s discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

### **Forward Looking Statements**

This MD&A may contain “forward looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. In this MD&A, such forward looking statements include statements concerning the Company’s business objectives that have not yet materialized; the Company’s investigation of business opportunities; the Company’s goal to commence operations; the Company’s intent and ability to raise capital; and the Company’s goal to enhance shareholder value.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties identified elsewhere in this MD&A, actual results may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Stock Exchanges**

High Hampton trades in Canada, ticker symbol HC on the CSE, and in Europe, ticker symbol OHCN on the FSE. Neither the CSE, nor the FSE has approved nor disapproved the contents of this MD&A. Neither the CSE, nor the FSE accepts responsibility for the adequacy or accuracy of this MD&A.

### **Marijuana Industry Involvement**

Canadian listings (CSE) will remain in good standing as long as they provide the disclosure that is required by regulators and complying with applicable licensing requirements and the regulatory framework enacted by the applicable state in which they operate. Marijuana is legal in certain states, however, marijuana remains illegal under US federal law, and the approach to enforcement of US federal law against marijuana is subject to change. Shareholders and investors need to be aware that adverse enforcement actions could affect their investments, and that High Hampton's ability to access private and public capital could be affected and or could not be available to support continuing operations.

## 2. OVERALL PERFORMANCE

### Description of Business

High Hampton Holdings Corp. was incorporated under the name Infinity Minerals Corp. on November 12, 2010, under the laws of the province of British Columbia, Canada. The name of the Company was changed to Herbal Clone Bank Canada Inc. on August 29, 2014 and subsequently to High Hampton Holdings Corp. on June 18, 2015. The corporate office and principal place of business address is Suite 804 - 750 W Pender Street, Vancouver, British Columbia, Canada, V6C 2T7. The Company is a reporting issuer in British Columbia, Ontario and Alberta, and its common shares are traded on the Canadian Securities Exchange (the "CSE") under the symbol "HC", on the Frankfurt Exchange under the symbol "FSE: 0HCN" and on the USA: OTC under the symbol HHPHF.

The Company's wholly owned subsidiary, The Herbal Clone Bank Inc. ("**THC**"), is a private company that was acquired by the Company by way of a reverse takeover on August 31, 2014. THC had made application with Health Canada in 2013 to become a Licensed Producer under (and as defined in) the Marihuana for Medical Purposes Regulations (the "MMPR")<sup>1</sup>. However, the application did not proceed to the final stages and the Company pursued other means of entering the industry.

As of February 28, 2019, the Company operated five wholly owned subsidiaries in the US; CoachellGro (Coachella, California), Bravo Distribution/8 Points Management (West Sacramento, California), HS-Airways/CaliGold (Sacramento, California), 420 Realty (Cudahy, California) and Mojave Jane (Coachella, California).

Together, these companies provide High Hampton with access to the cultivation, distribution, manufacturing, retail, and processing aspects of the cannabis industry, with reach throughout the lucrative Southern California and Northern California markets. They also give the Company the ability to control its supply chain and manage production from the plant to the consumer, insulating it from fluctuations on the supply and cost side of the business.

All of the wholly owned subsidiaries have either received or applied for local regulatory permits and state licenses. Each subsidiary will operate in full compliance with California's regulatory and tax environments.

The business of the Company is focused on delivering shareholder value by building the brands of the subsidiaries and enabling them to thrive and grow in California. The Company also streamlines common or shared functions across the portfolio that are necessary to each business but separate from their areas of expertise (e.g., financial services, compliance, etc.). Further, the Company continues to evaluate and develop areas of the cannabis market in the US that can build its breadth of products, brands, and distribution points.

## 3. QUARTERLY REVIEW

### New Business Opportunities

During the six months ended February 28, 2019, the Company identified and evaluated a number of new business relationships aimed at expanding presence in California and beyond. The primary focus of new business

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<sup>1</sup> Health Canada's MMPR was recently modified on August 24, 2016 and renamed *Access to Cannabis for Medical Purposes Regulations* (ACMPR) but for the purposes of this MD&A, the acronym MMPR will be used to refer to the current Health Canada regulations.

development was to identify potential partners and assets that can support the Company's efforts to build consumer brands and products, both for recreational use and for wellness.

During the period, the Company reached agreement and executed a Binding Letter of Intent with the 2083 Group ("2083") that provides for the Company to acquire 40% of 2083 for \$2.6M in total consideration.

2083 brings a number of assets to bear on the Company's mission. First, 2083 owns and operates SpeedWeed, an iconic California brand known for delivery of cannabis and related products in Southern California. Through SpeedWeed, the Company can introduce brands and products directly to the consumer marketplace, and the Company can make use of consumer data generated by SpeedWeed's customers to influence product and brand development across the Company's portfolio.

2083 also brings key social media and celebrity influencers to the relationship and manages the connections between the influencers and the Company's brands and products.

The Company expects to complete the definitive agreements for the investment in 2083 within Q3, 2019.

### **Board and Management Changes**

On March 6, 2019, Dieter MacPherson, the current the current Senior Vice President, Operations, at Aurora Cannabis Inc. (ACB-TSX), has been appointed as an independent member to its board of directors.

### **Significant Events**

On November 12, 2018 the Company closed the previously announced acquisition of all the issued and outstanding member interests of Mojave Jane in exchange for 8,974,352 common shares of High Hampton (the "Share Exchange") with the shares being subject to escrow until certain milestone conditions are met, triggering a staggered share release. The Company also committed up to US\$1,100,000 to Mojave Jane for expansion of its manufacturing capacity, marketing, sales and working capital.

Mojave Jane is a California licensed manufacturer of premium cannabis extracts and concentrates for the California markets. Based in Coachella, CA, and licensed for volatile and non-volatile manufacturing, Mojave Jane currently utilizes state of the art CO2 extraction technologies and proven distillation techniques to create products for both recreational and medical cannabis users. Mojave Jane's management team includes an accomplished group of business executives with experience in starting, growing, and selling companies, combined with hands-on commercial cannabis experience. Mojave Jane is a key part of the Coachella Valley's growing cannabis economy and supports distribution throughout California.

The Acquisition will provide High Hampton with the means to produce high value "white label" and branded extracts for distribution across the California markets, produce near-term revenue that will fuel profitability and growth across the High Hampton portfolio, bring experienced executive management and operators to the High Hampton team; and establish a foundation for the full integration of High Hampton's portfolio companies and create the means to achieve substantial growth in the adult use market and the ability to develop cannabis-based medical/therapeutic solutions that make a difference in peoples' lives.

In January 2019, the Company announced that its wholly owned subsidiary "420 Realty" had received six cannabis licenses from the State of California for its planned operation in the city of Cudahy, in eastern Los Angeles County. This license allows 420 Realty to build out and operate a 15,000 ft facility that will house manufacturing, packaging, an edibles kitchen, R&D level cultivation, and non-storefront delivery. With the licenses in hand, the Company began demolition and construction work on the facility which is expected to be in operation in late 2019.

In February 2019, the Company announced that its wholly owned subsidiary "CaliGold" released three new products. The products represent CaliGold's entry into the "smokable" market with branded products that build on CaliGold's established reputation for high quality, strain specific chocolates.

As previously discussed, the Company entered into a Binding Letter of Intent in February 2019 with the 2083 Group. That relationship kicked off in concurrence with efforts to complete the definitive agreements. Specifically, 2083 and the Company began collaboration on a joint brand strategy and go to market plan in Q2.

Finally, the Company announced an evolution of its business strategy in the quarter. Previously, the Company had embarked on a strategy that involved a large-scale buildout of cultivation capacity in Southern California. Subsequently, the market for cultivated products changed and it became evident that the focus for the company should be on consumers, the creation of products and brands to satisfy consumer demands, and management of the means to take those products and brands to the market. As a result, the Company will operate manufacturing, packaging, edible creation, distribution, and delivery capabilities in California and beyond.

The Company further evolved its strategy to include markets beyond California. The Company's entry into new markets will be led by California brands and by delivery capability and the technology that enables reliable delivery.

**Subsequent to the quarter end, the following significant events occurred:**

In April 2019, the Company's wholly owned subsidiary Bravo Distro received a Conditional Use Permit and Development Agreement with the City of West Sacramento for the development of its 15,000 ft facility in West Sacramento. The facility will be used primarily to house distribution operations that will serve Northern and Central California. Operations are expected to begin in late 2019 following completion of the buildout of the facility.

#### **4. DISCUSSION OF OPERATIONS**

The following discussion and analysis of the operating results and financial condition of the Company should be read in conjunction with the Company's interim condensed consolidated financial statements and notes thereof for the six months ended February 28, 2019.

During the six months ended February 28, 2019, there were limited operations. The Company had limited sources of revenue during the period. The Company will operate at a loss unless and until CaliGold and Mojave Jane become fully operational, expected to occur in Q2 of the Company's fiscal year. Additional revenues will be added throughout 2019 as CaliGold and Mojave Jane grow, and as Bravo Distribution begins operations. The Company will require additional financing in order to fund CoachellaGro and cover its general and administrative costs.

The operations of the Company, as they evolve throughout 2019 and beyond, will include all aspects of the cannabis business in California.

Management's Discussion and Analysis  
For the six months ended February 28, 2019  
(Expressed in Canadian Dollars)

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Starting with cultivation (CoachellaGro), the Company will develop or contract for cultivation capacity that is scaled to market demands for quantities and strains (genetics). Post cultivation, the Company will prepare flower for the retail market and secondary biomass for extraction.

Mojave Jane will extract material through both volatile and non-volatile processes. Products delivered by Mojave Jane will include, but are not limited to clear distillate, concentrates, and products that deliver those distillates and concentrates to consumers (e.g., vape pens, shatter, etc.). Mojave Jane will continue to go to market with white label and branded products, scaled to market demands. Mojave Jane will ship product and produce revenue in the first calendar quarter of 2019.

CaliGold will continue to develop and produce California's highest quality edible products, including chocolate bars, drinking chocolates, chocolate covered edibles (e.g., nuts), and concentrates. CaliGold will acquire source materials (distillates) from Mojave Jane and supplemental partners as needed. Important to CaliGold's brand values, their products will continue to be strain specific, and will focus first on the qualities and characteristics of the cannabis. The finest chocolates will continue to be sourced from Colombia. CaliGold will ship product and produce revenue in Q1 2019.

420 Realty will develop the Company's property in Cudahy, California to support manufacturing, distribution, processing, non-storefront retail (delivery), and boutique (R&D) cultivation. From this location, Mojave Jane, CaliGold, and Bravo Distribution will serve Southern California markets. This location is scheduled to become operational in Q3 2019.

Distribution will be critical to the Company's enduring position in the California market. Bravo Distribution will operate from its West Sacramento headquarters to serve Northern California, and from the Cudahy location to serve Southern California. Bravo Distribution is the place where all of the Company's wholly owned subsidiaries meet to reach the market. Bravo Distribution anticipates operations and revenue beginning in Q3 2019.

As at February 28, 2019, the Company had current assets of \$ 7,345,091. In addition, there were current liabilities in the amount of \$1,476,823 which was comprised of accounts payable of \$687,305, loans payable totaling \$45,567, deferred rent liability of \$60,475 and \$55,998 owing to management team, directors and former directors and contingent consideration provision for \$627,478 in relation to the acquisition of Mojave Jane

During the six months ended February 28, 2019, the Company's operations were limited to initial capacity for both Mojave Jane and CaliGold. Capacity was limited primarily by availability of equipment as Mojave Jane waited for higher capacity equipment that was delayed by manufacturers. A new high capacity CO2 extraction system was delivered and brought on line in January 2019. The new system allows for production of approximately 110 liters of distillate monthly. That system will be complete and reach capacity upon arrival of a wiped film distillation unit that was delayed in delivery from Germany until early May 2019.

With this expansion, Mojave Jane will continue production of bulk distillate and add branded products that make use of the distillate, such as vape pens, cartridges, edibles, etc. CaliGold will also begin to use the products produced by Mojave Jane in its line of edibles.

The Company also focused on design and buildout plans for Cudahy and West Sacramento. Those plans have been completed and construction has begun in Cudahy. Construction is scheduled to begin in West Sacramento in Q3 2019.

Management's Discussion and Analysis  
For the six months ended February 28, 2019  
(Expression in Canadian Dollars)

## 5. SELECTED FINANCIAL INFORMATION

(expressed in canadian dollars)	Three months ended			Six months ended		
	February 28,			February 28,		
	2019	2018	2017	2019	2018	2017
Office and general	1,036,835	68,431	119,570	2,525,359	107,416	122,761
Advertising and promotion	230,185	517,273	-	553,982	699,887	-
Building, permits and licenses	-	285,791	-	-	458,055	-
Management fees	130,555	94,728	27,750	279,288	94,728	27,750
Professional fees	763,795	562,392	204,041	1,631,857	891,069	204,041
Communications and travel	114,528	101,105	2,537	212,074	105,898	2,537
Research and Development	64,155	-	-	64,155	-	-
Amortization	673,778	-	-	1,145,471	-	-
Interest Income	(14,139)	(957)	(6,500)	(27,115)	(1,045)	(6,500)
Other Income	(12,562)	-	-	(12,562)	-	-
Other Expenses	225,885	-	-	225,885	-	-
Share-based compensation	-	-	-	-	741,535	-
Bad debt expense	7,350	-	-	7,350	-	-
Foreign Exchange Loss (Gain)	18,486	-	(75,000)	17,928	-	(75,000)
Accretion Expense	-	107,878	-	-	132,186	-
Net loss	(3,086,266)	(1,738,555)	(272,399)	(6,742,101)	(3,231,814)	(275,591)
Net loss per share - basic and diluted	(0.03)	(0.06)	(0.01)	(0.07)	(0.11)	(0.09)
Cash flow used in operations	(2,292,405)	(2,644,091)	(410,718)	(7,367,367)	(2,631,251)	(363,909)
Cash and cash equivalents	5,233,441	3,488,309	120,174	5,233,441	3,488,309	247,463
Working Capital	5,868,268	3,556,939	252,169	5,868,268	3,556,939	252,169

### Six months ended February 28, 2019 compared to Six months ended February 28, 2018

#### Office and General

(expressed in Canadian dollars)	Three months ended		Six months Ended	
	February 28,		February 28,	
	2019	2018	2019	2018
Salaries and wages	292,106	-	1,484,913	-
Insurance	41,468	1,809	60,864	1,809
Administration and other expenses	349,764	24,549	466,026	35,662
Rent	341,739	26,329	495,174	36,508
Regulatory and shareholder filing fees	11,758	15,744	18,382	33,437
Total	\$ 1,036,835	\$ 68,431	\$ 2,525,359	\$ 107,416

#### Salaries

Salaries and bonuses are higher than the comparable period due to the direct hire of salaried employees by the Company and its subsidiaries during the six months ended February 28, 2019. The increased wages and benefit expense are attributable to the increased headcount to support the growth of various business functions of the Company. Included in salaries are the cumulative signing bonuses, of \$634,318, for both the newly appointed CEO and COO.



### Administration and other expenses

Administration expenses are significantly higher than the comparable period. This increase was primarily due to increase general office expenses due to the inclusion of all administration and office expenses for the Company's subsidiaries. The overall increase reflects the Company's growth and building of commercial capacity and capability.

### Rent

The increased rent expense is primarily attributable to the acquisition of the rental obligations from the 420 Realty, Bravo Distribution, CaliGold and Mojave Jane transactions. The additional office space and facilities supports the Company's development of markets in Canada and the United States.

### Regulatory and Shareholder filing fees

Regulatory and shareholder filing fees are lower than the comparable period due to a timing difference.

### Advertising and Promotion

During the six months ended February 28, 2019, advertising and promotion was slightly lower than the comparable period due to a reduction in advertising personnel. The Company will continue to invest in marketing and market analytics capabilities by hiring talented staff and engaging key consultants.

### Professional Fees

(expressed in Canadian dollars)	Three months ended		Six months ended	
	February 28,		February 28,	
	2019	2018	2019	2018
Consulting fees	626,491	419,935	1,231,864	685,884
Legal fees	100,600	109,202	294,377	144,973
Audit fees	36,704	33,255	105,616	60,212
Total	\$ 763,795	\$ 562,392	\$ 1,631,857	\$ 891,069

### Consulting, Legal and Audit fees

Consulting fees consists of management consultants, business development consultants and communication consultants. Legal and audit fees are related to compliance and other legal costs related to business development initiatives and financings. During the six months ended February 28, 2019, consulting fees were significantly higher compared to the comparable period due to the inclusion of all consulting fees for the Company's subsidiaries. The audit fees relate to external financial reporting requirements. The increase in legal fees is due to the acquisition of Mojave Jane, ongoing general matters and business development.

### Communications and Travel

Communications and travel costs consists of conferences, trade shows, flights, accommodation, vehicle costs and meals. For six months ended February 28, 2019, there was a significant increase in communication and travel costs due to an increase in travel by senior management and consultants in relation to the development of the Company's Coachella property in the United States, due diligence on potential business acquisitions and an increase in various conferences and trade show attendance.

## 6. SUMMARY OF QUARTERLY RESULTS AND REVIEW OF SIX MONTHS ENDED FEBRUARY 28, 2019

The table below summarizes the financial results for each of the Company's eight most recently completed quarters. The following financial data has been prepared in accordance with IFRS and all figures are stated in Canadian dollars.

The Company had a source of revenue during the six months ended February 28, 2019. The Company will operate at a loss unless and until it is able to start producing revenue from its newly acquired subsidiaries, acquires a revenue-producing asset/business or merge or joint venture with a revenue-producing venture. The Company will require additional financing in order to fund due diligence expenditures and cover its general and administrative costs.

	2018/2019	2018/2019	2017/2018	2017/2018	2017/2018	2017/2018	2016/2017	2016/2017
(expressed in Canadian dollars)	Dec-Feb	Sept-Nov	Jun-Aug	Mar-May	Dec-Feb	Sept-Nov	Jun-Aug	Mar-May
Expenses	3,265,522	3,669,900	3,413,267	2,833,418	1,343,929	1,296,599	408,834	105,702
Net loss	(3,086,266)	(3,655,809)	(3,595,389)	(2,807,824)	(1,452,764)	(1,320,995)	(423,855)	(105,702)
Net loss per share - basic and diluted	(0.03)	(0.03)	0.01	(0.04)	(0.11)	(0.04)	(0.13)	0.00
Cash and cash equivalents	5,233,441	9,259,533	15,078,822	19,638,198	3,488,309	3,262,657	4,978,685	141,416
Assets	39,474,718	42,582,093	41,707,747	26,859,540	9,259,912	8,814,878	10,010,988	1,633,859
Working Capital	5,868,268	10,281,202	14,429,262	20,839,650	3,556,939	3,909,926	4,642,676	1,594,422

## 7. SUMMARY OF CASH FLOWS

	Three months ended February 28,	
(expressed in Canadian dollars)	2019	2018
Cash used in operating activities	(7,367,367)	(2,644,091)
Cash used in investing activities	(2,557,056)	-
Cash provided by financing activities	79,042	1,153,715
	(9,845,381)	(1,490,376)

### Operating Activities

For the six months ended February 28, 2019, the Company had a cash outflow of \$7,367,367 compared to a cash outflow of \$2,644,091 in the prior comparable period. This increase is due to an increase in corporate expenditures and operational expenditures during the period support the growth of various business functions of the Company.

### Investing Activities

For the six months ended February 28, 2019 and 2018 the Company had cash outflows of \$2,557,056 and \$Nil due to capital contributions made to the Company's acquired subsidiaries and land development costs.

### Financing Activities

For the six months ended February 28, 2019 and 2018, proceeds of \$52,500 from the exercise of warrants and proceeds received from the March 2018 private placement.

## 8. LIQUIDITY AND CAPITAL RESOURCES

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the Company's operations. Capital is comprised of the Company's shareholders' equity. As at February 28, 2019, the Company's shareholders' equity was \$35,274,311.

As at February 28, 2019, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business objectives, all of which may cast significant doubt about the Company's ability to continue as a going concern. As at February 28, 2019, the Company's current resources were sufficient to settle its current liabilities. The Company had working capital surplus of \$6 million as at the end of the period. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due and to attain future profitable operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. Further, if an equity offering is used to raise required additional capital, it may result in dilution to existing shareholders based on the size of such an offering. Failure to obtain such additional financing could result in delay or indefinite postponement of the development of the Company's business and may cast significant doubt upon the Company's ability to continue as a going concern.

## 9. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, except for guarantees.

## 10. TRANSACTIONS BETWEEN RELATED PARTIES

During the six months ended February 28, 2019, the Company incurred the following expenses payable as compensation to directors, officers and companies that are controlled by directors of the Company:

### Key management personnel compensation

(expressed in Canadian dollars)	Six months ended	
	February 28,	
	2019	2018
Salaries and bonuses	807,957	-
Management fees	273,288	94,728
Professional Fees	-	133,225
Stock-based compensation	-	741,535
Total	\$ 1,081,245	\$ 969,488

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer.

As at February 28, 2019, the Company has a balance payable of \$55,998 to related parties, which is due on demand, unsecured and is non-interest bearing.

## **11. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

Note 3 of the Company's interim condensed consolidated financial statements for the six months ended February 28, 2019 sets out the Company's significant accounting policies. There have been no changes in the Company's accounting policies during the period.

## **12. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

The Company does not have any derivative financial assets and liabilities.

### **Financial Risk Management**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

#### *Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash in bank accounts with reputable financial institutions with strong credit ratings which are closely monitored by management and in trust accounts with the Company's legal representatives.

#### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2019, the Company had sufficient cash on hand to meet its current liabilities. The Company's accounts payable, due to related parties and loan payable have contractual maturities of less than 30 days and are subject to normal trade terms.

#### *Market Risk*

Market risk is the risk of loss that might arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to limited interest rate risk as its secured convertible debentures bear fixed interest rates.

ii) Foreign Currency Risk:

The Company holds cash and cash equivalents in bank account denominated in United States dollars. Therefore, it is subject to risk in fluctuations in the exchange rate of the United States dollar. However, as at February 28, 2019, the balance in this account was nominal and therefore, any change in the Canadian dollar versus the United States would be insignificant.

### 13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of the Company's land in Coachella, California and additional acquisition opportunities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of its shareholders' equity.

The Company is not exposed to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended February 28, 2019.

### 14. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following is an analysis of the Company's financial assets measured at fair value as at February 28, 2019:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 5,233,441	\$ -	\$ -

### 15. FAIR VALUE

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

## 16. COMMITMENTS

The Company's subsidiary Bravo Distribution maintains a lease at a building located at 2545 Boatman Avenue, City of West Sacramento, California 95691. The lease expires on June 31, 2028 and can be extended by one year with an option term.

The Company's subsidiary 420 Realty LLC maintains a lease at a building located at 4311-4315 Santa Ana St., Cudahy, California 90201. The lease expires on July 31, 2027 and can be extended by five years with an option term.

The Company's subsidiary HS Airway Holdings maintains a lease at a building located at 241 N. 10th Street, Suite 6, Sacramento, CA, 95811. The lease expires on January 31, 2022.

The lease commitments for the above noted leases are as follows:

(expressed in Canadian dollars)

Less than one year	677,691
Two to five years	2,686,496
Greater than five years	2,747,329
	<u>\$ 6,111,516</u>

## 17. OUTSTANDING SHARE INFORMATION

<u>As at February 28, 2019</u>		<u>As at April 25, 2019</u>	
Authorized	Unlimited	Authorized	Unlimited
Issued and outstanding shares	104,078,316	Issued and outstanding shares	104,778,316
Options outstanding	2,225,000	Options outstanding	2,225,000
Warrants	37,892,282	Warrants	37,892,282
Fully diluted	144,195,598	Fully diluted	144,895,598

## 18. MANAGEMENT COMMENTS

The Company complies with its CSE listing agreement. The Company maintains an adequate system of internal accounting and administrative controls to provide reasonable assurance that the Company's financial information is accurate and that the assets correctly accounted for. Current management intends to establish a rigorous system of system of internal accounting and administrative controls to ensure that its reported financial information is relevant, reliable and accurate and that the assets of the Company are correctly accounted for and protected.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).