



**MOJAVE JANE BRANDS INC.**

(formerly High Hampton Holdings Corp.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended November 30, 2019

## **INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") has been prepared by the management of Mojave Jane brands Inc. ("Mojave Jane" or the "Company") as of January 29, 2020, and should be read in conjunction with the unaudited interim consolidated financial statements and related notes of the Company for the three months ended November 30, 2019, and the audited consolidated financial statements of the Company together with the related notes thereto for the year ended August 31, 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts 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. Additional information related to the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company web site at [www.mojavejane.com](http://www.mojavejane.com).

## **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**

Mojave Jane Brands Inc. trades in Canada, ticker symbol JANE on the CSE, and in Europe, ticker symbol 0HCN 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.

## COMPANY OVERVIEW

Mojave Jane Brands Inc. 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 then to High Hampton Holdings Corp. on June 18, 2015 and subsequently to Mojave Jane Brands Inc. on June 11, 2019. 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 “JANE”, on the Frankfurt Exchange under the symbol “FSE: 0HCN” and on the USA: OTC under the symbol HHPHF.

As of November 30, 2019, the Company owned five wholly owned subsidiaries in the US; CoachellaGro (Coachella, California), Bravo Distribution/8 Points Management (West Sacramento, California), HS-Airways/CaliGold (Sacramento, California), 420 Realty (Cudahy, California) and Mojave Jane (Coachella, California). During the year ended August 31, 2019, the Company has classified the assets and liabilities of certain subsidiaries as assets held for sale.

The Company’s principal business is the manufacturing, processing and sale of cannabis extracts. Currently the Company ceased generating revenues as it vacated its leased premise in Coachella, CA, and plans to continue to seek out other potential strategic alliances, joint venture, acquisition or merger opportunities with existing licensed producers or entities offering products or services in the cannabis industry.

The Company is focused on delivering shareholder value by developing products and brands to meet consumer demands, and by taking those products and brands to the wholesale and retail markets through its partially owned delivery service, SpeedWeed. 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 areas of the cannabis market in the US that can build its breadth of products, brands, and distribution points.

### Highlights of fiscal 2020

- Manufacturing: the Company decided not to complete the intended acquisition of CB Asset Management. The originally agreed upon acquisition price of \$7.5 million no longer reflected market realities. Instead, In November 2019, the company announced the execution of a binding LOI to acquire 100% of the member’s interests in Pacific Crest 4, LLC (PC4). The deal includes a Type 7 (volatile and non-volatile) manufacturing license, extraction and related equipment, operations, and property lease in Adelanto, California. This will enable the Company to consolidate all its manufacturing and packaging activities under one roof, significantly reducing OpEx spend. The transaction, expected to close in January 2020, is a foundational asset in Mojave Jane’s infrastructure, and will also house third-party manufacturing and white labeling, such as for beverage related products through its exclusive license with HAI Beverages. The total consideration for the Adelanto transaction is \$1.2 million, of which \$700,000 is in the form of a convertible debenture.
- Brands: the Company is in the process of expanding the product portfolio of its premium chocolate brand CALIGOLD. Furthermore, the Company intends launching additional brands, supported by the manufacturing capabilities of the Adelanto property once the transaction has been completed.
- The Company also announced the reversal of the Bravo transaction. The Bravo vendors will return the 4.5 million shares issued in the transaction. Following the reversal, Mojave intends to focus on operating at the higher-margin end of the value chain, with products, brands and direct to consumer distribution and delivery, while significantly reducing OpEx spend.
- In September 2019, the Company completed a non-brokered private placement of 15,930,500 units at a price of \$0.20 per unit for gross proceeds of \$3,186,100.
- In September 2019, the Company made the second tranche investment in 2083 Group and increased the Company’s ownership interest in 2083 Group to just under 25%.

- In November 2019, management took steps to eliminate real estate rentals that were under-utilized. Specifically, the facility leases in City of Cudahy and West Sacramento were terminated to substantially reduce recurring operating costs.
- In November 2019, Mojave Jane suspended further development of its Cudahy facility as the Company elects to consolidate operations and committed to a plan to find a buyer for the asset. 420 Realty in Cudahy holds six cannabis licenses in Cudahy, California to support manufacturing, distribution, processing, non-storefront retail (delivery), and boutique (R&D) cultivation.
- In November 2019, the Company's shares in the U.S. have migrated to the OTCQB Venture Market from the OTC Pink Open Market.
- In November 2019, the Company announced it has signed a binding Letter of Intent (LOI) to acquire 100% of the members' interests in Pacific Crest 4 LLC ("Pacific Crest"), inclusive of its licenses, property lease, and all extraction equipment, as well as the operations of Pacific Crest, located in Adelanto, California (the "Adelanto Property").

## **DISCUSSION OF OPERATIONS**

As a development stage company, commercial, revenue generating operations during the quarter ended November 30, 2019 were limited. The Company is anticipated to operate at a loss until CaliGold and Mojave Jane, LLC become fully operational and scale to capacity. The Company halted its operations at CaliGold during fiscal 2019 and the lease for the Mojave Jane, LLC facility ended during the quarter. As the Company finalizes arrangements and completes a transaction to consolidate its operations in a new facility, revenues are anticipated to start up again and the Company will also utilize Speedweed's platform and direct to consumer model. The Company will require additional financing in order to fund further working capital and cover its general and administrative costs.

The operations of the Company are, and will continue to be focused on manufacturing (extraction/distillation), edibles development and production, product, brands, and delivery. Mojave Jane will make cannabis products that will be marketed and delivered through 2083 Group's Speedweed platform.

The company intends to purchase raw product (biomass) in the spot market. Doing so exposes the company to shifts in pricing based on market conditions, which can work in the company's favor or against its interests. The company maintains relationships with brokers, distributors and growers for supply of raw material.

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 intends to continue to go to market with white label and branded products, scaled to market demands. Mojave Jane began limited production in July 2019. Expanded operations are anticipated to commence upon completion of the Adelanto facility and the subsequent consolidation of the Company's operations at this new licensed location. A new high capacity CO2 extraction system delivered and brought on line in January 2019 allows for production of approximately 110 liters of distillate monthly.

With this expansion, upon moving to a new location, Mojave Jane, LLC will resume 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, LLC in its line of edibles.

CaliGold will continue to develop and produce highly regarded edible products in California, 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 halted operations in 2019 when the state challenged its landlord's compliance with regulations around cohabitation of cannabis operations.

CaliGold is anticipated to recommence operations in early 2020. In the meantime, it continues R&D on new products to be announced and introduced to the market in early 2020.

Delivery operations began to develop in late 2019, with Speedweed adding consumers, products, and stores to its portfolio. Speedweed anticipates further expansion of consumers, stores, and products in 2020 and beyond as locations are added to serve strategic geographies in Southern California. The Company views this expansion, along with its ability to introduce products directly to consumers, as important to its long-term success. In September 2019, the Company made the second tranche investment in 2083 Group and increased the Company's ownership interest in 2083 Group to just under 25%.

During the three months ended November 30, 2019, the Company reported a net loss of \$1,762,352 as compared to a net loss of \$3,655,808 for the three months ended November 30, 2018. The net loss for the quarter consists of a net loss of \$1,607,626 (2018 - \$2,833,091) from its continuing operations and a net loss of \$154,726 (2018 - \$822,717) from its discontinued operations. The loss from discontinued operations include the operating results from CoachellaGro, Bravo Distribution/8 Points Management, and 420 Realty and was mainly attributable to salaries and depreciation expenses.

The gross revenue for the three months ended November 30, 2019 was \$67,976 (2018 - \$47,388). The general administrative expenses for the first quarter of fiscal 2020 were \$1,567,112 (2018 - \$2,575,589). The decrease over the prior period has been driven by management's efforts to reduce costs in all areas of operations. The variance was mainly attributable to:

- Accounting and legal of \$134,704 (2018 - \$262,689) include audit, accounting, regulatory compliance and business acquisition and investigation related costs.
- Advertising and promotion of \$505,352 (2018 - \$323,800) include costs of marketing, media and investor relation firms and have increased over the comparative period due to significant promotion activities during the quarter.
- Consulting fees of \$280,706 (2018 - \$151,202) consists of fees to management consultants, business development consultants and communication consultants. The increase is due to increased business development efforts.
- Rent of \$55,260 (2018 - \$94,882) has decreased from the comparative period due to the termination of certain lease contracts.
- Salaries and wages of \$196,400 (2018 - \$1,069,794) include \$107,338 to management employees and \$89,062 to staff employees. The salary expenses for the 2018 quarter included a signing bonus of \$634,318 to the management team members.

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited financial information for the Company's eight most recent quarters ending with the last quarter for the three months ended November 30, 2019.

	For the Three Months Ended							
	Fiscal 2020	Fiscal 2019				Fiscal 2018		
	Nov. 30, 2019	Aug. 31, 2019	May 31, 2019	Feb. 28, 2019	Nov. 30, 2018	Aug. 31, 2018	May 31, 2018	Feb. 28, 2018
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenues	67,976	114,159	507	43,013	47,388	52,211	-	-
Net income (loss) from continuing operations	(1,607,626)	(15,600,564)	(2,522,172)	(1,509,193)	(2,833,091)	(3,355,437)	(2,807,824)	(1,452,764)
Net income (loss)	(1,762,352)	(24,140,365)	(8,644,474)	(3,086,266)	(3,655,808)	(3,595,389)	(2,807,824)	(1,452,764)
Net income (loss) from continuing operations per	(0.01)	(0.19)	(0.02)	(0.02)	(0.02)	(0.01)	(0.04)	(0.11)

share - basic and diluted								
Net income (loss) per share - basic and diluted	(0.01)	(0.29)	(0.07)	(0.03)	(0.03)	(0.01)	(0.04)	(0.11)

## 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 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 November 30, 2019, the Company had a cash balance of \$793,281, a decrease of \$818,989 from the cash balance of \$1,612,270 on August 31, 2019. During the three months ended November 30, 2019, cash used in the operating activities is \$2,009,883. The Company spent \$532,329 on investment in 2083 Group. The Company raised net proceeds of \$1,876,114 through a private placement financing during the three months ended November 30, 2019.

The Company had working capital of \$527,289 excluding assets and liabilities held for sale as at November 30, 2019 compared to working capital of \$930,077 as at August 31, 2019.

### Going Concern

As at November 30, 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. At present, the Company may not have sufficient capital resources to settle its current liabilities. The Company had working capital surplus of approximately \$2.6 million (including assets and liabilities held for sale) 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.

## 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.

## RELATED PARTY TRANSACTIONS AND BALANCES

Amounts due from related party of \$86,943 (August 31, 2019 - \$86,909) related to payroll taxes paid on behalf of a director and officer of the Company. The amount is due on demand, unsecured and non-interest bearing.

Amounts due to related parties of \$208,881 (August 31, 2019 - \$181,983) were for services rendered to the Company by the directors, officers and former directors and officers of the Company and are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the three month period ended November 30 is as follows:

	2019	2018
Management salaries and director fees	\$ 122,338	\$ 148,733
Share-based payments	-	-
<b>Total</b>	<b>\$ 122,338</b>	<b>\$ 148,733</b>

## COMMITMENTS

- (a) 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.
- (b) The Company's subsidiary HS Airway Holdings maintains a lease at a building located at 241 N. 10<sup>th</sup> Street, Suite 6, Sacramento, CA, 95811. The lease expires on January 31, 2022.
- (c) The Company's subsidiary HS Airway Holdings maintains a lease at a building located at 3145 Tiger Run Court, Suite 113, Carlsbad, CA, 92010. The lease expires on March 31, 2021.
- (d) The Company's subsidiary HS Airway Holdings maintains a lease at a building located at 248 Redondo Ave, Sacramento, CA, 95815. The lease expires on January 31, 2020.
- (e) The Company's subsidiary HS Airway Holdings maintains a lease at a building located at 1041 Folger Street, Berkeley, CA, 94702. The lease expires on December 31, 2021.
- (f) The Company's subsidiary HS Airway Holdings maintains a lease at a building located at 3350 East 9<sup>th</sup> Street, Oakland, CA, 94601. The lease expires on December 19, 2020 and has a one-time option to cancel the lease effective December 19, 2019.
- (g) The Company maintains a lease at a building located at 451 East Main Street, Studio 10, Ventura, CA, 93001. The lease expires on February 29, 2020 and can be extended by one year with an option term.
- (h) The Company maintains a lease at a building located at Puente Hills Business Center, 17700 Castleton Street, Suite 238, City of Industry, CA, 91748. The lease expires on August 31, 2023.

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

	\$
Less than one year	621,790
Two to five years	2,187,447
Greater than five years	1,281,719
	<b>4,090,956</b>

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However,

actual outcomes can differ from those estimates and judgments. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Areas requiring a significant degree of estimation and judgment by the Company's management relate to but are not limited to:

- whether an indication of impairment loss or a reversal of an impairment loss exists for property, plant and equipment and finite lived intangible assets;
- determining the fair values of identifiable assets acquired, liabilities assumed, contingent consideration for business combinations and asset acquisitions;
- judgments used in determining if an acquisition constitutes a business combination or asset acquisition;
- judgments used in determining whether the Company has acquired significant influence over an entity;
- discount rates and cash flows used to calculate the recoverable amounts for cash generating units for the purposes of determining whether an impairment of goodwill and indefinite lived intangible assets exists;
- estimates and judgments used in determination of the fair value less cost to sell of assets held for sale and finite lived intangible assets;
- amortization methods and periods used for property, plant and equipment and finite lived intangible assets;
- estimates and judgments used in determination of the manufacturing costs, selling costs, wastage and expected yield for inventory;
- the collectability of accounts or loans receivable;
- the fair value measurements for financial instruments;
- the recoverability and measurement of deferred tax assets and liabilities;
- the fair value estimation of share-based payments and awards;
- whether the Company has sufficient financing to operate as a going concern; and
- determining the classification of contingent consideration as a financial liability or equity.

Actual results may differ from those estimates and judgments.

## **FINANCIAL INSTRUMENTS**

### **Financial risk management**

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency exchange 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 potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash, trade and other receivables, and amount due from related party. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. The Company does not anticipate any default of its trade receivables, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at November 30, 2019, the Company had enough cash and cash equivalents on hand to meet its current liabilities. However, the Company may need to raise additional financing over the next twelve months to meet its operating requirements (see note 1). The Company's accounts payable, loan payable and due to related parties have contractual maturities of less than 30 days and are subject to normal trade terms.



### *Interest rate risk*

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

### *Foreign exchange rate risk*

Foreign currency exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. The Company funds its operations in the United States by using USD converted from its Canadian bank accounts. At November 30, 2019, the Company had financial assets of \$210,229 and financial liabilities of \$239,327 denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately \$3,000. The Company does not hedge its foreign exchange risk.

## **OUTSTANDING SHARE DATA**

The Company had the following common shares, stock options and warrants outstanding as at the date of this report:

Issued and Outstanding Common shares	117,129,301
Stock options	3,725,000
Warrants	50,007,392
	<hr/>
	170,861,693

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

### **New accounting policy**

#### IFRS 16 – Leases

This standard replaces IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements. Under IFRS 16, a lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Right-of-use assets will be initially measured at cost, which includes the initial measurement of the lease liabilities and other costs, less lease incentives. Lease liabilities will initially be measured at the present value of future lease payments and subsequently measured at amortized cost using the effective interest method. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances and may be applied retrospectively to each prior period presented (full retrospective approach) or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

The Company adopted IFRS 16 on September 1, 2019. On initial adoption, the Company has elected to record right-of-use assets based on the corresponding lease obligation. Right-of-use asset and lease obligation of \$318,118 were recorded as of September 1, 2019, with no impact on deficits. When measuring the present value of lease obligations,

the Company discounted remaining lease payments using its incremental borrowing rate at September 1, 2019, which was a weighted-average rate of 12%.

## **DISCLOSURE CONTROLS**

In connection with Exemption Orders issued by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

## **APPROVAL**

The Board of Directors of Mojave Jane brands Inc. has approved the contents of this management discussion and analysis on January 29, 2020.