

CANNABIS ONE HOLDINGS INC.

(Formerly Metropolitan Energy Corp.)

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE SEVEN MONTHS ENDED JULY 31, 2019**

Expressed in United States Dollars

CANNABIS ONE HOLDINGS INC. (FORMERLY METROPOLITAN ENERGY CORP.)

FOR THE SEVEN MONTHS ENDED JULY 31, 2019

MANAGEMENT'S DISCUSSION & ANALYSIS

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This Management's Discussion & Analysis (“**MD&A**”) of the financial condition and results of operations of Cannabis One Holdings Inc. (formerly Metropolitan Energy Corp.) (“**Cannabis One**” or the “**Company**”) should be read in conjunction with Bertram Capital Finance, Inc.’s audited financial statements for the year ended December 31, 2018, and the unaudited interim condensed consolidated financial statements for the seven months ended July 31, 2019, and accompanying notes therein. This MD&A is dated September 27, 2019, which is the date that the Board of Directors of the Company (the “**Board**”) approved the disclosure contained in this MD&A.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

All dollar amounts in this MD&A are expressed in United States Dollars except where otherwise indicated.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “**forward-looking statements**”). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors in the “Risk Factors” and “Additional Risk Disclosure for Issuers with U.S. Cannabis Operations” sections below. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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CORPORATE OVERVIEW

The Company was incorporated on July 16, 2007, under the *Business Corporations Act* (British Columbia). On November 8, 2018, the Company changed its name to Cannabis One Holdings Inc. Cannabis One, through its wholly-owned subsidiary, Bertram Capital Finance, Inc. (“**Bertram**”), a Colorado corporation, focuses on providing management resources as well as infrastructure and equipment for use in the production, cultivation and dispensary operations of licensed cannabis businesses in the United States of America (the “**United States**” or the “**U.S.**”). Bertram was incorporated in Colorado on February 20, 2015. Cannabis One indirectly serves thousands of customers in the jurisdictions that its licensed clients operate, including Washington, Oregon, Colorado, and Nevada. The Company itself does not hold any licenses related to cultivation, manufacturing, distribution, or sale of cannabis or cannabis-infused products.

Cannabis One intends to directly (if specifically permitted under applicable state regulations) or indirectly support additional licensed cannabis businesses by expanding its current client base in Colorado, Nevada, Washington and Oregon through new licensing agreements and contractual partnerships. Cannabis One also intends to expand its client base and provide support services in additional markets across the highly regulated U.S. states (targeting California in fiscal 2020) and Canada, should appropriate opportunities present themselves.

Cannabis One has licensing agreements and contractual partnerships with related and unrelated licensed cannabis producing entities to provide a variety of services including product packaging, equipment leasing, and site personnel and management resources. Cannabis One also owns certain intellectual property, including the trademarks, trade names, domain names and/or licensing rights for various cannabis-related brands. This intellectual property is comprised of the trade names “CannabisTM”, “The JointTM by Cannabis”, “Incognito by Cannabis”, “Fire by Cannabis”, “Cannabis Prime”, “Fat Face Farms”, “Honu” and “INDVRTM”, the innovative vaporizer-style cannabis delivery system, as well as related trademarks and website domains.

CORPORATE OUTLOOK, ACQUISITIONS, AND PROPOSED TRANSACTIONS

Corporate Outlook

Cannabis One's long-term plan for expansion is to extend its operations throughout North America and internationally with the intention of establishing a leading brand culture and reputation in the cannabis industry. The Company anticipates continued expansion of its current suite of services and products throughout those states in the United States where it is permissible to do so under applicable state regulatory regimes for the remainder of fiscal 2020, which comprises the thirteen months ended January 31, 2020.

Refer to “Acquisitions” and “Proposed Transactions” below for details of acquisitions completed during the seven months ended July 31, 2019, and proposed acquisitions that have not yet completed to the date of this MD&A.

The Company continues to actively identify and evaluate cannabis sector assets and businesses through discussions with various business associates, contacts of the directors and officers, and other parties, with a view to completing acquisitions of, or extending professional services to, cannabis sector participants in those states in the United States where it is permissible to do so under applicable state regulatory regimes. To carry out this activity and to fund continued general corporate requirements, the Company anticipates the need for additional fundraising primarily through equity financing, but possibly through debt financing. However, there can be no assurance that any such financing, whether equity or debt, will be available to the Company in the amount required, or if available, that it can be obtained on terms satisfactory to the Company.

References to “Class A SUB Shares” and “Class B SVS Shares” refer to the Class “A” subordinate voting shares and Class “B” super voting shares in the capital of the Company, respectively. Each Class B SVS Share is convertible at the option of the holder into ten Class A SUB Shares, subject to certain restrictions on conversion in the terms of the Class B SVS Shares.

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Reverse Takeover Acquisition and Public Listing

On February 25, 2019, Cannabis One completed an acquisition of Bertram. By way of a definitive business combination agreement, Cannabis One acquired, indirectly through its wholly-owned subsidiary Metropolitan Acquisition Corp. which was incorporated on October 3, 2018 under the laws of Colorado, all of the issued and outstanding shares of Bertram in exchange for Class A SUB Shares and Class B SVS Shares, as applicable, pursuant to a merger of Bertram and Metropolitan Acquisition Corp. (the "**Business Combination**"). The Business Combination constituted a reverse takeover ("**RTO**") of Cannabis One by the shareholders of Bertram.

On closing of the RTO, Cannabis One delisted from the NEX board of the TSX Venture Exchange and obtained a listing on the CSE. The Class A SUB Shares of Cannabis One commenced trading on the CSE on February 26, 2019, under the symbol "CBIS.CN" The Class B SVS Shares of Cannabis One are non-trading. Additionally, Metropolitan Acquisition Corp. was dissolved and ceased to exist subsequent to closing of the RTO.

For accounting purposes, Bertram was treated as the accounting parent company (legal subsidiary) and Cannabis One has been treated as the accounting subsidiary (legal parent) in the financial statements. As Bertram was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in the financial statements at their historical carrying values. Cannabis One's results of operations have been included in the financial statements from February 25, 2019.

	February 25, 2019
Net assets of Metropolitan acquired:	\$
Cash	1,114,974
Receivables	34,001
Deposit	38,017
Trade and other payables	(275,182)
Foreign currency translation adjustment	1,905
Net assets acquired	913,715
Consideration paid in RTO of Metropolitan:	\$
(1) Class A SUB Shares (fair value of 12,675,314 shares at \$0.38 (CAD\$0.50) each)	4,816,619
(1) Class B SVS Shares (fair value of 252,700 shares at \$3.80 (CAD\$5.00) each)	960,260
Finders' warrants	316,000
Replacement warrants	53,000
Replacement warrants reclassified as warrant liability	(47,000)
Transaction costs - cash	261,954
Total consideration paid	6,360,833
Listing expense	5,447,118

(1) Aggregate value of Class A SUB Shares and Class B SVS Shares issued as part of consideration payable pursuant to the RTO totals \$5,776,879.

The Business Combination was measured at the fair value of the shares that Bertram would have had to issue to the shareholders of Cannabis One, to give the shareholders of Cannabis One the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Bertram acquiring Cannabis One.

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Acquisition of Fat Face Farms (JBC Enterprises LLC)

On April 16, 2019, the Company closed the transactions contemplated by a definitive asset purchase agreement (“**Fat Face Farms APA**”) and completed the acquisition of certain assets of Colorado-based JBC Enterprises LLC (“**JBC**”) which operates the branded cannabis cultivation facility “Fat Face Farms”, located in Denver, Colorado (the “**Fat Face Farms Transaction**”). Under the terms of the Fat Face Farms APA, the Company acquired the business and operating assets of JBC, inclusive of all leasehold rights, intellectual property, and equipment. The Company completed the acquisition for the purpose of expanding its brand portfolio and adding expertise in respect to cultivation operations so to facilitate potential future expansion into additional state-legal markets, and to generate service income from the facilitation of Fat Face Farms’ operations.

The Fat Face Farms Transaction constitutes a business combination. Goodwill arose from the Fat Face Farms Transaction as the net assets acquired by the Company are considered to constitute a business. Additionally, the excess of the consideration paid by the Company reflects the benefit of expected service income, the existing brand, future market development, and the assembled work forces of JBC.

	April 16, 2019
Net assets acquired:	\$
Property and equipment	358,410
Right-of-use asset	1,015,100
Lease liability	(1,015,100)
Net assets acquired	358,410
Goodwill	741,590
Total	1,100,000
Consideration paid:	\$
Class B SVS Shares (37,358 shares at \$29.44 (CAD\$39.29) per share)	1,100,000
Total	1,100,000

Consideration paid by the Company consisted of 37,358 Class B SVS Shares for total consideration of \$1,100,000. Each Class B SVS Share is convertible into 10 Class A SUB Shares. The Class B SVS Shares are subject to a trading restriction until August 16, 2019. No trade receivables or other amounts owed by JBC to the Company were offset against the consideration paid.

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Acquisition of Honu Enterprises

On May 6, 2019, the Company closed on a Definitive Asset Purchase Agreement (“**Honu APA**”) with Honu Enterprises Inc. (“**Honu**”) a Washington-based cannabis-infused products brand, whereby the Company acquired certain assets of Honu including leasehold rights, intellectual property, inventory, and equipment (the “**Honu Transaction**”). The Company completed the acquisition for the purpose of expanding its brand portfolio and to generate service income from the facilitation of production and licensing of Honu-branded cannabis infused products.

The Honu Transaction constitutes a business combination. Goodwill arose from the Honu Transaction as the net assets acquired by the Company are considered to constitute a business. Additionally, the excess of the consideration paid by the Company reflects the benefit of expected service income, the existing brand, future market development, and the assembled work forces of Honu.

	May 6, 2019
Net assets acquired:	\$
Inventory	50,957
Equipment	1,285,621
Right-of-use asset	1,059,700
Lease liability	(1,059,700)
Net assets acquired	1,336,578
Goodwill	6,458,949
Total	7,795,527
Consideration paid:	\$
Class B Super Voting Shares (87,802 shares at \$29.73 (CAD\$40.00) per share)	2,610,178
Trade receivable (forgiveness)	541,687
Loan receivable (forgiveness of principal and interest)	17,297
Contingent consideration	4,626,365
Total	7,795,527

Consideration paid by the Company consisted of 87,802 Class B SVS Shares, the forgiveness of receivables, the forgiveness of a loan receivable including principal and interest, and the estimated fair value of contingent consideration payable upon achievement of certain revenue milestones pursuant to the Earn-Out provisions described below, for total consideration of \$7,795,527.

As part of the consideration paid, the Company is required to issue additional Class B SVS Shares to Honu upon the satisfaction of provisions applicable to two earn-out considerations (the “**Earn-Outs**”), as follows:

- First Earn-Out: The Company is required to issue Class B SVS Shares to Honu with a fair value \$3,426,937 upon revenues from the sale of Honu-branded products reaching \$3,426,937 for the thirteen months ended January 31, 2020;
- Second Earn-Out: The Company is required to issue Class B SVS Shares to Honu with a fair value of \$3,426,937 upon revenues from the sale of Honu-branded products reaching \$3,426,937 for twelve months ended January 31, 2021.

The Earn-Outs are payable if, and only if, applicable annual revenue targets have been met. The Earn-Outs are recognized on the acquisition date as contingent consideration. The measurement of contingent consideration is impacted by estimated probabilities of the likelihood that the sale of Honu-branded products will meet the required revenue targets and are multiplied by the specified consideration payable as stated above, which is payable in Class B SVS Shares, if such targets are met. These estimated probabilities are highly subjective and are significantly impacted by budgeted and actual results as of the acquisition date.

As of the acquisition date, and July 31, 2019, the Company estimated a 60% probability of the First Earn-Out being met, and a 75% probability of the Second Earn-Out being met.

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Proposed Transactions

During the seven months ended July 31, 2019, the Company entered into the following agreements to acquire certain businesses and/or assets (these transactions have not yet completed):

Green Lady:

Green Lady Acquisition:

On July 11, 2019, the Company entered into a definitive share purchase agreement (the "**Definitive Agreement**") with the owner of all issued and outstanding securities of Green Lady IP Inc. ("**Green Lady IP**"), a Washington-based company that provides infrastructure services to three dispensaries operated by Green Lady Inc. and Green Lady Westside Inc. (the "**Dispensary Companies**").

Under the terms of the Definitive Agreement, the Company will acquire all of the issued and outstanding securities of Green Lady IP. In accordance with Washington State regulations and legislation, neither the Company, nor Bertram, shall acquire any interest in or control over regulated inventory or licenses related to the cultivation, manufacture, distribution, or sale of cannabis or cannabis-related products in connection with the proposed transaction (the "**Green Lady Transaction**").

Gross consideration payable to Green Lady IP in connection with the Green Lady Transaction will amount to \$3,050,000 as follows:

- \$300,000 in cash;
- \$1,350,000 in Class B SVS Shares; and
- \$1,400,000 as a non-interest bearing Promissory Note (the "**Promissory Note**") payable in 28 monthly cash installments of \$50,000 per month.

In the event that any payments of the Promissory Note are in default, such payments will bear simple interest at a rate of 12% per annum. Moreover, the Promissory Note will be secured against the accounts receivable or other receivables of Green Lady IP.

Green Lady Option:

In connection with the Green Lady Transaction, each of the Dispensary Companies will grant Green Lady IP an option (the "**Option**"), which provides the right, but not the obligation, to acquire all assets from the Dispensary Companies, including those assets related to cannabis licenses and the sale of regulated products, following certain regulatory changes in the State of Washington that would allow out-of-state ownership of the assets held by the Dispensary Companies, or a portion thereof.

Gross consideration that would be payable in respect of the exercise of the Option is \$3,200,000, comprised of:

- \$1,600,000 in cash; and
- \$1,600,000 in either (and in Green Lady IP's sole discretion): (i) Class B SVS Shares; or (ii) cash.

The Option will have an initial term of five years (the "**Term**"), which Term may be extended for an additional three years. The Exercise of the Option, and the exchange of monies between the parties to the Option in connection with such Exercise, will be subject to state regulatory review and approval.

As at July 31, 2019, the Company has not yet paid any portion of the above consideration payable. The timing of which is being negotiated amongst the parties.

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Evergreen Organix:

On April 22, 2019, the Company announced it had executed three Definitive Agreements to acquire certain assets of Nevada-based LV 3480 Partners LLC, 3480 Investors, Inc., and Argo Finance LLC (collectively, “**Evergreen Organix**”) (the “**Evergreen Organix Transaction**”). Subject to the approval of Nevada State regulators, the Company will acquire infrastructure, intellectual property and other assets including several flower and infused-product brands. Evergreen Organix has established manufacturing and distribution relationships for the production of its suite of brands across six states: Nevada, California, Colorado, Washington, Oregon, and Montana.

Consideration payable by the Company will total \$47,710,623 comprised of Class B SVS Shares, cash, and assumed liabilities as follows:

- i. Payable to LV 3480 Partners LLC: \$24,607,506 in Class B SVS Shares less any funds previously advanced by the Company to Evergreen Organix. The Class B SVS Shares will be subject to a lock-up period of 18-months following the date of issuance which restricts the transfer of these securities during the lock-up period. During the lock-up period 33.33% of the issued Class B SVS Shares will be released from the lock-up every six months;
- ii. Payable to 3480 Investors, Inc.: \$15,000,000, comprised of \$14,355,000 in assumed liabilities and \$645,000 in cash; and
- iii. Payable to Agro Finance LLC: \$8,103,117 in cash.

Any amount owed to the Company by Evergreen Organix at the time of closing of the Evergreen Organix Transaction will be offset against the consideration payable by the Company.

As at July 31, 2019, the Company has not yet paid any portion of the above consideration payable. The timing of which is being negotiated amongst the parties.

Itachi Advisory Group:

On April 24, 2019, the Company entered into a Letter Agreement with Colorado-based cannabis industry consulting firm Itachi Advisory Group LLC (“**Itachi**”), to evaluate potential acquisitions for the Company of various assets related to cannabis retail, cultivation, and manufacturing operations from certain entities. Specifics as to the targeted assets and eventual consideration payable by the Company will be determined once acquirable assets are identified.

Citation Growth:

Effective March 5, 2019, the Company executed a Letter of Intent (“**LOI**”) to acquire a 51% ownership in California license holder, “420 Express Delivery Inc.” which operates, “Green Leaf Wellness”, a dispensary in the Coachella Valley of California, from Citation Growth Corp. (formerly Liht Cannabis Corp.) a publicly traded company on the CSE.

Consideration payable by the Company would be the rebranding of the Green Leaf Wellness dispensary, valued at US\$250,000, under Cannabis One’s “The JointTM” banner; and US\$350,000 in Class A SUB Shares of Cannabis One.

Negotiations in respect of this proposed transaction have stalled and there are no assurances that negotiations will recommence.

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OVERALL PERFORMANCE / RESULTS OF OPERATIONS

During the seven months ended July 31, 2019, the Company raised cash through the issuances of shares as follows:

- 3,582,583 Class A SUB Shares were issued on exercise of warrants for gross proceeds of \$884,658 (CAD \$1,182,771).
- 42,800 Class B SVS Shares (equivalent of 428,000 Class A SUB Shares) were issued on exercise of warrants for gross proceeds of \$241,725 (CAD \$321,000).
- 33,334 Class A SUB Shares were issued on exercise of stock options for gross proceeds of \$14,918 (CAD \$20,000). In addition, \$10,164 representing the fair value of the options on initial vesting was re-allocated from reserves to share capital.

For the seven months ended July 31, 2019 and July 31, 2018:

	July 31, 2019 \$	July 31, 2018 \$	Change (rounded) \$	Percentage change %
Lease and rental income	443,299	429,326	14,000	3%
Product sales	331,791	107,216	225,000	210%
Service income	3,477,536	500,286	2,977,000	595%
Total revenue	4,252,626	1,036,828	3,216,000	310%
Gross profit	995,630	209,016		
Gross profit percentage	23%	20%		
Operating expenses	(4,566,319)	(664,924)		
Loss for the period	(8,975,023)	(455,908)		
Basic and diluted loss per common share	(0.11)	(0.01)		

All components of revenue increased during the seven months ended July 31, 2019, relative to the seven months ended July 31, 2018. The aggregate increase in revenue was substantially derived from service income. Management attributes overall revenue growth to the expansion of its service offerings through brand acquisitions, and increased revenue channels for the sale of inventory.

Service income comprises the provision of payroll services, marketing services, product packaging, and site personnel and management resources. The increase in service income can be substantially explained by the recent acquisitions of Fat Face Farms, and Honu, thereby expanding the volume of support services offered by the Company in the production of these products/brands.

Lease and rental income comprises equipment leasing, and rental of operating facilities to other parties. The Company is currently subleasing equipment to Cannabis Corp. under two lease agreements, as well as subleasing two facilities to Cannabis Corp. The Company is also leasing a third facility to another party.

Product sales is primarily comprised of INDVR and Honu branded inventory. The increase in revenue from product sales was driven by increased sales channels for the INDVR brand, as well as product line expansion and sales related to the newly acquired Honu brand.

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Gross profit increased during the seven months ended July 31, 2019, relative to seven months ended July 31, 2018, by approximately \$786,000 driving an increase in gross profit percentage to 23% compared to 20% as a result of greater margins on lease and rental income and service income.

Operating expenses increased during the seven months ended July 31, 2019, relative to seven months ended July 31, 2018 by approximately \$3,901,000 driven by increases in all components of operating expense (except rent). These changes are the result of increased operations to fund growth and client acquisition, and the result of increased costs to obtaining a public listing during the period, and the maintenance thereof. The most significant changes in operating expenses as well as other income or expenses were as follows:

- Listing expense of \$5,447,118 is a one-time expense and substantially a non-cash expense arising on completion of the RTO. Listing expense represents the excess of the fair value of consideration paid, being the equity of Bertram, plus cash-based transactions of \$261,954 (included as part of listing expense), for the net assets of Cannabis One and Cannabis One's public listing.
- Investor relations increased by approximately \$1,137,000 as a result of advertising, marketing, and investor awareness initiatives arising from obtaining a public listing on the CSE during the period.
- Share-based compensation is a non-cash expense and increased by approximately \$922,000. For the seven months ended July 31, 2019, it is comprised of the fair value of stock options granted which vested during the period. For the seven months ended July 31, 2018, it was comprised of common shares accrued to Directors of the Company for services provided to the Company during the period then ended. The increase is driven by the first-time grant of stock options and the impact on the fair value of subjective inputs into the Black-Scholes Option Pricing Model including volatility rates.
- Gain on change in fair value of warrant liability was \$17,000, which is a non-cash expense. Upon closing of the RTO the \$460,000 warrant liability outstanding as at December 31, 2018 was reversed, and the Company recognized a new and separate warrant liability. This new warrant liability pertains to the replacement of 290,809 warrants held by Bertram warrant holders (outstanding as at December 31, 2018 and issued as part of a previous Bertram equity financing) that had exercise prices denominated in U.S. dollars which is a different currency from the functional currency of Cannabis One (CAD). As a result, these warrants were treated as a financial liability with the change in fair value recognized in profit or loss during the seven months ended July 31, 2019.
- Professional fees increased by approximately \$507,000 as a result of increased legal services pursuant to the Company's public listing, outstanding contingencies, and acquisitions and proposed acquisitions.
- Depreciation – right-of-use assets; and finance costs, were both incurred as a result of adopting IFRS 16 on January 1, 2019 (the impact of which is discussed in “New accounting policy” below). The most significant effect of the new standard is the Company's recognition of the initial present value of unavoidable future lease payments on its facility lease commitments as a ‘right-of-use assets’ within property and equipment, with a corresponding ‘lease liabilities’ on the statements of financial position. Payments are applied against lease liabilities and interest expense (finance costs) are recognized on the lease liability using the effective interest rate method. Depreciation is recognized on the right-of-use asset over the lease term. These new expenses are partially offset by the reduction of rent expense on the facility lease commitments resulting from the new accounting treatment of the facility leases under IFRS 16.

Loss for the period increased by approximately \$8,519,000 substantially due to the most significant fluctuations in operating expenses and other expenses as discussed above, as well as the overall increase in all other expense line items (except rent) for the reasons explained above. Although operating expenses increased at a greater rate than sales, this disparity is expected to decrease as the Company becomes more efficient in its client acquisition process and revenue generating models. With respect to loss per share, financial instruments including warrants and stock options, are anti-dilutive.

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SUMMARY OF QUARTERLY RESULTS

Period ending	Revenue \$	Loss for the period \$	Basic and diluted loss per share \$
(3) July 31, 2019	2,161,152	(1,193,577)	(0.03)
(1) April, 30, 2019	2,091,474	(7,781,446)	(0.12)
(2) December 31, 2018	874,922	(754,997)	(0.02)
(3) October 31, 2018	795,605	(521,810)	(0.01)
(3) July 31, 2018	542,733	(112,604)	(0.00)
(1) April 30, 2018	494,095	(343,304)	(0.03)
(3) December 31, 2017	571,107	(88,891)	(0.00)
(3) September 30, 2017	196,378	(67,667)	(0.01)

(1) For the four months then ended

(2) For the two months then ended

(3) For the three months then ended

Quarter to quarter fluctuations in revenue have been driven by the differing lengths of certain periods above, fluctuations in the normal course of business, the Company's overall growth efforts, significant customer acquisitions in recent periods, and the seasonality of product sales particularly in the fourth quarter.

During the period ended September 30, 2017, the Company began generating service income albeit such income only began in the last 20 days of the period. Additionally, during this quarter, the Company began earning rental income on two facilities that are rented to Cannabis Corp. During this quarter the Company also incurred a loss since cost of sales relative to revenue increased thereby reducing gross profit percentage. The Company also incurred a first-time non-cash share-based compensation expense, and higher professional fees.

During the period ended December 31, 2017, the Company continued to experience increased revenues in all categories with the primary revenue driver being product sales of approximately \$267,000. The loss incurred by the Company was driven by the write-off of investment of \$100,000, share-based compensation of \$50,000, and a significant increase in professional fees and consulting fees related to advancement and growth initiatives.

During the period ended April 30, 2018, the decrease in revenues was driven primarily by a decrease in product sales quarter-over-quarter due to seasonality effects. Loss for the period was characterized by a further reduction in gross profit percentage and increases in investor relations activity, as well as continued consulting fees, and share-based compensation expense.

During the period ended July 31, 2018, revenues changed insignificantly. Loss for the period decreased during the quarter as the Company's gross profit from lease and rental income and product sales improved, while professional fees, investor relations, consulting fees, and certain other operating expenses all decreased.

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During the period ended October 31, 2018, revenues increased as the Company acquired additional customers and expanded its service offering. Although loss for the period increased quarter-over-quarter, the Company continued to improve its gross profit percentage. However, increases in operating expenses relating to consulting fees, professional fees, investor relations, and share-based compensation greatly outweighed the improvement in gross profit percentage for the quarter. The increase in such operating expenses reflects the Company's increased and ongoing efforts relating to the RTO. Additionally, the Company completed a private placement during this period and incurred costs in connection with this offering (the "Cannabis One Private Placement").

During the period ended December 31, 2018, revenues increased due to a significant increase in product sales driven by seasonality effects. The Company also continued to increase the volume of service activity. Operating performance for the quarter was comparable to the previous quarter, however, the key contributors to the increase in loss and comprehensive loss was the non-cash loss provision on loans receivable of approximately \$166,000, increased consulting fees, the recognition of a warrant liability, and the change in fair value of the warrant liability (a non-cash expense). The warrant liability arose due to the issuance of non-compensatory warrants in connection with the Cannabis One Private Placement which had an exercise price denominated in Canadian dollars, a currency that is different from the functional currency of Bertram (U.S. dollar). Accordingly, the warrants were treated as a financial liability with the change in fair value recognized in profit or loss during the period then ended.

During the period ended April 30, 2019, revenue significantly increased due to ongoing increases in product sales and service offerings. The increase in product sales was primarily attributable to new distribution channels for the INDVR branded products. Moreover, the increase in service income was attributable increased volume of services offered to Cannabis Corp., the acquisition of Fat Face Farms and service offerings related to facilitation of the production of Fat Face Farms branded flower, as well as service income generated from Honu related to facilitation of the production of Honu branded cannabis edibles, prior to the acquisition of Honu. Share-based compensation significantly increased as a result of the first-time grant and vesting of stock options upon completion of the RTO. Additionally, increases in various other expenses categories occurred as a result of becoming a public company. These included but are not limited to: consulting fees, investor relations and professional fees. Finally, the adoption of IFRS 16 gave rise to the recognition of new expenses associated with new lease accounting standards including depreciation of right-of-use assets, and finance costs which were partially offset by a decrease in rent costs within lease expenses.

During the period ended July 31, 2019, revenue slightly increased from the prior period as the Company maintained sales and service volumes to existing customers as discussed above. Operating expenses decreased on a net basis during the period as the Company began operating more efficiently. The net decrease was attributable to quarter over quarter reductions in general and administrative, information technology and software, investor relations, share-based compensation, transfer agent and filing fees, and travel.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue opportunities to deliver solutions for financing, and complete potential business and/or asset acquisitions of state-licensed cannabis cultivators, manufacturers, and dispensaries throughout legal markets within the United States. The Company has the ability to raise new capital through equity and debt issuances and/or through operations. The Company prepares annual estimates of expected expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations.

The Company is not exposed to any externally imposed capital requirements, nor were there changes in the Company's approach to capital management during the seven months ended July 31, 2019.

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Ability to Access Capital

The Company has historically relied entirely the issuance of equity in order to support its continuing operations and capital expenditure requirements. The Company expects to continue to rely on capital markets and the issuance of equity to finance its growth plans in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, the Company believes that it will be successful in raising equity financing in the future. However, there are no assurances that the Company will be successful in continuing to complete equity financings to fund operations, particularly if the U.S. federal authorities change their position toward enforcing the U.S. Controlled Substances Act (the "CSA"). Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

Liquidity and Financial Condition

As at July 31, 2019 and December 31, 2018:

	July 31, 2019 \$	December 31, 2018 \$
Total assets	22,474,973	9,092,641
Working capital	492,853	5,351,467
Total liabilities	11,184,116	1,041,404
Non-current liabilities	6,254,503	-
Shareholders' equity	11,290,857	8,051,237
Deficit	(11,145,957)	(2,448,280)

The Company's total assets increased by approximately \$13,382,000 in major part due to an increase in property and equipment by approximately \$7,320,000 characterized by significant additions to leasehold improvements and the adoption of IFRS 16, which as described in "Results of Operations" above, gave rise to the non-cash recognition of right-of-use assets making up approximately \$5,021,000 of this increase in property and equipment. Right-of-use assets represent to the Company's facility lease commitments, both those that are/are not subleased to other parties. Another key contributor in the increase in total assets was the recognition of goodwill for the acquisitions of Fat Face Farms and Honu in the amount of \$7,200,539.

The decrease in working capital of approximately \$4,859,000 is primarily explained by the additions of current portions of lease liabilities (adoption of IFRS 16) and contingent consideration which is a non-cash liability as this relates to the Earn-Out provisions in the acquisition of Honu which, if the specified revenue targets are met, will be settled via the issuance of shares in the Company.

Current assets decreased by approximately \$970,000 as the Company used cash for operating and investing activities. The use of cash was only partially offset by increases in receivables, leases receivable, inventory and prepaid expenses. The use of cash is discussed below under "Cash flows".

Current liabilities increased by approximately \$3,888,000 driven by an increase in trade and other payables, and the first-time recognition of both lease liabilities resulting from the adoption of IFRS 16 (discussed above), and contingent consideration resulting from the acquisition of Honu (discussed above). The increase was partially offset by a decrease in the warrant liability, a non-cash liability that does not have a contractually defined cash outflow and is revaluated at each period end.

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Cash flows

During the seven months ended July 31, 2019:

- Cash flows used in operating activities increased by approximately \$4,371,000 to \$4,719,000 (2018 - \$348,000) which was driven by an increase in cash-based operating expenses, and a significant increase in receivables. Refer to the "Results of Operations" above for details in respect of significant components of operating expenses.
- Cash flows used by investing activities totaled approximately \$200,000 (2018 - \$917,000) which was substantially driven by the acquisition of property and equipment (primarily leasehold improvements), lease payments on facility lease commitments, which were partially offset by the cash acquired pursuant to the RTO and the resulting consolidation of the entities involved in the RTO.
- Cash flows from financing activities totaled approximately \$1,138,000 (2018 - \$370,000) which included the proceeds from issuance of shares consisting of the exercise of warrants and options during the period, whereas the cash flows from financing activities during the seven months ended July 31, 2018, consisted of the issuance of shares pursuant to a private placement.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had the following equity securities issued and outstanding:

- 49,053,525 Class A SUB Shares; and
- 3,407,715 Class B SVS Shares.

Stock options:

Options outstanding	Options exercisable	Exercise price (CAD)	Expiry date	Remaining life (years)
200,000	200,000	\$ 0.35	May 11, 2023	3.78
4,866,666	1,622,222	\$ 0.60	February 25, 2024	4.58
300,000	300,000	\$ 1.38	May 31, 2024	4.84

Warrants:

Number of warrants - Class A SUB Shares and equivalent	Exercise price (CAD)	Exercise price (USD)	Expiry date	Remaining life (years)
290,809	N/A	\$ 0.34	January 15, 2020	0.46
6,903,668	\$ 0.25	N/A	March 21, 2020	0.64
42,326	\$ 0.50	N/A	October 17, 2020 (1)	1.22
6,991,667	\$ 0.75	N/A	October 28, 2020 (1)	1.25
1,575,000	\$ 0.40	N/A	February 25, 2021	1.58
15,803,470				

(1) On May 27, 2019, the Company issued a notice of acceleration of the expiry date for these warrants. This notice was retracted by the Company on June 14, 2019.

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CONTINGENCIES

Alan and Brooks Builders LLC ("A&B")

In October 2018, the Company received a notice of civil claim against the Company with respect to the construction of one of the Company's leased properties. A&B was originally seeking to recover \$507,767 in labor and materials related to work performed, but after a mediation meeting and further clarification, the amount claimed was significantly reduced to \$213,000. It is the position of the Company that A&B was hired to perform certain construction services at the property, but that the parties never entered into a written contract and never agreed to the cost of construction services.

Legal discovery and depositions have been initiated between the parties but, in early September, the court granted A&B's motion to continue the commencement of any court proceedings for at least one (1) to three (3) months. Management, in consultation with legal counsel, assesses that it is not probable that the claim of A&B will be successful and that the Company will be required to pay any amounts. Accordingly, no provision for possible loss has been included in these financial statements.

Bronner Corp. ("Bronner")

In December 2018, the Company filed a claim against Bronner for breach of contract pursuant to the Materials Purchases Agreement entered into on August 2, 2018 as Bronner had failed to engage in a repayment plan with the Company on the funds advanced by the Company to Bronner. The Company is seeking repossession of inventory which was pledged as security for the funds advanced, and monetary damages of approximately \$130,000.

On April 29, 2019, Bronner filed an answer to the litigation and asserted counterclaims. Bronner is also seeking to consolidate this lawsuit with the Strainz & Bronner lawsuit described below. A response to the counterclaim was provided by the Company on May 20, 2019. The Company answered the counterclaims and has proceeded with litigation against Bronner.

On June 4, 2019, the Motion to Consolidate its action against Bronner with the related lawsuit filed by Strainz and Bronner (as noted below) was granted by the court in favour of the Company. Further, on June 24, 2019, the Company provided its response in support of the Motion to Dismiss or to join Strainz and Honu to the same action.

This action is now consolidated with the Strainz and Bronner action described below in this note. The likelihood of success of this litigation cannot be determined at this time. Accordingly, no contingent asset has been included in these financial statements.

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Strainz, Inc. (“Strainz”) & Bronner

On January 29, 2019, Strainz and Bronner filed a claim against the Company claiming breach of contract, breach of implied covenant of good faith and fair dealing, misappropriation of trade secrets, and fraudulent misrepresentation and concealment. Strainz and Bronner were parties to loans receivable that were written-off during the year ended December 31, 2018. Strainz and Bronner are seeking monetary damages against the Company.

On April 29, 2019, the Company filed a Motion to Dismiss this proceeding on the basis that necessary and indispensable parties were not made parties to the litigation. Strainz and Bronner have also filed a Motion to Consolidate this proceeding with the proceeding involving Bronner as noted above. Court ruling on the Motion to Dismiss filed by the Company is pending. The Company responded to the Motion to Consolidate on May 20, 2019. On June 4, 2019, the Motion to Consolidate its action against Bronner with the related lawsuit filed by Strainz and Bronner (as noted above) was granted by the court in favour of the Company.

The Company intends to answer and proceed vigorously with this proceeding. Management believes the claims asserted against the Company are believed to be substantially groundless, frivolous, and simply asserted as a means to extort and extract payment from the Company. The Company denies that there is any merit to any of the claims asserted against it and denies that any of the claims are supported by evidence. The Motion to Consolidate has been granted by the court, combining the multiple actions between these parties into a single matter.

On August 16, 2019, the Company filed its Reply to Strainz and Bronner's counterclaims, filed a Motion to Amend its Complaint, and provided its Proposed Amended Complaint and exhibits with the court. Strainz and Bronner must provide their responses to these motions by mid-September 2019 (not completed) in advance of a ruling by the court.

No complete evaluation can be made of the likelihood of success of these legal proceedings at this time. The Company believes that many of the claims are unfounded and the damages claimed are greatly overstated. Accordingly, no provision for possible loss has been included in these financial statements.

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk (including interest rate risk, price risk, and currency risk), credit risk, and liquidity risk.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Fair value of financial instruments

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, leases receivable (current portion) loans receivable (current portion), deposits, trade and other payables, and current portion of lease liabilities approximate their respective fair values due to their short-term term to maturity or guaranteed cash value at maturity.

The non-current portion of leases receivable, loans receivable, and lease liabilities also approximate fair value as they bear market rates of interest.

The Company's warrant liability and contingent consideration were measured using Level 3 inputs.

Financial risk management

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at July 31, 2019, the Company has working capital of \$492,853. The following table summarizes the Company's contractual maturity for its financial liabilities, including both principal and interest payments:

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at July 31, 2019	\$	\$	\$	\$	\$	\$
Trade and other payables	1,237,642	1,237,642	1,237,642	-	-	-
Lease liabilities	5,119,109	7,311,532	1,434,809	2,117,855	1,655,992	2,102,876
Tenant deposits	165,000	165,000	165,000	-	-	-
Total	6,521,751	8,714,174	2,837,451	2,117,855	1,655,992	2,102,876

Details of the Company's other risks including market risk (interest rate risk, price risk, and currency risk), and credit risk are detailed in Note 16 of the financial statements.

The Company's potential sources of cash flow in the upcoming year will be from possible equity or debt financings, lease financing, and entering into joint venture agreements or licensed partnerships; or any combination thereof.

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Economic dependence

During the seven months ended July 31, 2019, the Company derived 45% (2018 – 99%) of its revenues from Cannabis Corp., and 39% of revenue was derived from two arm's length companies.

As at July 31, 2019, 40% (December 31, 2018 – 24%) of receivables represent amounts due from Cannabis Corp., and 60% of receivables represent amounts due from five arm's length companies (December 31, 2018 – 71% due from three arm's length companies).

It is anticipated that expansion of operations into Nevada, Washington, California, and Oregon during the remainder of fiscal 2020, will cause a differentiation in the source of revenue for the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at April 30, 2019 or December 31, 2018, and as at the date hereof.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of members of the Board and its Executive Officers.

Other than as disclosed elsewhere within these financial statements, key management personnel transactions, and related party transactions and balances as at July 31, 2019, and December 31, 2018, and for the seven months ended and July 31, 2019, and July 31, 2018 are listed below. As described below and throughout these financial statements, the Company engaged in several transactions with Cannabis Corp., a company jointly owned by a spouse of an officer and director of the Company.

Key management personnel compensation:

The net aggregate compensation paid or payable to key management during the seven months ended July 31, 2019 and July 31, 2018 was as follows:

	July 31, 2019	July 31, 2018
	\$	\$
(1) Share-based compensation	646,432	100,000
(2) Service expenses - cost of sales	247,500	151,140
(3) Consulting fees	247,222	175,296
(4) Management fees	127,202	80,300
(5) Professional fees	43,259	-
(3) Listing expense - consulting fees	261,954	-
	1,573,569	506,736

- (1) Share-based compensation comprised the fair value of the stock options that vested (2018 - the fair value of shares accrued to directors of the Company for services during the period then ended).
- (2) Service expense – cost of sales comprised wages and benefits paid to certain officers and directors of the Company (a director, CFO, and VP Product Development).
- (3) Consulting fees, and listing expense comprised amounts paid to Wildhorse Capital Partners, a company in which the former CFO, and a current director are partners.
- (4) Management fees are paid to the CEO of the Company.
- (5) Professional fees comprised amounts paid to Gowling Lafleur Henderson LLP, a law firm in which a director of the Company is a partner.

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Other related party transactions:

The following transactions during the seven months ended July 31, 2019, and July 31, 2018 involved other related parties as follows:

	July 31, 2019	July 31, 2018
	\$	\$
Finance income on loan receivable	21,410	5,562
(1) Lease and rental income	384,979	429,325
(1) Product sales	-	96,550
(1) Service income	1,530,728	499,028

(1) Amounts charged/products sold to Cannabis Corp.

Related party balances:

The following balances were payable/receivable to/from related parties as at July 31, 2019, and December 31, 2018:

	July 31, 2019	December 31, 2018
	\$	\$
Trade and other payables due to related parties	517	195
(1) Receivables	1,474,075	339,624
(1) Current portion of leases receivable	1,372,777	1,031,410
(1) Non-current portion of leases receivable	478,500	555,428
Current portion of loans receivable	52,760	42,131
Non-current portion of loans receivable	52,551	42,131

(1) Amounts due from Cannabis Corp.

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USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. Details of the areas which require management to make critical estimates and judgments are disclosed in Note 2 of audited annual financial statements for the year ended December 31, 2018, with the inclusion of the following new judgment:

Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Additionally, judgment is required to assess whether any amounts paid on the achievement of agreed upon milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration arising from an acquisition should be classified as a liability or equity. Contingent consideration classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement by the Company is accounted for within equity. Contingent consideration classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, or IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. Estimates are made as to the fair value of assets and liabilities acquired. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates. The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of the consideration paid to obtain control, and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (net assets), is recognized as goodwill as of the acquisition date.

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NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

There are no new accounting standards or interpretations that have not yet been adopted which are reasonably expected to affect the Company.

New accounting policy

The Company adopted IFRS 16 on January 1, 2019. A number of other new standards are also effective from January 1, 2019; however, they were not deemed to have a material impact on the Company's financial statements.

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17 the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019.

The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use ("ROU") assets and lease liabilities on the statement of financial position, including those for most leases that would currently be accounted for as operating leases.

The Company has a portfolio of leases for building premises (facilities) including its corporate head office, and other facilities which are or will be sub-leased to other parties. In the context of IFRS 16, ROU assets of \$1,531,774 and lease liabilities of \$1,714,428 were recognized as at January 1, 2019, in accordance with the modified retrospective approach. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of approximately 10% on January 1, 2019. The ROU asset (recognized within property and equipment) was measured at amounts equal to the corresponding initial lease liability.

On adoption, the following practical expedients were permitted by IFRS 16, but were not applicable to the Company:

- Accounted for leases with a remaining term of less than twelve months as at January 1, 2019, as short-term leases; and
- Accounted for lease payments as an expense for leases of low-value assets.

The modified retrospective approach does not require restatement of prior period comparative financial information and is applied prospectively. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include: determining contracts that are within the scope of IFRS 16; determining the contract term; and determining the interest rate used for the discounting of future cash flows.

Updates to significant accounting policies

Refer to Note 2 in the financial statements for disclosures surrounding new accounting policies which include: Leases, Goodwill, Business combinations, and Foreign currency translation. The inclusion of these new accounting policies arose as a result of the completion of the RTO and other acquisitions during the period.

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LEGAL AND REGULATORY MATTERS

United States Federal Overview

In the United States, 33 states and the District of Columbia have legalized the medical use of cannabis, while 10 states and the District of Columbia have also legalized adult-use cannabis. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. Under U.S. federal law, Schedule I drugs, substances, or chemicals are defined as drugs with no currently accepted medical use and a high potential for abuse. As such, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

While cannabis remains illegal under U.S. federal laws, the U.S. federal government's approach to enforcement of such laws has, at least until recently, trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice (the “**DOJ**”) issued a memorandum known as the “**Cole Memorandum**” to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medical or adult-use cannabis programs. The Cole Memorandum, while not legally binding, assisted in managing the tension between state and federal laws concerning state-regulated cannabis businesses.

On January 4, 2018 the Cole Memorandum was revoked by former Attorney General Jeff Sessions. While this did not create a change in federal law – as the Cole Memorandum was not itself law – the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Mr. Sessions also issued a one-page memorandum known as the “**Sessions Memorandum**”. This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was “unnecessary” due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the “**USAM**”). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include “law enforcement priorities set by the Attorney General,” the “seriousness” of the alleged crimes, the “deterrent effect of criminal prosecution,” and “the cumulative impact of particular crimes on the community.”

While the Sessions Memorandum does emphasize that cannabis is a Schedule I controlled substance and states the statutory view that it is a “dangerous drug and that cannabis activity is a serious crime,” it does not otherwise guide U.S. Attorneys that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether to prosecute cannabis-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence.

Mr. Sessions resigned as United States Attorney General on November 7, 2018 and his successor, William Barr, was confirmed on February 14, 2019. Mr. Barr has expressed his dissatisfaction with the current inconsistencies between U.S. federal and state laws. Mr. Barr has also voiced a preference for a uniform federal rule against cannabis, but noted that an approach permitting states to make their own decisions without violating U.S. federal law is preferable to the current framework.

Despite the continued discussion and guidance relating to the treatment of cannabis at the federal level, Cannabis remains a Schedule I controlled substance. The U.S. federal government reserves the right to enforce federal law in regard to the sale and disbursement of medical or adult-use cannabis, even if state law sanctions such sale and disbursement. It remains unclear whether the risk of enforcement has been altered.

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Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted for money laundering for providing services to cannabis businesses. Moreover, banks and financial institutions that have their deposits federally insured, either through the FDIC or the NCUA, may be reluctant to provide services to cannabis related businesses.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("**SAR**") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and cannabis terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memo**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

The FinCEN memorandum remains in effect after the revocation of the Cole Memorandum and the 2014 Cole Memorandum. The FinCEN Memorandum lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the Department of the Treasury and FinCEN are expected to continue following its guidance. However, in the United States, cannabis-based businesses may continue to face difficulties in opening and maintaining a bank account with any bank or other financial institution.

In addition, non-US citizens who participate in the cannabis industry, even in states or foreign countries where cannabis has been legalized, may be permanently barred from entry into the United States by the U.S. Customs and Border Protection Agency, which is an arm of the federal government under the Department of Homeland Security. While legislation has been introduced in Congress to amend the Immigration and Nationality Act to clarify admissibility and deportability of aliens acting in accordance with state and foreign marijuana law on December 12, 2018, titled Maintaining Appropriate Protection for Legal Entry of 2018 ("**MAPLE Act of 2018**"), H.R. 7275 (115th Congress), no action has yet been taken on the bill.

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical cannabis industry remains in place: Congress has used a rider provision in the FY 2015, 2016 and 2017 Consolidated Appropriations Acts (currently the "**Rohrabacher-Farr Amendment**") to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. On February 15, 2019, the FY 2019 Federal Budget was signed into law providing similar protections to those contained in the Rohrabacher-Farr Amendment.

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Despite the legal, regulatory, and political obstacles the cannabis industry currently faces, the industry has continued to grow. The U.S. federal government's future approach to cannabis remains largely unknown. As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company intends to abide by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations and any cannabis related activities are compliant with all regulatory frameworks as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- implement policies and procedures in place to ensure that revenue is not distributed to criminal enterprises, gangs or cartels;
- ensure that any state-authorized cannabis-related business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes;

In addition, the Company may conduct background checks to ensure that the principals and management of its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence. The Company will also conduct ongoing reviews of the activities of its businesses that provide services to cannabis entities, including review of the premises on which any such businesses may operate and the policies and procedures that are related to any licensee's possession of cannabis or cannabis products outside of the premises, including the cases where such possession is permitted by regulation.

Colorado State Level Overview

The Colorado medical and recreational cannabis industries are regulated by the Colorado Marijuana Enforcement Division (MED), an office of the Colorado Department of Revenue. In November 2000, medical cannabis was decriminalized by voter passage of Amendment 20. Recreational cannabis was later voter approved through the passage of Amendment 64 in November 2012. Laws governing both medical and recreational cannabis are presented within Colorado's Constitutional Article XVIII, sections 14 and 16, respectively. The Colorado Revised Statutes (C.R.S.) are the codified general and permanent statutes of the Colorado General Assembly; laws related to cannabis can be found in C.R.S. Title 44, Articles 11 and 12.

U.S. Legal Advice

The Company uses reasonable commercial efforts to confirm, through the advice of its U.S. counsel, through the monitoring and review of its business practices, and through regular monitoring of changes to U.S. Federal enforcement priorities, that its businesses are in compliance with applicable regulatory frameworks. The Company has not received noncompliance orders, citations or notices of violation, that may have an impact on business activities or operations.

Nature of the Company's Involvement in the U.S. Cannabis Industry

Cannabis One is a U.S.-based, professional management corporation formed to service the fast-growing, legal cannabis industry through real estate development and lease-back equipment financing, operating lines of credit, consultation, and intellectual property and brand management within U.S. state-legal markets. The Company, headquartered in Denver, Colorado, intends to redefine the traditional, vertically-integrated, seed-to-sale business model with a specific focus on aggregating cannabis retail distribution and brand manufacturing.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the 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 on the Company, including its reputation and ability to conduct

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business, the listing of its securities on any stock exchange, its financial position, operating results and profitability. 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. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Description of Company Activities

The Company is focused on providing personnel and management resources, as well as infrastructure and equipment, for the production, cultivation and dispensary operations of licensed cannabis participants in the states of Washington, Oregon and Colorado. The Company itself does not produce or sell cannabis products but does provide support services to licensed cannabis participants in the state of Colorado. The Company operates primarily in the state of Colorado, where the legal commercial production and vending of cannabis by licensed participants is permitted by Colorado state law under Colorado Amendment 64. In addition, the Company will continue to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in any state in which it operates, by continuous review of its compliance with state regulations and affirmation certifications from management.

The Company will continue to monitor, evaluate and re-assess regulatory frameworks in the states in which it operates and any jurisdiction that it may look to expand its operations to in the future, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act) and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S.

Notwithstanding that the Company does not manufacture, produce, distribute, or sell cannabis or cannabis-infused products, the Company's activities, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends or effect other distributions. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, the Company may decide to, or be required to, suspend declaring or paying dividends without advance notice and for an indefinite period of time.

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RISK FACTORS

Intense Competition in the Cannabis Industry

The U.S. market for cannabis and cannabis-related paraphernalia is very competitive. There are numerous small companies competing in this space. As most sales in this section would be user-based, there is a relatively low capital threshold to enter this business. Management anticipates that the Company will be subject to increased competition as the cannabis market continues to grow in North America.

No Assurance of Profitability

The Company does not have a history of earnings and, due to the nature of the Company's business, there can be no assurance that the Company will ever become profitable. The Company has not paid dividends on its shares since incorporation and does not presently anticipate doing so in the foreseeable future. The present source of funds available to the Company is from lease income, product sales, and service income, and the sale of its common shares, and, possibly, loans from institutions and related parties. While the Company intends to derive a significant portion of its working capital through its operating business, there can be no assurance that any additional funds derived from equity offerings or debt instruments will be on favourable terms, or at all. At present, it is impossible to determine what amount of additional funding may be required to pursue the Company's expansion plans indefinitely. Failure to raise additional capital could put the expansion plans of the Company at risk.

Dependence Upon Others and Key Personnel

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additionally highly-skilled employees may adversely affect its business and future operations.

Dilution to the Company's Existing Shareholders

The Company will require additional equity financing to be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its expansion plans. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

ADDITIONAL RISK DISCLOSURE FOR ISSUERS WITH U.S. CANNABIS OPERATIONS

The Company provides services to participants in the U.S. cannabis market, and more specifically in the states of Colorado, Washington and Oregon and may face varied risks. While the company does not own any cannabis licenses, the Company is engaged in business related to cannabis paraphernalia and owns intellectual property (“IP”) and brands associated with these products, including “Cannabis™”, “The Joint™ by Cannabis”, “Fat Face Farms” and the “INDVR™” suite of brands. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. There are a number of risks that accompany participation, whether direct or indirect, in the cannabis markets in North America. Below is a discussion of some of these risk factors.

- The involvement with recreational cannabis remains illegal under federal law, and it is possible that the Company may be forced to cease activities. The U.S. federal government, through both the Drug Enforcement Agency (the “DEA”) and Internal Revenue Service (the “IRS”), has the right to actively investigate, audit and shut-down cannabis industry participants, including those servicing the industry indirectly. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Company's operations will have an adverse effect on the Company's business, operating results and financial condition.

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- Some of the Company's proposed business activities, while believed to be compliant with certain applicable U.S. state and local law, are illegal under United States federal law. Although certain states and territories of the U.S. authorize medical or recreational adult-use cannabis production and distribution by licensed or registered entities under applicable state laws, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. A shareholder's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment and, in the case of a non-US citizen, a permanent bar to entry into the United States.
- Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the 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 on the Company, including its reputation and ability to conduct business, its financial position, operating results, profitability, or liquidity. In addition, it is difficult 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.
- The possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law. The Company may be deemed to be aiding and abetting illegal activities through the service contracts it has entered into and the cannabis paraphernalia products that it provides and sells. The Company intends to lease IP and/or real property to cannabis industry participants, including cultivators, distributors, and retailers. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and members could lose their entire investment. Such an action would have a material negative effect on the business and operations of the Company.
- The state regulatory systems are constantly evolving, so there remain uncertainties as to how authorities will interpret and administer applicable regulatory requirements in the future. Any determination that the Company fails to comply with state cannabis regulations would require the Company either to significantly change or terminate lines of business, or the business as a whole, which could adversely affect the Company's business.
- Regulatory scrutiny of the industry to which the Company services may negatively impact its ability to raise additional capital. The Company's business activities are expected to rely, directly and/or indirectly, on the laws and regulations of any state in which the Company operates or may operate in the future. These laws and regulations are rapidly evolving and may be subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis or its derivatives (including cannabidiol) for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry to which the Company services may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.
- The size of the Company's target market is difficult to quantify, and members will be reliant on their own estimates on

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the accuracy of market data. Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for members and potential members to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, members and potential members will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

- Although the Company does not have difficulty accessing financial services, the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate. In February 2014, the FinCEN bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis or cannabis-related businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis or cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis or cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company will continue to ensure its operations remain compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS.
- Notwithstanding that the Company maintains trademarks with the State of Colorado, U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance. As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.
- The Company's contracts may not be legally enforceable in the United States. Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.
- There is uncertainty surrounding the Trump Administration policies in connection with the cannabis industry as a whole. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis business in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum. The Cole Memorandum was addressed to all U.S. Attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole

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Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized and have implemented strong and effective regulatory systems were not characterized as a high priority. On January 4, 2018, US Attorney General Jeff Sessions issued a memorandum to U.S. Attorneys which rescinded the Cole Memorandum. With the Cole Memorandum rescinded, US federal prosecutors can exercise their discretion in determining whether to prosecute compliant state law cannabis-related operations as violations of U.S. federal law throughout the United States. The potential impact of the decision to rescind the Cole Memorandum is unknown and may have a material adverse effect on the Company's business and results of operations.

- The Company's business interests in the United States include the provision of real estate development and lease-back equipment financing, operating lines of credit, consultation, and intellectual property and brand management within U.S. state-legal markets. The Company is not aware of any non-compliance with the applicable licensing requirements or regulatory framework enacted by the states where the Company transacts business.
- In February 2017, the Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the United States. Names of those serving on the task force have not been published, and the group was supposed to deliver its recommendations by July 27, 2017. The recommendations of the group were not made public on that date, but Mr. Sessions issued a public statement which said he had received recommendations “on a rolling basis” and he had already “been acting on the task force's recommendations to set the policy of the department.” Based on previous public statements made by Mr. Sessions, there had been some expectation that the task force may make some recommendations with respect to laws relating to cannabis. However, to date there has been no public announcement in this regard.
- Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes. Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. Despite only an indirect involvement in the cannabis industry, the Company may also be exposed to the foregoing risks.
- In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends and effect other distributions. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide to, or be required to, suspend declaring or paying dividends without advance notice and for an indefinite period of time.
- In the future, the Company may become subject to Section 280E of the Internal Revenue Code of 1986 (“**Section 280E**”) because of its business activities and the resulting disallowance of tax deductions could cause the company to incur more than anticipated U.S. federal income tax. Section 280E provides that, with respect to any taxpayer, no deduction or credit is allowed for expenses incurred during a taxable year “in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by federal law or the law of any state in which such trade or business is conducted.” Because cannabis is a Schedule I controlled substance under the

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CSA, although the Company is not engaged in the purchase and sale of cannabis products, if any of the Company's activities could be considered the carrying on of a trade or business consisting of "trafficking" in controlled substances then the provisions of Section 280E could apply to disallow tax deductions to the Company. Although the Company is not engaged in the purchase and sale of cannabis products, the Company cannot provide a guarantee that it will not be or become subject to Section 280E. If such tax deductions are disallowed it may increase the Company's effective tax rate and have an adverse effect on the Company's operating results and financial condition.

A CAUTIONARY NOTE

Certain statements in this MD&A may contain "forward-looking information", within the meaning of applicable securities laws. Such statements include, but are not limited to, statements about the growth of the business, revenue expectations, and the provision of services to licensed entities operating within the U.S. cannabis industry. These statements are subject to certain risks, assumptions, and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. Management has based these forward-looking statements on its current views with respect to future events and financial performance for the Company.

With respect to forward-looking statements contained in this MD&A, the Company has made certain assumptions and applied certain factors regarding, amongst other things, an ability to secure additional funding; the cost of its operating inputs; its ability to market products successfully to current and anticipated licensed clients; reliance on key personnel and contractual relationships with licensed third parties, including, but not limited to, Cannabis Corp.; the ability to maintain such relationships and foster new relationships with licensed third parties; the ability to successfully expand Company operations into new jurisdictions, such as Nevada, Washington, California, and Oregon; the intention of the Company to own, directly or via partnership, where jurisdictional legislation and regulations permit, cannabis licenses or licensed facilities engaged in the manufacture, production, distribution, and/or sale of cannabis, cannabis derivatives, and/or cannabis-infused products; the regulatory environment in the United States and in those states in which the Company currently operates and may operate in the future and the application of federal, state, and municipal laws in respect thereof; and the impact of increasing competition in the emerging legal cannabis sector from domestic and international market participants.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risk Factors" and "Additional Risk Disclosure for Issuers with U.S. Cannabis Operations" sections and elsewhere in this MD&A and other risks detailed from time-to-time by the Company. Forward-looking statements do not guarantee future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A and, except as required by law, Cannabis One undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events, or circumstances.

Respectfully submitted on behalf of the Board of Directors,

"Jeffery A. Mascio"

Chief Executive Officer