FORM 51-102F1

BHANG INC. (formerly PELE MOUNTAIN RESOURCES INC.)
(the "Company")

MANAGEMENT DISCUSSION & ANALYSIS
FOR THE THREE AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019
(the "Reporting Period")

This Management Discussion and Analysis ("**MD&A**") made as of November 29, 2019, should be read in conjunction with the unaudited condensed interim financial statements of the Company for the three and nine-month period ended September 30, 2019 and the related notes thereto (the "Financial Statements"). All dollar figures included therein and in the following MD&A are expressed in United States Dollars unless otherwise indicated.

The Company is a cannabis CPG brand company with a portfolio of over 100 cannabis, hemp-derived cannabidiol ("CBD") and terpene products (which are sold through its licensees and/or by Bhang directly) including, without limitation, chocolates, pre-rolls, vapes, gums, beverages, gummies and mouth sprays.

The Financial Statements include the assets, liabilities and items of shareholder's equity of the Company and its direct subsidiaries Bhang and Bhang Canada Corp., as well as Bhang's subsidiary Red Ace, LLC, as at September 30, 2019. The Financial Statements reflect the results of operations and cash flows of Bhang for the three and nine months ended September 30, 2019, the results of operations and cash flows of the Company and BCI for the period from July 9, 2019 to September 30, 2019, the results of operations and cash flows of Red Ace for the period from September 9, 2019 to September 30, 2019. As the Transaction (as defined below) constituted a reverse takeover transaction, the comparative figures in the Financial Statements reflect the results of operations and the assets, liabilities and shareholders' equity of Bhang.

The Company's comparative information included in this MD&A has been prepared in accordance with IFRS.

Additional information relating to the Company is also available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Recent Developments and Description of Reverse Takeover Transaction

On May 27, 2019, the Company disposed of its entire interest in its wholly owned subsidiary, Sage Power Corporation ("Sage"). On January 1, 2019, the Company completed an amalgamation of its Ontario subsidiaries Eco Ridge Development Corporation ("ERDC"), Pele Diamond Corporation ("Pele Diamond"), Pele Gold Corporation ("Pele Gold") and Sage to continue as one wholly-owned subsidiary named Sage Power Corporation. In addition, on April 17, 2019, the Company arranged for the dissolution of its State of Nevada subsidiary, Mountain Pass Resources ("Mountain Pass"), pursuant to a certificate of dissolution filed with the Secretary of State of the State of Nevada.

On November 8, 2018, the Company, Pele Acquisition Corp., a former subsidiary of the Company ("Subco"), Bhang Corporation ("Bhang") and Bhang Canada Inc. ("BCI") entered into a definitive agreement (the "Definitive Agreement") whereby the Company and Bhang agreed to combine their respective businesses (the "Transaction"). On May 27, 2019, the Company changed its name from "Pele Mountain Resources Inc." to "Bhang Inc." and consolidated its common shares on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares, and simultaneously re-designated such class of shares as subordinate voting shares (the "SVS") and created a new class of multiple voting shares (the "MVS"). On July 9, 2019, Bhang acquired all of the issued and outstanding shares of Bhang in exchange for an aggregate of 33,365,916 SVS and 56,634.128 MVS.

In connection with the Transaction, the Company completed a "three-cornered" amalgamation whereby Subco amalgamated with BCI to form Bhang Canada Corp. ("BCC") pursuant to an amalgamation agreement dated July 9, 2019 among the Company, Subco and BCI (the "Amalgamation Agreement"). Pursuant to terms of the Amalgamation Agreement, an aggregate of 11,182,735 SVS and 5,591,316 warrants of the Company (the "Warrants") were issued to shareholders of BCI. Each Warrant entitles the holder to purchase one SVS at a price of $0.65 per share until July 9, 2021, subject to acceleration in the event that the volume weighted average price of the SVS is equal to or greater than $1.00 over a period of 10 consecutive trading days.

On September 9, 2019, the Company acquired all issued and outstanding membership units of Red Ace, LLC, a leading organic beverage company through the issuance of 4,513.943 MVS. Immediately following the acquisition, a member of management of Red Ace assumed indebtedness of Red Ace in exchange for 229.131 MVS of the Company.

Description of Business

Prior to completing the Transaction with Bhang Corporation, the Company was a Canadian mineral exploration and development company that was formed to acquire mineral resource properties in Canada and to carry out mineral exploration and development activities thereon in search of economic deposits of metals and minerals and has focused on generating and selling interests in mineral projects in Northern Ontario since 1996.

Upon the completion of the Transaction, the business of Bhang became the business of the Company.

Operating since 2010, Bhang is an award-winning cannabis company with three tiers of branded products: (i) marijuana derived products containing delta-9-tetrahydrocannabinol ("THC") and CBD which are manufactured by licensees and sold by such licensees, (ii) hemp derived CBD products that are manufactured by co-packers and are sold by licensees and by Bhang directly and (iii) terpene products, that do not contain any marijuana or hemp, and are manufactured by co-packers and are available for sale by Bhang and its distributors. Products within these tiers include, without limitation, chocolate bars, vapes, gum and mouth spray, in addition to Bhang-branded apparel and merchandise. Bhang's products have won over 22 awards including 8 "best of" cup awards for artisanal edibles, concentrates, CBD and vape products. Bhang also operates a wholesale hemp brokerage network as a stream of income which allows Bhang to control the commodity price of its hemp-derived CBD, profit from excess material and keep ample supply on hand to infuse into its finished CBD products.

Bhang branded THC products are manufactured by licensees and sold by such licensees in certain states where they are permitted to sell marijuana products. Bhang licenses only its intellectual property (brand and recipes) to these licensees and also provides them with packaging and molds to assist them with production and distribution. Bhang does not directly own, hold or handle any THC products. Bhang branded hemp derived CBD products are all manufactured by co-packers and are sold by its licensees or by Bhang directly in states where they are permitted to be sold. The full launch of Bhang's terpene products is expected to occur in fiscal 2020. Terpene-flavoured products are cannabis-inspired and do not contain any marijuana or hemp.

Selected Annual Information

The following selected financial data for each of the two most recently completed financial years are derived from the audited annual financial statements of the Company. The selected financial data for the year ended December 31, 2016 are unaudited.

Year Ended December 31	**2018**	**2017**	**2016 (Unaudited)**
	$	**$**	**$**
Revenue	1,638,737	1,979,391	4,153,686
Gross profit	987,432	1,257,281	2,215,684
Net income (loss)	(1,538,608)	(577,415)	352,453
Total assets	6,055,412	3,369,509	1,269,430
Total liabilities	778,731	3,816,683	3,389,189
Shareholders' equity (deficit)	5,276,681	(447,174)	(2,119,759)

Results of Operations

The Company had a net loss of $10,469,752 for the Reporting Period, compared to a net loss of $642,423 for the nine months ended September 30, 2018. The significant increase in the loss year-over-year is due to several factors which include several non-cash expenses included in the Company's condensed interim consolidated statement of loss and comprehensive loss.

Revenue for the three- and nine-month periods ended September 30, 2019 were $1,285,746 and $4,042,162 respectively, representing increases of $1,040,832 and $3,323,920 when compared to the same periods ended September 30, 2018. The increases in sales, year-over-year is driven by the sale of CBD concentrate (isolate) as well as the sale of finished CBD goods which was not as prevalent during fiscal 2018. In addition, Bhang's license revenue increased during fiscal 2019 when compared to fiscal 2018.

Gross loss for the three-month period ended September 30, 2019 was $222,775 as a result of write downs of inventory. Gross margin for the nine-month period ended September 30, 2019 was $193,663 and was impacted by the third quarter inventory write-downs. Gross margin for the three and nine month periods ended September 30, 2018 were $105,376 and $534,154 respectively.

Operating expenses for the three and nine month periods ended September 30, 2019 amounted to $3,598,112 and $5,909,640, respectively, which represent increases of $2,930,275 and $4,459,741 when compared to expenses of $667,837 and $1,449,899 of the three- and nine-month periods ended September 30, 2018.

During the three-month period ended September 30, 2019, the Company issued 10,207,500 stock options to certain officers, employees and consultants of the Company. The estimated fair value of these options of $1,085,280, as calculated using the Black-Scholes pricing model (see note 20 of the Financial Statements), was expensed during the three and nine months ended September 30, 2019 as stock-based compensation expense and is included in operating expenses for each period.

Sales and marketing expenses for the three- and nine-month periods ended September 30, 2019 totalled $387,731 and $1,308,811, increases of $257,366 and $1,031,701 when compared to sales and marketing expenses of $130,365 and $277,110 for the three and nine months ended September 30, 2018. Bhang launched focused efforts on expanding its social media presence as well as enhancing its promotional materials by engaging a number of media agencies on a continuous basis throughout the year with a particular focus during the latter half of fiscal 2018 which continued into fiscal 2019.

Wages and salaries expense for the three and nine months ended September 30, 2019 amounted to $700,524 and $1,472,904 resulting in increases of $543,651 and $1,128,032 when compared to the same periods ended September 30, 2018. The increases are a function of the addition of several operational, administrative staff, as well as several members to the management team, during fiscal 2019 as well as a one-time bonus paid to the Company's CEO upon completion of the Transaction.

During the three and nine months ended September 30, 2019, the Company incurred general and administrative expenses of $165,176 and $494,634. When compared to similar expenses for the three and nine months ended September 30, 2018, Bhang had increases of $41,427 and $195,135. Components of these expenses responsible for driving the increases are asset depreciation, travel expenses and miscellaneous office expenses.

In connection with the Transaction that closed during the three and nine month periods ended September 30, 2019, the Company incurred transaction expenses of $4,531,452. Of this amount, $3,482,518 relate to the fair value of common shares issued to service providers in connection with the Transaction as well as the fair value of the shares issued to affect the Transaction. The remaining transaction expenses included fees paid to professional service providers as well as transaction costs and monthly working capital requirements of the Company that were funded by Bhang. These expenses are not expected to recur.

During the period ended September 30, 2019, the Company pursued a strategic acquisition of another company, which was ultimately abandoned. As a result, the Company incurred a $250,000 break-fee that has been included on the condensed interim consolidated financial statements as an acquisition expense.

During the three and nine-month periods ended September 30, 2019, the Company disposed of its investment in CannaRoyalty Corp. which yielded proceeds of $726,088. In connection with this disposition, the Company incurred a reversal of unrealized gains recognized in prior financial periods of $85,055, but did ultimately record a realized gain on the disposition of $220,506. During the three and nine-month periods ended September 30, 2018, Bhang had unrealized gains on its investment in CannaRoyalty Corp. of $284,554 and $310,822 respectively.

Summary of Quarterly Results

The following table sets out selected quarterly results of the Corporation for the eight quarters ended on or before September 30, 2019. The information contained herein is drawn from the interim financial statements of the Corporation for each of the aforementioned eight quarters.

Fiscal Year Quarter	2019			2018				2017
	Sep	Jun	Mar	Dec	Sep	June	Mar	Dec
	$	$	$	$	$	$	$	$
Revenue	1,285,746	1,155,052	1,601,364	803,837	274,914	257,839	302,147	63,348
Gross Margin	(222,775)	(12,908)	429,316	444,120	105,376	218,935	219,001	276,335
Net Income (Loss)	(8,794,044)	(1,804,616)	129,909	(791,015)	(290,407)	(260,271)	(196,915)	(197,245)

Liquidity and Capital Resources

The Company's cash and cash equivalents position was $1,215,257 as at September 30, 2019 (December 31, 2018 - $490,970). The Company had working capital of $2,148,515 as at September 30, 2019 compared to working capital of $4,917,343 as at December 31, 2018.

During the Reporting Period, Bhang issued 1,422 common shares for proceeds of $350,000.

In connection with the Transaction, BCI completed a brokered private placement of 12,693,635 subscription receipts (the "Brokered Subscription Receipts") for gross proceeds of CAD$6,346,818 ($4,834,934). Under its terms, each Brokered Subscription Receipt was automatically converted and immediately cancelled, without any further action by the holder of such Brokered Subscription Receipt, and for no additional consideration, into one unit of BCI (the "BCI Units") upon the satisfaction, on or prior to June 12, 2019 (the "Escrow Release Deadline"), of the following conditions, among others: (a) the completion of the acquisition of all outstanding shares of Bhang by the Company; (b) requisite shareholder and regulatory approvals of the Transaction including, but not limited to, conditional approval of the Exchange for the listing of the Shares issuable in connection thereto; and (c) all documents and instruments have been tabled for the concurrent closing of the Transaction (the "Closing"). The Escrow Deadline was extended to July 12, 2019 (the "Escrow Extension"). Holders of 1,511,000 BCI Subscription Receipts did not consent to the Escrow Extension and, as a result, such BCI Subscription Receipts were indirectly repurchased by BCI contemporaneously with the Closing (the "Repurchased Subscription Receipts"). Each BCI Unit consists of one share in the capital of BCI (the "BCI Shares") and one half of one BCI common share purchase warrant (the "BCI Warrants"). Each BCI Warrant is exercisable into one BCI Share at an exercise price of CAD$0.65 per BCI Share for 24 months after the completion of the Transaction. The BCI Shares and BCI Warrants issued upon conversion of the Brokered Subscription Receipts were immediately exchanged, without additional consideration or action, for the same number of SVS and Warrants in accordance with the Amalgamation Agreement.

During the nine months ended September 30, 2019, the Company spent $3,637,646 on operating activities, the majority of related to operating expenses and the purchase of inventory. These cash outflows were offset by inflows related to accounts payable and accrued liabilities, prepaid expenses. During the nine months ended September 30, 2018, Bhang spent $1,784,701 on operating activities.

During the nine months ended September 30, 2019, the Company's financing activities generated cash of $4,462,940, the majority of which came from the private placement of subscription receipts discussed above. During the nine months ended September 30, 2018, Bhang generated inbound cash flows of $2,095,537 from financing activities.

During the nine months ended September 30, 2019, the Company spent $101,007 on investing activities. Inbound cash flows from the disposition of the marketable securities and cash acquired upon close the Transaction were offset by the purchase of property and equipment and the payment of transaction costs. During the nine months ended September 30, 2018, Bhang spent $293,615 on its investing activities.

Commitments

a) The Company has commitments under operating leases for its facilities. The minimum lease payments due are as follows:

Fiscal Year		Amount
2019 (Remainder)	$	24,900
2020	$	101,174
2021	$	69,543

b) The Company entered into a Distribution Agreement with a newly single purpose entity in Israel, formed for this transaction. The purpose of the transaction is to distribute and market products through its distributor's retail channels and exclusive distributor rights in the United States, North America including Canada, South and Central America, and abroad if demand exists with approval from the Israel entity. The Company has agreed to bonus the Israel entity with 2,000 subordinated voting shares of Bhang stock, per year, for 5 years, to be issued on the anniversary date starting from the day the 1st machine becomes operational. The bonus only remains enforceable if this agreement remains active and no breach, termination, or cancellation has occurred.

c) The Company entered into a consulting services agreement for the provision of public relations and marketing services in exchange for a guaranteed monthly fee of $7,000. The consulting services agreement has an initial term of three months, following which it will automatically renew on a month-by-month basis until terminated. Each party may terminate the consulting services agreement effective thirty days after delivery of written notice to the other party.

d) The Company and another party formed a joint venture, of which the Company will hold a 51% ownership interest, with the purpose of producing, marketing, distributing and selling cannabidiol-infused and terpene-infused coffee products in the United States. Notwithstanding the Company's majority interest in the joint venture, all profits will be distributed on a 50/50 basis.

e) The Company entered into a services agreement with a company for the provision of investor relations services in exchange for a monthly fee of $5,000 and 250,000 stock options, each of which allow the holder to acquire one Subordinate Voting Share of the Company at an exercise price of $0.55 until July 24, 2021. The agreement can be terminated by the Company by providing 30 days notice to the consultant.

f) The Company entered into a services agreement with a company for the provision of investor relations services in exchange for a monthly fee of $29,166.67 for an initial term of six months, which shall automatically renew for successive three-month terms thereafter until written notice of termination is provided by the Company at least fifteen days prior to the end of the term.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Outstanding Share Data

As of the date of this MD&A, there 51,007,420 Subordinate Voting Shares and 61,377.202 Multiple Voting Shares issued and outstanding.

As of the date of this MD&A, the Company has the following stock options outstanding:

Number of Options	Exercisable	Exercise Price	Expiry Date
32,000	32,000	CAD$5.00	December 31, 2019
12,130	12,130	CAD $5.00	December 31, 2020
6,775,000	2,250,000	CAD $0.52	July 11, 2024
75,000	-	CAD $0.52	July 11, 2023
1,885,000	206,250	CAD $0.52	July 11, 2022
222,500	222,500	CAD $0.52	July 11, 2020
250,000	250,000	CAD $0.55	July 24, 2021
9,251,630	2,972,880		

As of the date of this MD&A, the Company has the following warrants outstanding.

Number of Warrants	Exercisable	Exercise Price	Expiry Date
5,591,316	5,591,316	CAD $0.65	July 9, 2021
215,550	215,550	CAD $0.50	July 9, 2021
107,775	107,775	CAD $0.65	July 9, 2021
5,914,641	5,914,641		

Transactions with Related Parties

During the Reporting Period, the Company was involved in the following transactions with related parties:

i) Interest of $Nil (2018 - $37,500) was paid to an officer and director in connection with the note payable disclosed in note 13.

ii) Rental income of $Nil (2018 - $1,500) and revenue of $Nil (2018 - $158,958) was recognized on product sales and licensing revenue to companies in which a director, officer and shareholder of the Company is a director, officer and shareholder. As at September 30, 2019, accounts receivable includes $Nil (December 31, 2018 - $386,394) owing from these companies. In addition, the Company paid consulting fees of $30,000 (2018 - $105,000), made purchases of $3,903 (2018 - $14,625) and paid rent of $Nil (2018 - $9,750) from companies in which a director, officer and shareholder of the Company is a director, officer and shareholder. As at September 30, 2019, accounts payable and accrued liabilities included $67,625 (December 31, 2018 - $15,000) owed to this company.

iii) Licensing and product sales revenue of $45,318 (2018 - $69,981) was recognized on sales to a company controlled by the sibling of the Company's President and CEO. As at September 30, 2019, accounts receivable included $114,289 (December 31, 2018 - $76,356) owing from this company. The Company also made purchases of $11,411 from this company (2018 - $Nil).

iv) Key Management Personnel consists of the President and CEO and CFO. The compensation paid or payable to key management for the nine months ended September 30, 2019 includes salaries and bonuses of $388,750 (2018 - $180,000).

As at September 30, 2019, accounts payable and accrued liabilities included $21,864 (December 31, 2018 - $46,864) payable to the Company's President and CEO. The amount is non-interest bearing and payable on demand.

The transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

Critical Accounting Judgments and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the consolidated financial statements.

Property, Plant and Equipment - Estimated Useful Lives

Management estimates the useful lives of PPE based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of PPE for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's PPE in the future.

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the consolidated financial statements when applicable.

Financial Instruments and Other Risk Factors

See Section 17 ''Risk Factors" of the Company's Listing Statement dated July 9, 2019 as found under the Company's SEDAR profile (the "Listing Statement").

Liquidity Risks

The Company's financial instruments consist of cash and equivalents, accounts receivable, short-term debt, other receivables, accounts payable and accrued liabilities, lease liabilities and promissory notes. It is management's opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments and that the fair value of these instruments approximates their carrying value due to their short-term maturities.

Business Risks – United States Regulatory Matters

The Company derives a substantial portion of its revenues from the marijuana (or "cannabis" used herein) industry in certain states of the United States, which industry is illegal under United States federal law. The Company has ancillary involvement (through its partners and licensees) in the cannabis industry in the United States where certain local state laws permit such activities. In addition to its cannabis industry involvement, the Company also produces and sells CBD products derived from hemp and other hemp products.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 801 et. seq.) (the "Federal CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision.

In the United States cannabis is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the Federal CSA, which makes cannabis use and possession federally illegal. Although certain states authorize medical or recreational cannabis production and distribution by licensed or registered entities, 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. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

The cultivation, sale and use of cannabis is illegal under federal law pursuant to the Federal CSA. Under the Federal CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Even in those states in which the use of cannabis has been legalized, its use, cultivation, sale and distribution remains a violation of federal law. Any person connected to the cannabis industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss. Since federal law criminalizing the use of cannabis is not pre-empted by state laws that legalize its use, strict enforcement of federal law regarding cannabis would harm the Company's business, prospects, results of operation, and financial condition. Due to the federal illegality of cannabis and the charged political climate surrounding the cannabis industries of various states, political risks are inherent in the cannabis industry. It remains to be seen whether policy changes at the federal level will have a chilling effect on the cannabis industry.

Enforcement of U.S. federal law and any other relevant law is a significant risk and an investor's contribution to and involvement in such activities may result in U.S. federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the Federal CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, Bhang Inc.'s business, results of operations, financial condition and prospects would be materially adversely affected. See Section 17 – Risk Factors in the Listing Statement for additional information on this risk.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the Canadian Securities Administrators published a staff notice (Staff Notice 51-352) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis- related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

Please see the table of concordance below for further information on the material facts, risks and uncertainties related to U.S. issuers with marijuana-related activities.

The Agriculture Improvement Act of 2018 (the "2018 Farm Bill") was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes legally produced hemp (including any part of the plant Cannabis sativa L. containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the Federal CSA, and allows for federally-sanctioned hemp production under the purview of the United States Department of Agriculture (the "USDA"), in coordination with state departments of agriculture that elect to have primary regulatory authority. All cannabinoids produced from "marihuana" (or "cannabis" as used herein) remain a Schedule I substance under the Federal CSA and are thus illegal under U.S. Federal law.

On October 29, 2019, the USDA released the text of its interim final rule for regulations establishing a domestic hemp production program. Since this is an interim final rule, it will be in effect immediately upon being published in the Federal Register. In order to produce hemp, a farmer must first be licensed or authorized under a state program or through the USDA hemp program. If a state desires to have primary regulatory authority over hemp production in their borders, they may submit a plan for monitoring and regulating hemp production to USDA. States that have already submitted a plan will be given the chance to reaffirm the plan they want USDA to evaluate, or to submit a new plan if desired. The rule also establishes a USDA plan to regulate hemp production in states or areas where hemp production has been legalized, but no approved state plan is in place. Farmers may not grow hemp in states that have not legalized its production within their borders.

Despite the passage of the 2018 Farm Bill and the release of the USDA's interim final rule, several risks remain, including those arising from the complex regulatory environment in the United States and the uncertain reaction of industry stakeholders and the general public to the recent changes.

Although the U.S. Food and Drug Administration (the ''FDA'') is considering ways to best address this issue, the agency has not deemed CBD or other individual cannabinoids permissible for use in dietary supplements, as dietary ingredients or as safe for use in food. The FDA has taken the position that CBD cannot be marketed in a dietary supplement or added to food because it has been the subject of investigation as a new drug. In addition, the FDA is currently challenging whether similar products of other companies can be sold in the U.S. without FDA approvals which have not yet been obtained. See section 17 "Risk Factors" and Section 3.3(2) – "United States Regulatory Matters – CBD Hemp" in the Listing Statement for further details.

Additional legal barriers applicable to producing and selling hemp and hemp-derived CBD products result from a number of factors, including the fact that both hemp and cannabis (marijuana) are derived from the same plant species, the rapidly-changing patchwork of state laws governing hemp and hemp-derived

CBD, and the FDA's position that CBD cannot be added food or marketed as a dietary supplement, i.e., the IND Preclusion.

In addition, prior to the 2018 Farm Bill becoming law, the U.S. Drug Enforcement Administration (the "DEA") made public statements suggesting that CBD is a controlled substance, and that the retail sale as such would be prohibited. To the knowledge of the Company, the DEA has not expressed its position with respect to the 2018 Farm Bill, which amended the Federal CSA to exempt hemp, and THC naturally occurring in hemp, from the definition of "marihuana" (or "cannabis" as used herein) in the Federal CSA.

Even after the passage of the 2018 Farm Bill, there is risk that the FDA and/or the DEA could take law enforcement actions against the Company, and there is risk that changes in federal or state regulations could impact the legality of the operations of the Company.

There is also risk that state or local authorities could take enforcement action against the Company.

Any investment in the Company is speculative due to a variety of factors, including the nature of the Company's business. An investment in the Company should only be made by persons who can afford a total loss of their investment. Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by U.S. federal, state and local governments (or discretion exercised thereby), represent significant risks concerning the Company's business activities.

If the Company's operations are found to be in violation of any of such laws or any other governmental regulations, the Company may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures, any of which could adversely affect the Company's business and financial results.

See the Listing Statement for further details and risks relating to cannabis regulatory issues in the United States and other risks applicable to the Company.

Canadian Securities Administrators Staff Notice 51-352 (Revised)

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("Staff Notice 51-352"), below is a table of concordance that addresses the disclosure expectations outlined in Staff Notice 51-352. The Company has ancillary involvement in the US marijuana industry through its intellectual property licensing program in which Bhang branded marijuana products are manufactured and sold by its licensees in states where they are permitted to sell marijuana products. Bhang licenses only its intellectual property (brand and recipes) to these licensees and also provides them with packaging and molds to assist them with production and distribution. The Company does not directly own, hold or handle any marijuana or marijuana derived products.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*See Listing Statement Section 3.3– Trends Commitments, Events or Uncertainties and Section 4– Narrative Description of the Business*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*See above*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	*See Listing Statement Section 3.3– Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally* *See Listing Statement Section 17– Risk Factors – Marijuana remains illegal under U.S. federal law* *See Listing Statement Section 17– Risk Factors – Federal regulation of marijuana in the United States*
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*See Listing Statement Section 17– Risk Factors – Restricted access to banking* *See Listing Statement Section 17– Risk Factors – U.S. state regulatory uncertainty* *See Listing Statement Section 17– Risk Factors – Regulatory scrutiny of the Resulting Issuer's interests in the United States* *See Listing Statement Section 17– Risk Factors – Constraints on marketing products* *See Listing Statement Section 17– Risk Factors – Proceeds of crime statutes* *See Listing Statement Section 17– Risk Factors – Risks Related to the Regulatory Environment in Canada in Relation to the Business of the Resulting Issuer* *See Listing Statement Section 17– Risk Factors – Limited trademark protection* *See Listing Statement Section 17– Risk Factors – Lack of access to U.S. bankruptcy protections* *See Listing Statement Section 17– Risk Factors – Legality of contracts* *See Listing Statement Section 17– Risk Factors – Newly- established legal regime*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		See Listing Statement Section 17– Risk Factors – Risk of civil asset forfeiture
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*The Company has historically relied on equity financings to satisfy its capital requirements and will continue to depend upon equity capital to finance its planned development and expansion activities moving forward.* *See Listing Statement Section 4.2– Narrative Description of the Business – Ability to Access Public and Private Capital* *See Listing Statement Section 17– Risk Factors – Newly- established legal regime* *See Listing Statement Section 17– Risk Factors – Restricted access to banking*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	*Bhang estimates that 20% of its balance sheet for the interim period ended September 30, 2019 relates to its marijuana related business.*
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	*The Company receives legal advice from U.S. attorneys regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. The Company and its U.S. counsel continue to monitor compliance very carefully.*
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*N/A*
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law	*N/A*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*N/A*
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	*N/A*
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*To the best of Company's knowledge, all companies to which it licenses its intellectual property are in compliance with the State cannabis laws in which it operates.*

Forward-Looking Statements

The information provided in this MD&A, including information in the Listing Statement that is incorporated by reference, may contain "forward-looking statements" about the Company and its subsidiaries. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

(a) the regulation of the recreational cannabis industry;

(b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and

(c) other risks described in the Listing Statement and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

All forward-looking statements made in this MD&A and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on their behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Subsequent Events

Subsequent to the period ended September 30, 2019, 1,000,000 stock options were cancelled.

Internal Control over Financial Reporting and Disclosure Controls and Procedures ("DC&P")

Management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("ICFR") to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.