



Pasha Brands Ltd.

Management Discussion and Analysis

For the Period Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

PASHA BRANDS LTD. (formerly Broome Capital Inc.)
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This Management's Discussion & Analysis ("MD&A") of Pasha Brands Ltd. (formerly, Broome Capital Inc.) (the "Company") has been prepared by management and should be read in conjunction with the condensed interim consolidated financial statements and accompanying notes for the period ended December 31, 2019. The condensed interim consolidated financial statements, together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include the operating results of the Company.

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 27, 2020.

Additional information relating to the Company, can be found on the Company's website www.pashabrands.ca/.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include, but are not limited to:

- Assumption and expectations described in the Company's critical accounting policies and estimates;
- The Company's expectations regarding the adoption and impact of certain accounting pronouncements;
- The Company's expectations regarding legislation, regulations and licensing related to cultivation, production and sale of cannabis products;
- The expected number of users of medical cannabis or the size of legal medical cannabis market in Canada and internationally;
- The ability to enter and participate in market opportunities;
- The Company's expectations with respect to the Company's future financial and operating performance;
- Inventory and production capacity expectations including plans or potential expansion facilities;
- Expectations with respect to future expenditures and capital activities; and,
- The Company's ability to achieve profitability without future equity or debt financing.

The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in MD&A include: (a) execution of the Company's existing plan to produce and distribute licensed cannabis and cannabis related products for medical and recreational purposes. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: the impact of competition; the ability to obtain new financing on acceptable terms; the ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS (CONTINUED)

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, see "Risk Factors".

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors".

COMPANY OVERVIEW

Pasha Brands Ltd. (the "Company" or "Pasha") (formerly Broome Capital Inc.) was incorporated in the province of British Columbia on April 5, 2018.

The Company's registered records office is Suite 810, 789 Pender Street West, Vancouver, British Columbia, V6C 2V6. The Company is a listed issuer on the Canadian Securities Exchange ("CSE") under the symbol "CRFT", the Frankfurt Stock Exchange (FSE) trading under the ticker symbol "ZZD" and on OTC Markets, under the symbol "CRFTF". On November 28, 2019, the Company was halted due to regulatory non-compliance. The Company is looking to rectify the situation and resume trading in the near future.

Pasha's principal business is the production and distribution of licensed craft cannabis and craft cannabis related products for recreational and medical purposes. Pasha's goal is to become North America's largest cannabis craft brand house through leveraging reputable intellectual properties (the "Brands") of several Cannabis producers in BC. Pasha intends to leverage the expertise of these craft producers and utilize management expertise to provide resources, experience, strategic partnerships and distribution networks to build Pasha's reputation of providing high quality cannabis and cannabis related products.

SUPPLY AND DISTRIBUTION STRATEGY

Supply

Pasha's goal is to have a number supply agreements with craft cannabis producers ("Micro-cultivators"), ensuring a steady supply of dried flower to be used in Pasha's production process. Currently Pasha's wholly owned subsidiary, BC Craft Supply Co. Ltd ("BC Craft") is helping several Micro-cultivators with their licensing application. Upon receipt of such license the Micro-cultivators will officially become part of Pasha's supply chain family.

BC Craft's efforts resulted in a successful execution and signed supply agreements with Canada's first licensed Micro-cultivator, Hearst Organic Cannabis and Canada's first licensed micro processor, North 40 Cannabis.

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SUPPLY AND DISTRIBUTION STRATEGY (CONTINUED)

Supply (Continued)

Under these agreements, Hearst and North 40 will supply BC Craft with its ongoing production to be sold as dried flower. BC Craft has agreed to process and package this flower before it is destined for licensed retailers.

With Canada's current licensed cannabis producers only able to supply an estimated 15 per cent of what Canadians are consuming, Pasha is optimistic that these new supply agreements will help correct the cannabis supply imbalance. Canada has thousands of craft producers operating in the illicit cannabis market and BC Craft is focused on helping as many small farmers transition into the regulated market as possible.

Distribution

On June 28, 2019, Pasha signed an agreement with Great North Distribution Inc. ("Great North"). Established by the owners of Southern Glazer's Wine & Spirits, the world's preeminent distributor for beverage alcohol, Great North has reach across every province in Canada, including established relationships and expertise in working with provincially-owned and operated retailers and private retailers. Great North applies industry-leading data analytics capabilities from the wine and spirits industry to the new cannabis industry, providing suppliers with a powerful data-driven approach to cannabis sales. Through the agreement, Great North will give Pasha Brands access to its nationwide sales and distribution network, which includes experienced sales and marketing teams, established relationships with all government cannabis distribution boards, as well as coverage with Canada's numerous private retailers.

On June 28, 2019, Pasha has submitted a product application package to the Ontario Cannabis Store (OCS). This application is the first of its kind for Pasha and reaffirms the Company's ability to bring quality craft cannabis products from recognized pre-legalization brands to market in an efficient and timely manner. Brands included in the application package include: CBD Therapeutics (CBD isolates and oil formulations), Beard Brothers Collective (cannabis oils, vape pen inhalants, and shatter distillates), Theraveda (craft cannabis flower), Aurion (Craft cannabis gel capsules, distillates, and vape oil products), roll model (premium flower pre-rolls and vape oils), Grizzlers (sativa and indica flower pre-rolls), and Earth Dragon Organics (CBD-infused skincare and bath products).

Through Pasha's numerous craft brands, it is offering the Province of Ontario, and soon, other provincial jurisdictions, the opportunity to access to its differentiated consumer-focused products from accomplished brands. Through its recently acquired Vancouver Island-based licensed producer, MedCann, Pasha is integrating production varieties of wellness-use craft products including pre-rolled premium flower, extracts, capsules, edibles, vaporizer oils, and topicals into its operations.

REVERSE TAKEOVER TRANSACTION

On July 12, 2018, Pasha entered into a definitive amalgamation agreement (the "Definitive Agreement") with Broome Capital Inc., a publicly listed entity on the TSX-V ("Broome") and 1171298 B.C. Ltd. ("Subco"), a wholly owned subsidiary of Broome.

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REVERSE TAKEOVER TRANSACTION (CONTINUED)

On June 3, 2019, the Definitive Arrangement was completed whereby Broome acquired 100% of the issued and outstanding common shares of Pasha Brands Ltd in exchange for 162,079,028 common shares. Immediately prior to the effective date, Broome consolidated its shares on the basis of one post consolidation share for each two pre-consolidated shares and adjusted outstanding share purchase warrants. Immediately prior to the completion of the RTO, Broome had 16,552,202 common shares and 515,571 share purchase warrants with a strike price of \$0.12 and expires on May 15, 2020. Upon completion of the RTO, Broome changed its name to Pasha Brands Ltd. Common shares and share purchase warrants were exchanged for equivalent securities of Broome on the basis of one Pasha Brand Inc. share for every 1 share of Broome.

The RTO has been accounted for as a share-based payment transaction on the basis that Broome did not meet the definition of a business as it had no ongoing business operations. As Pasha Brands Ltd., is deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statement at their historical carrying values. Broome's results of operations have been included from May 29, 2019, the date of the RTO. For purposes of this transaction, the consideration received was the fair value of the net assets of Broome which on May 29, 2019, was \$1,152,751. This amount was calculated as follows:

Fair value of 16,552,202 of common share consideration	\$	5,793,271
515,571 share purchase warrants assumed		180,000
Total fair value of consideration paid		5,973,271
Cash		1,159,186
Prepaid		2,766
GST recoverable		2,036
Accounts payable and accrued liabilities		(11,243)
Net identifiable assets acquired		1,152,745
Consideration paid in excess of net assets acquired	\$	4,820,526

BRANDS

During the year ended September 30, 2019, the Company acquired the brands described below. As of the date of this MD&A, the Company has yet to operate and sell product under these brands.

BC CRAFT SUPPLY CO.



Pasha continues to develop BC Craft Supply Co. ("BC Craft"). BC Craft Supply's vision is to become a BC-based, craft focused brand working with a network of select craft growers, manufacturers and retailers as part of the Pasha Brand's family to give smaller companies the advantage they need to stay competitive. By leveraging management's expertise, Pasha will assist select craft growers and make the world-famous BC cannabis available to the world.

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BRANDS (CONTINUED)

BC CRAFT SUPPLY CO. (CONTINUED)

Pasha's team of industry veterans offers craft cultivators one-on-one support for growing techniques, quality assurance, facility design, security clearances, health and safety standard compliance, staff training, product distribution, and more. We support our clients through the transition into the new, legal market so that they can stay focused on the growth of their company and get onto the market with the best possible price for their product.

Health Canada has created new opportunities for Micro Cultivators (MC) who will have to sell to LP or Micro Processors ("MP"). Under Canada's new regulations, growers under the MMAR as well as Registered and Designated Persons under the ACMPR will be able to apply to become MC and MP. Micro Cultivations will see benefit using Pasha's processing facility to gain access to Canada's legal market.

Also, BC Craft Supply is currently finalizing exclusive agreements with some of the industry's most influential retailers and distributors that cover private and government retailers coast to coast in addition to international sales outlets.

As part of the Pasha family, our partners have full access to our resources, experience, strategic partnerships and vast distribution network. Pasha and its founder, Executive Chairman, Mr. Brauckmann, have been at the forefront of professional and legal cannabis since for the past several years. Mr. Brauckmann has recently advised and financed Canadian cannabis producers, Abcann Medicinals and Doja Cannabis Co ("Doja"). Doja later merged with Hiku Brands and was later purchased by Canopy Growth, the world's largest cannabis company.

BC Craft Supply Co. will be Canada's most productive craft brand, as craft producers will use Pasha's facility, processing and sales license to enter the legal cannabis market.

On May 8th, 2019, Health Canada announced it was changing its process for issuing cannabis licences, in a bid to reduce wait times, after a review found a "significant amount" of its resources was used to approve numerous applications for facilities that have yet to materialize years later. Effective immediately, new applicants for licences to cultivate, process or sell cannabis — for either medical or recreational purposes — must now have a fully built site that meets the regulations when they submit their application, the government agency said. Prior to this, cannabis licence applicants could submit an application with their plans and get approval before building.

Health Canada stated they were "implementing these adjustments following a review of its current licensing process.... A significant amount of resources are being used to review applications from entities that are not ready to begin operations, contributing to wait times for more mature applications and an inefficient allocation of resources," The agency said, for example, more than 70 per cent of licensing applicants that passed its initial paper-based review over the past three years have yet to submit the required evidence to demonstrate they have built a facility that meets the regulatory requirements. "The new approach responds to feedback from applicants about the time it can take to become licensed and the fact that there is now a larger number of applicants seeking to enter a growing and maturing legal market," Health Canada said.

Pasha was enthused by this announcement as we feel it facilitates growers who are motivated and capable in getting their licence a much faster path to market.

On June 14th 2019, the Government of Canada announced amendments to the Cannabis Regulations setting out the rules governing the legal production and sale of edible cannabis, cannabis extracts and cannabis topicals. In keeping with the federal government's public health approach to the legalization and strict regulation of cannabis. At the same time, the amendments provide for a broad diversity of cannabis products.

As required by the Cannabis Act, the amended regulations will come into force on October 17, 2019. However, it will take time, after that date, before new cannabis products become available for purchase.

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BRANDS (CONTINUED)

BC CRAFT SUPPLY CO. (CONTINUED)

It is expected that a limited selection of products will appear gradually in physical or online stores, and no earlier than April 2020. Federal licence holders will need to provide 60-days notice to Health Canada of their intent to sell new products, as they are currently required to do. Additionally, as with any new regulatory framework, federally licensed processors will need time to become familiar with and prepare to comply with the new rules and to produce new products. Provincially or territorially authorized distributors and retailers will also need time to purchase and obtain the new products and make them available for sale.

Pasha continues to work on developing products that will become available under these new regulations, which will be processed and packaged in the Medcann facility.

BEARD BROTHERS COLLECTIVE



Beard Brothers Collective (“BeardBros”) is a premier medicinal provider, providing flower, concentrates and edibles. Beardbros is focused on helping their patient’s quality of life, medicine and providing reasonable access to medicinal cannabis products. More information and product lines can be found on BeardBros website: <https://beardbros.ca/>.

THERAVEDA



Theraveda grows award-winning craft cannabis and uses the proceeds to fund addiction and mental health treatment programming through its New Leaf Outreach project. The New Leaf Outreach project are dedicated to supporting those affected by substance use and chronic health disorders in their community.

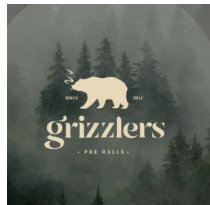
In concept, Theraveda is about integrating modern cannabis therapeutics with the principles of ayurveda, the ancient Indian philosophy and science of healing the body, mind, and spirit.

This idea has proven popular in the craft cannabis community and their proprietary methodology with the team winning 1st place indica at the Grassroots Cup.

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BRANDS (CONTINUED)

GRIZZLERS



Grizzlers is a premier brand of packaged pre-rolled cannabis. Since 2017, Grizzlers has grown to be the most widely pre-roll maker in the country and prior to the Cannabis Act, the Company was widely distributed in Canada, with a sales network of over 70 retail outlets in British Columbia, Alberta, and Ontario.

Grizzler is focused on high quality pre-rolls and hand select their cannabis with a focus on genetics, flavours, and effects to create the best experience. Grizzler aims to build a world class reputation by giving cannabis consumers the chance to experience the very best.

EARTH DRAGON ORGANICS



Earth Dragon Organics was born in 2015 and has grown into an award-winning innovative cannabis wellness and lifestyle brand. Created by Tessa Serra, the company brings a youthful, modern and scientific perspective to wellbeing through their premium artisan products.

Infused with the wild earth energy and the natural beauty of Salt Spring Island, British Columbia, Earth Dragon organics brings a bit of west coast living to the world. From humble beginnings, the company now boasts a line of premium cannabis-infused products designed to provide safe alternatives for significant pain relief and nourishing treatments for many skin conditions.

ROLL MODEL



Roll model is a premium Canadian craft cannabis brand based out of Vancouver, BC. Their mission is to provide smokers with a premium cannabis experience, reduce the stigma associated with cannabis.

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BRANDS (CONTINUED)

BAKED EDIBLES



Baked Edibles aims to bring high quality cannabis edibles to the public, with safety and reliability at the forefront of everything Baked Edible does. Baked Edibles humble roots grew out of the longest-running commercial medical cannabis bakery in Canada, the Victoria Cannabis Buyers Club.

The bakery team sources all of its cannabis from federally-licensed MMAR growers, who have been growing crops in BC for more than 20 years, bringing the very best of BC bud to the edible sector.

Baked Edibles offers a wide range of products, including cookies, brownies, protein bars, premium chocolates, peanut butter cups, drink mixes, soft gummies and pressed mints. Baked Edibles product line also includes infused honey, capsules and topical products like massage oils and salves.

Baked Edibles began its journey in 2015, after Owen Smith, a baker for the Victoria Cannabis Buyers Club, won his case against the federal government.

ACQUISITION OF ROYAL GREEN ACRES MANAGEMENT LTD.

On June 30, 2018, pursuant to a share purchase agreement (the "Share Exchange"), dated April 15, 2018, the Company issued 13,330,000 common shares in exchange for all the issued and outstanding shares of Royal Green Acres Management Ltd. ("RGAM"), a private company incorporated under the law of British Columbia. RGAM's principal business is developing and licensing of a facility for the production of cannabis products under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). RGAM is currently in the final review stage with Health Canada for the ACMPR application process submitted in July of 2013.

ACQUISITION OF MEDCANN HEALTH PRODUCTS LTD.

On June 4, 2019, the Company acquired Medcann Health Products Ltd ("MedCann"). MedCann has approximately 10,000 square feet of growing space on Vancouver Island. As consideration, the Company paid or issued consideration of \$3,120,000 and 14,445,445 common shares.

This acquisition will allow subsidiary company, BC Craft to accelerate its pace of growth in Canada's new craft cannabis sector. BC Craft acts as a service provider to small farmers under the newly created Health Canada licence category known as Micro Cultivator. In exchange for a cannabis supply agreement with a micro cultivator, BC Craft assists the applicant in receiving its licence with Health Canada and provides a whole host of services ranging from quality assurance to the marketing of its cannabis products in Canada's provincial and territorial markets.

With approximately 10,000 square feet of space, on an acre of land on Vancouver Island, Medcann was granted its seed processing, cultivation and sales licence by Health Canada in March 2019. Medcann provides Pasha with an immediate pathway to bring craft cannabis products to market under Health Canada's new micro-cultivation/processor licence category. The Medcann facility will test, process and package high quality craft flower, and package this flower for distribution throughout Canada. In addition to flower sales, it is expected that Medcann will process cannabis for Canada's emerging oil, topical and edible market through an extraction lab and processing rooms to be developed at the facility. Pasha will develop and distribute products under the leading brands we own throughout Canada.

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ACQUISITION OF MEDCANN HEALTH PRODUCTS LTD. (CONTINUED)

The facility is currently undergoing some modifications in order to facilitate the necessary required equipment and processing requirements. In consideration for this work, we anticipate spending approximately \$500,000 on building modification and equipment to complete phase 1 of the project. It is anticipated that this work will be completed in 2020 Q2 with processing and distribution happening immediately on completion.

In consideration for the acquisition of all of the outstanding share capital of Medcann, Pasha completed a cash payment of \$3,120,000, and has issued 14,444,445 common shares (the "Consideration Shares").

The Consideration Shares are subject to a pooling arrangement which restricts the ability of the holders to transfer or trade the shares. The Consideration Shares will be released from the pooling arrangement over a period of eighteen months, with 25% of the shares released immediately, and the balance released in six equal tranches every three months thereafter. In the event the volume weighted average closing price of the Pasha common shares is less than \$0.72 in the twenty trading days prior to the expiry of the pooling arrangement, the shareholders of Medcann will be entitled to receive additional Consideration Shares to guarantee the value of the consideration they receive.

Medcann also holds the right to acquire the property on which its facility is located in consideration for a further cash payment of \$1,080,000. The property is currently subject to a lease arrangement which permits the operation of the facility.

In connection with completion of the acquisition, Pasha issued 1,066,667 common shares as a finders' fee to certain arms'-length parties who assisted Pasha in facilitating the transaction. All shares issued as a finders' fee will be subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws.

FACILITY DEVELOPMENT

Pasha is considering building a state of the art 10,000 square feet processing facility in Nanaimo, BC. Pasha's application with Health Canada to become a Licensed Producer ("LP") was submitted on July 17, 2013. Pasha was the 24th applicant to submit an application. The application has been approved and is given the Readiness for a License under the ACMPR, meaning our facility needs to be built, and on completion a processing and sales license will be granted. Due to the addition of the Medcann facility in June 2019, Pasha decided to postpone the completion of the Nanaimo facility to the end of 2020.

RESULTS OF OPERATIONS

For the period ended December 31, 2019 and 2018

During the period ended December 31, 2019, the Company recorded a loss and comprehensive loss of \$17,081,345 compared to a net loss of \$1,824,916 in the comparative period. In general, the increase in losses are related to non-cash transactions as the Company is evaluating its opportunities. The Company recorded a loss on settlement of debt of \$13,292,678 (2018 - \$Nil) and share based compensation of \$735,279 (2018 - \$Nil). The Operating expenses for the period can be attributed mainly to the following items:

- Accretion and interest increased to \$361,091 (2018 - \$Nil) and \$394,788 (2018 - \$165), respectively. During the year ended September 30, 2019, the Company completed several tranches of convertible debenture financings, raising gross proceeds of \$13,031,456. The convertible debentures bear interest of 10% per annum and included variable share consideration, which gave rise to a derivative liability. The resulting accretion and interest expense is a result of these transactions. In addition, during the period ended December 31, 2019 the Company entered into various promissory notes with directors, arm's length parties and related parties, raising gross proceeds of \$1,265,489 bearing interest of 12%, which contributed to the overall increase in interest expense.

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RESULTS OF OPERATIONS (CONTINUED)

- The Company is working on developing its facilities in Nanaimo and the Company is hiring internal and external professionals to ensure that the facilities the Company is developing remains compliant with Health Canada. As a result, the Company incurred licensing fees of \$56,278 (2018 - \$Nil).
- Consulting fees of \$763,468 (2018 - \$896,214), as the Company hires consultants on an ad hoc basis to assist with strategic planning and to assist with the execution of the Company's business plan. Consulting fees include strategic management, advisory fees that assist with several facets of the Company's ongoing business.
- Travel expenditures decreased to \$61,527 (2018 - \$140,760) as a result of cost-cutting measures. The Company's management continues to travel to several seminar, conventions and events to grow the Company's business.
- Corporate development decreased to \$66,296 (2018 - \$113,790) includes brand awareness and the development of promotional material. The Company is in its startup stage with big plans in the craft cannabis industry and various derivatives. Brand awareness and positioning the Company in the craft cannabis space is an important step for the Company to meet its business targets as the Company requires capital to grow and showcase the Company.
- Professional fees of \$620,607 (2018 - \$288,913), as the Company paid fees in connection to general legal, accounting, and due diligence fees. The Company continues to consult professionals to meet business objectives.
- Salaries and benefits of \$676,867 (2018 - \$353,565), as the Company hired several employees to build out the Company's business operations. Subsequent to year end, the Company reduced its work force to preserve cash and focus on essential operations.
- The Company recorded depreciation of \$60,703 (2018 - \$Nil) as the Company adopted IFRS 16 – Leases. The Company's leases consist of property, plant and equipment and vehicles. Upon adoption, the Company recorded right-of use assets of \$1,065,521 and depreciation of \$60,703.
- The Company issued 40,038,686 stock options to various directors, officers and consultants of the Company with an exercise price of \$0.35 with a term of 3 years. 13,129,562 of the stock options vested immediately, with the remainder vesting 33.33% every 6 months. During the period ended December 31, 2019, 13,129,562 stock options vested. During the period ended December 31, 2019, the Company recognized \$735,279 in share-based compensation expense related to these stock options.
- Subsequent to period end, On February 21, 2020, the Company entered into a settlement agreement (the "Settlement Agreement") with arms-length creditors to settle outstanding debt obligations in the amount of \$2,643,400 (the "Settlement Amount") associated with the previous acquisition of 1160899 B.C. Ltd. d/b/a CBD Therapeutics ("1160899") and all intellectual property associated with the trade name CBD Therapeutics. In full and final settlement of the Settlement Amount, the Company transferred the ownership of the previously issued shares of 1160899 and it released an aggregate of 17,510,072 common shares being held pursuant to voluntary escrow agreements dated May 29, 2019 to the creditors. The Company settled debt of \$2,643,440 in exchange for intangible assets with a fair value of \$15,902,418 and recorded a loss on settlement of debt of \$13,258,978.
- Revenue consists of consulting services provided to other cannabis licensed producers. During the three month period ended, the Company record revenues of \$60,417.

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QUARTERLY FINANCIAL INFORMATION

The following table presents selected unaudited consolidated financial information for the previous three quarters:

(CAD\$)	2020		2019	
Period Ending	Q1	Q4	Q3	Q2
Revenue	60,417	-	-	-
Net loss	(17,081,345)	(29,929,732)	(19,648,318)	(2,820,469)
Basic loss per Share	(0.09)	(0.40)	(0.19)	(0.02)
Diluted loss per Share	(0.09)	(0.40)	(0.19)	(0.02)
Assets	21,696,061	36,467,060	57,875,665	47,415,656
Long term liabilities	-	-	-	-

(CAD\$)	2019	2018	
Period Ending	Q1	Q4	Q3
Revenue	-	-	-
Net loss	(1,824,916)	(807,188)	(144,580)
Basic loss per Share	(0.03)	(0.05)	(0.14)
Diluted loss per Share	(0.03)	(0.05)	(0.14)
Assets	32,623,628	4,998,417	1
Long term liabilities	-	-	-

The quarterly financial information for the 2019 and 2018 fiscal periods, are presented in accordance with IFRS.

Expenditures increased significantly quarter over quarter, as the Company's operations ramped up with various strategic acquisitions. During the fourth quarter of fiscal 2019, the Company recorded losses of \$29,929,709, which primarily consisted of non-cash transactions such as a change in consideration payable of \$5,326,237 and impairment to leasehold improvements and intangible assets of \$18,605,054. During Q1, the Company's net loss reduced dramatically, which reflects the Company's cost cutting measures.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to execute the Company's business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise the Company's business programs depending on its working capital position.

The Company's liquidity depends on existing cash reserves, to be supplemented as necessary by equity and/or debt financings. As of December 31, 2019, the Company had current assets of \$761,245 (September 30, 2019 - \$715,278) and current liabilities of \$31,136,627 (September 30, 2019 - \$27,104,620). The Company has a working capital deficiency of \$27,750,362 (September 31, 2019 - \$26,389,342). During the three month period ended December 31, 2019, the Company has worked to pivot its business and finance businesses through promissory notes.

Other than the above mentioned current liabilities, the Company has plans to build its facility in Nanaimo, with an estimated capital cost of \$2,000,000 and make improvements to Medcann's facility to be in compliance with Health Canada. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation.

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LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's future revenues, if any, are expected to be from the sale of hemp and cannabis and their related derivatives. The economics of developing and producing cannabis are affected by many factors including the cost of operations, variations in the quality of cannabis, and the price of cannabis and related derivatives. There is no guarantee that the Company will be able to successfully develop its production facilities and distribution channels.

Cash flow from operating activities

During the period ended December 31, 2019, The Company cash outflow from operations was \$1,105,340 (2,622,712). This consists mainly of cash paid for consulting, professional fees, regulatory, salaries and due diligence on the various brands and opportunities the Company is pursuing.

Cash flow from investing activities

Cash outflow from investing activities was \$80,634 (2018 - \$2,716,000). In the comparative period, the Company acquired a number of businesses, including Aurion, Beard Brothers, CBD Therapeutics and Theraveda. Pursuant to these acquisitions, the Company paid a combination of cash and common stock.

Cash flow from financing activities

During the period ended December 31, 2019, the Company financed operations via promissory notes for gross proceeds of \$1,265,489. The promissory notes bear interest of 12%. In the comparative period, the Company raised gross proceeds of \$6,875,671 through the completion of various private placements.

The Company has relied on funding through the issuance of common shares and promissory notes.

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures and cannabis development costs, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing.

LEASES

The Company has lease contracts for various facilities used in the Company's operations. Lease of land generally have a lease term between 3 to 5 years, while motor vehicles and other equipment have a lease term of 5 years.

Set out below are the carrying amounts of right of use assets and lease liabilities recognized and the movements during the period:

	Right-of-use assets			Lease Liabilities
	Property and plant	Vehicles	Total	
	\$	\$	\$	\$
As at October 1, 2019	919,839	145,682	1,065,521	1,065,521
Additions	-	-	-	-
Depreciation	(53,419)	(7,284)	(60,703)	-
Payments	-	-	-	(82,845)
As at December 31, 2019	866,420	138,398	1,004,818	982,676

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LEASES AND COMMITMENTS (CONTINUED)

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at December 31, 2019:

	\$
2020	282,458
2021	381,127
2022	353,113
2023	231,046
2024	107,325
	1,355,069

The Company is unaware of any contingencies as at December 31, 2019.

With respect to the acquisition of RGAM, the Company acquired a lease agreement. The Company has the right to renew the lease for a period of five years with the same terms and conditions of the original lease. In addition, the Company may exercise its option to purchase the facility at any time prior to the expiry of the term of the lease for a purchase price of \$1,500,000 if the option is exercised during the initial five-year term of the lease. In the event that the option is exercised during the extension term of the lease, the purchase price for the facility shall be the greater of \$1,500,000 and the amount that is calculated by dividing the most recent assessed value of the facility as of the expiry of the initial term of the lease, as published by the Province of British Columbia, by the most recent assessed value of the facility as of the effective date, and multiplying the product by \$1,500,000.

During the year ended September 30, 2019, the Company entered into a lease agreement for its office space, located in Vancouver, Canada.

With respect to the acquisition of Medcann, the Company acquired a lease located in Chemainus, British Columbia that expires on March 31, 2022. The Company has an option to purchase the property for \$1,200,000 by December 31, 2019.

On June 28, 2019, the Company signed an agreement with Great North Distributors Inc. to be a representative of the Company in selling its cannabis products throughout Canada. The Company will pay a commission of 10% of sales revenue of product sold to customers in Canada through Great North Distributors Inc. for an initial period of five years.

During the year ended September 30, 2019, the Company entered into agreements with a number of suppliers as follows. To date no product has been delivered from suppliers to the Company.

- a) Ten of these agreements have the following key terms:
 - i) The Company has the right to purchase all or any portion of cannabis produced by the supplier; and
 - ii) The Company will reimburse the supplier for up to \$100,000 in regulatory consulting fees related to the supplier's application for a micro-cultivation or micro-processor license, to be reimbursed \$25,000 for every 50kg of product delivered to the Company.
- b) Another five agreements have the following key terms:
 - i) The Company has the right to purchase any and all product from the supplier during the initial term, ranging from 12 to 18 months from the date of first delivery;
 - ii) The product will be purchased at a minimum price of \$6.50/gram during the initial term for product with a minimum tetrahydrocannabinol (THC) content of 15%; and
 - iii) After the initial term, the Company has first right of refusal to purchase the supplier's product.
- c) One agreement obligates the Company to pay a one-time signing bonus of \$100,000 to the supplier (paid) and a one-time fee of \$23,350 upon the supplier delivering the first 100kg of product to the Company.

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LEASES AND COMMITMENTS (CONTINUED)

Should the Company enter into a supply agreement with a supplier introduced by 10050432 Manitoba Ltd. During the term, the Company shall pay a referral fee of 1% of the proceeds paid by the Company to that supplier for the supply of cannabis products.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is unaware of any off-balance sheet arrangements as at December 31, 2019.

RELATED PARTY TRANSACTIONS

Jason Longden – Former CEO

Theo van der Linde - CFO

Patrick Brauckmann – Director, Executive Chairman

Rosy Mondin – Former Director

Hugo Alves – Former Director

Scott Walters – Former Director

Brigitte Simons – Chief Scientific Officer

	December 31, 2019 \$	December 31, 2018 \$
Consulting fees paid to former management of RGAM	52,500	-
Salaries paid to the former CEO	62,500	-
Salaries paid to the Chief Scientific Officer	50,000	-
Professional fees paid to companies controlled by the CFO	19,500	-
Consulting fees paid or accrued to a director of the Company	62,500	125,433
Share based compensation	336,009	-
	583,009	125,433

As at December 31, 2019, the Company owed a director \$312,905 (September 30, 2019 - \$54,001) and promissory notes payable to the director of \$1,088,978 (September 30, 2019 - \$989,226). As at December 31, 2019, the Company owes the CFO \$413,170 (September 30, 2019 - \$400,000) in promissory notes. As at December 31, 2019, the Company owed related parties \$66,231.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, currency risk, and interest rate risk.

Credit Risk

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits. The Company's cash deposits are primarily held with a Canadian chartered bank.

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FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financings. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year. The Company manages liquidity risk as part of its overall "Management of Capital" as described below.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and has no material exposure related to foreign exchange rate risk.

Interest Rate Risk

When the Company has sufficient cash, it is invested in term deposits which can be reinvested without penalty after thirty days should interest rates rise. As at December 31, 2019, the Company did not have any variable interest-bearing loans or interest-bearing investments. Accordingly, the Company does not have significant interest rate risk.

Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the development of its production facility. The Company relies mainly on equity issuances to raise new capital. In the management of capital, the Company includes the components of equity. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without penalty. The Company is not subject to any externally imposed capital requirements.

Subsequent Events

On February 21, 2020, the Company entered into a settlement agreement (the "Settlement Agreement") with arms-length creditors to settle outstanding debt obligations in the amount of \$2,643,400 (the "Settlement Amount") associated with the previous acquisition of 1160899 B.C. Ltd. d/b/a CBD Therapeutics ("1160899") and all intellectual property associated with the trade name CBD Therapeutics. In full and final settlement of the Settlement Amount, the Company transferred the ownership of the previously issued shares of 1160899 and it released an aggregate of 17,510,072 common shares being held pursuant to voluntary escrow agreements dated May 29, 2019 to the creditors. The Company settled debt of \$2,643,440 in exchange for intangible assets with a fair value of \$15,902,418 and recorded a loss on settlement of debt of \$13,258,978.

The Company intends to consolidate its common shares on a 12 to 1 basis ("Post-Consolidation"). The Company believes that consolidating its shares will be more attractive to future financing opportunities and allow for restructuring and settlement of certain liabilities.

The Company intends to offer up to 6,944,444 Post Consolidated shares for gross proceeds of up to \$5,000,000. Each Unit consists of one post-consolidation common share and one-half of one share purchase warrant with an exercise price of \$1.02 for a 36 month period following closing.

The Company intends to restructure the Company's convertible debt and will seek approval of the Company's holders to issue an aggregate of 12,021,035 units at a price of \$1.02 per share to settle all outstanding convertible debenture obligations. Each unit will consist of one post-consolidated common share and one share purchase warrant to acquire a common share of the Company at an exercise price of \$1.20 for a 36 month period.

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OUTSTANDING SHARE DATA

As at the date of this document, the Company had the following number of securities outstanding:

- 196,127,342 common shares issued and outstanding;
- 38,088,686 options outstanding; and,
- 13,703,730 warrants outstanding.

RISK FACTORS

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Issuer may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Issuer's business have the potential to influence its operations in a materially adverse manner.

Reliance on Licensing

The ability of the Issuer to continue its business of growth, storage and distribution of medical marijuana is dependent on the good standing of all licenses, including the licenses to produce and sell cannabis and hemp derivatives, and adherence to all regulatory requirements related to such activities. Any failure to comply with the terms of the licenses, or to renew the licenses after their expiry dates, would have a material adverse impact on the financial condition and operations of the business of the Issuer. Although the Issuer believes that it will meet the requirements of future extensions or renewals of the licenses, there can be no assurance that the regulating bodies will extend or renew the licenses, or if extended or renewed, that they will be extended or renewed on the same or similar terms. Should the regulatory bodies not extend or renew the licenses, or should they renew the licenses on different terms, the business, financial condition and operating results of the Issuer would be materially adversely affected.

Regulatory Risk

Achievement of the Issuer's business objectives are contingent, in part, upon compliance with the regulatory requirements, enacted by these government authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Issuer's business, results of operation and financial condition.

Change in Law, Regulations and Guidelines

The Issuer's business is subject to a variety of laws, regulations and guidelines relating to marketing, distribution, cultivation, management and sale and disposal of marijuana but also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Issuer's operations. The Liberal Party of Canada, which has formed the current federal Government of Canada, has made electoral commitments to legalize, regulate and tax recreational cannabis use in Canada. On April 13, 2017, the Government of Canada introduced the Cannabis Act. On June 19, 2018, Prime Minister Justin Trudeau announced that the Cannabis Act and its regulations will come into force in Canada on October 17, 2018, on order to provide the provinces and territories time to prepare for retail sales. The Cannabis Act passed its final legislative step and received Royal Assent on June 21, 2018. The legislative framework pertaining to the Canadian recreational cannabis market will be subject to significant provincial and territorial regulation.

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RISK FACTORS (CONTINUED)

Limited Operating History and No Assurance of Profitability

The Issuer is subject to all of the business risks and uncertainties associated with any early stage enterprise, including under-capitalization, cash shortages, limitation with respect to personnel, financial and other resources, and lack of revenues. The Issuer has incurred operating losses in recent periods. The Issuer may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Issuer expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Issuer's revenues do not increase to offset these expected increases in costs and operating expenses, the Issuer will not be profitable. There is no assurance that the Issuer will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

Unfavourable Publicity or Consumer Perception

The success of the medical marijuana industry may be significantly influenced by the public's perception of marijuana's medicinal applications. Medical marijuana is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on our operational results, consumer base and financial results.

Realization of Growth Targets

The Issuer's ability to produce marijuana is affected by a number of factors, including plant design errors, nonperformance by third party contractors, increases in materials or labour costs, construction performance falling below expected levels of output or efficiency, environmental pollution, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labour disputes, as well as factors specifically related to indoor agricultural practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on the facility, such as fires, explosions, earthquakes or storms.

Uninsured or Uninsurable Risk

The Issuer may be subject to liability for risks against which it cannot insure or against which the Issuer may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Issuer's normal business activities. Payment of liabilities for which the Issuer does not carry insurance may have a material adverse effect on the Issuer's financial position and operations.

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RISK FACTORS (CONTINUED)

Additional Financing

There is no guarantee that the Issuer will be able to execute on its strategy. The continued development of the Issuer may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Issuer ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Issuer. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Issuer may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Issuer's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Issuer would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Issuer may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Issuer's ability to pursue its business objectives.

Key Personnel

The Issuer's success will depend on its directors' and officers' ability to develop and execute on the Issuer's business strategies and manage its ongoing operations, and on the Issuer's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants now that production and selling operations have begun. The loss of any key personnel or the inability to find and retain new key persons could have a material adverse effect on the Issuer's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that the Issuer will be able to attract or retain key personnel in the future, which may adversely impact the Issuer's operations.

Strategic Alliances

The Issuer currently has, and may in the future enter into, strategic alliances with third parties that the Issuer believes will complement or augment its existing business. The Issuer's ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business, and may involve risks that could adversely affect the Issuer, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Issuer's existing strategic alliances will continue to achieve, the expected benefits to the Issuer's business or that the Issuer will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on the Issuer's business, financial condition and results of operations.

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RISK FACTORS (CONTINUED)

New Product Development

The medical cannabis industry is, and the recreational cannabis industry will be, in its early stages of development and it is likely that the Issuer, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Issuer may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Issuer. As well, the Issuer may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. The Issuer may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Issuer's business, financial condition and results of operations.

Litigation

The Issuer may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Issuer to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. While the Issuer has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact the Issuer's business, operating results or financial condition.

Agricultural Operations

Since the Issuer's business will revolve mainly around the growth of medical marijuana, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and insect pests, among others. Although the Issuer expects to grow its product in a climate controlled, monitored, indoor location, there is no guarantee that changes in outside weather and climate will not adversely affect production. Further, any rise in energy costs may have a material adverse effect on the Issuer's ability to produce medical marijuana.

Transportation Disruptions

The Issuer will depend on fast, cost-effective and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Issuer. Rising costs associated with the courier service used by the Issuer to ship its products may also adversely impact the business of the Issuer and its ability to operate profitably.

Fluctuating Prices of Raw Materials

The Issuer's revenues will be derived from the production, sale and distribution of marijuana. The price of production, sale and distribution of marijuana will fluctuate widely due to how young the marijuana industry is and is affected by numerous factors beyond the Issuer's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Issuer and, therefore, the economic viability of any of the Issuer's business, cannot accurately be predicted.

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RISK FACTORS (CONTINUED)

Growth Expansion Efforts

There is no guarantee that the Issuer's intentions to acquire and/or construct additional cannabis production and manufacturing facilities in Canada and in other jurisdictions with federal legal cannabis markets, and to expand the Issuer's marketing and sales initiatives will be successful. Any such activities will require, among other things, various regulatory approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all. There is also no guarantee that the Issuer will be able to complete any of the foregoing activities as anticipated or at all. The failure of the Issuer to successfully execute its expansion strategy (including receiving required regulatory approvals and permits) could adversely affect the Issuer's business, financial condition and results of operations and may result in the Issuer failing to meet anticipated or future demand for its cannabis-based pharmaceutical products, when and if it arises. Moreover, actual costs for construction may exceed the Issuer's budgets. As a result of construction delays, cost overruns, changes in market circumstances or other factors, the Issuer may not be able to achieve the intended economic benefits from the construction of the new facilities, which in turn may materially and adversely affect its business, prospects, financial condition and results of operations.

Competition

There is potential that the Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Issuer. Because of the early stage of the industry in which the Issuer intends to operate, the Issuer expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To be competitive, the Issuer will require a continued high level of investment in research and development, marketing, sales and client support. The Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially affect the business, financial condition and results of operations of the Issuer.

Difficulty Implementing Business Strategy

The growth and expansion of the Issuer is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Issuer will be successful in the implementation of its business strategy.

Global Economy

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares on the Exchange.

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RISK FACTORS (CONTINUED)

Conflicts of Interest

Certain of the Issuer's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Issuer intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Issuer's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Issuer are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Issuer's best interests. However, in conflict of interest situations, the Issuer's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Issuer. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Issuer.

Intellectual Property

The success of the Issuer will depend, in part, on the ability to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Issuer. The Issuer may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Issuer. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.