

MJ Innovation Capital Corp.
Management's Discussion and Analysis
*For the financial year ended June 30, 2020 and the period from
incorporation (November 13, 2018) to June 30, 2019*

Note to Reader

The Corporation is filing this annual management's discussion and analysis to correct a previous filing made on October 28, 2020, whereby the incorrect document was inadvertently filed on SEDAR.

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FORM 51-102F1

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Corporation's financial statements and notes thereto for the financial year ended June 30, 2020. Additional information relating to the Corporation is available on SEDAR at www.sedar.com.

This MD&A was prepared by management of MJ Innovation Capital Corp. (the "**Corporation**"), and is dated October 28, 2020. All amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate" or "believe", are intended to identify forward-looking statements. Such statements reflect the Corporation's forecasts, estimates and expectations, as they relate to the Corporation's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Corporation does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, unless otherwise required by applicable law.

Description of the Business

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on November 13, 2018 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). The head and registered office of the Corporation is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9. The Corporation's common shares (the "**Common Shares**") commenced trading on the Exchange under the trading symbol "MSMJ.P" on August 9, 2019.

The Corporation's business will be to identify and evaluate businesses and assets with a view to completing a "Qualifying Transaction" as defined in the policies of the Exchange. Any proposed Qualifying Transaction must be accepted by the Exchange and, in the case of a non-arm's length Qualifying Transaction, is also subject to "majority of the minority approval" in accordance with Policy 2.4 of the Exchange. To date, the Corporation has not conducted commercial operations. The Corporation is not specifically considering pursuing a company, asset or business in any specific business or industry sector, or in any particular geographical area, and the Corporation anticipates reviewing companies, assets and businesses in a broad range of industry sectors and geographical areas.

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Until the completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition, except as described in the Corporation's final prospectus. The funds raised pursuant to the Corporation's initial public offering ("**IPO**") and any subsequent financing will be utilized only for the identification and evaluation of potential Qualifying Transactions and not for any deposit, loan or direct investment in a potential acquisition.

On August 9, 2019, the Corporation completed its IPO of 2,000,000 Common Shares at a purchase price of \$0.20 per share for gross proceeds of \$400,000. Canaccord Genuity Corp. (the "**Agent**") received a commission equal to 10% of the gross proceeds of the IPO as well as warrants (the "**Agent's Warrants**") to purchase up to 200,000 Common Shares at an exercise price of \$0.20 per share, exercisable for a period of 24 months from the closing of the IPO.

The directors of the Corporation have approved a stock option plan (the "**Plan**") for the directors, officers, employees and consultants of the Corporation. The outstanding stock options ("**Options**") granted under the Plan are exercisable for a period of up to 10 years from the date of grant. The exercise price of the Options shall be determined by the board of directors at the time of grant. The aggregate number of Common Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the issued and outstanding Common Shares. The number of Common Shares reserved for issuance to: (a) any individual director or officer will not exceed 5% of the issued and outstanding Common Shares; and (b) all technical consultants will not exceed 2% of the issued and outstanding Common Shares. At closing of the IPO, the Corporation granted Options to officers and directors to collectively acquire 305,000 Common Shares at an exercise price of \$0.20 per share for a period of 10 years from the date of grant.

Selected Financial Information

The following selected financial data is derived from the financial statements of the Corporation prepared in accordance with International Financial Reporting Standards:

Selected Statements of Financial Position Data

	<u>As at June 30, 2020</u>	<u>As at June 30, 2019</u>
Net working capital	\$277,226	\$25,828
Total current assets	314,416	84,910
Total current liabilities	37,190	59,082
Total shareholders' equity	277,226	25,828

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Liquidity, Capital Resources, and Outlook

As at June 30, 2020, the Corporation had working capital of \$277,226, which includes \$314,416 in cash and cash equivalents.

Working capital increased by \$251,398 since the previous financial year as a result of proceeds raised in the IPO. The Corporation recognized a value of \$45,424 as stock-based compensation expense associated with issuance of the 305,000 Options. Shareholders' equity increased by \$251,398 since the previous financial year through issuance of new Common Shares. Further, payables decreased from \$59,082 to \$37,190 since the previous financial year through the payment of expenses in the normal course of operations. The change in other receivables and prepaid expenses (nil at June 30, 2020 versus \$15,000 at June 30, 2019) is due to the completion of the IPO, and the realization of the prepaid expenditure in the process.

Selected Statements of Operations and Comprehensive Loss Data

	Fiscal year ended <u>June 30, 2020</u>	Fiscal year ended <u>June 30, 2019</u>
Income	\$nil	\$nil
Expenses	125,726	69,470
Net loss	125,726	69,470
Net loss per share (basic and diluted)	(0.0706)	-

Quarterly Information

	<u>June 30,2020</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Net loss for the quarter	(\$42,902)	(\$7,480)	(\$9,751)	(\$65,593)
Weighted average number of shares (basic)	2,000,000	2,000,000	2,000,000	1,256,239
Weighted average number of shares (diluted)	2,000,000	2,000,000	2,000,000	1,256,239
Net loss per share (basic and diluted)	(0.0215)	(0.0037)	(0.0049)	(0.0522)

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Discussion of Operations

The Corporation does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for a potential Qualifying Transaction.

During the financial year ended June 30, 2020, the Corporation recorded a net loss of \$125,726, as it had no sources of income and accrued \$125,726 in expenses. The Corporation's increased expenses can be attributed to professional fees and administrative expenses related to seeking out and evaluating a potential Qualifying Transaction.

The Corporation's issued and outstanding Common Shares increased from 1,000,000 to 3,050,000 as a result of the completion of the Corporation's IPO on August 9, 2019. The weighted average number of Common Shares increased due to the greater number of days that the Common Shares have been on the balance sheet since the closing date of the IPO.

Additional Disclosure

The following table sets forth a breakdown of material components of the Corporation's expenses for the financial year ended June 30, 2020:

	<u>Year ended June 30, 2020</u>
Professional fees	\$ 44,768
General and administrative expenses	35,534
Stock compensation expense	<u>45,424</u>
	<u>\$ 125,726</u>

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at June 30, 2020.

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Transactions with Related Parties

During the financial year ended June 30, 2020, the Corporation incurred \$20,629 in legal fees in respect of general corporate matters for services provided by a law firm which has two partners that are directors of the Corporation. As at June 30, 2020, \$12,167 (2019 - \$49,081) is included in trade and other payables for such legal services.

Except for the granting of Options, no remuneration was paid to key management personnel during the financial year ended June 30, 2020 (\$NIL – June 30, 2019). During the financial year ended June 30, 2020 the Corporation issued 305,000 Options to the directors and executive officer of the Corporation. These Options had a value of \$45,424.

Critical Accounting Estimates and Policies

The Corporation's significant accounting policies and the adoption of new accounting policies are disclosed in the notes to the financial statements for the financial year ended June 30, 2020.

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

Disclosure of Outstanding Share Data

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Corporation:

	<u>Authorized</u>	<u>Outstanding</u>
Voting or equity securities issues and outstanding Common Shares	Unlimited Common Shares	3,050,000 Common Shares
Securities convertible or exercisable into voting or equity securities – warrants	200,000 Agent's Warrants	200,000 Agent's Warrants
Securities convertible or exercisable into voting or equity securities – options	305,000 Options	305,000 Options

Risks and Uncertainties

The Corporation has a limited history of existence. There can be no assurance that a Qualifying Transaction will be completed. Equity or debt financing may be required to complete a Qualifying Transaction. The following describes certain risks, events and uncertainties that could affect the Corporation and that each reader should carefully consider. Please refer to the Corporation's final prospectus dated July 26, 2019 for additional risks, events and uncertainties that could affect the Corporation. External financing may be required to fund the Corporation's activities primarily through the issuance of Common Shares. There can be no assurance that the Corporation will be able to obtain adequate financing. The securities of the Corporation should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Corporation's securities:

- until completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction;
- even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation;
- there can be no assurance that an active and liquid market for the Common Shares will develop and an investor may find it difficult to resell the Common Shares; and
- upon public announcement of a proposed Qualifying Transaction, trading in the Common Shares will be halted and will remain halted for an indefinite period of time, typically until a Sponsor has been retained (if required) and certain preliminary reviews have been conducted.

The Corporation has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Corporation generates significant revenues in the future, the Corporation intends to retain its earnings in order to finance further growth. Furthermore, the Corporation has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

Disclosure Controls and Procedures

In connection with National Instrument 52-109 *Certificate of Disclosure in Issuer's Annual and Interim Filings* ("**NI 52-109**"), the Chief Executive Officer and Chief Financial Officer of the Corporation has filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed financial statements for the financial year ended June 30, 2020 and this accompanying MD&A.

In contrast to non-venture issuers, this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"). In particular, management is not making any representations relating to the establishment and maintenance of controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Corporation to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Other Information

Additional information about the Corporation is available on SEDAR at www.sedar.com.