

**NAVION CAPITAL INC.**  
(also referred to as “Navion” or the “Corporation”)

**MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE PERIOD  
ENDED AUGUST 31, 2019**

The following discussion and analysis should be read in conjunction with the Corporation’s financial statements for the nine months ended August 31, 2019 and for the year ended November 30, 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”). Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

**DATE**

This management’s discussion and analysis (“MD&A”) is dated October 29, 2019 and is in respect of the nine months ended August 31, 2019. The discussion in this management's discussion and analysis focuses on this period. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates.

**DESCRIPTION OF NAVION’S BUSINESS AND OVERALL PERFORMANCE**

Navion Capital Inc. (the “Corporation” or “Navion”) was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on October 18, 2017. The Corporation is a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of The TSX Venture Exchange (the “TSXV”). On May 18, 2018, the Corporation announced the completion of its initial public offering (the “IPO”) of 2,000,000 common shares at a price of \$0.10 per common share and filed for listing as a Capital Pool Company on the TSX Venture Exchange. The common shares of the Corporation commenced trading on May 23, 2018 under the trading symbol NAVN.P.

The Corporation issued seed stock of 2,000,000 common shares at a price of \$0.05 per share on October 18, 2017 to founders of the Corporation.

The Corporation proposes to identify and evaluate corporations, businesses or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

**PROPOSED TRANSACTION**

On August 22, 2018, Navion and Hollyweed North Cannabis Inc., (“Hollyweed”) announced business combination of Navion and Hollyweed (the “Business Combination”). The company resulting from the Business Combination is referred to as the “Resulting Issuer”. In connection with the Business Combination, as reported in its previous press release, Navion proposes to consolidate its issued and outstanding shares on a 2 for 1 basis (the “Consolidation”). Concurrently with the Consolidation, the transaction is expected to result in the security holders of Hollyweed North exchanging all securities, consisting of 82,257,397 common shares (not including any securities issuable pursuant to the Offering or the Non-Brokered Financing, as defined below) and 4,257,190 stock options for 82,257,397 shares and 4,257,190 stock options of the Corporation, on the same terms. The transaction will be structured by way of a plan of arrangement, amalgamation, merger, takeover bid, reorganization or other similar form of

transaction, as determined following a review of all relevant legal, regulatory and tax matters. Following the Consolidation and the issuance of securities to Hollyweed shareholders (not including any securities issuable pursuant to the Offering or the Non-Brokered Financing, as defined below), shareholders of Navion will hold 2,000,000 common shares of the Resulting Issuer, representing approximately 2.4% of the issued and outstanding shares of the Resulting Issuer, on a non-diluted basis. The Business Combination is expected to close in the first quarter of 2020 (the "Listing Date").

On July 5, 2019 Hollyweed announced that it is offering, on a non-brokered basis, up to 10,000,000 Hollyweed common shares at a price of \$0.50 per share for gross proceeds of up to \$5 million (the "Non-Brokered Placement"). Hollyweed anticipates closing the Non-Brokered Placement on or before December 15, 2019. Finders' fees of up to 8% cash may be payable to qualified parties in respect of some subscriptions.

#### Proposed Brokered Private Placement

In addition, Hollyweed has entered into an agreement with Haywood Securities Inc. ("Haywood") whereby, subject to the Non-Brokered Placement being completed with minimum gross proceeds of \$4 million, Haywood will act as lead agent in respect of an offering of approximately \$4 million of subscription receipts ("Subscription Receipts") of Hollyweed on a reasonable commercial best efforts private placement basis pursuant to applicable private placement exemptions under applicable securities laws (the "Brokered Offering").

The Subscription Receipts will be offered at a price per Subscription Receipt to be determined by Haywood and Hollyweed in the context of the market prior to closing. Each Subscription Receipt will entitle the holder thereof, without payment of any additional consideration and without further action on the part of the holder, to receive one security of the Company (a "Security"), upon meeting certain terms and conditions described below. The type of Security offered will be subject to agreement between Haywood and Hollyweed prior to closing, acting reasonably.

Hollyweed will pay to Haywood a cash commission of 8.0% of the gross proceeds of the Brokered Offering and issue compensation options to Haywood equal to 8% of the Securities sold under the Brokered Offering. Each compensation option will be exercisable into one Security at the offering price and will be exercisable for 24 months following the Listing Date. The Company will also pay to Haywood a corporate finance fee of \$125,000.

#### Closings

The closing of the Non-Brokered Placement is anticipated to be on or before December 15, 2019. Closing of the Brokered Offering is expected to occur in January 2020 or such other date as Haywood and the Company may agree (the "Closing Date"). On the Listing Date, the Common Shares of Hollyweed, including those issued pursuant to the Non-Brokered Placement and the Brokered Offering will become freely tradable.

Upon the closing of the Brokered Offering, which is subject to conditions customary for offerings of this nature, the gross proceeds from the issuance of Subscription Receipts (the "Escrowed Proceeds") less 50% of Haywood's commission will be held by a Canadian trust company or other escrow agent acceptable to the Company and Haywood, and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) until the earlier of: (i) the satisfaction of the Escrow Release Conditions; and (ii) the Termination Time. Provided the Escrow Release Conditions are satisfied on or before the Termination Time, the Escrowed Proceeds will be released to the Company (along with any accrued interest thereon) upon receipt of a notice by the Escrow Agent from Haywood and the Company

that certain Escrow Release Conditions have been satisfied (the "Escrow Release Notice"). The Subscription Receipts shall be deemed to be converted at such time without further action on the part of the holder upon closing of the Business Combination. If the Business Combination has not been completed by 4:00 pm (Vancouver time) on the date that is 120 days following the closing date of the Offering (the "Listing Deadline") or the Company advises Haywood or the public that it does not intend to proceed with the Business Combination (in each case, the earliest of such dates being the "Termination Time"), the Escrowed Proceeds will be reimbursed on a pro rata basis to the holders of Subscription Receipts at the original subscription price, plus such holder's pro rata portion of any interest earned thereon.

#### Use of Proceeds

The net proceeds received by the Company from the Non-Brokered Placement and the Brokered Offering will be used by Hollyweed and the Resulting Issuer for equipment purchases, facility improvements, and corporate and general working capital purposes.

### RISKS AND UNCERTAINTIES

The Corporation does not have a history of earnings, nor has it paid any dividends. The Corporation has only limited funds and there is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the exchange may suspend or de-list the Corporation's shares from trading.

### SELECTED FINANCIAL INFORMATION

The Corporation was incorporated on October 18, 2017 and was not yet a "Reporting Issuer" pursuant to applicable securities legislation until February 20, 2018, the date of the final receipt for the Prospectus as issued by the Alberta and British Columbia Securities Commissions, thereby becoming a "Reporting Issuer" in each of the provinces of Alberta and British Columbia.

The following table is a summary of selected annual financial information derived from the Corporation's audited financial statements prepared in accordance with International Financial Reporting Standards:

	<b>November 30, 2018</b>	<b>November 30, 2017</b>
Total assets	\$ 169,036	\$ 97,375
Total liabilities	5,733	9,050
Net loss and comprehensive loss for the period	(68,575)	(11,675)
Basic and diluted net loss per share for the period	\$ (0.06)	-
Weighted average number outstanding	1,073,973	-

For the year ended November 30, 2018, the Corporation reported no discontinued operations and declared no cash dividends.

### RESULTS OF OPERATIONS

During the year ended November 30, 2018 the Corporation incurred a loss of \$68,575 (2017 - \$11,675) which mainly relates to regulatory, filing and transfer agent fees, share-based compensation, professional fees related to negotiating the reverse-takeover transaction with Hollyweed and ongoing office and administration costs.

## SUMMARY OF QUARTERLY RESULTS

All other quarterly figures are derived from the Corporation's unaudited condensed interim financial statements.

Period ending	Quarter	Comprehensive loss	Basic and fully diluted loss per share	Total Assets
August 31, 2019	Q3	(15,290)	(0.01)	145,021
May 31, 2019	Q2	(12,660)	(0.01)	148,469
February 28, 2019	Q1	(2,174)	(0.00)	161,129
November 30, 2018	Q4	(20,899)	(0.01)	169,036
August 31, 2018	Q3	(15,582)	(0.01)	184,202
May 31, 2018	Q2	(31,315)	(0.02)	199,984
February 28, 2018	Q1	(779)	(0.00)	73,568
November 30, 2017	Q4	(11,675)	-	97,375

During the above periods, the Corporation reported no discontinued operations and declared no cash dividends.

The Corporation acknowledges that there can be material fluctuations in quarterly results. In the above table, large variances in quarterly results are primarily due to the share-based compensation of \$30,001 which occurred in the quarter ending May 31, 2018. In Q3 and Q4 2018, the Corporation incurred additional professional fees and other costs, mainly related to the identification of its qualifying transaction and related to the Hollyweed negotiations. In the first nine months of 2019 there was limited activity as the Corporation continued to work on its qualifying transaction.

### Third quarter 2019

During the quarter ended August 31, 2019 the Corporation incurred a loss of \$15,290 (2018 - \$15,582) which mainly relates to regulatory and filing fees; professional fees related to financial reporting; negotiating the transaction with Hollyweed; and office and administration costs.

## OUTSTANDING SHARE DATA

### Common Shares

As at August 31, 2019 and the date of this MD&A the Corporation has 4,000,000 common shares issued and outstanding of which 2,000,000 are subject to escrow.

## Stock Options

At August 31, 2019, there were 600,000 stock options outstanding (including 200,000 agent options) entitling the holders thereof the right to purchase one common share for each option held as follows:

Numbers of options outstanding	Exercise price	Expiry Date
400,000	\$ 0.10	May 18, 2023
200,000	\$ 0.10	May 23, 2020
600,000		

## LIQUIDITY AND CAPITAL RESOURCES

The Corporation completed an initial public offering as a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange. The Corporation received net proceeds of \$113,552 (gross proceeds of \$200,000 less cash share issuance costs of \$86,448), representing the issuance of 2,000,000 common shares of the Corporation at an issuance price of \$0.10.

At August 31, 2019, the Corporation had net working capital of \$133,179.

## OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

For the nine months ended August 31, 2019 the Corporation incurred professional fees of \$4,906 from a company related to a director of the Corporation. For the year ended November 30, 2018 the Corporation incurred professional fees of \$15,578 and share issuance costs of \$29,923 from a company related to a director of the Corporation.

The Corporation incurred the following expenses for directors and officers of the Corporation during the year ended November 30, 2018:

	<b>For the year ended November 30, 2018</b>
Share-based compensation	\$ 30,001
	\$ 30,001

## **FINANCIAL INSTRUMENTS**

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. The cash is currently being held in a solicitor's trust account and a high quality financial institution.

### *Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

### *Interest rate risk*

The Corporation is not exposed to any significant interest rate risk.

### *Foreign currency risk*

The Corporation believes it is currently not exposed to foreign currency risk since all of its assets, liabilities and operations are denominated in Canadian dollars.

### *Price risk*

The Corporation believes it currently has no price risk.

The carrying amount of cash, accounts payable and accrued liabilities approximates their fair value due to their short-term nature.

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

There were no new accounting standards or amendments adopted during the period ended August 31, 2019.

Accounting standards and amendments that are mandatory for accounting periods beginning on or after January 1, 2018 are disclosed in Note 2 to the audited annual financial statements for the year ended November 30, 2018 and are not expected to have a significant effect on the Company's future results and financial position.

## **CRITICAL ACCOUNTING ESTIMATES**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The accounting estimates for share based payments is based on the Black-Scholes option valuation model which was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Since the Corporation's stock options have characteristics significantly different from those of traded options and since changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

### **Deferred tax liabilities and assets**

Deferred tax liabilities and assets are measured at tax rates expected in the period during which the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantively enacted at the end of the reporting period of the financial information. The measurement of liabilities and deferred tax assets reflects the tax consequences that result from the manner in which the Company expects, at the end of the reporting period of the financial information, to recover or settle the carrying amount of its assets and liabilities.

### **Share-based payments**

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

## **CAPITAL RISK MANAGEMENT**

The Corporation's capital currently consists of common shares. The Corporation defines capital as total equity which was \$133,179 at August 31, 2019. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

Subsequent to the IPO, proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares issued in the IPO may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

## **FORWARD LOOKING INFORMATION**

This MD&A contains forward-looking information in the “Risks and Uncertainties” and “Outlook” sections that involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Corporation’s control. Such assumptions, risks and uncertainties include, without limitation, those associated with, loss of markets, volatility of commodity prices, currency fluctuations, delays resulting from the inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the effect of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. The Corporation’s actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom. The forward-looking information is made as at the date of this MD&A and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.