MOLECULE HOLDINGS INC.

Management's Discussion and Analysis

For the three and six months ended April 30, 2023

This Management's Discussion and Analysis ("MD&A") for Molecule Holdings Inc. (the "Company" or "Molecule Holdings") should be read in conjunction with the interim condensed consolidated financial statements for the Company for the six months ended April 30, 2023 and the consolidated financial statements for the years ended October 31, 2022 and 2021 and the notes thereto.

The financial information in this MD&A is derived from the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended July 31, 2022, which were prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" under International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars unless otherwise stated. All financial analysis, data and information set out in this MD&A is unaudited. This MD&A contains disclosure of material changes related to the Company occurring up to and including June 29, 2023.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this document may contain "forward-looking statements". Forward-looking statements may include, among others, statements regarding the Company's future plans, costs, objectives, economic performance, or the assumptions underlying any of the foregoing. In this document, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether such future performance will be achieved. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events and are subject to known or unknown risks, uncertainties and other unpredictable factors, many of which are beyond the Company's control. These risks and uncertainties include, but are not limited to, those described under the headings "*Risk Management and Capital Management*" and "*Inherent Risk Factors*" in this MD&A and could cause actual events or results to differ materially from those projected in any forward-looking statements. The Company does not intend, nor does it undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events or circumstances or otherwise, except if required by applicable law.

Please also refer to the Company's filing statement dated September 14, 2020 (the "Filing Statement"), which may be viewed under the Company's System for Electronic Document Analysis and Retrieval ("SEDAR") profile at www.sedar.com, for additional risks that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein. In addition to the factors set out above and those identified in this MD&A under "*Inherent Risk Factors*", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

BUSINESS OVERVIEW

Molecule Holdings Inc. was incorporated as "Everton Resources Inc." under the *Business Corporations Act* (Alberta) on November 7, 1996. On May 19, 2004, the Company continued into the *Business Corporations Act* (Canada) and changed its name to "Molecule Holdings Inc." on September 15, 2020.

On September 16, 2020, the Company completed a reverse takeover transaction pursuant to a statutory plan of arrangement (the "Transaction") whereby the Company acquired all of the issued and outstanding common shares (the "OpCo Shares") of Molecule Inc. ("OpCo"), which became a wholly-owned subsidiary of the Company. The Company changed its name to "Molecule Holdings Inc." and assumed the business operations of OpCo, being the production and co-packing of cannabis-infused beverages ("CIBs").

On February 28, 2020, OpCo was issued a Standard Processing Licence by Health Canada (the "Processing Licence") under the Cannabis Act and Cannabis Regulations. The Processing Licence authorizes OpCo to: (i) possess cannabis; (ii) produce cannabis, other than obtaining it by cultivating, propagating or harvesting it; and (iii) sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations and the conditions of the Processing Licence.

On April 26, 2022, OpCo was issued a sales amendment to its Processing Licence (the "Sales Amendment") under the Cannabis Act and Cannabis Regulations. The Sales Amendment authorizes the Company, through OpCo, to directly sell cannabis extracts, beverages, edibles, and topical products to provincial retailers of cannabis products ("Provincial Retailers").

The address of the Company's corporate office is 591 Reynolds Road, Lansdowne, Ontario K0E 1L0. The common shares in the capital of the Company ("Common Shares") are listed for trading on the Canadian Securities Exchange (the "CSE") under the symbol "MLCL".

Going Concern

The unaudited interim condensed consolidated financial statements have been prepared on a basis that assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The unaudited interim condensed consolidated financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern.

As at April 30, 2023, the Company had been generating revenue for less than two years, had no positive income, had incurred losses since its inception and had a working capital deficiency.

Continued operation of the Company is dependent on achieving profitable commercial operations, in the future, which requires continued financial support through equity and/or debt financings until profitable commercial operations are achieved. Management is evaluating alternatives to secure additional financing and to restructure existing convertible debt so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern basis is not appropriate, material adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities.

CORPORATE DEVELOPMENT HIGHLIGHTS

CLOSING OF PRIVATE PLACEMENTS AND OTHER FINANCINGS

FISCAL 2021

Convertible Debenture issued March 18, 2021

On March 18, 2021, the Company completed a non-brokered private placement offering (the "March 2021 Offering") of 1,000 senior secured convertible debenture units for gross proceeds of $1,000,000. Each unit is comprised of $1,000 in principal amount of senior secured convertible debenture and one share purchase warrant for each $0.30 of principal amount, each warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.23 per Common Share (subject to adjustment) for a period of thirty-six months from the date of closing of the March 2021 Offering, expiring on March 18, 2024.

The debentures bear interest at a simple rate of 8.00% per annum, payable quarterly in cash beginning on June 30, 2021, and, prior to any amendments, matured eighteen months from the date of issuance, being September 18, 2022. The holders of the debenture are entitled to convert the principal amount of the debentures at any time prior to the maturity date into Common Shares at a conversion price of $0.15, subject to adjustment. The maturity date for the debentures elapsed subsequent to period-end and the Company was deemed to be in default on October 4, 2022. The Company amended the debentures issued under the March 2021 Offering to, among other things, extend the maturity date (as described below).

The obligations under the debentures are secured by the assets of the Company and OpCo. Opco acted as guarantor for the obligations under the debentures, including providing a pledge of the OpCo Shares.

The debentures and the warrants provide for both change of control and anti-dilution adjustments, with the anti-dilution adjustments restricting section corporate actions of the Company as well as future equity issuances below the conversion price of the debentures or the exercise price of the warrants, as applicable.

In connection with the March 2021 Offering, the Company paid cash commissions of $57,500 and issues 533,333 compensation warrants exercisable at $0.15 for 36 months.

On July 30, 2021, as a result of the anti-dilution provisions of the March 2021 Offering and the completion of the July 2021 Offering (as defined and described below) on more favourable terms to investors, the following modifications to the March 2021 Offering resulted:

- The warrant exercise price of the March 2021 Offering was reduced from $0.23 to $0.15 per Common Share;
- The number of warrants issued to the participants of the March 2021 Offering was increased to 6,000 per $1,000 in principal amount (or 6,000,000 warrants in aggregate) from an aggregate of 3,333,333 warrants originally issued on March 18, 2021; and
- The conversion price of the debentures issued in the March 2021 Offering was reduced from $0.15 to $0.10 on July 30, 2021.

All other terms of the March 2021 Offering remain unmodified by the July 2021 Offering or August 2021 Offering (as defined below)..

On May 30, 2022, the Company repaid $250,000 of the outstanding principal amount of the debentures from the March 2021 Offering. The debentures had a face value of $250,000 and were repaid using aggregate gross proceeds of $275,000, whereby $25,000 was included as a transaction cost associated with the May 2022 Offering (as defined below).

On September 18, 2022, the debentures matured without repayment. Subsequently, the Company and all of the remaining debt holders agreed to the following amendments to the remaining outstanding debentures:

- The maturity date of the debentures was extended to September 18, 2023 (the "New Maturity Date");
- The interest rate was increased to 12.00% per annum from September 18, 2022 up until the earlier of (a) the New Maturity Date; and (b) the date on which all of the debenture indebtedness is converted into common shares of the Company;
- A one-time penalty equal to 15% of the principal balance, payable in cash on the New Maturity Date, was applied; and
- All interest and penalties owing prior to the amendments and up the New Maturity Date has accrued, and will accrue, as applicable, to the face value of the debentures, such that none of the aforementioned interest and penalties need to be settled in cash prior to the New Maturity Date.

The first such amendment occurred on February 23, 2023 with two holders of the March 2021 Offering owed principal in aggregate of $500,000. The second such amendment occurred on April 11, 2023 with the Lender and an affiliate with principal in aggregate of $250,000.

As a result of these amendments, the Company recorded $21,281 of additional interest retroactive to September 18, 2022 and $110,054 of one-time penalties in the interim condensed consolidated statements of loss and comprehensive loss in the three months ended April 30, 2023.

Convertible Debenture issued July 30, 2021

On July 30, 2021, the Company completed the first tranche of a non-brokered private placement offering (the "July 2021 Offering") of 1,414 unsecured convertible debenture units for gross proceeds of $1,414,000. Each unit is comprised of $1,000 in principal amount of unsecured convertible debenture and six thousand share purchase warrants for each $1,000 of principal amount, each warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per Common Share (subject to adjustment) for a period of thirty-six months from the date of closing of the July 2021 Offering, expiring on July 30, 2024.

The debentures bear interest at a simple rate of 8.00% per annum, payable semi-annually in cash beginning on January 30, 2022, and maturing twenty-four months from the date of issuance, being July 30, 2023. The holders of the debenture are entitled to convert the principal amount of the debentures at any time prior to the maturity date into Common Shares at a conversion price of $0.10, subject to adjustment. As four months and one day have elapsed since the closing of the July 2021 Offering, the Company now has the right to prepay or redeem the principal amount in cash, in whole or in part, at par plus accrued and unpaid interest at any time by providing a minimum of 30 days' and a maximum of 60 days' notice.

The debentures and the warrants provide for both change of control as well as anti-dilution adjustments, with the anti-dilution adjustments restricting section corporate actions of the Company as well as future equity issuances below the conversion price of the debentures or the exercise price of the warrants, as applicable.

As a result of the anti-dilution provisions associated with the debenture, the entire convertible debenture and warrants are accounted for as derivative financial liabilities at fair value through profit or loss ("FVTPL"), as the financial liabilities cannot be settled for a fixed number of the Company's own equity instruments.

In connection with the July 2021 Offering, the Company paid cash commissions of $96,720 and 951,200 compensation warrants exercisable at $0.15 per Common Share for thirty-six months.

On April 11, 2023, the Company and holders of $359,000 of the unsecured convertible debentures issued in July 2021 Offering agreed to the following amendments to their debentures:

- The maturity date of the debentures was extended to March 31, 2024 (the "New Maturity Date");
- A one-time penalty equal to 5% of the principal balance, payable in cash on the New Maturity Date, was applied;
- All interest and penalties owing prior to the amendments and up the New Maturity Date accrued, and will accrue, as applicable, to the face value of the debentures, such that none of the aforementioned interest and penalties need to be settled in cash prior to the New Maturity Date; and
- The indebtedness was secured on all present and after-acquired property of the Company behind the senior secured debt of the Company, and ranks pari passu with the security granted with respect to the Note.

As a result of the amendments, the Company recorded $17,950 of one-time penalties in the interim condensed consolidated statements of loss and comprehensive loss.

Convertible Debentures Issued August 13, 2021

On August 13, 2021, the Company completed the second and final tranche of the non-brokered private placement offering (the "August 2021 Offering") of 1,020 unsecured convertible debenture units for gross proceeds of $1,020,000. Each unit is comprised of $1,000 in principal amount of unsecured convertible debenture and six thousand share purchase warrants for each $1,000 of principal amount, each warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per Common Share (subject to adjustment) for a period of thirty-six months from the date of closing of the August 2021 Offering, expiring on August 11, 2024.

The debentures bear interest at a simple rate of 8.00% per annum, payable semi-annually in cash beginning on January 30, 2022, and maturing twenty-four months from the date of issuance, being August 11, 2023. The holders of the debenture are entitled to convert the principal amount of the debentures at any time prior to the maturity date into Common Shares at a conversion price of $0.10, subject to adjustment. As four months and one day have elapsed since the closing of the August 2021 Offering, the Company now has the right to prepay or redeem the principal amount in cash, in whole or in part, at par plus accrued and unpaid interest at any time by providing a minimum of 30 days' and a maximum of 60 days' notice.

The debentures and the warrants provide for both change of control as well as anti-dilution adjustments, with the anti-dilution adjustments restricting section corporate actions of the Company as well as future equity issuances below the conversion price of the debentures or the exercise price of the warrants, as applicable.

As a result of the anti-dilution provisions associated with the debenture, the entire convertible debenture and warrants are accounted for as derivative financial liabilities at FVTPL, as the financial liabilities cannot be settled for a fixed number of the Company's own equity instruments.

In connection with the August 2021 Offering, the Company paid cash commissions of $35,600 and issued 336,000 compensation warrants exercisable at $0.15 for 36 months.

FISCAL 2022

<u>Promissory Note Payable issued April 28, 2022</u>

On April 28, 2022, the Company issued an unsecured promissory note (the "Note") to an arms-length lender, pursuant to which the Company agreed to borrow and re-pay a loan in the principal amount of $250,000 (the "Loan").

The Note payable bears interest at a simple rate of 10.00% per annum and is payable semi-annually in cash beginning on October 28, 2022. The unpaid principal amount of the Loan, together with all accrued and unpaid interest, is due and payable, in cash, upon demand by the lender. The Company can repay the principal in whole or in part at any time without notice, penalty or bonus. The Loan is not secured against any assets of the Company or convertible into securities of the Company.

On April 11, 2023, the Company and the holder of the Note agreed to the following amendments to their debentures:

- A maturity date of January 31, 2024 was established for the Note (the "Maturity Date");
- The interest rate was increased to 12.00% per annum from the amendment date up until the Maturity Date;
- All interest owing prior to the amendment and up the Maturity Date was accrued, and will continue to accrue, as applicable, to the face value of the Note, such that none of the aforementioned interest needs to be settled in cash prior to the Maturity Date; and
- The indebtedness was secured on all present and after-acquired property of the Company behind the senior secured debt of the Company.

<u>Convertible Debenture issued May 30, 2022</u>

On May 30, 2022, the Company completed a non-brokered private placement offering (the "May 2022 Offering") of 600 senior secured convertible debenture units to one subscriber for aggregate gross proceeds of $600,000. Each unit is comprised of $1,000 principal amount of senior secured convertible debentures and six thousand share purchase warrants for each $1,000 of principal amount, with each warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per Common Share (subject to adjustment) for a period of thirty-six months from the date of closing of the May 2022 Offering, expiring on May 30, 2025.

The debentures bear interest at a simple rate of 8.00% per annum, payable quarterly in cash beginning on June 30, 2022, and maturing on September 18, 2024. The holder of the debenture is entitled to convert the principal amount of the debenture at any time prior to the maturity date into Common Shares at a conversion price of $0.10, subject to adjustment. Commencing four months and a day from the date of issuance, the Company shall have the right to prepay or redeem the principal amount in cash, in whole or in part, at par plus accrued and unpaid interest at any time by providing a minimum of 30 days' and a maximum of 60 days' notice.

The obligations under the convertible debentures are secured against the assets of the Company and OpCo, which acted as guarantor and rank *pari passu* with the holders of debentures from the March 2021 Offering.

The debentures and the warrants provide for both change of control as well as anti-dilution adjustments. The anti-dilution adjustments restrict certain corporate actions of the Company as well as future equity issuances below the conversion price of the debentures issued under the May 2022 Offering, subject to various exceptions, including: (i) the grant of exercise/settlement of any awards under the Company's existing equity compensation plans; and (ii) the issuance of securities in connection with the settlement of any bona fide debts of the Company.

As a result of the anti-dilution provisions associated with the debenture, the entire convertible debenture and warrants are accounted for as derivative financial liabilities at FVTPL, as the financial liabilities cannot be settled for a fixed number of the Company's own equity instruments.

A portion of the net proceeds of the May 2022 Offering were used to repay $250,000 of the principal amount under existing secured convertible debentures issued pursuant to the March 2021 Offering, with the balance expected to be used for working capital and general corporate purposes.

The Company incurred total transaction costs in the amount of $125,915.

Due to the event of default provisions contained in the debentures issued in the May 2022 Offering, the debentures were considered to be in default on the Default Date, following receipt of a notice of default from the holder of the debentures. On April 11, 2023, the Company and the holder of the debentures issued in the May 2022 Offering agreed to the following amendments to the debentures:

- The interest rate was increased to 12.00% per annum from the amendment date up until the earlier of (a) the Maturity Date; and (b) the date on which all of the debenture indebtedness is converted into common shares of the Company;
- A one-time penalty equal to 15% of the principal balance, payable in cash on the Maturity Date, was applied; and
- All interest and penalties owing prior to the amendments and up the Maturity Date accrued, and will accrue, as applicable, to the face value of the debentures, such that none of the aforementioned interest and penalties need to be settled in cash prior to the Maturity Date.

FISCAL 2023

Amendments to $500,000 in Principal of Secured Convertible Debentures

On February 23, 2023, the Company announced that it has entered into an amending agreement (the "Amending Agreement") with holders of the convertible debentures issued on March 18, 2021, that matured on September 18, 2022, to amend certain terms of the debentures.

Following the repayment of $250,000 in principal amount of the Debentures in May 2022, $750,000 in principal amount remained outstanding under the debentures (the "Outstanding Principal Amount"). Pursuant to the terms of the Amending Agreement, the Company and the holders of $500,000 of the Outstanding Principal Amount (the "Amending Debentureholders") agreed to the following amendments to their debentures:

- to extend the maturity date of the debentures from September 18, 2022 to September 18, 2023;
- to increase the interest rate of the debentures from 8% to 12%, to take effect retroactively from September 18, 2022;
- that the Company will provide a one-time penalty payment of 15% of the face value of the debentures' principal amount; and
- to adjust the principal amount of the debentures to account for an interest overpayment remitted by the Company and interest payments owed by the Company to the Amending Debentureholders; and
- that all interest payments, both accrued and unpaid and future interest payments, and the one-time penalty amount, accrue, and will accrue, as applicable, to the face value of the debentures, until the earlier of (a) the new maturity date; and (b) the date on which all of the indebtedness under the debentures is converted into Common Shares.

Senior Secured Promissory Note

On April 11, 2023, the Company announced that it obtained short-term financing (the "Financing") from one of the Company's existing lenders (the "April 2023 Lender"), in the amount of $250,000. The Company entered into a senior secured promissory note (the "Senior Secured Note") in favour of the April 2023 Lender. The Senior Secured Note is payable in 60 days, bears interest at a rate of 3% per month and is secured by certain accounts receivable payable to the Company. Holders of the Company's other secured debt have entered into a postponement, subordination and standstill agreement with respect to the Senior Secured Note and the security granted thereunder.

Amendments to Additional Secured Convertible Debentures

Also on April 11, 2023, in connection with the Financing, and further to the Company's press release of February 23, 2023, holders of the remaining secured convertible debentures of the Company issued by the Company in the March 2021 Offering, amounting to $250,000 in principal amount, including the Lender and an affiliate, entered into amending agreements with respect to their secured convertible debentures. The Lender and its affiliate, which hold an aggregate of $250,000 in secured convertible debentures that matured on September 18, 2022, and the Company, agreed:

- to extend the maturity date of the debentures from September 18, 2022 to September 18, 2023;
- to increase the interest rate of the debentures from 8% to 12%, to take effect retroactively from September 18, 2022;
- that the Company will provide a one-time penalty payment of 15% of the face value of the debentures' principal amount; and
- that all interest payments, both accrued and unpaid and future interest payments, and the one-time penalty amount, accrue, or will accrue, as applicable, to the face value of the debentures, until the earlier of (a) the new maturity date; and (b) the date on which all of the indebtedness under the debentures is converted into Common Shares.

Also on April 11, 2023, the holder of the secured convertible debentures issued in the May 2022 Offering ("MHG") and the Company agreed:

- to increase the interest rate of the debenture from 8% to 12%, to take effect retroactively from December 31, 2022;
- that the Company will provide a one-time penalty payment of 15% of the face value of the debentures' principal amount; and
- that all interest payments, both accrued and unpaid and future interest payments, and the one-time penalty amount, accrue, or will accrue, as applicable, to the face value of the debentures, until the earlier of (a) their original maturity date (i.e., September 18, 2024); and (b) the date on which all of the indebtedness under the debentures is converted into Common Shares.

Amendments to Certain Unsecured Debt issued in July 2021 Offering

Also on April 11, 2023, the Company announced that the unsecured debt currently held by the Lender and certain of its affiliates, being: (a) the unsecured convertible debentures held by the Lender and certain of its affiliates in the aggregate principal amount of $359,000 from the July 2021 Offering (the "Unsecured Convertible Debentures"); and (b) the $250,000 unsecured promissory note payable issued by the Company to the Lender on April 28, 2022 (i.e., the Note), has been amended and restated as secured convertible debentures and a secured grid promissory note, respectively, secured by all present and after-acquired property of the Company and ranking junior in priority to the Senior Secured Note and all other secured convertible debentures of the Company.

As part of the amendments to the Unsecured Convertible Debentures, the holders of the amended Unsecured Convertible Debentures and the Company agreed:

- to extend the maturity date of the Unsecured Convertible Debentures from July 20, 2023 to March 31, 2024;
- that the Company will provide a one-time penalty payment of 5% of the face value of the debentures' principal amount, and
- that all interest payments, both accrued and unpaid and future interest payments, and the one-time penalty amount, accrue, or will accrue, as applicable, to the face value of the debentures, until the earlier of (a) the new maturity date; and (b) the date on which all of the indebtedness under the debentures is converted into Common Shares.

As part of the amendments to the Unsecured Note, the Lender and the Company agreed:

- to establish a maturity date of January 31, 2024, from a demand note payable at any time;
- to increase the interest rate of the Unsecured Note from 10% to 12%, to take effect from the amendment date; and
- that all interest payments, both accrued and unpaid and future interest payments, and the one-time penalty amount, accrue, or will accrue, as applicable, accrue to the face value of the Unsecured Note until the new maturity date.

Promissory Note Payable Issued June 1, 2023

On June 1, 2023, the Company obtained short-term financing from one of the Company's existing lenders, in the amount of $50,000 (the "June 2023 Lender"). The Company entered into a senior secured promissory note in favour of the June 2023 Lender, that is payable in 16 days, is subject to a one-time loan fee of $6,000 and is secured by certain accounts receivable payable to the Company. Subsequent to April 30, 2023, $56,000 was paid by the Company to the secured promissory note holder.

See "*Subsequent Events*" for additional information.

LETTER OF INTENT FOR ACQUISITION OF CANNA-DAY

On September 28, 2022, the Company entered into a non-binding letter of intent for the Proposed Acquisition (as defined below) of all of the issued and outstanding shares of Canna-Day from the shareholders of Canna-Day for an aggregate purchase price of $750,000, which was proposed to be satisfied by the Company issuing an aggregate of 15,000,000 Common Shares at a deemed price of $0.05 per Common Share. The letter of intent expired in accordance with its terms without entering into a definitive agreement.

RECEIPT OF STANDARD PROCESSING LICENCE

On February 28, 2020, Molecule was issued the Processing Licence. Refer to *"Business Overview"* for additional information.

RECEIPT OF SALES AMENDMENT

On April 26, 2022, the Company announced that it received the Sales Amendment, allowing the Company to sell cannabis extracts, beverages, edibles and topical products directly to Provincial Retailers. Refer to *"Business Overview"* for additional information.

The addition of the Sales Amendment opens the door to a number of potentially significant advantages and opportunities for the business including: a direct savings on commissions currently being paid for by the use of an outside sales amendment arrangement; the ability to deal directly and build relationships with provinces and territories; and, the ability to develop a new and lucrative revenue stream by representing other LPs or brands looking for representation from a licensed entity.

LEASE OF LAND & BUILDING IN THE THOUSAND ISLANDS' REGION OF EASTERN ONTARIO

Effective April 1, 2019, OpCo entered into a lease with Thousand Island Farms Inc., a company owned by Andre Audet, a director of the Company, for a parcel of land and a building located in the Thousand Islands' region of Eastern Ontario. The lease has an initial five-year term which expires, unless extended, in April 2024. For and during the first and second year of the lease, the base rent is $60,000, payable in equal monthly instalments of $5,000. For and during the third and fourth year of the lease, the base rent is $63,000, payable in equal monthly instalments of $5,250. For and during the fifth year of the lease, the base rent is $66,150, payable in equal monthly instalments of $5,513. Provided that OpCo is not in default in the performance of any term of the lease, it has the irrevocable option to purchase, during the lease term, the premises and land for a purchase price equal to $875,000 if exercised in the first year of the lease, subject to increases in each year of the lease based on the annual Consumer Price Index percentage and a formula agreed to in the lease agreement. The Company paid an amount of $5,000 in consideration for the grant of the purchase option, which is non-refundable.

STOCK OPTION GRANTS AND EXPIRATIONS

On January 7, 2021, 500,000 stock options of the Company ("Options") were granted to a consultant of the Company at an exercise price of $0.20 per Common Share, with 34% vesting on the grant date, and 34% and 33% vesting three and nine months following the grant date respectively, which expire one year following the grant date.

On February 8, 2021, 2,600,000 Options were granted to certain directors, officers, employees and consultants of the Company at an exercise price of $0.15 per Common Share. The Options all vest on the four-month anniversary of the grant date and expire on February 8, 2026.

On April 14, 2021, 80,000 Options with an exercise price of $0.50 per Common Share expired.

On August 15, 2021, 230,000 Options with an exercise price of $1.30 per Common Share expired.
On September 15, 2021, 750,000 Options with an exercise price of $0.20 per Common Share expired.

On November 8, 2021, the Company granted 575,000 Options with an exercise price of $0.15 per Common Share to two consultants. Refer to *"Advisory* Agreement" below for additional information.

On January 7, 2022, 500,000 Options with an exercise price of $0.20 per Common Share expired.

On June 2, 2022, the Company granted 150,000 Options to a consultant of the Company at an exercise price of $0.15 per Common Share. The Options all vested on October 3, 2022 and expire on June 2, 2024.

ADVISORY AGREEMENT

On November 8, 2021, the Company announced that it had engaged Cascade Ventures Ltd. ("Cascade") and Just Capital Consulting Inc. ("JCC") to provide capital markets, public relations, marketing, communication and media services, whereby JCC and Cascade will receive an aggregate total cash fee of $155,710 plus applicable taxes and whereby the Company granted 575,000 Options with an exercise price of $0.15 per share. The Options all vest on March 8, 2022 and expire on November 8, 2023.

On November 8, 2021, the Company issued 1,692,000 Common Shares in settlement of $169,200 of consulting fees, including fees owed to JCC and Cascade.

ADOPTION OF RESTRICTED SHARE UNIT PLAN AND GRANTING OF RESTRICTED SHARE UNITS

On September 22, 2022, 3,000,000 RSUs were awarded to a director and officer of the Company (the "Holder") in accordance with the RSU Plan. Upon settlement of the RSUs, the Holder shall have the ability to acquire one Common Share underlying each such RSU, a cash payment in lieu thereof, or a combination of both, at the sole discretion of the board of directors of the Company (the "Board"). 50% of the RSUs vest on January 31, 2023, with the remainder vesting on January 31, 2024.

Pursuant to a negotiated agreement with the Holder on September 22, 2022, the Company has contemplated a future award of 2,000,000 RSUs to the Holder, or a cash payment in lieu thereof calculated based on an agreed-upon formula, which remains subject to further Board approval, availability under the RSU Plan, and the policies of the CSE. The vesting criteria will be determined at the reasonable discretion of the Board at the time of the award. No payments in cash or Common Shares have been made to date.

SIGNING OF CANNABIS SUPPLY AGREEMENT

On November 26, 2020, the Company announced the signing of a cannabis supply agreement with Abcann Medicinals Inc., a wholly owned subsidiary of Vivo Cannabis Inc., enabling Molecule to use Vertosa emulsions in its cannabis beverages. Abcann has territory rights to Vertosa emulsion technology and generates the products on site. Vertosa's customized water-compatible solutions are reported to accelerate onset time, increase bioavailability, and improve the taste profile of cannabis-infused products.

COMPLETION OF PRODUCTION-SCALE TEST RUNS OF CANNABIS INFUSED BEVERAGES

On December 23, 2020, the Company announced that it had successfully completed a production-scale test run of CIBs at the Facility. The run represented the successful transition from bench-top to full-scale production testing. Production runs begin with water and proceed through filtration, flavoring, cannabis infusion, chilling, gas management, pasteurization and canning. Samples were taken during the course of the production and returned favorable results from testing that was performed in the Company's on-site laboratory.

On January 20, 2021, the Company announced that it had successfully completed another production-scale test run, aimed at refining and finalizing its processes and controls, thereby readying the Company for its sales amendment application and inventory accumulation.

WARRANT MODIFICATIONS AND EXPIRATION

On July 30, 2021, as a result of the July 2021 Offering, the number of warrants issued in the March 2021 Offering increased from 3,333,333 to 6,000,000 and the exercise price was reduced from $0.23 to $0.15.

On February 6, 2022, and on February 21, 2022, 499,750 and 603,500 warrants respectively with an exercise price of $0.70 per Common Share expired.

SALES PARTNERSHIP WITH VORTEX CANNABIS INC.

On January 26, 2021, the Company announced that it had signed a binding term sheet with Vortex Cannabis Inc. ("Vortex") which sets out the terms of a service agreement (the "Service Agreement") whereby Vortex will sell products produced by Molecule to the provincial retailers of cannabis products (the "Provincial Retailers"). The Service Agreement allows Molecule to begin selling its line of cannabis infused beverages throughout Canada, starting initially with Ontario and Quebec. Under the terms of the Service Agreement, Molecule will pay a percentage of revenues to Vortex for its services. The initial term of the Service Agreement covers nine months and can be extended as required.

Molecule currently holds the Licence issued by Health Canada, which allows the Company to produce cannabis-infused products and sell them to other Licenced Producers ("LPs"). The Licence requires an amendment to allow processors to sell cannabis products directly to Provincial Retailers (the "Sales Amendment"). Rather than waiting until the Sales Amendment is issued, this Service Agreement allows Molecule to bring its line of CIBs to market through Vortex, while completing its own sales amendment application.

On April 26, 2022, the Company announced that OpCo received the Sales Amendment, allowing the Company to now sell cannabis extracts, beverages, edibles and topical products directly to Provincial Retailers. The Company provided notice to end the Service Agreement on or about December 6, 2022.

SIGNING OF MASTER SUPPLY AGREEMNT WITH THE ONTARIO CANNABIS STORE

On February 3, 2021, the Company announced that Vortex had agreed to an agreement with the Ontario Cannabis Store (the "OCS") to supply 11 products of the Company to the OCS.

On March 9, 2021, the Company announced that it had received a full shipment of 355 ml. sleek aluminum cans. This shipment allowed Molecule to scale production, enabling the Company to fulfill its opening list of orders expected from the OCS.

On March 11, 2021, the Company announced that it has received its first pipeline fill orders for five of its brands from the OCS, and committed to shipping to the OCS Distribution Centre shortly after March 2021. The OCS anticipates further follow-up PO's, "one and two weeks after launch". This initial shipment was completed on April 30, 2021.

On February 9, 2022, the Company announced its PHRESH brand achieved the number 2 ranking in unit sales in OCS retails stores in January 2022 and attained the number 1 ranking in 10mg sales for online sales through the OCS portal.

On February 15, 2022, the Company announced the OCS selected 7 new flavours of Company beverages to include in its upcoming spring launch, including: CANAJO Regular, CANAJO Espresso Spice, EMBODY Blood Orange + Rosemary Sparkling Red Tea, EMBODY Mint + Honey Sparkling Green Tea, PHRESH Summer Punch, PHRESH STRAINS Pineapple Express, and PROPER Blueberry Pomegranate.

On April 5, 2022, the Company announced the launch of 7 new Company SKUs to Ontario cannabis retailers, including EMBODY Blood Orange + Rosemary Sparkling Red Tea, EMBODY Mint + Honey Sparkling Green Tea, PHRESH Summer Punch, PHRESH Pineapple Express, CANAJO Regular, CANAJO Espresso Spice and PROPER Blueberry Pomegranate.

On September 22, 2022, the Company announced the launch an additional four new products into the OCS during its October product release, which included three new PHRESH STRAINS flavors and a limited release holiday beverage: PHRESH Candy Cane Twist.

On February 23, 2023, the Company announced that 2 new products, DULCES Cherry Shockwave and DULCES Sweet Peach, wee about to be released on the OCS website and will be available in stores in the coming weeks.

On April 11, 2023, the Company announced an order for nearly 200,000 units from the OCS.

BEVERAGE PRODUCTION AGREEMENT WITH PROPER CANNABIS

On February 9, 2021, the Company entered into a definitive beverage production agreement with Proper Cannabis and received its initial deposit for production and distribution of cannabis beverages. The agreement was subsequently terminated effective as of September 4, 2022 due to Proper Cannabis' cessation of their business.

SALES REPRESENTATION AGREEMENT WITH HUMBLE

On April 7, 2022, the Company entered into a sales representation agreement with Humble+Cannabis Solutions Inc. ("Humble"), a premier cannabis sales expert, pursuant to which Humble agreed to act as the Company's exclusive third-party sales representative for Company products in all provinces and territories of Canada, except for Quebec. The agreement was subsequently terminated effective as of August 1, 2022.

BRAND, SKU AND GEOGRAPHIC EXPANSION

On April 28, 2021, the Company announced its line of *Molecule Crafted™* cannabis beverage portfolio for launch in May 2021.

On May 6, 2021, the Company announced that its third (3rd) wholly-owned line of cannabis beverages, *Phresh Cannabis Beverages* ("PHRESH"), will be available in June 2021.

On May 19, 2021, the Company announced that its first five (5) beverages are now available for purchase online through the OCS online ecommerce portal.

On June 3, 2021, the Company announced that its newest brand PHRESH was picked up by the OCS for both online and retail distribution, being the sixth (6th) Company brand accepted and sold by OCS.

On November 10, 2021, the Company announced that it is entering into the final stages of Health Canada's review regarding "adding the activity of sale" to its Processing Licence pursuant to the application submitted by the Company to Health Canada on August 29, 2021

On November 24, 2021, the Company announced its newest lineup of products under the brand name CANAJO. The CANAJO brand is expected to feature a family of coffee-inspired flavours with an assortment of THC and CBD levels designed for a wide variety of cannabis users.

On December 1, 2021, the Company announced positive results regarding its PHRESH Strawberry Kiwi SKU sugar-free beverage. In the three months ending November 30, 2021, the beverage experienced a store penetration rate of 36%, achieving a rank of 'Top 4' in the OCS to dispensary unit sales and a 'Top 2' status in 10mg Online Unit Sales through the OCS retail site.
On December 6, 2021, the Company announced it received a multi-SKU purchase order from the province of British Columbia. The launch includes the Company's newly announced CANAJO Espresso Spice 10mg THC drink. The order was completed and shipped to British Columbia in December.

On December 15, 2021, the Company announced it received a new purchase order from the Northwest Territories. The purchase order contained seven Molecule-developed product SKU's and was completed and prepared to be shipped to the Northwest Territories in early January.

On January 12, 2022, the Company announced its newest brand EMBODY. The EMBODY brand will focus on trend setting functional ingredients, unique flavour profiles and high CBD inputs. EMBODY is set to launch this spring as a multi-SKU offering.

On January 14, 2022, the Company announced it received a 4-SKU purchase order from the territory of Nunavut. The Company also received a replacement purchase order for all of the SKUs recently listed in British Columbia. Since December 2021, this marked the third new point of distribution, and the Company has added 14 new in-market SKUs, 2 new brands and 2 new flavours in existing brands.

On February 9, 2022, the Company announced its PHRESH brand achieved the number 2 ranking in unit sales in OCS retails stores in January 2022 and attained the number 1 ranking in 10mg sales for online sales through the OCS portal. In addition, the Company completed a corporate rebranding, together with its four cornerstore brands: PHRESH, KLÕN, CANAJO, and EMBODY.

On February 15, 2022, the Company announced the OCS selected 7 new flavours of Company beverages to include in its upcoming spring launch, including: CANAJO Regular, CANAJO Espresso Spice, EMBODY Blood Orange + Rosemary Sparkling Red Tea, EMBODY Mint + Honey Sparkling Green Tea, PHRESH Summer Punch, PHRESH STRAINS Pineapple Express, and PROPER Blueberry Pomegranate.

On February 17, 2022, the Company announced that the British Columbia Liquor Distribution Branch placed its third order for CANAJO Espresso Spice. Data collected from the first full month of sales since CANAJO launched in British Columbia retailers in mid-January indicated nearly 7,000 units were sold.

On February 17, 2022, the Company also announced that its sales team is now offering in-store activations across British Columbia and Ontario. These "pop-ups", held at cannabis retailers that carry Company brands, educate consumers on cannabis beverages and highlight product attributes.

On March 11, 2022, the Company announced the launch of a newly revamped corporate website.

On May 5, 2022, the Company announced that British Columbia added two additional Company SKUs to their product offering, consisting of PHRESH Strawberry Kiwi and PHRESH Summer Punch. Shipment of the products were successfully completed during the six-month period ended October 31, 2022.

On July 6, 2022, the Company announced that British Columbia added two additional Company SKUs to their product offering, consisting of EMBODY brand Blood Orange + Rosemary Sparkling Red Tea and EMBODY Mint + Honey Sparkling Green Tea. Shipment of the products were successfully completed during the six-month period ended October 31, 2022.

DEBT SETTLEMENTS AND SHARES FOR SERVICES

On January 15, 2021, as amended on February 17, 2022, the Company signed an agreement with an online marketing company (the "Marketing Agreement"), pursuant to which the Company agreed to pay a total of $75,000 plus HST for services, payable in 5 installments over a twelve-month period. The first installment was due on signing, with subsequent installments payable quarterly over the twelve-month period. All amounts are payable in Common Shares, based on the closing price on each installment date, provided that the issuance of the Common Shares shall not occur at a price less than $0.10 per Common Share. On January 26, 2021, the Company issued 135,600 Common Shares in settlement of the first installment of $16,950 ($15,000 plus HST). On September 7, 2021, the Company issued 342,423 Common Shares in settlement of the second and third installments totaling $33,990 ($30,000 plus HST). However, it was determined that the Company, in prior payments, issued an excess of 3,423 Common Shares. The final payment was made on February 18, 2022 to issue such number of Common Shares as was necessary to rectify the previous payment and issue the difference.

On January 29, 2021, the Company issued 1,925,300 Common Shares in settlement of $288,795 in debt, including to directors of the Company that received a total of 933,333 Common Shares in settlement of $140,000 in consulting fees.

On February 21, 2021, the Company signed an agreement with Toronto-based marketing firm North Equities Corp., which specializes in various social media platforms, to facilitate greater investor engagement and widespread dissemination of the Company's news. On February 23, 2021, pursuant to the agreement, the Company issued 500,000 Common Shares at a price of $0.14 per Common Share, in settlement of the entire contract value.

On January 11, 2022, the Company issued 1,692,000 Common Shares with a fair value of $0.06 per Common Share, or $101,520, at a deemed price of $0.10 per Common Share to three arms-length creditors in full and final satisfaction of outstanding debt for past consulting services in the aggregate amount of $169,200, resulting in a gain on settlement of debt of $67,680 recognized in profit or loss.

On February 18, 2022, the Company issued 335,577 Common Shares at a deemed price of $0.10 per Common Share to satisfy its final payment of $33,900 owed to a consultant pursuant to the terms of an online marketing agreement dated as of January 11, 2021, as amended on February 17, 2022. Due to the issuance by the Company of excess 3,423 Common Shares in prior payments to the Consultant, the Company reduced the number of Common Shares issued to the consultant for the final payment by 3,423 Common Shares.

On June 22, 2022, the Company issued 375,000 Common Shares at a deemed price of $0.10 per Common Share to a creditor in full and final satisfaction of outstanding debt for past consulting services in the aggregate amount of $37,500.

SALE OF MINING ROYALTIES

On February 13, 2023, the Company realized $100,000 in gross proceeds from the sale of a mining royalty.

MANAGEMENT CEASE TRADE ORDER

On March 1, 2023, the Company received a management cease trade order (the "**MCTO**") from the Ontario Securities Commission (the "**OSC**") as a result of a delay in filing its annual financial statements management's discussion and analysis and related officer certifications for the financial year ended October 31, 2022 (collectively, the "Annual Filings") as a result of the Company having had unpaid audit fees with respect to the audit for the financial year ended October 31, 2021. On March 16, 2023, the Company also announced a delay in the filing of its unaudited interim financial statements for the three months ended January 31, 2023, the management's discussion and analysis for the same period, and management certifications of interim filings (collectively, the "Q1 Interim Filings") would be delayed beyond the filing deadline of April 3, 2023, but would be filed concurrently with the Annual Filings.

The Company provided bi-weekly MCTO updates as required by applicable securities laws. With the filing of the Annual Filings and Q1 Interim Filings on May 15, 2023, the MCTO was lifted.

SELECTED ANNUAL INFORMATION

The following selected annual information is derived from the unaudited interim condensed consolidated financial statements, which were prepared in accordance with IFRS:

	Three months ended April 30,		Six months ended April 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Revenue from the sale of goods	**166,188**	443,824	**587,468**	703,748
Net loss and total comprehensive loss	**(646,729)**	(919,022)	**(1,328,049)**	(2,279,156)
Basic and diluted weighted average number of common shares outstanding	**97,781,903**	97,342,804	**97,781,903**	97,214,163
Basic and diluted loss per common share	**(0.007)**	(0.009)	**(0.014)**	(0.023)

As at	**April 30, 2023**	October 31, 2022
	$	$
Current assets	**1,110,055**	1,282,566
Non-current financial liabilities	**60,000**	60,000

PAYMENT OF DIVIDENDS

The Company's current policy is to retain earnings to finance the development of its business. Therefore, the Company does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of its earnings, financial condition and other relevant factors. Until the time that the Company does pay dividends, which it may never do, shareholders will not be able to receive a return on their Common Shares unless they sell them.

RESULTS OF OPERATIONS

For the three months ended April 30, 2023 and 2022:

For the three months ended April 30	**2023**	2022	Change
	$	$	$
Net revenue from sale of goods	**166,898**	443,824	(276,926)
Gross profit (loss) before fair value adjustments	**3,214**	(188,140)	191,354
Gross profit (loss)	**2,379**	(232,399)	234,778
Operating expenses	**(307,277)**	(602,962)	295,685
Loss from operations	**(304,898)**	(835,361)	530,463
Other income (loss)	**(341,831)**	(83,661)	(258,170)
Net loss and total comprehensive loss	**(646,729)**	(919,022)	272,293

During the three months ended April 30, 2023, the Company recorded a net loss and total comprehensive loss of $646,729, as compared to a net loss and total comprehensive loss of $919,022 during the three months ended April 30, 2022, a decrease of $272,293.

The decreased loss for the three months ended April 30, 2023 was primarily attributable to variances in the following items: (i) increase in gross margins; (ii) lower operating expenses; as partially offset by (iii) change in fair value of financial assets at FVTPL, as further described below.

The operating expenses below exclude total costs of $210,726 for the three months ended April 30, 2023 (2022 – $427,046) capitalized to inventory that are more fully described in Notes 5 and 15 to the unaudited interim condensed consolidated financial statements.

Revenue

During the three months ended April 30, 2023, the Company earned revenue of $166,188 from the sale of CIBs, 167% lower than the previous period. In late fiscal 2022, the Company commenced direct selling to Provincial Retailers, affording the Company higher relative net revenue and gross margin versus sales through Vortex, and resulting in the Company commencing to incur excise tax obligations.

Cost of Goods Sold

Cost of goods sold includes the cost of inventory expensed, packaging costs, shipping costs and related labour. The decreased cost of $468,280 for the three months ended April 30, 2023, 286% lower than the previous period, primarily due to the lower sales and lower cost to produce as compared to the three months ended April 30, 2022.

Gross Margin

The company recorded a gross margin of $2,379 during the three months ended April 30, 2023, an increase of $234,778 (2022 – gross loss 232,399). The result included a write-down of inventory to net realizable value of $835 in the three months ended April 30, 2023 (2022 – $44,259). In the three months ended April 30, 2023, the gross margin improved to 1% from 52% gross loss in the previous period. As the Company continues to increase production levels of CIBs, the Company expects to see gross margin increase.

For the three months ended April 30	**2023**	2022	Change
	$	$	$
Operating expenses			
Management and consulting fees	**42,993**	119,348	(76,355)
Salaries and benefits	**69,824**	177,358	(107,534)
Office and facilities	**105,857**	131,377	(25,520)
Professional fees	**47,925**	90,496	(42,571)
Supplies and testing	**17,159**	30,704	(13,545)
Depreciation of capital assets	**9,859**	9,831	28
Stock-based compensation	**10,744**	33,558	(22,814)
Total operating expenses	**307,277**	602,962	(295,685)
Other income (loss)			
Interest and financing fees on convertible debt	**(133,299)**	(119,792)	(13,507)
Change in fair value of financial liabilities at FVTPL	**(124,551)**	35,897	(160,448)
Loss on debt restructuring	**(112,574)**	-	(112,574)
Total other income (loss)	**(341,831)**	(83,661)	(258,170)

Certain components of operating expenses and other income (loss) for the three months ended April 30, 2023 and 2022 are as follows:

(i) During the three months ended April 30, 2023, the Company incurred management and consulting fees of $42,993, as compared to $119,348, during the three months ended April 30, 2022, a decrease of $76,355. The lower expense during the three months ended April 30, 2023, is primarily due to decreased marketing and sales activities during the period.

(ii) During the three months ended April 30, 2023, the Company incurred salaries and benefits expenses of $69,824 as compared to $177,358 the three months ended April 30, 2022, a decrease of $107,534. The decrease during the three months ended April 30, 2023 is primarily due to a smaller team as the Company down scaled production and sales of CIBs, less the associated costs allocated to inventory during three months ended April 30, 2023 amounting to $91,539 (2022 – $122,538.

(iii) During the three months ended April 30, 2023, the Company incurred office and facilities expenses of $105,857 as compared to $131,377 during the three months ended April 30, 2022, a decrease of $25,520. The decrease during the three months ended April 30, 2023 is primarily due to the lower production levels.

(iv) During the three months ended April 30, 2023, the Company incurred supplies and testing expenses of $17,159 as compared to $30,704 during the quarter ended April 30, 2022, a decrease of $13,545. The lower expense during the quarter ended April 30, 2023, is primarily due to lower production volume .

(v) During the three months ended April 30, 2023, the Company incurred stock-based compensation of $10,744, as compared to $33,558 during the quarter ended April 30, 2022, a decrease of $22,814. The decrease during the quarter ended April 30, 2023 is due primarily to fewer issuances of RSUs and Options in the three months ended April 30, 2023 versus the year prior.

(vi) During the three months ended April 30, 2023, the Company incurred professional fees of $47,925, as compared to $90,496 during the period ended April 30, 2022, a decrease of $42,571. The lower expense during the quarter ended April 30, 2023 is primarily due to decreased professional fees costs.

(vii) During the three months ended April 30, 2023, the Company incurred a loss in fair value of financial liabilities at FVTPL of $124,118 as compared to a profit of $35,897 during the three months ended April 30, 2022, an increase of $160,051 associated primarily with changes in the fair value of warrants included in the March 2021, July 2021, August 2021 and May 2022 Offerings.

(viii) During the three months ended April 30, 2023, the Company incurred interest and financing fees on convertible debt of $133,299 as compared to $119,792 during the three months ended April 30, 2022, an increase of $13,507 as a result of the March 2021 Offering, the July 2021 Offering and the August 2021 Offering and the May 2022 Offering.

(ix) During the three months ended April 30, 2023, the Company incurred a loss on restructuring of convertible debt of $112,574 as compared to $nil during the three months ended April 30, 2022, an increase of $112,574. The loss was incurred on the restructuring of debt from the March 2021 Offering, the July 2021 Offering and the May 2022 Offering.

For the six months ended April 30, 2023 and 2022:

For six months ended April 30,	**2023**	2022	Change
	$	$	$
Net revenue from sale of goods	**558,323**	703,748	(145,425)
Gross profit (loss) before fair value adjustments	**160**	(332,950)	333,110
Gross profit (loss)	**(132,693)**	(417,715)	285,022
Operating expenses	**(932,434)**	(1,507,026)	574,592
Loss from operations	**(1,065,127)**	(1,924,741)	859,614
Other income (loss)	**(262,922)**	(354,415)	91,493
			-
Net loss and total comprehensive loss	**(1,328,049)**	(2,279,156)	951,107

During the six months ended April 30, 2022, the Company recorded a net loss and total comprehensive loss of $1,328,049 as compared to a net loss and total comprehensive loss of $2,279,156 during the six months ended April 30, 2021, resulting in a decreased loss of $951,107.

The decreased loss for the six months ended April 30, 2023 was primarily attributable to variances in the following items: a lower gross margin loss as described above, and lower operating expenses and other income (losses), as follows: (i) management and consulting fees, (ii) salaries and benefits, (iii) office and facilities, (iv) professional fees, and (v) change in fair value of financial liabilities at FVTPL, as offset by an decrease in: (vi) supplies and testing, (vii) depreciation of capital assets, and (viii) stock-based compensation, and (ix) change in fair value of financial assets at FVTPL, as further described below.

The operating expenses below exclude total costs of $527,082 for the six months ended April 30, 2022 (2021 – $733,592) capitalized to inventory that are more fully described in Note 15 to the interim condensed consolidated financial statements for the three and six months ended April 30, 2023.

Revenue

During the six months ended April 30, 2023, the Company earned net revenues of $558,323 from the sale of CIBs (2022 – $703,748), 166% lower than the prior year. The lower revenue is primarily due to lower production during the six months ended April 30, 2023.

Cost of goods sold

Cost of goods sold includes the cost of inventory expensed, packaging costs, shipping costs and related labour. The lower cost of $478,535 for the six months ended April 30, 2023 (2022 – $1,036,698), 46% lower than the prior year, primarily due to the lower sales and lower cost to produce as compared to the six months ended April 30, 2022.

Gross margin

The Company’s cost of goods sold exceeded revenue for the six months ended April 30, 2023, as a result of the utilization level of the Facility. The result included a write-down of inventory to net realizable value of $132,853 in 2023 (2022 – $84,765).

Certain components of operating expenses and other income (loss) for the six months ended April 30, 2023 and 2022 are as follows:

For the six months ended April 30	**2023**	2022	Change
	$	$	$
Operating expenses			
Management and consulting fees	**246,738**	373,952	(127,214)
Salaries and benefits	**200,142**	347,550	(147,408)
Office and facilities	**222,038**	255,180	(33,142)
Professional fees	**104,776**	217,807	(113,031)
Supplies and testing	**30,869**	68,789	(37,920)
Stock-based compensation	**58,322**	208,180	(149,858)
Total operating expenses	**932,434**	1,507,026	(574,592)
Other income (loss)			
Interest and financing fees on convertible debt	**(269,482)**	(233,570)	(35,912)
Change in fair value of financial liabilities at FVTPL	**93,653**	(189,952)	283,605
Loss on debt restructuring	**(112,574)**	-	(112,574)
Total other income (loss)	**(262,922)**	(354,415)	91,493

(i) During the six months ended April 30, 2023, the Company recorded management and consulting fees of $246,738 as compared to $373,952 during the six months ended April 30, 2022, a decrease of $127,214. The decrease during the during the six months ended April 30, 2023, is primarily due to lower marketing and sales activities during fiscal 2023.

(ii) During the six months ended April 30, 2023, the Company incurred salaries and benefits expenses of $200,142 as compared to $347,550 during the six months ended April 30, 2022, a decrease of $144,408. The decrease during the during the six months ended April 30, 2023 is primarily due to decreased size of the team on account of lower production, less the associated costs allocated to inventory during the six months of fiscal 2023 amounting to $113,835 (2021 – $229,806).

(iii) During the six months ended April 30, 2023, the Company incurred office and facilities expenses of $222,180 as compared to $255,180 during the six months ended April 30, 2022, a decrease of $33,142. The decrease during the six months ended April 30, 2023 is primarily due to the lower production levels.

(iv) During the six months ended April 30, 2023, the Company incurred professional fees of $104,776 as compared to $217,807 during the six months ended April 30, 2022, a decrease of $113,031. The decrease during the six months ended April 30, 2023 is primarily due to decreased professional fees costs.

(v) During the six months ended April 30, 2023, the Company incurred supplies and testing expenses of $30,869 as compared to $68,789 during the six months ended April 30, 2021, a decrease of $37,920. The higher expense in 2022 is primarily due to increased production run testing as the Company prepared for fulfilling its first orders in the second quarter of fiscal 2021.

(vi) During the six months ended April 30, 2023, the Company recognized stock-based compensation of $58,322 as compared to $208,180 during the six months ended April 30, 2022, a decrease of $149,858. The increased cost during the six months ended April 30, 2022 is due primarily to fewer issuances of RSUs and Options in the six months ended April 30, 2023 versus the year prior.

(vii) During the six months ended April 30, 2023, the Company incurred a gain in fair value of financial liabilities at FVTPL of $93,653 (2022 – loss $189,952), an increase of $284,605 associated with the March 2021, July 2021 and August 2021 Offerings.

(viii) During the six months ended April 30, 2023, the Company incurred interest and financing fees on convertible debt of $269,482 as compared to $232,570 during the six months ended April 30, 2022, an increase of $35,912 as a result of the March 2021 Offering, the July 2021 Offering and the August 2021 Offering and the May 2022 Offering.

(ix) During the six months ended April 30, 2023, the Company incurred a loss on restructuring of convertible debt of $112,574 as compared to NIL during the six months ended April 30, 2022, an increase of $112,574. The loss was incurred on the restructuring of debt from the March 2021 Offering, the July 2021 Offering and the May 2022 Offering.

SUMMARY OF QUARTERLY RESULTS

The following information has been derived from the eight most recently completed quarters, all presented in accordance with IFRS:

For the three months ended	**April 30, 2023**	**January 31, 2023**	**October 31, 2022**	**July 31, 2022**
	$	**$**	**$**	$
Net loss and comprehensive loss	(646,729)	(681,320)	(1,520,158)	(744,607)
Basic and diluted loss per Common Share	(0.007)	(0.007)	(0.016)	(0.008)

For the three months ended	**April 30, 2022**	**January 31, 2022**	**October 31, 2021**	**July 31, 2021**
	$	**$**	**$**	$
Net loss and comprehensive loss	(919,022)	(1,360,134)	(777,165)	(1,118,052)
Basic and diluted loss per Common Share	(0.009)	(0.015)	(0.008)	(0.012)

USE OF PROCEEDS

The Company has completed the following convertible debt financings between September 2020 and April 2023, for aggregate gross proceeds of approximately $5,059,000:

- On September 16, 2020, the Company raised gross proceeds of $1,025,000;
- On March 18, 2021, the Company raised gross proceeds of $1,000,000;
- On July 31, 2021, the Company raised gross proceeds of $1,414,000;
- On August 13, 2021, the Company raised gross proceeds of $1,020,000;
- On May 30, 2022, the Company raised gross proceeds of $600,000; and
- On April 11, 2023, the Company raised gross proceeds of $250,000.

For the period from closing of the September 2020 Offering to April 30, 2023, the Company has used the net proceeds of the financings as shown below.

Use of proceeds as at	**April 30, 2023**	October 31, 2022
Operating activites:		
Management and consulting fees	**657,000**	657,000
Salaries and benefits	**800,000**	800,000
Office and facilities	**455,000**	455,000
Professional fees	**392,000**	392,000
Supplies and testing	**236,000**	236,000
Inventory production	**1,502,000**	1,352,000
Investing and financing activities:		
Investment in capital assets	**192,000**	192,000
Interest on convertible debt	**177,000**	177,000
Debt issuance costs	**548,000**	548,000
Repayment of convertible debt	**250,000**	250,000
Total use of proceeds	**5,209,000**	5,059,000

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity depends on existing cash reserves, supplemented as necessary by equity and/or debt financings. As at April 30, 2023, the Company had a negative working capital of $7,206,792 (2022 – $6,237,302) including cash of $233,252, trade and other receivables of $22,575, prepaid expenses and deposits of $175,028, inventory of $679,200 and current liabilities of $8,316,847, including convertible debt totalling $5,114,494, accounts payable and accrued liabilities of $2,374,291, government remittances payable of $255,655, promissory notes payable of $514,671 and current portion of lease liability of $57,735.

During the six months ended April 30, 2023, the Company used cash of $169,174 to fund operating activities.

As the Company's focus has been primarily on scaling production at the Facility, and on growing the sales of its CIBs, it has not generated positive operating income to date and has relied primarily on equity and/or debt financings to fund its operations. The Company will likely require additional equity and/or debt financing to fund its ongoing operations, and/or amendments to its existing debt offerings, until it can achieve profitable operations.

OFF-BALANCE SHEET ARRANGEMENTS

As at April 30, 2023 and as of the date of this MD&A, the Company does not have any off-balance sheet arrangements

PROPOSED TRANSACTIONS

As at the date of this MD&A, there are no proposed asset or business acquisitions or dispositions.

RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Related parties include the Board and key management personnel, as well as close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

Remuneration of directors and key management personnel of the Company and facilities lease payments payable to a company related to a director of the Company was as follows:

	Three months ended April 30		Six months ended April 30	
	2023	2022	**2023**	2022
	$	$	**$**	$
Salaries	**30,000**	29,341	**60,000**	59,670
Consulting fees (1)	**82,500**	82,500	**165,000**	165,000
Stock-based compensation	**10,744**	-	**58,322**	-
Total remuneration	**123,244**	111,841	**283,322**	224,670
Office and facilities	**25,013**	24,750	**49,763**	49,500

(1) As at April 30, 2023, unpaid consulting fees and office and facilities lease payments in the aggregate amount of $554,780 are owed to management, a company related to management and two companies related to a director and have been included in accounts payable and accrued liabilities (October 31, 2022–$438,938). The amounts owing are unsecured, non-interest bearing and due on demand.

During the three and six months ended April 30, 2023, facilities costs of $15,750 and $31,763, respectively, and tank rental costs of $9,000 and $18,000, respectively, were paid/payable to a company owned by Mr. Andre Audet, the Company's former CEO and current Director (2022 – $15,750 and $31,500 towards facilities costs, respectively, and $9,000 and $18,000 towards tank rental costs, respectively). During the three and six months ended April 30, 2023, consulting fees of $15,000 and $30,000, respectively, were paid/payable to a company owned by Mr. Audet (2022 – $15,000 and $30,000, respectively.

During the three and six months ended April 30, 2023, salary of $30,000 and $60,000, respectively, was paid/payable to Phil Waddington, the Company's current COO and former CEO and Chief Regulatory Officers, for services rendered as CEO, respectively (2022 – $29,340 and $59,670, respectively).

During the three and six months ended April 30, 2023, consulting fees of $37,500 and $75,000, respectively, were paid/payable to Consero Finance Services, Ltd. ("Consero") for finance outsource services including the fees for the services of Mr. Jeff Stoss, the Company's CFO (2022 – $37,500 and $75,000, respectively for finance outsource services paid/payable to Positive Venture Group Inc. ("Positive")).

During the three and six months ended April 30, 2023, consulting fees of $30,000 and $60,000, respectively, were paid/payable to David Reingold, current CEO and Director of the Company, for consulting services rendered (2022 – $30,000 and $60,000, respectively). During the three and six months ended April 30, 2022, the Company expensed $10,744 and $58,322, respectively, of stock-based compensation expense related to Mr. Reingold (2022 – $nil and $nil, respectively).

CRITICAL ACCOUNTING ESTIMATES

For information regarding the Company's critical accounting estimates, please see Note 2 to the consolidated financial statements for the years ended October 31, 2022 and 2021.

NEW ACCOUNTING POLICIES ISSUED BUT NOT YET EFFECTIVE

For information regarding new accounting policies issued which the Company expects to adopt once such policies become effective, please see Note 2(u) to the Company's consolidated financial statements for the years ended October 31, 2022 and 2021.

CHANGE IN ACCOUNTING POLICIES

As a result of the Company is into production during the year ended October 31, 2021, the Company has expanded certain pre-existing accounting policies and adopted the following new accounting policies that were not previously included in the notes to the Company's consolidated financial statements years prior to the year ended October 31, 2021. There are no changes to the Company's accounting policies for the year ended October 31, 2022.

Trade receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss an allowance for any rights of return on sales, price concessions and discounts.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes all expenses directly attributable to the production, packaging and quality assurance processes as well as suitable portions of related production overheads, based on normal operating capacity, including materials, overhead, depreciation, amortization, consulting and labour-related costs (including stock-based compensation). The identified capitalized direct and indirect costs related to inventory are subsequently recorded within cost of goods sold on the consolidated statements of loss and comprehensive loss at the time the product is sold, along with impairment losses on the write-down of inventory to net realizable value during the period, which are recorded as a separate line within gross profit (loss). Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Revenue recognition

Revenue from the direct sale of CIBs to customers for a fixed price is recognized when the Company transfers the control of the goods to the customer upon delivery and acceptance by the customer. The Company recognizes revenue in an amount that reflects the consideration which the Company expects to receive taking into account the impact which may arise from any rights of return on sales, price concessions or similar obligations. Net revenue is presented net of taxes, estimated returns, allowances and discounts.

Canada Revenue Agency ("CRA") levies excise taxes on the sale of medical and adult-use cannabis products. The Company became liable for these excise duties in late fiscal 2022 when the Company commenced selling CIBs directly to Provincial Retailers versus all sales previously being made through other LPs. Net revenue, as presented on the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable excise taxes.

Cost of goods sold

Cost of goods sold includes the cost of inventory expensed, packaging costs, shipping costs and related labour.

NEW SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES

As a result of the Company commencing production during the year ended October 31, 2021, the Company has the following new significant management judgements and estimates in applying the accounting policies of the Company that have significant effect on the interim condensed consolidated financial statements.

New significant management judgements

Revenue – Principal versus Agent

The Company evaluates whether it is the principal (reports on gross basis) or agent (reports on a net basis) for revenues generated by the direct sale of CIBs. The licensed producer ("LP") partners of the Company control the CIBs prior to the sale to its customers as regulated and mandated under the Cannabis Act and Health Canada legislation. The Company's LP partners possessing the sole ability to monetize the sale of CIBs through the held sales agreements and purchase orders with Provincial Retailer customers. The Company presents the revenues from the sale of CIBs on a net basis, net of associated fees from the LPs, as it presently sells only to LPs, who then sell to Provincial Retailers.

New significant management estimates

Valuation of Inventory

In calculating the net realizable value of inventory, management determines the selling prices based on prevalent sales prices, selling costs, and includes an estimate of spoiled or expired inventory based on the most reliable evidence available at the time, to record inventory at the lower of cost or net realizable value.

FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash, trade accounts receivable, marketable securities, accounts payable and accrued liabilities, convertible debt and other long-term liabilities. The fair value of the Company's financial instruments approximates their carrying value due to their short-term nature.

The classification of financial instruments is as follows:

	April 30, 2023	October 31, 2022
Financial assets		
Amortized cost		
Cash	**233,252**	83,619
Trade accounts receivable	**488**	268,286
Total financial assets	**233,740**	351,905
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	**(2,374,292)**	(2,161,240)
Promissory note payable	**(514,671)**	(250,274)
Convertible debt	**(1,086,219)**	(952,736)
Other long-term liabilities	**(60,000)**	(60,000)
Fair value through profit and loss		
Convertible debt	**(3,992,512)**	(3,622,679)
Warrant liability	**(35,763)**	(284,988)
Total financial liabilities	**(8,063,457)**	(7,331,917)

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk. Where material, these risks are reviewed and monitored by the Board.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of trade accounts receivable and cash and cash equivalents. The Company provides credit to its customer in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Since its customers are Provincial Retailers or distributors that sell end products to Provincial Retailers, the Company has limited credit risk. The Company's cash and cash equivalents are held at reputable financial institutions with high external credit ratings. It is management's opinion that the Company is not exposed to significant credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. The Company's accounts payable and other liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include marketable securities and derivative financial instruments, like the convertible debt and warrant liabilities measured at FVTPL.

There are anti-dilution provisions in the convertible debt and warrant liabilities measured at FVTPL that expose the company to interest rate risk and equity price risk, including the exercise price and conversion feature terms for the convertible debentures and the exercise price for the associated warrants, in the event of a future financing at more favourable terms.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares through equity offerings or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There have been no changes to the Company's capital management approach during the periods ended April 30, 2023 and 2022.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares. As of April 30, 2023, and as of the date of this MD&A, 97,781,903 Common Shares and 9,313,447 Preferred Shares were issued and outstanding. All Preferred Shares were issued in connection with the Transaction to previous OpCo shareholders.

In addition to the Common Shares and Preferred Shares, the Company also has the following securities convertible into Common Shares:

Security	Expiry date	Range of exercise price	Securities outstanding
		$	#
Warrants	Up to September 18, 2024	0.15 - 0.30	26,639,533
Options	Up to February 8, 2026	0.10 - 0.20	5,825,000
RSUs	Up to January 31, 2024	-	3,000,000

As of the date of this MD&A, 26,639,533 Warrants and 5,825,000 Options and 3,000,000 RSUs are issued and outstanding.

Convertible Debentures

In addition to the above, the Company has also issued an aggregate of 5,099 convertible debentures, each consisting of a principal amount of $1,000 and convertible into Common Shares or units consisting of Common Shares and warrants, as further described below.

1,065 convertible debentures were issued on September 16, 2020 upon the conversion of subscription receipts issued by the Company in connection with the Transaction into convertible debentures. The principal amount is convertible into units of the Company at a price of $0.20 per unit. Each unit is comprised of one Common Share and one-half of one warrant exercisable at $0.30.

1,000 convertible debentures were issued in connection with the March 2021 Offering. Following completion of the July 2021 Offering, the principal amount of each debenture is now convertible into Common Shares at a price of $0.10 per Common Share. 250 of these convertible debentures were repaid as part of the May 2022 Offering, leaving 750 convertible debentures outstanding from the March 2021 Offering. On September 19, 2022, the remaining principal amount plus all accrued and unpaid interest under the March 2021 Offering matured without repayment by the Company. The Company amended the remaining 750 convertible debentures under the March 2021 Offering on February 23, 2023 (500 debentures) and April 11, 2023 (250 debentures) to rectify an event of default. Refer to *"Subsequent Events*" for additional information.

1,414 convertible debentures were issued in connection with the July 2021 Offering. The principal amount of each convertible debenture is convertible into Common Shares at a price of $0.10 per Common Share

1,020 convertible debentures were issued in connection with the August 2021 Offering. The principal amount of each convertible debenture may be converted into Common Shares at a price of $0.10 per Common Share.

600 convertible debentures were issued in connection with the May 2022 Offering. The principal amount of

each convertible debenture may be converted into Common Shares at a price of $0.10 per Common Share.

Please refer to *"Corporate Development Highlights"* for additional details regarding the convertible debentures.

RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. You should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating the Company and its business before making any investment decision. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers, including investors considering a purchase of securities of the Company.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

Please also refer to the Filing Statement for additional risks that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein.

The Company's business requires compliance with regulatory or agency proceedings, investigations and audits

The Company's business requires compliance with many laws and regulations, specifically Canadian cannabis laws that are still in the early stages and subject to unexpected changes. Failure to comply with these laws and regulations could subject the Company or the businesses in which it invests to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Licensing requirements for cannabis companies in Canada

The market for cannabis and cannabis derivative products in Canada is regulated by the *Cannabis Act* and *Cannabis Regulations*. Health Canada is the primary regulator of the cannabis industry as a whole. There is no guarantee that the Company will obtain all the necessary licences or approvals required for its business. In addition, failure to comply with the requirements of any licence or any failure to maintain such licence would have a material adverse impact on the business, financial condition and operating results of the Company.

There is no assurance that the Company will turn a profit or generate material revenues

The Company has no history of earnings or cash flow from operations and the Company may not generate material revenue or achieve self-sustaining operations for several years, if at all. There is no assurance as to whether the Company will be profitable, earn significant revenues, or pay dividends. The Company anticipates that it will incur substantial expenses relating to the development and initial operations of its investments and business and will have a high relative cost of goods sold while production remains at lower volumes.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of investments, operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Requirements for Further Financing and Dilution

The Company may not have sufficient financial resources to undertake all of the activities as currently planned. The Company may need to obtain further financing, whether through debt financing, equity financing or other means. To obtain such funds the Company may sell additional securities, the effect of which could result in substantial dilution of the equity interests of the holders of the Company Shares. There can be no assurance that the Company will be able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to shareholders or that the terms of such financing will be favourable. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its operations. Should additional financing be obtained at more favourable terms to the March 2021, July 2021, August 2021 or May 2022 Offerings, there are anti-dilution provisions available to those investors that would require the Company to extend those beneficial terms to investors in those Offerings.

The Company has a limited operating history

The Company will not have a record of achievement to be relied upon. The Company's operations are subject to all the risks inherent in the establishment of a new business enterprise, including a lack of operating history. The Company cannot be certain that its investment strategy or development of the Company's business will be successful. The likelihood of the Company's success must be assessed in consideration of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If the Company fails to address any of those risks or difficulties adequately, the business will likely suffer.

The Company may be vulnerable to unfavorable publicity or consumer perception

Cannabis and cannabis derivatives industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise hindering market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use cannabis industry.

The cannabis industry is subject to increasing competition

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

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

Ongoing Costs and Obligations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Product Liability

Upon becoming a producer or distributor of products designed to facilitate cannabis ingestion by humans, the Company would face an inherent risk of exposure to product liability claims, regulatory action and litigation if such products are alleged to have caused significant loss or injury. In addition, tampering by unauthorized third parties or product contamination with respect to the cannabis used in such products may impact the risk of injury to consumers. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a supplier and/or producer and/or distributor and/or retailer of products designed to facilitate the consumption of cannabis, the Company may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, included inadequate instructions for use or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls can cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures in place for testing its products or require that third parties do the same where applicable, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's brands were subject to recall, the image of that brand and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Approvals

The Company may require advance approval of its products from authorities in the applicable jurisdiction. While the Company intends to follow the guidelines and regulations of each applicable local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Company's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Exchanges, Returns and Warranty Claims

If the Company is unable to maintain or cause the maintenance of an acceptable degree of quality control of products it produces or distributes, the Company may incur costs associated with the exchange and return of the products as well as servicing its customers for warranty claims. Any of the foregoing on a significant scale may have a material adverse effect on the Company's business, results of operations and financial condition.

Reliance on Processing Licence and Sales Amendment

The Company is dependent on the Processing Licence and Sales Amendment, and the need to maintain the Processing Licence in good standing. Failure to comply with the requirements or maintenance of any of the Processing Licence may have a material adverse effect on the business, financial condition and operating results of the Company. Although management of the Company believes that they will continue to meet the requirements of the Processing Licence for the duration of the Processing Licence, there can be no guarantee that Health Canada will extend or renew the Processing Licence or if the Processing Licence is extended or renewed, that it will be extended or renewed on the same or similar term.

Reliance on Facility

The Processing Licence is specific to the Facility operated in Lansdowne, Ontario and must remain in good standing for the Company to conduct the activities authorized thereunder. Adverse changes or developments affecting the Facility, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and Licences, the failure to comply with applicable regulations, or a breach of security, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition, any breach of the lease agreement for the Facility or any failure to renew such lease agreement, on materially similar or more favorable terms, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects, and could also have an impact on the Company's ability to continue operating under the Processing Licence or to renew the Processing Licence.

The Facility is subject to regulation and oversight by applicable authorities, including the acquisition of all required regulatory and ancillary permits to conduct operations or undertake any construction. Any breach of regulatory requirements, security measures or other Facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators at all levels, could also have an impact on the Company's ability to maintain its lease agreement and/or keep the Facility in good standing, and to continue operating under the Processing Licence or the prospect of renewing the Processing Licence.

Disruption of operations at the Facility could adversely affect inventory supplies and the Company's ability to meet delivery deadlines. The Company's revenue is dependent on the uninterrupted operation of the Facility. The Company's production is subject to operational risks beyond its control including fire, breakdown, failure or substandard performance of its equipment and machinery, power shortage, labour disruption, natural disasters and any interruption in its operations as a result of any failure to comply with all applicable laws and regulations in the Facility's jurisdiction. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on the Company's business, financial condition and results of operation. If there is any damage to the Facility, it may not be able to alleviate the impact of such damage in a timely and proper manner or at all. Any breakdown or malfunction of any of the Company's information technology systems and equipment could cause a material disruption of its operations. Adverse changes or developments affecting either of the Company's facilities.

Results of Future Clinical Research

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, dosing and/or social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support their beliefs regarding the medical benefits, viability, safety, efficacy, dosing and/or social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, holders or prospective purchasers of the Company Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Key Inputs

The business of the Company would be dependent on a number of key inputs and their related costs including raw materials and supplies related to product development and manufacturing operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's business, financial condition, and results of operations or prospects. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Operating Risks and Insurance

The Company's operations will be subject to hazards inherent in the cannabis industry, such as equipment defects, malfunction and failures, natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents would affect operating costs, insurability and relationships with customers, employees and regulators.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Company, the Company's ability to conduct normal business operations and on the Company's business, financial condition, results of operations and cash flows in the future.

Dilution

The Company may enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the other shareholders and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company Shares. The participants of the March 2021, July 2021, August 2021 and May 2022 Offerings have anti-dilution protections that may afford them more beneficial rights to other investors.

Changes in Laws, Regulations and Guidelines

The Company's operations will be subject to various laws, regulations, guidelines and licensing requirements. While the Company is expected to be in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada limits companies' abilities to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and results of operations could be adversely affected.

SUBSEQUENT EVENTS

Repayment of Senior Secured Promissory Note

Subsequent to April 30, 2023, the Company has repaid $75,000 of the Senior Secured Promissory Note to the Lender.

Promissory note payable issued June 1, 2023

On June 1, 2023, the Company obtained short-term financing from an affiliate of the Lender, in the amount of $50,000. The Company entered into a senior secured promissory note in favour of the Lender, that is payable in 16 days, is subject to a one-time loan fee of $6,000 and is secured by certain accounts receivable payable to the Company. Subsequent to April 30, 2023, $56,000 was paid by the Company to the secured promissory note holder.

ADDITIONAL INFORMATION

Additional information on the Company is available on the Company's SEDAR profile at www.sedar.com.