The Hash Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used in this management's discussion and analysis of financial condition and results of operations ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "we", "us" or "our" refer to The Hash Corporation, as constituted on December 31, 2022.

This MD&A for the three months and fiscal years ended December 31, 2022 and 2021 should be read in conjunction with the Company's audited financial statements, the accompanying notes for the fiscal years ended December 31, 2022, and 2021. The financial information presented in this MD&A is derived from the Company's audited financial statements for fiscal years ended December 31, 2022 and 2021 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in Canadian dollars except where otherwise indicated.

This MD&A is dated as of May 1, 2023.

FORWARD-LOOKING INFORMATION

The information provided in this MD&A, including information incorporated by reference, may contain certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian legislation about our current expectations, estimates and projections about the future, based on certain assumptions made by us in light of the Company's experience and perception of historical trends. Although we believe that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

This forward-looking information is identified by words such as "anticipate", "believe", "expect", "plan", "forecast", "future", "target", "project", "capacity", "could", "should", "focus", "proposed", "scheduled", "outlook", "potential", "may" or similar expressions and includes suggestions of future outcomes, including statements about the Company's intention to produce and the expected costs and timing thereof; the Company's proposed collaboration agreements with other entities; the Company's expected production capacity; the estimated costs of the Company's proposed capital projects and future investments; potential proceeds from the exercise of the Company's outstanding share purchase warrants; actions taken by the Company, or that the Company may take in the future, to adjust its capital structure; potential effects of regulations under the Cannabis Act (Canada) (together with the regulations thereunder (the "Cannabis Regulations"), the "Cannabis Act") and related legislation introduced by provincial governments. Readers are cautioned not to place undue reliance on forward-looking information as the Company's actual results may differ materially from those expressed or implied.

The Company has made certain assumptions with respect to the forward-looking statements regarding, among other things: the Company's ability to generate sufficient cash flow from operations and obtain financing, if needed, on acceptable terms or at all; general economic, financial market, regulatory and political conditions in which the Company operates; the expected yield from the Company's operations; interest in the Company's products or services; anticipated and unanticipated costs; government regulation of the Company's activities; the timely receipt of any required regulatory approvals; the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the Company's ability to conduct operations in a safe, efficient and effective manner; and the Company's expansion plans and timeframe for completion of such plans.

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the limited operating history of the Company and history of losses; the Company's ability to continue as a going concern; the Company's ability to generate sufficient revenue to be profitable; the Company's ability to raise the capital necessary for it to execute its strategy; increased competition in the cannabis markets in Canada and internationally; rising energy costs; the Company's reliance on key persons; the Company's compliance with environmental, health and safety laws and regulations; insurance risks; interruptions in the supply chain for key inputs; demand for skilled labour, specialized knowledge, equipment, parts and components; reliance on the operations of the Company's partners; results of litigation; conflicts of interest between the Company and its directors and officers; payment of dividends; the partial dependence of the Company's operations on the maintenance and protection of its information technology systems;

unforeseen tax and accounting requirements; regulatory risks relating to compliance with the Cannabis Act and Cannabis Regulations; changes in laws; changes to the market price of cannabis; the ability of the Company to produce and sell cannabis supply with collaboration agreements; failure to execute definitive agreements with entities in which the Company has entered into letters of intent or memoranda of understanding; changes in government; changes in government policy; failure of counterparties to perform contractual obligations; the Company's ability to successfully develop new products or find a market for their sale; lack of certainty regarding the expansion of the cannabis market; ability of key employees of the Company to obtain or renew security clearances in the future; reputational risks to third parties with whom the Company does business; failure to comply with laws and regulations; the Company's reliance on its own market research and forecasts; competition from synthetic production and new technologies; the existence and growth of the cannabis industry; misconduct or other improper activities by employees, independent contractors, consults, commercial partners and vendors; failure to comply with health and data protection laws; inability to obtain or maintain sufficient intellectual property protection for the Company's products; third-party claims of intellectual property infringement; patent terms being insufficient to protect competitive position on product candidates; inability to obtain patent term extensions or non-patent exclusivity; inability to protect the confidentiality of trade secrets; inability to protect trademarks and trade names; and other factors beyond the Company's control.

The Company cautions that the foregoing list of important factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements contained or incorporated by reference in this MD&A are made as of the date of this MD&A or as otherwise specified. Except as required by applicable securities laws, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors affecting those statements, whether as a result of new information, future events or otherwise or the foregoing lists of factors affecting this information.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

OVERVIEW

The Hash Corporation (the "Company") was incorporated under the Business Corporations Act (Ontario) on March 28, 1967 as Northville Explorations Ltd. On January 22, 2014, the Company changed its name to Senternet Phi Gamma Inc. and on July 8, 2019 the Company changed its name to its present name. The head office of the Company's is located at 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9.

The Company is focused on the production and sale of cannabis-based hashish and other cannabis products. The Company applies its separation and curing techniques to produce a suite of high-quality cannabis resin products, which are all-natural and free of additives. At present, the Company does not possess the licenses required to carry on its business in producing and selling cannabis-based hashish and other cannabis concentrates. In particular, the Company does not have a Standard Processing License and a Cannabis License under the Cannabis Act. The Company does not intend to apply for both of these licenses and instead relies on the Collaboration Agreement with Medz Cannabis Inc. ("Medz"), an Ontario-based, privately-owned company, licensed for the cultivation, processing and sale of medical cannabis under the Cannabis Act.

On April 20, 2020, the Company entered into a five-year collaboration agreement with Medz to produce and sell cannabis-based hashish and other cannabis concentrates. Per the agreement, Medz will provide the Company with licensed processing space at the Medz licensed facility for the purposes of manufacturing, packaging and selling products. The Company is responsible for all costs incurred related to the production and will grant Medz certain profit-sharing rights in connection with the sale of products produced within the Medz facility. The Company will pay Medz a 3.5% royalty on all revenues generated from the sale of the products produced in the Medz facility, and a 5% royalty on any tolling or service revenue earned by the Company on certain service contracts.

The Company has entered into a long-term lease for approximately 1,900 square feet of production and office space as well as access of common space and material storage for a term of two years commencing on February 28, 2021. The Company has the option to renew the lease for additional terms.

On June 3, 2021, the Company commenced trading on the Canadian Securities Exchange ("CSE") under the ticker REZN.

SELECTED FINANCIAL HIGHLIGHTS

	As at December 31,			
	2021	2022	Change	
	$	$	$	%
Cash	39,820	354,173	(314,353)	-89%
Total assets	503,971	1,406,214	(902,243)	-64%
Total liabilities	516,412	242,013	274,399	113%

Cash as at December 31, 2022, was $39,820 compared to $354,173 as at December 31, 2021. The decrease of $314,353 or 89% is primarily due to cash used in operating activities during the year ended December 31, 2022, offset by cash provided by financing activities.

Total assets as at December 31, 2022, were $503,971 resulting in a decrease of $902,243 or 64% compared to total assets as at December 31, 2021. The decrease is primarily attributable to the decrease in cash, trade receivables, prepaid expenses and other assets, and equipment.

Total liabilities as at December 31, 2022, were $516,412 resulting in an increase of $274,399 or 113% compared to total liabilities as at December 31, 2021. The increase is primarily due to an increase in convertible debentures and trade and other payables as a result of the timing of invoice payments.

RESULTS OF OPERATIONS

The following table outlines our statements of loss and comprehensive loss for the three months ended and years ended December 31, 2022 and 2021:

	For the three months ended December 31,		For the years ended December 31,	
	2022	2021	**2022**	2021
	$	$	$	$
Revenue	**140,894**	484,854	**805,600**	827,100
Salaries and wages	**169,519**	313,996	**793,789**	879,788
General and administrative	**36,961**	324,371	**426,410**	1,549,519
Production expenditures	**47,230**	173,321	**423,569**	553,155
Share-based compensation	**(12,101)**	134,548	**230,615**	1,497,434
Professional fees	**4,343**	87,668	**149,915**	873,813
Amortization and depreciation	**34,680**	34,247	**137,742**	106,414
Accretion on convertible debentures	**49,799**	—	**49,799**	—
Interest on lease liabilities	**334**	1,266	**2,765**	4,447
Total operating expenses	**330,765**	1,069,417	**2,214,604**	5,464,570
Net loss	**189,871**	584,563	**1,409,004**	4,637,470

REVIEW OF OPERATIONS FOR THE THREE MONTHS ENDED AND YEARS ENDED DECEMBER 31, 2022 AND 2021

Revenue

Revenue decreased from $484,854 and $827,100 to $140,894 and $805,600 for the three months ended and year ended December 31, 2022, respectively, compared to the equivalent periods in the prior year. The decrease is primarily related to decrease in sales and the expiration of a twelve month the production acquisition agreement offset by increase in other revenue related to accessory sales.

Salaries and wages

Salaries and wages decreased from $313,996 to $169,519 and from $879,788 to $793,789 for the three months ended and year ended December 31, 2022, respectively, compared to the equivalent periods in the prior year. The decrease is primarily related to a decrease in the number of employees during the three months ended and year ended December 31, 2022, compared to the equivalent periods in the prior year.

General and administrative

	For the three months ended December 31,				For the years ended December 31,			
	2022	2021	Change		2022	2021	Change	
	$	$	$	%	$	$	$	%
Marketing expenses	**1,146**	63,753	(62,607)	-98%	**25,770**	543,989	(518,219)	-95%
Investor relations	**—**	167,940	(167,940)	-100%	**130,466**	542,784	(412,318)	-76%
Office and general	**28,167**	60,583	(32,416)	-54%	**237,325**	250,768	(13,443)	-5%
Listing fees	**—**	—	—	0%	**—**	126,842	(126,842)	-100%
Travel, meals, and entertainment	**7,648**	32,095	(24,447)	-76%	**32,849**	85,136	(52,287)	-61%
Total	**36,961**	324,371	(287,410)	-89%	**426,410**	1,549,519	(1,123,109)	-72%

General and administrative expenses are comprised of marketing, investor relations, office and general, listing fees and travel, meals and entertainment expenses. General and administrative expenses decreased from $324,371 to $36,961 and from $1,549,519 to $426,410 for the three months ended and year ended December 31, 2022, respectively, compared to the equivalent periods in the prior year. The decrease is primarily due to cost cutting efforts by the Company during the year ended December 31, 2022.

Production expenditures

Production expenditures decreased from $173,321 to $47,230 and from $553,155 to $423,569 for the three months ended and year ended December 31, 2022, respectively, compared to the equivalent periods in the prior year. The decrease is primarily due to cost cutting efforts by the Company and impact of lower revenue.

Share-based compensation decreased from $134,548 to a gain of $12,101 and decreased from $1,497,434 to $230,615 for the three months ended and year ended December 31, 2022, respectively, compared to the equivalent periods in the prior year. The gain for the three months ended December 31, 2022, is due to forfeitures of unvested RSUs that resulted in a reversal of expense. The decrease for the year ended December 31, 2022, compared to the equivalent period in the period year, is due to the number of share options and RSUs granted during the year ended December 31, 2021.

Professional fees

Professional fees decreased from $87,668 to $4,343 and from $873,813 to $149,915 for the three months ended and year ended December 31, 2022, respectively, compared to the equivalent periods in the prior year. The decrease is primarily due to professional fees incurred in relation to the listing on the CSE in June of 2021. Professional fees include legal, accounting and consulting fees that fluctuate from period to period based on the nature of the transactions the Company undertakes.

Amortization and depreciation

Amortization and depreciation expense increased from $34,247 to $34,680 and from $106,414 to $137,742 for the three months ended and year ended December 31, 2022, respectively, compared to the equivalent periods in the prior year. The increase is related to depreciation on new equipment purchased and amortization of the right-of-use assets.

Accretion on convertible debenture

Interest expense increased from $nil to $49,799 and from $nil to $49,799 for the three months ended and year ended December 31, 2022, respectively, compared to the equivalent periods in the prior year. The increase is due to interest accretion on convertible debentures issued during the year.

SELECTED QUARTERLY INFORMATION

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters commencing January 1, 2021 and ending December 31, 2022. The information for each of these quarters has been prepared on the same basis as the audited financial statements for the year ended December 31, 2022. This data should be read in conjunction with our audited annual financial statements for the years ended December 31, 2022 and 2021. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	$	$	$	$	$	$	$	$
Revenue	140,894	57,158	395,701	211,847	550,147	250,686	91,560	—
Total operating expenses	330,765	332,691	704,710	846,438	1,134,710	998,685	2,773,945	622,523
Net loss and comprehensive loss	(189,871)	(275,533)	(309,009)	(634,591)	(584,563)	(747,999)	(2,682,385)	(622,523)
Net loss per share - basic and diluted	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.003)	(0.011)	(0.003)

FINANCIAL POSITION

	As at December 31, 2022	As at December 31, 2021	**Change** $	%
ASSETS				
Current				
Cash	**39,820**	354,173	(314,353)	-89%
Trade receivables	**223,320**	490,711	(267,391)	-54%
Prepaid expenses and other assets	**145,502**	334,942	(189,440)	-57%
Total current assets	**408,642**	1,179,826	(771,184)	-65%
Non-current				
Equipment, net	**89,868**	188,158	(98,290)	-52%
Right-of-use assets, net	**5,461**	38,230	(32,769)	-86%
Total non-current assets	**95,329**	226,388	(131,059)	-58%
Total assets	**503,971**	1,406,214	(902,243)	-64%
LIABILITIES				
Current				
Trade and other payables	**269,014**	192,787	76,227	40%
Convertible debentures	**213,052**	—	213,052	100%
Sales tax payable	**28,097**	7,742	20,355	263%
Lease obligations	**6,249**	35,235	(28,986)	-82%
Total current liabilities	**516,412**	235,764	280,648	119%
Non-current				
Lease obligations	**—**	6,249	(6,249)	-100%
Total liabilities	**516,412**	242,013	274,399	113%
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital	**11,938,008**	11,938,008	—	0%
Warrants	**98,948**	106,103	(7,155)	-7%
Contributed surplus	**1,981,051**	1,741,534	239,517	14%
Accumulated deficit	**(14,030,448)**	(12,621,444)	(1,409,004)	11%
Total shareholders' equity	**(12,441)**	1,164,201	(1,176,642)	-101%
Total liabilities and shareholders' equity	**503,971**	1,406,214	(902,243)	-64%

Assets

Current assets

Current assets decreased by $771,184 or 65%, due to cash used in operations, and a decrease in trade receivables and prepaid expenses and other assets.

Non-current assets

Non-current assets decreased by $131,059 or 58% primarily due decrease in depreciation recognized on equipment and right of use assets.

Liabilities

Current liabilities

Trade and other payables increased by $76,227 or 40%, primarily due to payments made during the period.

Convertible debentures increased by $213,052 or 100% due to issuance of convertible debentures.

Sales tax payable increased by $20,355 or 263% due to sales collected on sales.

Lease obligations decreased by $28,986 or 82%, related to Medz licensed facility lease.

Non-current liabilities

Lease obligations decreased by $6,249 or 100%, related to Medz licensed facility lease.

Shareholders' equity

Shareholders' equity decreased by $1,176,642 or 101% due to a decrease of $7,155 related to expiration of warrants, and a net loss of $1,409,004 for the year ended December 31, 2022, offset by an increase to contribution surplus of $239,517 as a result of share-based compensation.

LIQUIDITY, CAPITAL RESOURCES AND FINANCING

The general objectives of our capital management strategy are to preserve our capacity to continue operating, provide benefits to our stakeholders and provide an adequate return on investment to our shareholders by continuing to invest in our future that is commensurate with the level of operating risk we assume. We determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risks of the underlying assets. We are not subject to any externally imposed capital requirements.

The financial statements and this MD&A have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The financial statements and this MD&A do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at December 31, 2022, the Company has an accumulated deficit of $14,030,448 (December 31, 2021 – $12,621,444) and a working capital deficit of $107,770 (December 31, 2021 – $944,062). For the year ended December 31, 2022, the Company had a net loss of $1,409,004 (2021 – $4,637,470). Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future. The Company will need to raise capital in order to fund its operations. This need may be adversely impacted by uncertain market conditions, COVID-19, approval by regulatory bodies, and adverse results from operations. The above events and conditions indicate there is a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

As at December 31, 2022, the Company had cash of $39,820, representing a decrease of $314,353 from December 31, 2021. This decrease is due to $434,670 of cash used in operating activities and $6,683 of cash used in investing activities, offset by $127,000 of cash provided by financing activities.

Cash flows

	For the year ended December 31,	
	2022	2021
	$	$
Cash	**39,820**	354,173
Net cash provided by (used in):		
Cash used in operating activities	**(434,670)**	(3,813,599)
Cash used in investing activities	**(6,683)**	(123,276)
Cash provided by financing activities	**127,000**	2,240,020
Net change in cash during the year	**(314,353)**	(1,696,855)
Cash , end of the year	**39,820**	354,173

Cash Flows Used in Operating Activities

Cash flows used in operating activities for the year ended December 31, 2022, were $434,670 compared to cash used in operating activities of $3,813,599 for the year ended December 31, 2021. The decrease in cash used in operating activities is primarily the result of cost cutting.

Cash Flows Used in Investing Activities

Cash flows used in investing activities for the year ended December 31, 2022, were $6,683 compared to $123,276, for the year ended December 31, 2021. The decrease is primarily due to the lower spending on purchase of equipment during the year ended December 31, 2022.

Cash Flows Provided by Financing Activities

Cash flows provided by financing activities for the year ended December 31, 2022, were $127,000 compared to $2,240,020 for the year ended December 31, 2021. The decrease is due to proceeds from convertible debentures during the year ended December 31, 2022, compared to proceeds from share issuances and warrants exercised during the year ended December 31, 2021.

CONTRACTUAL OBLIGATIONS

We have no significant contractual arrangements other than those noted in our financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements other than those noted in our financial statements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly.

Key management personnel compensation during the year ended December 31, 2022 and 2021 is comprised of:

	2022	2021
	$	$
Salaries, benefits, bonuses and other fees	**345,260**	630,950
Share-based payments	**167,671**	1,119,766
Total	**512,931**	1,750,716

During the year ended December 31, 2022, convertible debentures were issued to the CEO, COO of the Company and to an entity related to the CFO of the Company. For the year ended December 31, 2022, the Company recognized accretion on the Debentures of $49,799 (2021 - $nil).

During the year ended December 31, 2021, the Company granted the Board of Directors and officers of the Company a total of 11,500,000 share options, vesting immediately, with an exercise price of $0.10 to $0.11 and expiry date of 3 years from the date of grant. The fair value of the share options was determined to be $863,690 using the Black-Scholes option pricing model.

During the year ended December 31, 2021, the Company modified 2,000,000 share options held by related parties to vest immediately. The Company recognized the fair value of the original awards in the amount of $23,748.

During the year ended December 31, 2021, the Company granted certain directors and officers of the Company 4,000,000 RSUs. The RSUs vest on June 1, 2022 and expire on June 1, 2024. For the year ended December 31, 2022, the Company recognized share-based compensation of $167,671 (2021 – $232,328) related to the RSUs granted.

During the year ended December 31, 2021, the Company incurred professional fees expense of $220,000 with a Company related to the Company's CFO for services provided in relation to the Canadian Securities Exchange listing.

During the year ended December 31, 2021, the Company recognized revenue of $7,534 from a Company owned by one of the Directors. The amount is included in trade and other receivables as at December 31, 2021.

The Company owes related parties $59,799 (2021 – $36,040), included in trade and other payables, as at December 31, 2022.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The majority of the trade receivable outstanding is with one customer.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The aging of trade receivables is as follows:

	December 31, 2022	December 31, 2021
	$	$
Current	**218,835**	335,163
31 to 60 days	**—**	15,573
> 60 days	**4,485**	139,975
Total trade receivables	**223,320**	490,711

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As at December 31, 2022, allowance for expected credit losses is $nil (2021 – $nil).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these financial statements.

If unanticipated events occur that impact the Company's ability to complete products for sale, the Company may need to take additional measures to increase its liquidity and capital resources, including issuing debt or additional equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

The Company is obligated to the following contractual maturities of undiscounted cash flows:

		Contractual cash flows			
	Carrying amount	**Year 1**	**Year 2**	**Year 3 and beyond**	**Total contractual cash flows**
	$	**$**	**$**	**$**	**$**
Trade and other payables	**269,014**	269,014	—	—	269,014
Convertible debentures	**213,052**	264,069	—	—	264,069
Lease liabilities	**6,249**	6,333	—	—	6,333
Total	**488,315**	539,416	—	—	539,416

Market risk

Market risk is the risk 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: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is not exposed to foreign currency risk as at December 31, 2022, as it does not hold any material financial instruments in foreign currency.

- Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at December 31, 2022, as the interest rates on the convertible debentures are fixed.

- Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its Company, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at December 31, 2022.

Fair values

The carrying values of cash, trade receivables and trade and other payables approximate fair values due to the short-term nature of these items or they are being carried at fair value. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For the years ended December 31, 2022 and 2021 there were no financial instruments recorded at fair value.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to the audited financial statements for December 31, 2022, for a full discussion of our critical accounting policies and estimates.

RISK RELATED TO THE OPERATIONS OF THE COMPANY

An investment in the securities of the Company should be considered highly speculative due to the nature of the Company's proposed business and the present stage of its development. In evaluating the Company and its new business, prospective investors should carefully consider the following risk factors, in addition to the other information contained in this MD&A. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations.

Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected.

The Company's actual operating results may be very different from those expected as at the date of this MD&A.

Risks Related to the Company's Business and Industry

Dependent on relationship with Medz Cannabis

At present, the Company does not have the required licences to carry on its business in producing and selling cannabis-based hashish and other cannabis concentrates. Accordingly, the Company intends, through the Collaboration Agreement, to rely on Medz Standard Processing Licence and Cannabis Licence in order to produce and sell the cannabis-based hashish and other cannabis concentrates.

To facilitate the Collaboration Agreement, Medz will have to amend its Standard Processing Licence in order to produce the newly legal products (edible cannabis, cannabis topical, and cannabis extracts). There is no certainty that Medz will be granted the requirement amendments to its licence.

The Company's ability to carry on its business is heavily dependent on its business relationship with Medz and its ability to utilize Medz Standard Processing Licence and Cannabis Licence.

Risks Pertaining to Changing Laws and Regulations

The cannabis extract and cannabis concentrates industry is a new industry and the Company cannot predict the impact of the compliance regime Health Canada is implementing for the production and sale of cannabis extracts and concentrates. Government licences are currently, and in the future may be, required in connection with Company's operations, in addition to other unknown permits and approvals which may be required. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, 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, financial condition and operating results of the Company.

No Profits or Significant Revenues

The Company has a limited operational history in the cannabis industry which makes it difficult to evaluate its performance and future prospects. The Company's current and proposed operations are subject to all the business risks associated with new enterprises. These include likely fluctuations in operating results as the Company makes significant investments in research, development and product opportunities, and reacts to developments in its market, including purchasing patterns of customers, and the entry of competitors into the market. The Company will only be able to pay dividends on any shares once its directors determine that it is financially able to do so.

The Company incurred net losses for the years ended December 31, 2021, 2020, 2019 and 2018. As a result, the Company cannot make any assurance that it will be profitable in the next three years or generate sufficient revenues to pay dividends to the holders of the shares.

Reliance on Management and Key Personnel

The Company's success is largely dependent on the performance of its Board of Directors and management team. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of any of the Company's senior management or key employees, or an inability to attract other suitably qualified persons when needed, could materially adversely affect its ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all.

Factors which may prevent realization of growth targets

The Company is currently in an early development stage. There is a risk that the resources necessary for its business and operations may not be secured on time, on budget, or at all, and further, that the Company may not have sufficient product available to meet the anticipated future demand when it arises, as a result of being adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- failure, or delays in, obtaining or satisfying conditions imposed by regulatory approvals
- non-performance by third party contractors
- increases in materials or labour costs
- breakdown, aging or failure of equipment or processes
- operational inefficiencies
- labour disputes, disruptions or declines in productivity
- inability to attract sufficient numbers of qualified workers
- disruption in the supply of energy and utilities
- major incidents and/or catastrophic events such as fires, explosions or storms

The Company may experience additional expenditures related to unforeseen issues that have not been taken into account in the preparation of this MD&A.

Additional financing

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

Competition

The Company faces competition from other companies, some of which have longer operating histories and more financial resources and marketing experiences. There can be no assurance that potential competitors of the Company, which may have greater financial, R&D, sales and marketing and personnel resources than the Company, are not currently developing, or will not in the future develop, products and strategies that are equally or more effective and/or economical as any products or strategies developed by the Company or which would otherwise render the Company's products or strategies obsolete. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company is subject to insurance risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, cybersecurity and other information technology, systems risks, accidents, labour disputes, product liability and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Risks Related to Intellectual Property

As of the date of this MD&A, the Company does not have its own proprietary formulations and processes with respect to the production of hashish. In the future, the Company's success and ability to compete effectively may depend, in part, on its ability to maintain the proprietary nature of formulations and processes it creates, and the ability to secure and protect any patents, trade secrets, trademarks and other intellectual property rights either developed internally or acquired by the Company from time to time, and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights that it owns or licences. In the event that the Company's intellectual property rights were to be infringed by, disclosed to or independently developed by a competitor, enforcing a claim against such third party could be expensive and time-consuming and could divert management's attention from our business. In addition, the outcome of such proceedings is unpredictable. Any adverse outcome of such litigation or settlement of such a dispute could subject the Company to significant liabilities, and could put one or more of the Company's patents or patent application, as applicable, at risk of being not issued, of being invalidated, or of being interpreted narrowly.

The Company's commercial success will also depend, in part, on operating its business without infringing the patents or proprietary rights of third parties. Third parties that believe the Company is infringing on their rights could bring actions against it claiming damages and seeking to enjoin the development, marketing and distribution of its products. If the Company becomes involved in any litigation, it could consume a substantial portion of its resources, regardless of the outcome of the litigation. If any of these actions are successful, the Company could be required to pay damages and/or to obtain a licence to continue to develop or market its products, in which case it may be required to pay substantial royalties. However, any such licence may not be available on terms acceptable to the Company or at all. Ultimately, the Company could be prevented from commercializing a product or forced to cease some aspect of its business operations because of patent infringement claims, which would harm its business.

Client acquisition and retention

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including, but not limited to, the Company's ability to continually produce desirable and effective product, the successful implementation of the Company's branding and marketing strategy, the continued growth in the aggregate number of customers interested in consuming cannabis extracts and concentrates, and other companies producing and supplying similar products. The Company's failure to acquire and retain customers would have a material adverse effect on the business, financial condition and operating results of the Company.

Research and development and product obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies and the emergence of new industry standards may render the Company's products less competitive or less marketable. The process of developing the Company's future products may be complex and requires significant continuing costs, development efforts and third party commitments. The Company's failure to develop new products and the obsolescence of existing products could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing products obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing products, and develop new products that address the increasing sophistication and varied needs of the market on a timely and cost-effective basis. The development of the Company's proprietary formulations and products entails significant technical and business risks. The Company may not be successful in creating new products, or exploiting its niche markets effectively or adapting its businesses to evolving customer requirements or preferences or emerging industry standards.

Commodity Price Risk

Cannabis is a developing market, likely subject to volatile and possibly declining prices year over year, as a result of increased competition. Because cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis and the Company has arranged its proposed business accordingly; however, there can be no assurance that price volatility will be favorable to the Company. Pricing will depend on general factors including, but not limited to, the number of licenses granted by Health Canada and the supply such licensees are able to generate. An adverse change in the cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Unfavourable publicity or consumer perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis as well as products produced or manufactured using cannabis. Consumer perception of the Company's products and technologies can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical 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 favourable to the medical and/or recreational 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 favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and 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 the Company's products and services specifically, or associating the consumption of medical and/or recreational 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 even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Product liability

As a manufacturer and distributor of products directly or indirectly designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis extract and cannabis concentrate products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by the Company caused injury or illness, include inadequate instructions for use or include 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, financial condition and operating results of the Company. There can be no assurances that the Company will be able to obtain or 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 obtain 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 products.

Disruption in manufacturing

The Company plans to produce all or nearly all of the cannabis extracts that it expects to sell to its customers. Accordingly, the Company will be highly dependent on the efficient operation of the facility. Any significant disruption in its operations at the facility for any reason, including as a result of regulatory requirements, equipment failures, natural disasters, fires, accidents, work stoppages, power outages, quality of raw material or other reasons, could disrupt its supply of products to its customers, which in turn could adversely affect its sales and customer relationships, and its business financial condition and/or results of operations could be materially adversely affected. Lost sales or increased costs that may be experienced during a disruption of operations may have a material adverse effect on the Company's business and financial results.

Security breaches; theft of products; data loss; credit card fraud; identity theft

The protection of customer, employee, suppliers and other business data will be important to the Company. Federal and provincial laws and regulations govern the collection, retention, sharing and security of data that the Company receives and will receive from and about its employees, customers and suppliers. The regulatory environment surrounding information security and privacy has been increasingly demanding in recent years, and may see the imposition of new and additional requirements in the jurisdictions in which the Company does and will do business. Compliance with these requirements may result in cost increases due to necessary systems changes and the development of new processes to meet these requirements. In addition, it is expected that customers will have a high expectation that the Company will adequately protect their personal information. If the Company or its service providers fail to comply with applicable privacy laws and regulations or experience a significant breach of customer, employee, supplier or other company data, its reputation could be damaged and result in an increase in service charges, suspension of service, lost sales, fines or lawsuits.

The Company may use credit payment systems to facilitate sales. The use of such systems may makes it more susceptible to a risk of loss in connection with privacy issues, particularly with respect to an external security breach of customer information that third parties control. It is expected that a portion of the Company's sales will require the collection of certain customer data, such as credit card information. In order for the Company's sales channel to function, the Company and other parties involved in processing customer transactions must be able to transmit confidential information, including credit card information, securely over public networks. In the event of a security breach, theft, leakage, accidental release or other illegal activity with respect to employee, customer, supplier or other company data, the Company could become subject to various claims, including those arising out of thefts and fraudulent transactions, and may also result in the suspension of credit card services. This could cause customers to lose confidence in the Company's security measures, harm its reputation as well as divert management attention and expose it to potentially unreserved claims and litigation. Any loss in connection with these types of claims could be substantial. In addition, if the Company's electronic payment systems are damaged or cease to function properly, the Company may have to make significant investments to fix or replace them, and consequently it may suffer interruptions in its operations in the interim. In addition, the Company expects that it will be reliant on these systems, not only to protect the security of the information stored, but also to appropriately track and record data. Therefore, any failures or inadequacies in these systems could expose the Company to significant unreserved losses, which could materially and adversely affect its earnings and the market price of securities. The Company's brand reputation would likely be damaged as well.

Given the nature of the Company's expected business activities and the expected concentration of cannabis products in inventory in the facility, despite meeting or exceeding Health Canada's security requirements, there will be a risk of shrinkage as well as theft. A security breach at the facility could expose the Company to additional liability and to potentially costly litigation, and could result in increased costs in relation to resolving such shrinkage or theft and preventing same in future.

Certain key employees are subject to security clearance from Health Canada, and there can be no assurance that such personnel will be able to obtain or renew security clearances in the future.

Certain key employees are subject to a security clearance by Health Canada. Under the Cannabis Act a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of our existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by a key employee to maintain or renew his or her security clearance, would result in a material adverse effect on our business, financial condition and results of operations. In addition, if a key employee leaves us, and we are unable to find a suitable replacement that has a security clearance required by the Cannabis Act in a timely manner, or at all, there could occur a material adverse effect on our business, financial condition and results of operations.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their 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. If any of the products produced by the Company are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing finished products, 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 products produced by the Company were subject to recall, the image of that product and the Company could be harmed. Any recall, including for any of the foregoing reasons, could lead to decreased demand for products produced by the Company and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations of the Company by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Unfavorable publicity regarding the cannabis industry could have a material adverse effect on the Company, the demand for the Company's proposed products, and the results of operations, financial condition and cashflows of the Company.

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis related produce. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis and cannabis extract 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 and cannabis extract product 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 the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the 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 and cannabis extracts in general, or the Company's proposed products specifically, or associating the consumption of cannabis extracts 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 even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Contamination and production interruptions

The Company has adopted various quality, environmental, health and safety standards. However, products may still not meet these standards or could otherwise become contaminated. A failure to meet these standards or contamination could occur in its operations or those of its suppliers. Such a failure or contamination could result in expensive production interruptions, recalls and liability claims. Moreover, negative publicity could be generated even from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect the Company's business and financial performance.

Promoting the brand

Promoting the Company's brand will be critical to creating and expanding a customer base. Promoting the brand will depend largely on the Company's ability to provide quality and innovative products. The Company may introduce new products or services that its customers do not like, which may negatively affect the brand and reputation. If the Company fails to successfully promote its brand or if it incurs excessive expenses in this effort, its business and financial results from operations could be materially adversely affected.

Marketing constraints under the regulatory framework, including plain packaging regulations, limit the Company's ability to compete for market share in a manner similar to other industries.

The development of our business and operating results may be hindered by applicable restrictions on sales and compete for market share in a manner similar to other industries. If we are unable to effectively market our 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 our products, our sales and operating results could be adversely affected.

Moreover, the Cannabis Act imposes further packaging, labelling and advertising restrictions on producers. If we fail to comply with the packaging, labelling and advertising restrictions, we will be subject to monetary penalties, required to suspend sale of noncompliant products and/or be disqualified as a vendor by government-run provincial distributors.

Success of quality control systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality of the training program and adherence by employees to quality control guidelines. Any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Reliance on key inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies, specifically cannabis. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Examples of potential risks include, but are not limited to, the risk that crops may become diseased or victim to insects or other pests and contamination which could result in low crop yields, decreased availability of cannabis, and higher acquisition prices. 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 and operating results of the Company.

Reliance on management; dependence on suppliers and skilled labour

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. Its future success will depend on its ability to attract, develop, motivate and retain highly qualified personnel. Qualified individuals are in high demand and the Company may incur significant costs to attract and retain them. In addition, the loss of any key senior management could materially adversely affect the Company's ability to execute its business plan and it may not be able to find adequate replacements on a timely basis, or at all.

The ability of the Company to compete and grow will also be dependent on it having access, at a reasonable cost and in a timely manner, to non-management 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. This could have an adverse effect on the financial results of the Company.

Risks related to third party relationships

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

Liability arising from fraudulent or Illegal activity

The Company is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on the Company's behalf or in its service that violate (i) various laws and regulations, including healthcare laws and regulations, (ii) laws that require the true, complete and accurate reporting of financial information or data, (iii) the terms of the Company's agreements with third parties. Such misconduct could expose the Company to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

The Company cannot always identify and prevent misconduct by its employees and other third parties, including third party service providers, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown, unanticipated or unmanaged risks or losses or in protecting it from governmental investigations or other actions or lawsuits stemming from such misconduct. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal or administrative penalties, damages, monetary fines and contractual damages, reputational harm, diminished profits and future earnings or curtailment of its operations.

Difficulty to forecast

Detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis extracts industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Operating risk and insurance coverage

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future, or if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of growth

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Management may not be able to successfully implement and maintain adequate internal controls over financial reporting or disclosure controls and procedures.

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken a number of procedures and has implemented a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of such controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected, which could cause investors to lose confidence in us and our reported financial information, which in turn could result in a reduction in the value of Common Shares.

Conflicts of interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Unpredictable and volatile market price for shares

The market price for the shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- Actual or anticipated fluctuations in the Company's quarterly results of operations
- Recommendations by securities research analysts
- Changes in the economic performance or market valuations of companies in the industry in which the Company operate
- Addition or departure of the Company's executive officers and other key personnel
- Release or expiration of lock-up or other transfer restrictions on outstanding Company shares
- Sales or perceived sales of additional Company shares
- Significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors
- Operating and share price performance of other companies that investors deem comparable to the Company
- Fluctuations to the costs of vital production materials and services
- Changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility
- Operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies
- News reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets

Financial markets may experience price and volume fluctuations that may affect the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares may decline even if the Company's operating results, underlying asset values or prospects do not change. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses.

Tax and accounting requirements may change in ways that are unforeseen to us and we may face difficulty or be unable to implement or comply with any such changes.

The Company is subjected to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on our financial results, the manner in which we conduct our business or the marketability of any of our products.

No dividends

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

Future sales of Company shares by existing shareholders

Sales of a substantial number of shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of shares intend to sell shares, could reduce the market price of our shares. Holders of options to purchase shares will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying shares). As a result, these holders may need to sell shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of shares being sold in the public market, and fewer long-term holds of shares by management and our employees.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares.

The Company's outstanding capital was as follows as at the date of this MD&A:

Common Shares	280,449,742
Share Options	14,200,000
Warrants	300,000
RSUs	6,100,000
Convertible debentures	3,300,000

SUBSEQUENT EVENTS

On March 15, 2023, 1,505,000 warrants expired unexercised.

On February 24, 2023, the Company issued a secured convertible debenture in the amount of $750,000. The debenture bore interest at 5% per annum, was to mature on May 31, 2023 and was convertible, including accrued interest, into common shares of the Company at $0.05 per common share. On April 28, 2023, the Company repaid $740,000 and the remaining $16,473 (including accrued interest) owed by the Company under the debenture was converted into 329,452 common shares of the Company at $0.05 per common share.

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture Company to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.