BETTERMOO(D) FOOD CORPORATION

(FORMERLY: HAPPY GUT BRANDS LIMITED)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE SIX MONTHS ENDED JANUARY 31, 2023

(EXPRESSED IN CANADIAN DOLLARS)

(PREPARED BY MANAGEMENT)

This Management's Discussion and Analysis ("MD&A") of Bettermoo(d) Food Corporation (formerly: Happy Gut Brands Limited) (the "Company") should be read in conjunction with the unaudited condensed interim consolidated financial statements for the six months ended January 31, 2023 and audited consolidated financial statements for the seven months ended July 31, 2022 and notes thereto. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), interpretations of the IFRS Interpretations Committee ("IFRIC"), and in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting.*

Information contained herein is presented as of March 31, 2023, unless otherwise indicated. Additional information related to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.bettermoo.com.

This management's discussion and analysis were authorized for issue by the Audit Committee and approved and authorized for issue by the Board of Directors on March 31, 2023.

FORWARD LOOKING INFORMATION

Certain statements and information contained herein may constitute "forward-looking statements" and "forward-looking information," respectively, under Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as, "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information. The forward-looking statements are not historical facts, but reflect the current expectations of management of the Company regarding future results or events and are based on information currently available to them. Certain material factors and assumptions were applied in providing these forward-looking statements.

Forward-looking statements regarding the Company are based on the Company's estimates and are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including capital expenditures and other costs. There can be 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 and forward-looking information. The Company will not update any forward-looking statements or forward-looking information that are incorporated by reference herein, except as required by applicable securities laws.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and are generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to, those set forth under "Risks and Uncertainties" section below.

CORPORATE OVERVIEW

Bettermoo(d) Food Corporation (formerly: Happy Gut Brands Limited) (the "Company") was incorporated under the laws of the Province of Ontario, and on August 6, 2019, was continued into British Columbia. The Company's head office and registered and records office is located at 1199 West Hastings Street, Suite 800, Vancouver, British Columbia, Canada, V6E 3T5. On May 19, 2022, the Company changed its name from Happy Gut Brands Limited to Bettermoo(d) Food Corporation. The Company's shares trade on the Canadian securities Exchange under the trading symbol "MOOO," on the OTCQB under the trading symbol "MOOOF," and on the Borse Frankfurt Exchange under the symbol "015."

The Company is an innovative food and beverage company focused on developing and delivering high quality products through online and in-store retail platforms and uses social media to deliver educational experiences for their customer base while demonstrating and pioneering plant-based technologies. The Company's principal products are Moodrink, a vegan oat-based beverage, and Moobert, a vegan nut-based cheese alternative product.

DESCRIPTION OF BUSINESS

Bettermoo(d) Products
Bettermoo(d) utilizes cutting edge food technology to develop the highest quality dairy replacement products on the market. Driven by the motto "What A Cow Eats and A Human Needs" Bettermoo(d) is committed to providing consumers with quality, organic, and sustainably sourced plant-based dairy alternatives, and being a leader in the environmentally conscious and vegan food revolution. In October 2021, Bettermoo(d) officially announced endorsement of its concept with the presentation of Canadian rock legend, and 30-year vegan veteran, Bryan Adams as a founding shareholder of the Company. Adams has been championing the values of a plant-based diet for over three decades and through his collaboration with Bettermoo(d), hopes to increase awareness on how conscious product choices can effectively better individual health and the world in which we live.

Bettermoo(d) is in the process of finalizing the formulation for their inaugural plant-based dairy-alternative product, 'Moodrink'. The Moodrink formulation incorporates gluten-free organic oats and an undisclosed blend of herbs, and in essence replicates what free-range pasture raised cows eat and emulates the great taste of milk from the Alps' regions of Europe. Moodrink, is gluten, lactose and dairy free, and suitable for those who cannot or choose not to consume dairy products. Bettermoo(d) expects to launch original flavour Moodrink in Q3 of 2023, with additional flavours, such as vanilla, matcha, and chai to be launched soon after.

Bella's Products

Bella's current line of nut-based cheese alternative recipes, which is comprised of over ten (10) varieties of camembert and cream cheese alternatives and a smoky parmesan cheese alternative. Bella's products are loved in Europe, having received a consumer rating of 4.8 out of 5, from "Zeit Fur Genuss", a prestigious plant-based food award, for its kimchi flavored cheese alternative, and regularly selling out of products as soon as they are on the shelves. Bella's camembert, branded 'Moobert' won the international V-label award for best dairy alternative in November 2022.

(Expressed in Canadian Dollars)

SIGNIFICANT TRANSACTIONS AND FINANCINGS

Bella's Organic GmbH

On June 20, 2022, the Company completed the acquisition of 80% of the issued and outstanding share capital of Bella's by paying cash of $137,500 and issuing 36,250 common shares to Bella's shareholders. The Company also issued 725 common shares with a fair value of $8,918 as an administrative fee to an advisor. The common shares issued to Bella's shareholders are subject to an escrow release schedule. The restricted common share value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction. On August 4, 2022, Bella's changed its name to Bettermoo(d) GmbH.

At the date of acquisition, the Company determined that Bella's constituted a business as defined under IFRS 3, Business Combinations, and the Bella's acquisition was accounted for as a business combination under the acquisition method. The consideration paid was recognized at the fair value of the common shares of the Company at a price of $12.30 per share, less a liquidity discount.

As a result of the acquisition, intangible assets were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was capitalized as goodwill. Goodwill is recognized as a result of expected synergies between the product offering being developed by the Company's product development activities and the expertise of management in the development of food and beverage products. The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration:		
Cash	$	137,500
Fair value of 36,250 common shares at $12.30 per share		445,875
Less: Liquidity discount		(108,311)
Total consideration		475,064
Fair value of net assets acquired:		
Cash		5,567
Amounts receivable		3,972
Inventory		1,640
Prepaid expenses		2,460
Property, plant, and equipment		65,688
Product formulations		221,000
Goodwill		431,414
Accounts payable and accrued liabilities		(82,661)
Deferred tax liability		(55,250)
Non-controlling interest		(118,766)
Total net assets		475,064
Fair value of 725 common shares at $12.30/share issued as administrative fees		8,918
Transaction expense	**$**	**8,918**

(Expressed in Canadian Dollars)

SIGNIFICANT TRANSACTIONS AND FINANCINGS (continued)

Bettermoo(d) Holdings Corp.

On November 12, 2021, the Company completed the acquisition of all issued and outstanding share capital of Bettermoo(d) by issuing 900,000 common shares, 1,000,000 warrants, and 70,000 stock options to Bettermoo(d)'s shareholders. The Company also issued 18,000 common shares with a value of $297,000 as a finders' fee.

At the date of acquisition, the Company determined that Bettermoo(d) did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Bettermoo(d) acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based* payments, and recognized at the fair value of the common shares of the Company at a price of $16.50 per share. As a result of the transaction, the Company replaced 1,000,000 warrants, with a fair value of $9,308,645, and 70,000 stock options, with a fair value of $1,049,939. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.98%; Volatility of 100%; Stock Price of $16.50; Exercise price of $14.00; Dividend yield of NIL% and expected life of 2 years. The stock options were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 1.45%; Volatility of 100%; Stock Price of $16.50; Exercise price of $3.00; Dividend yield of NIL% and expected life of 5 years.

As a result of the acquisition, intangible assets were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration:		
Fair value of 900,000 common shares at $16.50 per share	$	14,850,002
Fair value of 1,000,000 replacement warrants		9,308,645
Fair value of 70,000 replacement stock options		1,049,939
Total consideration		25,208,586
Fair value of net assets acquired:		
Cash		267,425
Deferred marketing costs		369,957
Product formulations		522,000
Accounts payable and accrued liabilities		(144,270)
Total net assets		1,015,112
Fair value of 18,000 common shares at $16.50 per share issued as finders' fees		297,000
Transaction expense	**$**	**24,490,474**

(Expressed in Canadian Dollars)

SIGNIFICANT TRANSACTIONS AND FINANCINGS (continued)

Financing

On November 4, 2022, the Company issued 147,059 units at a price of $3.40 per unit for gross proceeds of $500,000. Each unit consists of one common share and one warrant, exercisable at a price of $4.50 for three years from the closing date. The warrants have a fair value of $Nil based on the residual value method. In connection with the private placement, the Company issued 1,471 common shares as administrative fees to a third party who assisted with facilitating the transaction, valued at $6,985.

SELECTED ANNUAL INFORMATION

The table below sets out certain selected financial information regarding the operations of the Company for the period indicated. The selected financial information has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements and related notes.

	July 31, 2022* $	December 31, 2021 $	December 31, 2020** $	August 31, 2020 $
Revenue	4,891	13,989	9,053	148,430
Net loss	(4,448,553)	(28,842,121)	(1,330,607)	(3,611,354)
Total assets	718,914	3,142,736	500,871	163,655
Non-current financial liabilities	Nil	Nil	15,426	24,543
Distributions	Nil	Nil	Nil	Nil

*Seven-month period ended
**Four-month period ended

During the seven months ended July 31, 2022, the Company completed the acquisition of Bella's and accounted for the transaction as a business combination, as described above and in the accompanying consolidated financial statements of the Company. The Company recognized a significant decrease in total assets due to cash used in the acquisition and related funding for the expansion of production capacity for its operating subsidiary.

During the year ended December 31, 2021, the Company completed the acquisition of Bettermoo(d) and accounted for the transaction as an asset acquisition, as described above and in the accompanying consolidated financial statements of the Company. The Company has recognized a significant net loss due to the transaction expense recognized for the difference between the fair value of consideration paid over the fair value of the assets and liabilities assumed, which are non-cash transaction costs.

(Expressed in Canadian Dollars)

SELECTED QUARTERLY INFORMATION

Results for the eight most recently completed quarters are summarized below.

For the Quarter Periods Ending	January 31, 2023 $	October 31, 2022 $	July 31, 2022* $	March 31, 2022 $
Total revenue	8,165	9,582	4,891	-
Loss for the period	(816,720)	(511,156)	(2,274,946)	(2,173,607)
Total assets	1,094,624	442,047	718,914	2,817,319
Total non-current liabilities	Nil	Nil	Nil	Nil

For the Quarter Periods Ending	December 31, 2021 $	September 30, 2021 $	June 30, 2021 $	March 31, 2021 $
Total revenue	(38)	1,810	5,039	7,178
Loss for the period	(25,071,263)	(3,179,458)	(203,417)	(387,983)
Total assets	3,142,736	2,422,425	496,810	379,587
Total non-current liabilities	Nil	Nil	Nil	15,426

* Four month-period ended

RESULTS OF OPERATIONS

<u>For the three months ended January 31, 2023 and three months ended December 31, 2021:</u>

During the three months ended January 31, 2023, the Company recorded a net loss of $816,720 as compared to a net loss of $25,082,714 for the three months ended December 31, 2021. The net loss for the three months ended January 31, 2023 includes $6,520 of non-cash expenditures comprised of depreciation.

Total expenses for the three months amounted to $818,356 as compared to $294,387 for the comparable three months ended December 31, 2021, an increase of $523,969, which includes non-cash expenditures of $6,520 for depreciation. The decrease in overall expenditures can be attributed to the following:

- Advertising and marketing costs have decreased to $203,954 from $568,828 as last year the Company increased its engagement of third-party consultants to develop and refine investor relations and digital marketing services.

- Consulting fees have decreased to $75,731 from a recovery of $492,557 as last year the Company increased its engagement of consultants for professional services, research and advisory services, communications, and corporate development. For the three months ended December 31, 2021, the Company recognized a recovery of consulting fees as the company recognized prepaid expenses for marketing costs paid in advance.

- Professional fees have increased to $147,301 from $43,006 which can be attributed to the fees paid to third party consultants for professional services, audit fees, and legal fees. Professional fees in the prior year were significant due to costs incurred related to the fees incurred for the acquisition of Bettermoo(d).

RESULTS OF OPERATIONS (Continued)

For the six months ended January 31, 2023 and six months ended December 31, 2021:

During the six months ended January 31, 2023, the Company recorded a net loss of $1,333,002 as compared to a net loss of $28,250,721 for the six months ended December 31, 2021. The net loss for the six months ended January 31, 2023 includes $9,939 of non-cash expenditures comprised of depreciation.

Total expenses for the six months amounted to $1,335,096 as compared to $3,475,637 for the comparable six months ended December 31, 2021, a decrease of $2,140,541, which includes non-cash expenditures of $9,939 for depreciation. The decrease in overall expenditures can be attributed to the following:

- Advertising and marketing costs have decreased to $270,184 from $1,014,664 as last year the Company increased its engagement of third-party consultants to develop and refine investor relations and digital marketing services.

- Consulting fees have decreased to $152,526 from $351,902 as last year the Company increased its engagement of consultants for professional services, research and advisory services, communications, and corporate development.

- Professional fees have increased to $234,806 from $77,565 which can be attributed to the fees paid to third party consultants for professional services, audit fees, and legal fees. Professional fees in the prior year were significant due to costs incurred related to the fees incurred for the acquisition of Bettermoo(d).

- Share based compensation has decreased to $Nil from $1,810,000 as the Company did not issue any equity compensation for the six months ended January 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position as at January 31, 2023 was $610,523 with a working capital of $7,720 compared to a cash balance of $298,946 with a working capital deficiency of $95,410 as at July 31, 2022. The increase in working capital was due to the completion of the financing for gross proceeds of $500,000 and $1,000,000 of subscriptions received.

The Company's budget is its working capital and believes that the current capital resources is not sufficient to pay overhead expenses and to accomplish the business objectives and milestones of the Company for the next twelve months and continues to raise additional funding to fund its marketing and general working capital and future business objectives and milestones. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company may not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the issuance of shares or the exercise of options and warrants to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders' equity (deficit) and working capital as capital. The Company manages the capital structure and makes adjustments in response to changes in economic conditions, including the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

The Company will need to raise additional financing in order to meet general working capital requirements for the 2023 fiscal year and to continue marketing and developing Bettermoo(d) and Bella's.

This MD&A has been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at January 31, 2023, the Company has accumulated losses of $43,507,770 since inception and expects to incur further losses in the development of its business, all of which are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations.

Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the Company's objectives. In order to pay for general administrative costs, the Company will raise additional amounts as needed.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest.

The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto. There were no changes to the Company's approach to capital management during the six months ended January 31, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

None to report.

(Expressed in Canadian Dollars)

TRANSACTIONS WITH RELATED PARTIES

Key management compensation

Related party transactions not otherwise described in these financial statements are shown below. The remuneration of the Company's directors and other members of key management, individuals who have the authority and responsibility for planning, directing, and controlling the activities of the Company, for the six months ended January 31, 2023 and seven months ended July 31, 2022 are as follows:

	For the six months ended January 31, 2023	For the seven months ended July 31, 2022
Key Management Compensation		
Consulting fees		
Steve Pear, CEO	$ 52,276	$ 59,201
Intercontinental Beverage Capital (Company controlled by Stephen Horgan, Director)	-	15,944
Nima Bahrami, CEO of Bettermoo(d)	60,000	70,000
Wages and benefits		
Steve Pear, CEO	-	-
Share-based compensation		
Steve Pear, CEO	-	201,714
Geoff Balderson, CFO	-	-
Nima Bahrami, CEO of Bettermoo(d)	-	352,999
Stephen Horgan, Director	-	-
Patrick Morris, Director	-	-
	$ 112,276	$ 699,858

Included in the accounts payable and accrued liabilities is $2,667 (July 31, 2022 – $32,603) related to the above compensation incurred with the Company's Chief Executive Officer and director.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are disclosed in Note 4 of the consolidated financial statements.

FINANCIAL INSTRUMENTS

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities and loan payable approximate their fair values due to their short-term nature.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and its receivables. The Company's cash is held at a large Canadian financial institution. At January 31, 2023, amounts receivable of $149,175 included $139,914 of receivables related to refundable government goods and services tax and trade receivables of $9,261.

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The accounts payable and accrued liabilities are typically due in 30 days, which are settled using cash. As at January 31, 2023, the Company has a working capital of $7,720.

Management is considering different alternatives to secure adequate debt or equity financing to meet the Company's short term and long-term cash requirement.

At present, the Company's operations do not generate positive cash flow. The Company's primary source of funding has been the issuance of equity securities. Despite previous success in acquiring financing, there is no guarantee of obtaining future financings.

b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's operations, income, or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The Company is exposed to market risk as follows:

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. The Company had no interest rate swap or financial contracts in place as at January 31, 2023. Interest rate risk is minimal as promissory notes have a fixed interest rate.

ii) Price risk

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market.

(Expressed in Canadian Dollars)

SUBSEQUENT EVENTS

On February 27, 2023, the Company completed a private placement for the issuance of 871,889 units a price of $3.30 per unit for gross proceeds of $2,877,234. Each unit consists of one common share and one warrant, exercisable at a price of $4.10 for two years from the closing date. The warrants have a fair value of $Nil based on the residual value method.

OUTSTANDING SHARE DATA

The Company had the following securities issued and outstanding:

	January 31, 2023	**March 31, 2023**
Common shares	6,611,346	7,483,193
Warrants	1,559,808	2,431,697
Broker Warrants	-	-
Stock options	443,400	443,400
Fully diluted shares	8,614,554	10,358,290

BOARD APPROVAL

The Board of Directors of the Company approved this MD&A on March 31, 2023.

RISKS AND UNCERTAINTIES

Limited Operating History

The Company began carrying on business in 2018 and has only recently begun to generate revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues.

Reliance on Management

One risk associated with the Company's business is the loss of important staff members. The Company is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment 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, or financial condition.

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 or prospects.

Insurance and Uninsured Risk

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes 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. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Governmental Regulations and Risks

Government approvals and permits may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from conducting its business. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Changes to current laws and regulations may be unfavorable and have an adverse effect on the Company's operations.

Price of Raw Materials

Costs of the ingredients and packaging for food products are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, weather conditions, consumer demand, changes in governmental trade and agricultural programs, epidemics/pandemics and other public health crises. Volatility in the prices of raw materials and other supplies food could increase the cost of the Company's cost of sales and reduce its profitability. Moreover, the Company may not be able to implement product price increases to cover any increased costs, or any price increases implemented may result in lower sales volumes. If the Company is not successful in managing its ingredient and packaging costs, and unable to increase its prices to cover increased costs or if such price increases reduce sales volumes, then such increases could have a material adverse effect the Company's business, results of operations and result of its 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. Such recalls 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 number 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, 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 products were subject to recall, the image of that product, 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 Exchanges, Returns and Warranty Claims

If the Company is unable to maintain an acceptable degree of quality control of its products, the Company will 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.

Difficulty in Developing Products

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Success of New and Existing Products and Services

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market new products and services. These products and services are relatively untested, and the Company cannot guarantee that it will achieve market acceptance for any new products and services that the Company may offer in the future. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements or to hire qualified employees could seriously harm the Company's business, financial condition and results of operations.

Promoting and Maintaining Brands

The Company believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in providing high quality products. If customers and end users do not perceive the Company's products to be of high quality, or if the Company introduces new products or enters into new business ventures that are not favorably received by customers and end users, the Company will risk diluting brand identities and decreasing their attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Company may have to increase substantially financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Company incurs significant expenses in an attempt to promote and maintain brands, the business, results of operations and financial condition could be adversely affected.

Competition

It is likely 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 experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect 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.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. 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, financial condition or prospects of the Company.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. 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. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company Shares.

Conflicts of Interest

Certain of the directors and officers of the Company are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

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.

Liability for Actions of Employees, Contractors and Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. 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 the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Intellectual Property Risks

The Company will have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Company will rely on this intellectual property, know-how and other proprietary information, and may require employees, consultants and suppliers to sign confidentiality agreements. However, any confidentiality agreement may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

Information Technology Systems and Cyber-Attacks

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Information Technology Systems and Cyber-Attacks *(continued)*

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Security Breaches

Given the nature of the Company's product and its lack of legal availability outside of channels approved by federal or state governments (as applicable), as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Development of the Business of the Company

The development of the business of the Company and its ability to execute on its expansion opportunities described herein will depend, in part, upon the amount of additional financing available. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing expansion opportunities and the business of the Company's current or future operations. 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 acceptable to the Company. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.