HYTN INNOVATIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED MARCH 31, 2023

This Management Discussion and Analysis ("MD&A") has been prepared by management in accordance with the requirements of National Instrument 51-102 and should be read in conjunction with the condensed consolidated interim financial statements and accompanying notes for the six months ended March 31, 2023 (the "financial statements"), and the related notes contained therein which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

In this MD&A, reference is made to adjusted EBITDA which does not have any standardized meaning under IFRS and is not a measure of financial performance under IFRS, and therefore, may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by operations. The Company calculates adjusted EBITDA as follows:

> Net income (loss), plus (minus) the add-backs or reversals of the following: unrealized foreign exchange (gains) losses, interest (income) expense, tax (recovery) expense, depreciation expense, stock based payments, finders' performance warrants, impairment, one-time transaction costs and certain one-time non-operating expenses, as determined by management.

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A has been prepared as of May 30, 2023.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to the development of existing and future property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about the global economic environment, the market price and demand for products and our ability to manage our operating costs, may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: a downturn in general economic conditions, the uncertainty of government regulation and politic, potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these and other assumptions, risks and uncertainties are set out in the *Risk Factor*s section of the MD&A.

DESCRIPTION OF BUSINESS

HYTN Innovations Inc. (formerly Mount Dakota Energy Corp.) (the “Company” or “HYTN Innovations”) was incorporated under the laws of British Columbia on October 22, 1990. The Company’s registered office is 12 East 4th Avenue, Vancouver, British Columbia. The Company formulates, manufactures, markets, and sells premium cannabis goods. With the mission to be the leading provider of consistent, natural, and delicious cannabis products, the Company focuses its efforts on identifying category opportunities and takes an innovative approach to delivering elevated cannabis experiences to a discerning customer base.

On February 17, 2022, the Company completed the Securities Exchange Agreement (the “SEA”) with HYTN Beverage Corp. (“HYTN”), pursuant to which the Company purchased all of the outstanding securities of HYTN in exchange for common shares and common share purchase warrants of the Company issued on a one-for-one basis to the former security holders of HYTN (the “Reverse Take-Over” or “RTO”). The transaction was accounted for as a reverse acquisition, with HYTN identified as the acquirer. Consequently, the comparative figures reported are those of HYTN.

In addition, the Company entered into an amalgamation agreement (the “Amalgamation Agreement”) with 1306562 B.C. Ltd. (“Numberco”) and MMO Merger Holdings Inc., a wholly-owned subsidiary of the Company (“Subco”), pursuant to which Numberco and Subco amalgamated on February 17, 2022 under the Business Corporations Act (British Columbia) with the resulting entity (“Amalco”) continuing as a wholly-owned subsidiary of the Company (the “Amalgamation”, and together with the Reverse Take-Over, the “Corporate Transactions”).

The Corporate Transactions constituted a change of business for the Company, with the Company carrying on with the development and launch of HYTN’s sparkling tetrahydrocannabinol and cannabidiol beverage business. See Note 9 of the financial statements for further information regarding the Corporate Transactions.

On February 22, 2022, the Company changed its name from Mount Dakota Energy Corp. to HYTN Innovations Inc. and listed its Common Shares on the Canadian Securities Exchange (the “CSE”) under the symbol “HYTN”.

CONFLICT IN UKRAINE

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

HIGHLIGHTS

On October 17, 2022, the Company announced that its wholly-owned subsidiary, HYTN Cannabis Inc., has been awarded a Controlled Drugs and Substances Dealer’s Licence (the “Licence”) by Health Canada allowing for the sale, possession, production, assembly and transportation of psilocybin, a naturally occurring psychedelic prodrug compound produced by a number of fungi.

On October 24, 2022, the Company announced that its wholly-owned subsidiary, HYTN Cannabis Inc., has entered into a sales, distribution, and marketing agreement with ROSE LifeScience Inc., which provides a path for the Company to sell its products in Quebec.

On February 16, 2023, the Company announced that it had begun executing on a clear and achievable path to commercial viability for Active Pharmaceutical Ingredient (“API”) development.

On February 23, 2023, the Company announced that it has successfully initiated the cultivation of psilocybin mushrooms under its Dealer’s License granted by Health Canada. The Company also announced upgrades to its equipment to better support the development of Active Pharmaceutical Ingredients (APIs). Furthermore, the Company announced a partnership with Graeme Staley and Dr. Phillippe Henry, enabling the Company to commence development of APIs containing a wide range of compounds.

On April 11, 2023, the Company announced the resignations of Vic Neufeld and Dennis Staudt from the Board of Directors.

OVERALL PERFORMANCE

During the year ended September 30, 2022, the Company completed the construction of its Kelowna, British Columbia based production facility. At this point, the Company is now revenue generating and has begun to recognize revenue primarily from the sale of cannabis-infused beverages and edibles. The Company will continue pursuing craft inspired cannabis beverage, edibles and related activities.

At March 31, 2023, the Company had net assets of $805,017 (September 30, 2022 - net asset of $2,073,969).

The assets consisted of the following:

As at	March 31, 2023	September 30, 2022	September 30, 2021
	$	$	$
Cash	181,911	1,026,355	264,062
Accounts receivable	81,920	72,721	33,291
Prepaid expenses	13,599	9,460	87,097
Inventory	385,951	375,173	122,840
Loan receivable	-	-	38,785
Property, plant and equipment	1,849,245	2,215,394	2,205,363
Deposits	87,290	87,290	10,450
TOTAL ASSETS	**2,599,916**	**3,786,393**	**2,761,888**

The liabilities consisted of the following:

As at	March 31, 2023	September 30, 2022	September 30, 2021
	$	$	$
Accounts payable and accrued liabilities	718,303	626,182	195,510
Loan payable	69,052	64,398	1,747,547
Lease liability	818,544	822,819	827,710
Decommissioning provision	189,000	199,025	-
TOTAL LIABILITIES	**1,794,899**	**1,712,424**	**2,770,767**

DISCUSSION OF OPERATIONS

The Company generated an operating loss of $685,038 and $1,341,039, for the three and six months ended March 31, 2023, respectively, compared to $873,027 and $1,275,681 for the three and six months ended March 31, 2022.

For the Three and Six Months Ended March 31,	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022
			$	$
Revenues	107,907	255,461	404,765	468,042
Cost of Sales	84,837	202,073	301,908	344,380
GROSS PROFIT	**23,070**	**53,388**	**102,857**	**123,662**
EXPENSES				
Advertising and marketing	55,396	36,614	98,806	86,103
Consulting expense	23,890	54,769	53,767	87,097
Depreciation	172,633	54,404	351,179	108,319
Office and miscellaneous	119,988	82,552	208,779	161,099
Professional fees	61,241	79,752	109,868	163,002
Salaries and payroll	246,457	167,693	495,609	338,206
Stock based compensation	25,266	427,946	121,253	427,946
Transfer agent and filing fees	3,237	10,997	4,222	10,997
Travel	-	11,688	413	16,574
OPERATING EXPENSES	**708,108**	**926,415**	**1,443,896**	**1,399,343**
TOTAL OPERATING LOSS	**(685,038)**	**(873,027)**	**(1,341,039)**	**(1,275,681)**

Other income and expenses	(32,972)	(7,120,996)	(49,166)	(7,188,966)
NET LOSS AND COMPREHENSIVE LOSS	**(718,010)**	**(7,994,023)**	**(1,390,205)**	**(8,464,647)**
Loss per share, basic and diluted	**(0.01)**	**(0.21)**	**(0.02)**	**(0.32)**

Three Months Ended March 31, 2023 and 2022

- Revenues and cost of sales for the three months ended March 31, 2023 were lower than the comparable period in 2022. The decrease was primarily due to the Company not having flower sales for the three months ended March 31, 2023.

- Advertising and marketing costs for the three months ended March 31, 2023 were higher than the comparable period in 2022. The increase was a mainly a result of additional expenses incurred to increase brand awareness, including vendor education and training costs.

- Consulting expense for the three months ended March 31, 2023 was lower than the comparable period in 2022. The decrease was a result of the consultants that were onboarded to complete the Corporate Transactions which took place during the year ended September 30, 2022.

- Depreciation expense for the three months ended March 31, 2023 was higher than the comparable period in 2022. The increase was a result of the completion of the Kelowna production facility, at which point it has now become an asset in use for the full three months.

- Office and miscellaneous expenses for the three months ended March 31, 2023 was higher than the comparable period in 2022. It increased from the prior year comparable period as a result of the Company increasing operations and additional insurance expense.

- Professional fees for the three months ended March 31, 2023 were lower than the comparable period in 2022. The decrease was a result of the legal and audit fees that were incurred to complete the Corporate Transactions which took place during the year ended September 30, 2022.

- Salaries and payroll for the three months ended March 31, 2023 was higher than the comparable period in 2022. The increase was a result of the completion of the Kelowna production facility, and the Company entering into a production stage at that point, which lead to overall operations increasing.

- Stock based compensation for the three months ended March 31, 2023 was lower than the comparable period in 2022. The decrease was a result of the granting of 1,990,000 options and 1,900,000 RSU's to management, consultants and employees following the adoption of the stock based compensation plan approved concurrently with the Corporate Transactions, in the previous period. The Company did not grant any equity incentives in the current period.

- Transfer agent and filing fees for the three months ended March 31, 2023 were higher than the comparable period in 2022. It increased from the prior year comparable period as the resulting issuer, HYTN Beverage Corp., was a private entity prior to the Corporate Transactions.

- Travel expenses for the three months ended March 31, 2023 were lower than the comparable period in 2022. It decreased from the prior year comparable period as a result of the Company's travel requirements being reduced as a result of the completion of the Corporate Transaction and focusing on ramping up its operations.

Six Months Ended March 31, 2023 and 2022

- Revenues and cost of sales for the six months ended March 31, 2023 were lower than the comparable period in 2022. The decrease was primarily due to the Company not having flower sales for the six months ended March 31, 2023 as it moved away from the low margin cannabis segment.

- Advertising and marketing costs for the six months ended March 31, 2023 were higher than the comparable period in 2022. The increase was a mainly a result of additional expenses incurred to increase brand awareness, including vendor education and training costs.

- Consulting expense for the six months ended March 31, 2023 was lower than the comparable period in 2022. The decrease was a result of the consultants that were onboarded to complete the Corporate Transactions which took place during the year ended September 30, 2022.

- Depreciation expense for the six months ended March 31, 2023 was higher than the comparable period in 2022. The increase was a result of the completion of the Kelowna production facility, at which point it has now become an asset in use for the full six months.

- Office and miscellaneous expenses for the six months ended March 31, 2023 was higher than the comparable period in 2022. It increased from the prior year comparable period as a result of the Company increasing operations and additional insurance expense.

- Professional fees for the six months ended March 31, 2023 were lower than the comparable period in 2022. The decrease was a result of the legal and audit fees that were incurred to complete the Corporate Transactions which took place during the year ended September 30, 2022.

- Salaries and payroll for the six months ended March 31, 2023 was higher than the comparable period in 2022. The increase was a result of the completion of the Kelowna production facility and the Company entering into a production stage at that point, which lead to overall operations increasing.

- Stock based compensation for the six months ended March 31, 2023 was lower than the comparable period in 2022. The decrease was a result of the granting of 1,990,000 options and 1,900,000 RSU's to management, consultants and employees following the adoption of the stock based compensation plans approved concurrently with the Corporate Transactions, in the period year. The Company did not grant any equity incentives in the current period.

- Transfer agent and filing fees for the six months ended March 31, 2023 were higher than the comparable period in 2022. It increased from the prior year comparable period as the resulting issuer, HYTN Beverage Corp., was a private entity prior to the Corporate Transactions.

- Travel expenses for the six months ended March 31, 2023 were lower than the comparable period in 2022. It decreased from the prior year comparable period as a result of the Company's travel requirements being reduced as a result of the completion of the Corporate Transaction and focusing on ramping up its operations.

Net Loss and Comprehensive Loss

Net loss and comprehensive loss for the three and six months ended March 31, 2023 of $718,010 and $1,390,205 respectively, compared to $1,390,205 and $8,464,647 respectively, for the comparable period in 2022. The change is primarily attributed non-cash charges incurred as a result of the Corporate Transactions.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed interim quarters:

	Second Quarter Ended March 31, 2023 $	**First Quarter Ended December 31, 2022 $**	**Fourth Quarter Ended September 30, 2022 $**	**Third Quarter Ended June 30, 2022 $**
Revenues	107,907	296,858	95,099	133,220
Net loss and comprehensive loss	(718,010)	(672,195)	(354,103)	(1,116,097)
Loss per share, basic and diluted	(0.00)	(0.01)	(0.01)	(0.02)

	Second Quarter Ended March 31, 2022 $	First Quarter Ended December 31, 2021 $	Fourth Quarter Ended September 30, 2021 $	Third Quarter Ended June 30, 2021 $
Revenues	255,461	212,581	-	-
Net loss and comprehensive loss	(8,320,490)	(482,975)	(468,825)	(126,003)
Loss per share, basic and diluted	(0.22)	(0.03)	(0.04)	(0.01)

On a quarter-by-quarter basis, losses fluctuated due to a number of factors including timing of operating activities due to the nature of a start up company. Revenues decreased during the quarters ended September 30, 2022 and June 30, 2022 primarily due to an interruption in its sales channel as it transitions away from its sales partnership with Emerald Health Therapeutics to accepting direct sales and having no flower sales during the quarter. The Company notes that these interruptions are not expected to impact revenues in future periods, as noted in the increase in revenue during the three months ended December 31, 2022. Revenues decreased during the quarter ended March 31, 2023 primarily due to seasonal fluctuation of its seasonal beverage sales from the preceding quarter.

An analysis of the quarterly result shows that the Company has incurred mostly professional fees, consulting fees, transaction costs, listing expense, and office and miscellaneous cost that primarily relate to activities of those of a start-up entity.

The Company generates revenue from the transfer of goods at a point-in-time from the revenue streams below. As a result, the Company has no deferred revenue on the consolidated statements of financial position. During the three and six months ended March 31, 2023, all of the sales were to wholesalers.

For the Three and Six Months Ended March 31, 2023,	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022
			$	$
Cannabis – beverage sales	85,492	126,523	288,882	339,104
Cannabis – edible sales	1,493	-	94,961	-
Cannabis – other	20,922	128,938	20,922	128,938
	107,907	**255,461**	**404,765**	**468,042**

During the six months ended March 31, 2023, the Company has three (2022 – three) customers who accounted for more than 10% of revenue from continuing operations and in aggregate accounted for approximately 94% (2022 – 95%) of sales.

LIQUIDITY

At March 31, 2023, the Company had cash of $181,911 and a working capital deficit of $216,225 . The cash decreased from September 30, 2022 mainly as a result of maintaining and increased operations.

Operating Activities

The Company used net cash of $778,576 (2022 - $1,081,833) in operating activities including costs associated with human capital, professional fees and costs associated with driving sales during the six months ended March 31, 2023.

Investing Activities

The Company used net cash of $nil (2022 – used net cash of $2,260,719) in investing activities during the six months ended March 31, 2023. The prior period expenditures related to amounts spent on leasehold improvements and equipment purchases for the Company's new Kelowna based facility.

Financing Activities

The Company used net cash of $65,868 (2022 – raised net $795,258) from financing activities during the six months ended March 31, 2023. The current quarter expenditures related to payments made in relation to the lease obligation. The prior quarter included proceeds received from an outstanding loan of $856,746.

OFF-BALANCE SHEET ARRANGEMENTS

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

CHANGES IN ACCOUNTING POLICIES

There have been no changes to the accounting policies of the Company

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks which are discussed in detail in Note 16 of the Company's audited financial statements for the year ended September 30, 2022.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's expenses is disclosed in the "Overall Performance" section above.

Adjusted EBITDA

The Company calculates adjusted EBITDA as net income (loss), plus (minus) the add-backs or reversals of the following: unrealized foreign exchange (gains) losses, interest (income) expense, tax (recovery) expense, depreciation expense, stock-based compensation, allocation of non-cash items to cost of sales, impairment, one-time transaction costs and certain one-time non-operating expenses, determined by management for the three and six months ended March 31, 2023 and 2022 as follows:

For the Three and Six Months Ended March 31,	Three Months Ended 2023	2022	Six Months Ended 2023	2022
	$	**$**	**$**	**$**
Net loss and comprehensive loss	**(718,010)**	**(7,994,023)**	**(1,390,205)**	**(8,464,647)**
Depreciation	181,633	66,767	373,205	120,682
Stock based compensation	25,266	427,946	121,253	427,946
Change in decommissioning provision	-	-	(14,025)	-
Interest / accretion expense	32,972	31,034	63,191	49,688
Interest expense adjustment	-	(49,316)	-	-
Gain on debt settlement	-	(509,278)	-	(509,278)
Listing expense	-	2,888,732	-	2,888,732
Transaction cost	-	4,759,824	-	4,759,824
Adjusted EBITDA	**(478,139)**	**(378,314)**	**(846,581)**	**(727,053)**

DISCLOSURE OF OUTSTANDING SHARE DATA

a) Authorized and Issued Share Capital

The authorized share capital consists of an unlimited number of Class A common voting shares.

Common shares issued and outstanding as at March 31, 2023 and the date of this MD&A are 62,259,837 (September 30, 2022 – 62,259,837).

As at March 31, 2023 and the date of the MD&A, a total of 5,875,060 common shares are in escrow.

b) Options

The Company has established an omnibus equity incentive plan (the “Plan”) dated February 17, 2022, contemplating the grant of equity-based incentive awards, in the form of options, restricted share units, preferred shared units (“PSUs”) and deferred share units, to employees, officers, directors and consultants of the Company. The Plan is a 10% rolling plan, pursuant to which share awards may be granted by the Company not exceeding 10% of the issued and outstanding common shares at the time of grant.

A summary of the Company’s options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2022, March 31, 2023 and the date of this MD&A	**1,990,000**	**$0.35**

At March 31, 2023, the following options were outstanding:

Number of Options	Exercisable	Exercise Price	Expiry Date
1,725,000	1,725,000	$0.35	February 17, 2026
265,000	265,000	$0.35	February 21, 2026
1,990,000	**1,990,000**		

At March 31, 2023, the weighted-average remaining life of the outstanding options was 2.91 years.

During the six months ended March 31, 2023, the Company recognized $36,730 in stock based payment expense in connection with the granting and vesting of options (2022 – $158,926).

c) Restricted Share Units

At March 31, 2023, the following restricted share units (“RSU’s”) were outstanding:

	RSUs
Balance, September 30, 2022, March 31, 2023 and the date of this MD&A	**1,900,000**

During the year ended September 30, 2022, the Company granted the following RSUs, vesting quarterly over one year, with the first tranche vesting on May 17, 2022. Upon vesting, each RSU will be redeemable for one common share of the Company. The fair value of the RSUs was determined based on the Company’s most recent private placement before the Company’s share price was listed at $0.25/share.

During the six months ended March 31, 2023, the Company recognized $84,523 in stock based compensation expense related to the granting and vesting of RSUs (2022 – $269,020). As the Company intends to settle the RSUs through equity settlement, a corresponding amount was credited to stock based payment reserve.

d) Share Purchase Warrants

A summary of the Company’s warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, September 30, 2021	2,532,000	0.50
Granted – Corporate Transaction	24,984	0.50
Expired	(24,984)	0.50
Balance, September 30, 2022	**2,532,000**	**0.50**
Expired	(2,532,000)	0.50
Balance, March 31, 2023 and the date of this MD&A	**-**	**-**

e) Performance Warrants

The Company issued an aggregate of 10,000,000 Performance Warrants to certain members of the management team, with each Performance Warrant exercisable upon vesting to acquire one Common Share at a price of $0.05 per share for a period of five years from the date of issuance.

The Performance Warrants have the following vesting terms:

1) 5,000,000 Performance Warrants will vest and become exercisable upon the Company achieving aggregate gross revenue of $5,000,000 over any period of 12 consecutive months following the closing of the RTO; and

2) 5,000,000 Performance Warrants will vest and become exercisable upon the Company achieving aggregate gross revenue of $8,000,000 over any period of 12 consecutive months following the closing of the RTO.

No fair value has been recognized as a result of a probability of nil associated with progress towards the related performance-based milestones.

f) Performance Share Units

On July 11, 2022, the Company granted 235,000 PSU’s to certain employees and consultants of the Company. The PSU’s have various vesting terms based on performance targets being attained. No fair value has been recognized as a result of a probability of nil associated with progress towards the related performance-based milestones.

The PSU’s expire on May 31, 2023.

g) Resale Restrictions

13,000,000 securities are subject to the following hold periods: 10% of the shares will be released six months after the listing date with the remaining amount to be released in 15% equal tranches every six months thereafter. As at March 31, 2023, 9,750,000 (2022 – 13,000,000) common shares are restricted from resale with the next release on August 22, 2023.

16,865,334 securities are subject to the following hold periods: (i) 25% will be released on the Listing Date; (ii) 25% will be released on the date that is 6 months following the Listing Date; (iii) 25% will be released on the date that is 12 months following the Listing Date; and 25% will be released on the date that is 18 months following the Listing Date. As at March 31, 2023, 4,216,332 (2022 – 12,649,000) common shares are restricted from resale with the next release on August 22, 2023.

2,500,000 securities are subject to a holding period and 100% of the shares will be released twelve months after the listing date. As at March 31, 2023, Nil (2022 – 2,500,000) common shares are held in escrow.

5,666,766 securities are subject to the following hold periods: (i) 10% will be released on the Listing Date; (ii) 15% will be released on the date that is 6 months following the Listing Date; (iii) 15% will be released on the date that is 12 months following the Listing Date; (iv) 15% will be released on the date that is 18 months following the Listing Date; (v) 15% will be released on the date that is 24 months following the Listing Date; (vi) 15% will be released on the date that is 30 months following the Listing Date; and (vii) 15% will be released on the date that is 36 months following the Listing Date. As at March 31, 2023, 3,400,599 (2022 – 5,100,899) common shares are restricted from resale with the next release on August 22, 2023.

RELATED PARTY TRANSACTIONS

Key management personnel are those personnel having the authority and responsibility for planning, directing, and controlling the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The aggregate value of transactions relating to key management personnel during the six months ended March 31, 2023 were as follows:

Equity incentives granted and fees paid to the following for the services rendered	Equity Incentive	Equity Incentive Amount	Equity Incentive Fair Value*	Transactions Incurred
			$	$
The CEO and Director pursuant to officer services provided	Options, Performance Warrants, RSUs	5,400,000	12,565	100,000 - Salaries & Payroll 15,814 – Rent included in office and miscellaneous
The COO and Director pursuant to officer services provided	Options, Performance Warrants, RSUs	5,400,000	12,565	125,000 - Salaries & Payroll
The CFO pursuant to officer services provided	Options, RSUs	300,000	8,377	45,000 - Consulting
A former Director and Chair of the Company pursuant to director services provided	RSUs	1,000,000	41,902	25,000 - Consulting
A former Director of the Company pursuant to director services provided	RSUs	200,000	8,380	15,000 - Consulting
A Director of the Company pursuant to director services provided	RSUs	200,000	8,380	15,000 - Consulting
Total		**12,500,000**	**92,169**	**340,814**

** The fair value recognized during the period ended March 31, 2023, relates to the vesting of equity incentives previously granted.*

For the six months ended March 31, 2022, the Company incurred $270,000 in management fees for CEO, COO and CFO services provided included in consulting and salaries and issued nil equity incentives.

As at March 31, 2023, $157,617 (2022 – $102,771) was owing to key management personnel for fees and expenses incurred on behalf of the Company with these amounts all included in accounts payable and accrued liabilities. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

Risks Related to the Company's Business

The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its activities and investors could lose their entire investment.

There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company will require additional financing to sustain its business operations if it is not successful in earning revenues. The Company currently does not have any arrangements for further financing and it may not be able to obtain financing when required. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the directors and officers may not be able to devote sufficient time to the Company's business affairs, which may negatively affect its ability to conduct its ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of its officers' other business interests.

The Company has limited operating history

The Company has limited operating history and may not succeed. The Company is subject to all risks inherent in a developing a business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenues, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of losses

The Company has incurred losses in the period from inception to March 31, 2023. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Reliance on management

The Company is currently in good standing with all high-level employees and believes that with well managed practices 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.

Insurance and uninsured risks

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

Although the Company 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 will be an entrant engaging in a new industry

The infused cannabis industry is fairly new. There can be no assurance that an active and liquid market for shares of the Company will develop, and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

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. This could have an adverse effect on the financial results of the Company.

Reliance on key inputs

The Company's business is dependent on a number of key inputs including raw materials and supplies relating to its manufacturing operations including electricity, water, and other utilities. Any significant interruption or negative change in the availability or pricing of the supply chain for these key inputs could materially impact the Company's operations, financial condition, and operating results.

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 Company's products 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 number 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 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 brand was subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company.

Product liability

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 sale of the Company's products would 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 the Company's 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 Company's products 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 results of operations and financial condition 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 potential products.

Shelf life of inventory

The Company holds finished goods and raw materials in inventory with a shelf life. The Company has a typical inventory turnover that varies and as a result, inventory may reach its expiration date and no longer be available for sale. As a result, inventory may have to be written down and could have a material adverse effect on the Company's business, financial condition, and results of operations.

Unfavourable publicity or consumer perception

Management of the Company believes the infused cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. 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 recreational 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 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 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 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 recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of 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 appropriately or as directed.

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 infused cannabis 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 and financial condition of the Company.

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.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement 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. 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's shares.

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 its shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant amount of resources.

Licenses and permits

The operations of the Company require it to obtain licenses, and in some cases, renewals of existing licenses and the issuance of permits by certain national authorities in Canada. The Company believes that it currently holds or has applied for all necessary licenses and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licenses and permits. In addition, the Company will apply for, as the need arises, all necessary licenses and permits to carry on the activities it expects to conduct in the future. However, the ability of the Company to obtain, sustain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Any loss of interest in any such required license or permit, or the failure of any governmental authority to issue or renew such licenses or permits upon acceptable terms, would have a material adverse impact upon the Company.

Legalization of recreational cannabis

Bill C-45 received Royal Assent and became law in Canada. Pursuant to Bill C-45, the importation, exportation, production, testing, packaging, labeling, sending, delivery, transportation, sale, possession or disposal of cannabis or any class of cannabis will remain subject to extensive regulatory oversight. Such extensive controls and regulations may significantly affect the financial condition of market participants and prevent the realization of such market participants of any benefits from an expanded market for recreational cannabis products.

Reliance on licenses

The Company's operations depend on it being granted the appropriate licenses for its ability to store cannabis and other products derived therefrom and the licenses are subject to ongoing compliance, reporting requirements and renewal. Government licenses are currently, and in the future may be, required in connection with the Company's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Company may be prevented from operating and/or expanding its business, which could have a material adverse effect on 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.

Research and development

Before the Company can obtain regulatory approval for the commercial sale of new products, it will be required to complete extensive trial testing to demonstrate safety and efficacy. Depending on the exact nature of trial testing, such trials can be expensive and are difficult to design and implement. The testing process is also time consuming and can often be subject to unexpected delays. The timing and completion of trial testing may be subject to significant delays relating to various causes, including: inability to manufacture or obtain sufficient quantities of units and or test subjects for use in trial testing; delays arising from collaborative partnerships; delays in obtaining regulatory approvals to commence a study, or government intervention to suspend or terminate a study; delays, suspensions or termination of trial testing due to the applicable institutional review board or independent ethics board responsible for overseeing the study to protect research subjects; delays in identifying and reaching agreement on acceptable terms with prospective trial testing sites and subjects; variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria; scheduling conflicts; difficulty in maintaining contact with subjects after testing, resulting in incomplete data; unforeseen safety issues or side effects; lack of efficacy during trial testing; reliance on research organizations to conduct trial testing, which may not conduct such trials with good laboratory practices; or other regulatory delays.

Difficulty in developing products

If the Company cannot successfully develop, manufacture and distribute new 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 new market-ready commercial products at acceptable costs, which could adversely affect the Company's ability to effectively continue to compete in 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.

Regulatory risks

The cannabis industry is a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

This industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or its operations uneconomic. The cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants, and which cannot be reliably predicted.

Production facility risks

Our activities are focused on a single production and manufacturing facility, based in Kelowna, British Columbia. Adverse changes or developments affecting the facility, including but not limited to a breach of security, an outbreak of a communicable illness (such as COVID-19) or a force majeure event, could have a material and adverse effect on our business, financial condition, prospects and results of operations. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by regulatory agencies, could also have an impact on our ability to continue operating under our licenses or the prospect of renewing our licenses or could result in a revocation of our licenses. All facilities continue to operate with routine maintenance. We bear many, if not all, of the costs of maintenance and upkeep at our facilities, including replacement of components over time. Our operations and financial performance may be adversely affected if we and our facilities are unable to keep up with maintenance requirements. Certain contemplated capital expenditures in Canada will require Health Canada approval. There is no guarantee that Health Canada will approve the contemplated expansion and/or renovation, which could adversely affect our business, financial condition and results of operations.