HYTN INNOVATIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED JUNE 30, 2024

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 three and nine months ended June 30, 2024 (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 August 29, 2024.

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. (the “Company” or “HYTN Innovations”) was incorporated under the laws of British Columbia on October 22, 1990. The Company’s registered office is 303-890 Clement Avenue, Kelowna, British Columbia. The Company formulates, manufactures, markets, and sells premium products that contain psychoactive and psychotropic compounds. The Company’s mission is to be the leading provider of these products in all federally regulated markets. To achieve this, the Company focuses on identifying market opportunities in order to quickly bring its innovative products to market through its elevated development platform.

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.

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”.

GLOBAL CONFLICT

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 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 26, 2023, the Company announced that it had closed its non-brokered private placement of units of the Company (“Units”) by issuing a total of 5,050,000 Units at a price of $0.10 per Unit (the “Offering”) for aggregate gross proceeds of $505,000. Each Unit consists of one common share in the capital of the Company (a “Share”) and one common share purchase warrant of the Company (a “Warrant”). Each Warrant entitles the holder thereof to acquire one additional Share (a “Warrant Share”) at a price of $0.25 per Warrant Share for a period of 24 months from the closing date of the Offering. The comparison of actual funds used compared to planned per the Company’s initial offering document is as follows with the difference between the 100% offering compared to the actual offering proceeds received being a result of the Company not filling the entire LIFE financing offering:

Description of intended use of available funds listed in order of priority	Planned Use Assuming 100% of Offering	Planned Use Assuming actual proceed received	Actual use	Difference between Planned and Actual
Repayment of indebtedness	$105,320	$100,000	$100,000	-
General corporate purposes working capital and administrative expenses	$894,680	$405,000	$405,000	-
Total	**$1,000,000**	**$505,000**	**$505,000**	**-**

On February 20, 2024, the Company announced the expansion of its Nano Shot Citrus to British Columbia and Alberta following initial success in Ontario.

On March 21, the Company announced that it had been awarded Good Manufacturing Practice (“GMP”) certification by Australia's Therapeutic Goods Administration (“TGA”) for its Kelowna production facility. Effective March 15th, 2024, this certification enables HYTN to manufacture cannabis dried flower into bulk and finished GMP medical products. Although the company has previously serviced limited export opportunities, compliance with the PIC/S Guide to Good Manufacturing Practice for Medicinal Products through this new GMP certification now enables HYTN to engage in broader international trade.

On March 25, 2024, the Company announced that it had closed its non-brokered private placement of units of the Company (“Units”) by issuing a total of 9,980,670 Units at a price of $0.075 per Unit (the “Offering”) for aggregate gross proceeds of $748,550. Each Unit consists of one common share in the capital of the Company (a “Share”) and one common share purchase warrant of the Company (a “Warrant”). Each Warrant entitles the holder thereof to acquire one additional share (a “Warrant Share”) at a price of $0.25 per Warrant Share for a period of 24 months from the closing date of the Offering.
On April 3, 2024, the Company provided a corporate update and outlined its new strategic goals and plans for global commercialization initiatives underscoring the Company’s commitment to leading the GMP certified cannabis products industry.

On April 9, 2024, the Company announced that it welcomed Health Canada to conduct a Drug Establishment Licence (“DEL”) audit. Securing a DEL would enhance HYTNs current GMP manufacturing capabilities, facilitating the development and sale of additional compounds and product variations. The Company has submitted its products, which contain both cannabis and psilocybin for audit consideration.

On May 24, 2024, the Company announced the results of its 2024 annual general and special meeting of shareholders (the “AGSM”). Shareholders voted in favour of all the matters submitted before the AGSM, as set out in the Company’s Notice of Meeting and Information Circular dated April 18, 2024.

On July 16, 2024, the Company completed the acquisition of all issued and outstanding share capital of Prism Scientific Labs Inc. (Prism), a company focused on the research and development of psychedelic and psychoactive compounds, with a particular emphasis on enhancing tryptamine yields in psychedelic mushrooms. In consideration for the acquisition, the Company issued 12,100,000 common shares of its capital to the former shareholders of Prism, all of whom are at arm’s length to the Company. The shares are subject to a hold period of four months.

OVERALL PERFORMANCE

At June 30, 2024, the Company had net assets of $442,598 (September 30, 2023 - net asset of $314,716).

The assets consisted of the following:

As at	**June 30, 2024**	**September 30, 2023**	**September 30, 2022**
	$	**$**	**$**
Cash and restricted cash	296,420	192,559	1,026,355
Accounts receivable	217,108	127,576	72,721
Inventory	264,892	299,574	375,173
Property, plant and equipment	1,729,009	1,869,707	2,215,394
Deposits	93,290	93,290	96,750
TOTAL ASSETS	**2,600,719**	**2,582,706**	**3,786,393**

The liabilities consisted of the following:

As at	**June 30, 2024**	**September 30, 2023**	**September 30, 2022**
	$	**$**	**$**
Accounts payable and accrued liabilities	870,217	667,253	626,182
Loans payable	-	107,970	64,398
Lease liability	798,904	811,767	822,819
Decommissioning provision	589,000	681,000	199,025
TOTAL LIABILITIES	**2,258,121**	**2,267,990**	**1,712,424**

DISCUSSION OF OPERATIONS

For the Three and Nine Months Ended	Three Months Ended June 30, 2024	 June 30, 2023	Nine Months Ended June 30, 2024	 June 30, 2023
		$	$	
Revenues	390,333	225,574	733,338	630,339
Cost of Sales	188,535	132,926	434,941	434,834
GROSS PROFIT	**201,798**	**92,648**	**298,397**	**195,505**
Advertising and marketing	21,035	3,368	35,235	102,174
Consulting expense	82,500	22,500	185,876	76,267
Depreciation	54,843	171,892	160,843	523,071
Office and miscellaneous	60,621	88,820	216,346	297,599
Professional fees	23,574	12,982	91,719	122,850
Salaries and payroll	177,365	193,155	489,540	688,764
Stock-based compensation	40,670	2,529	83,058	123,782
Transfer agent and filing fees	50,913	13,949	72,760	18,171
Travel	1,940	-	2,548	413
OPERATING EXPENSES	**513,461**	**509,195**	**1,337,925**	**1,953,091**
TOTAL OPERATING LOSS	**(311,663)**	**(416,547)**	**(1,039,528)**	**(1,757,586)**
Other income and expenses	**(12,815)**	**(30,459)**	**55,802**	**(79,625)**
NET LOSS AND COMPREHENSIVE LOSS	**(324,478)**	**(447,006)**	**(983,726)**	**(1,837,211)**
Loss per share, basic and diluted	(0.00)	(0.01)	(0.01)	(0.03)

Three Months Ended June 30, 2024 and 2023

The Company generated an operating loss of $311,663 for the three months ended June 30, 2024 (June 30, 2023 – $416,547).

- Revenues and cost of sales for the three months ended June 30, 2024 were higher than the prior year comparable period primarily as a result of the Company having minimal edible sales from its Nano Shots during the three months ended June 30, 2023 as the product was being developed. The costs associated with sales were comparable in the current with an overall slight increase in gross profit in 2024 when compared to 2023.

- Advertising and marketing costs for the three months ended June 30, 2024 were higher than the prior year comparable periods mainly due to increased product advertising and marketing activities compared to the prior year.

- Consulting expense for the three months ended June 30, 2024 was higher than the prior year comparable period. The increase was due primarily to engagement of consultants for job specific tasks in lieu of hiring full time employees.

- Depreciation expense for three months ended June 30, 2024 was lower than the prior year comparable period. The decrease was a result of the over depreciation of the Kelowna production facility in the three months ended June 30, 2023.

- Office and miscellaneous expenses for the three months ended June 30, 2024 was lower than the prior year comparable period due to cost savings primarily on general and insurance related expenses.

- Professional fees for the three months ended June 30, 2024 were higher than the prior year comparable period. The increase was a result primarily of the Company’s increased corporate activity.

- Salaries and payroll for the three months ended June 30, 2024 was decreased from the prior year comparable period due primarily to utilization of part time staff and consultants.

- Stock-based compensation for the three months ended June 30, 2024 was higher than the prior year comparable period. The increase was a result of the grant of equity incentives during the period and the three months ended March 31, 2024 and the impact of their subsequent vesting during the three months ended June 30, 2024.

- Transfer agent and filing fees for the three months ended June 30, 2024 were higher than the prior year comparable period. It increased from the prior year primarily as a result of share issuance transactions during the current period that involved the transfer agent and filing fees as the Company works towards its OTC listing.

- Travel expenses for the three months ended June 30, 2024 were relatively in line with the prior year comparable period in 2023.

Nine Months Ended June 30, 2024 and 2023

The Company generated an operating loss of $1,039,528 for the nine months ended June 30, 2024 (June 30, 2023 – $1,757,586).

- Revenues and cost of sales for the nine months ended June 30, 2024 were higher than the prior year comparable period primarily as a result of the Company having more beverage and edible sales during the current period. The costs associated with sales were comparable in the current with an overall slight increase in gross profit in 2024 when compared to 2023.

- Advertising and marketing costs for the nine months ended June 30, 2024 were lower than the prior year comparable periods mainly due to the Company monitoring expenditures to note the impact of previous period product advertising and marketing costs.

- Consulting expense for the nine months ended June 30, 2024 was higher than the prior year comparable period. The increase was due primarily to engagement of consultants for job specific tasks in lieu of hiring full time employees.

- Depreciation expense for nine months ended June 30, 2024 was lower than the prior year comparable period. The decrease was a result of the over depreciation of the Kelowna production facility in the nine months ended June 30, 2023.

- Office and miscellaneous expenses for the nine months ended June 30, 2024 was lower than the prior year comparable period due to cost savings primarily on general and insurance related expenses.

- Professional fees for the nine months ended June 30, 2024 were lower than the prior year comparable period. The decrease was a result primarily of the Company monitoring expenditures related to legal fees to note the impact of previous period expenditures.

- Salaries and payroll for the nine months ended June 30, 2024 decreased from the prior year comparable period due primarily to utilization of part time staff and consultants.

- Stock-based compensation for the nine months ended June 30, 2024 was lower than the prior year comparable period. The decrease related to lower amounts of equity incentives vesting in the current period compared to the prior period.

- Transfer agent and filing fees for the nine months ended June 30, 2024 were higher than the prior year comparable period. It increased from the prior year primarily as a result of share issuance transactions during the current period that involved the transfer agent.

- Travel expenses for the nine months ended June 30, 2024 were in line with the prior year comparable period in 2023.

SUMMARY OF QUARTERLY RESULTS

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

	Third Quarter Ended June 30, 2024 $	Second Quarter Ended March 31, 2024 $	First Quarter Ended December 31, 2023 $	Fourth Quarter Ended September 30, 2023 $
Revenues	390,333	145,164	197,841	133,121
Net loss and comprehensive loss	(324,478)	(447,724)	(229,524)	(497,294)
Loss per share, basic and diluted	(0.00)	(0.01)	(0.00)	(0.01)

	Third Quarter Ended June 30, 2023 $	Second Quarter Ended March 31, 2023 $	First Quarter Ended December 31, 2022 $	Fourth Quarter Ended September 30, 2022 $
Revenues	225,574	107,907	296,858	95,099
Net loss and comprehensive loss	(447,006)	(718,010)	(672,195)	(354,103)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)

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, 2024, September 30, 2023 and March 31, 2023 primarily due to seasonal fluctuation of its seasonal beverage sales from the preceding quarter. The Company notes that this is reflected in the increase in revenues for the quarters ended June 30, 2024, December 31, 2023, June 30, 2023 and December 31, 2022.

An analysis of the quarterly result shows that the Company has incurred mostly salaries, 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 nine months ended June 30, 2024, all of the sales were to wholesalers.

	Three Months Ended		Six Months Ended	
For the Three and Nine Months Ended June 30,	**2024**	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Cannabis – beverage sales	280,545	151,251	529,377	440,133
Cannabis – flower sales	4,674	-	7,579	-
Cannabis – edible sales	105,114	45,203	191,149	140,164
Agent fees	-	29,120	5,233	50,042
	390,333	**225,574**	**733,338**	**630,330**

During the nine months ended June 30, 2024, the Company had three (2023 - three) customers accounting for more than 10% of revenue from continuing operations and in aggregate accounted for approximately 70% (2023 - 94%) of sales.

LIQUIDITY & CAPITAL RESOURCES

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

At June 30, 2024, the Company had cash of $291,420, and $5,000 in restricted cash. The cash increased from September 30, 2023 mainly as a result of funds received through private placements and warrant exercises.

Operating Activities

The Company used net cash of $592,965 (2023 - $847,398) in operating activities including costs associated with human capital, professional fees and costs associated with driving sales during the nine months ended June 30, 2024.

Investing Activities

The Company used net cash of $20,145 (2023 – nil) in investing activities during the nine months ended June 30, 2024. The current year included amounts spent on leasehold improvements at the Company's Kelowna based facility.

Financing Activities

The Company received net cash of $716,971 (2023 – used $99,847) in financing activities during the nine months ended June 30, 2024. The current year includes funds received through private placements and warrant exercises, partially offset by the repayment of lease liability and indebtedness.

At June 30, 2024, the Company had a working capital deficit of $234,402 (September 30, 2023 - $242,675) which included cash of $291,420 (September 30, 2023 - $187,559) available to meet short-term business requirements and liabilities of $2,258,121 (September 30, 2023 - $2,267,990). The Company's account payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's long-term liabilities relate to its lease liabilities and decommissioning provisions.

At present, the Company has maintained a history of operating losses. Without additional future financing, the Company may not be able to fund its ongoing operations. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms.

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, 2023 and Note 13 of the financial statements for the three and nine months ended June 30, 2024.

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 nine months ended June 30, 2024 and 2023:

For the Three and Nine Months Ended June 30,	Three Months Ended 2024	2023	Six Months Ended 2024	2023
			$	$
Net loss and comprehensive loss	**(324,478)**	**(447,006)**	**(983,726)**	**(1,837,211)**
Depreciation	54,843	171,892	160,843	523,071
Stock-based compensation	40,670	2,529	83,058	123,782
Change in decommissioning provision	(5,000)	-	(112,000)	(14,025)
Interest / accretion expense	17,815	30,459	56,198	93,650
Adjusted EBITDA	**(216,150)**	**(242,126)**	**(795,627)**	**(1,110,733)**

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 June 30, 2024 was 77,850,507 and 89,950,607 as of the date of this MD&A (September 30, 2023 – 62,319,837).

As at June 30, 2024 and the date of the MD&A, a total of 3,185,030 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 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, 2023	**1,990,000**	**$0.35**
Forfeited	(1,015,000)	$0.35
Balance, June 30, 2024	**975,000**	**$0.35**

At June 30, 2024, the following options were outstanding:

Number of Options	Exercisable	Exercise Price	Expiry Date
825,000	825,000	$0.35	February 17, 2026
150,000	150,000	$0.35	February 21, 2026
975,000	**975,000**		

At June 30, 2024, the weighted-average remaining life of the outstanding options was 1.66 years (September 30, 2023 – 2.39 years).

During the nine months ended June 30, 2024, the Company recognized $nil in share-based payment expense in connection with the granting and vesting of options (2023 – $39,258).

The options outstanding as of the date of this MD&A are 975,000.

c) Restricted Share Units

At June 30, 2024, the following restricted share units (“RSU’s”) were outstanding:

	RSUs
Balance, September 30, 2023	**700,000**
Granted – March 19, 2024	1,405,000
Granted – June 27, 2024	3,080,000
Balance, June 30, 2024	**5,185,000**

During the nine months ended June 30, 2024, the Company granted 4,485,000 RSUs, where 280,000 RSUs vested on issuance, 3,080,000 RSUs vest four months subsequent to issuance, and the remaining 1,125,000 RSUs vest quarterly in equal tranches. The fair value of the RSUs was determined based on the Company’s share price on the date of grant being $0.145 and $0.37/share.

During the year ended September 30, 2022, the Company granted 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 nine months ended June 30, 2024, the Company recognized $83,058 in stock-based compensation expense related to the granting and vesting of RSUs (2023 – $85,424). As the Company intends to settle the RSUs through equity settlement, a corresponding amount was credited to stock-based payment reserve.

The RSUs outstanding as of the date of this MD&A are 5,185,000.

d) Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, September 30, 2023	-	-
Granted – private placement	5,050,000	0.25
Granted – private placement	9,980,670	0.25
Exercised	(500,000)	0.25
Balance, June 30, 2024	**14,530,670**	**0.25**

At June 30, 2024, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
4,550,000	$0.25	October 25, 2025
9,980,670	$0.25	March 25, 2026
14,530,670	**$0.25**	

At June 30, 2024, the weighted-average remaining life of the outstanding warrants was 1.59 years.

Warrants outstanding as of the date of this MD&A are 14,530,670.

e) Performance Warrants

During the year ended September 30, 2022, 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; 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.

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

f) 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 June 30, 2024, 5,850,000 (September 30, 2023 – 7,800,000) common shares are restricted from resale with the next release on August 17, 2024.

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 June 30, 2024, nil (September 30, 2023 – nil) common shares are restricted from resale.

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 June 30, 2024, nil (September 30, 2023 – nil) 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 June 30, 2024, 1,700,030 (September 30, 2023 – 2,550,045) common shares are held in escrow with the next release on August 17, 2024.

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 nine months ended June 30, 2024 were as follows:

Equity incentives granted and fees paid to the following for the services rendered	Equity Incentive Granted	Equity Incentive Grant Amount	Equity Incentive Vested Fair Value	Fees Paid
		#	$	$
The CEO and Director, Elliot McKerr, pursuant to officer services provided	RSUs	1,450,000	8,897	150,000 – Salaries & Payroll
The COO and Director, Jason Broome, pursuant to officer services provided	RSUs	1,450,000	8,897	187,500 – Salaries & Payroll
The CFO, Paul More, pursuant to officer services provided	RSUs	750,000	8,897	67,500 – Consulting
A Director, Eli Dusenbury, of the Company pursuant to director services provided	RSUs	125,000	4,449	22,500 – Consulting
Total		**3,775,000**	**31,140**	**427,500**

For the nine months ended June 30, 2024, the Company incurred $427,500 in fees for CEO, COO, CFO and Director services provided included in consulting and salaries and $31,130 vesting of equity incentives.

As at June 30, 2024, $333,591 (September 30, 2023 – $235,990) 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 June 30, 2024. 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, psychoactive and psychotropic compounds 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, psychoactive and psychotropic compounds 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 and abroad. 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 psychoactive and psychotropic 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, psychoactive and psychotropic 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.