

Sweet Earth Holdings Corporation

Management Discussion & Analysis



For the Three months Ended September 30, 2023

This Management's Discussion & Analysis ("MD&A") is intended to help the reader understand the Sweet Earth Holdings Corporation (the "Company") financial statements. The information provided herein should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2023 ("Financial Statements") and related notes attached thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars ("CAD"). The effective date of this report is November 29, 2023.

Management is responsible for the preparation and integrity of financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management on a quarterly basis to review financial statements and MD&As, and to discuss other financial, operating and internal control matters.

The financial statements of the Company are prepared on a consolidated basis to include the financial information of the Company's wholly-owned subsidiaries, TSN Agricorp Ltd., Sweet Earth, LLC, Sweet Earth Holdings Corp. S.L.(dissolved in December 2022) and Sweet Earth Colombia S.A.S.

On May 19, 2020, the Company completed a reverse takeover transaction ("RTO") of Seaway Energy Services Inc., the effective of which was to become a listed entity on the Canadian Securities Exchange ("CSE") under the ticker symbol SE.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from such statements. Readers are therefore cautioned not to put undue reliance on forward-looking statements. See "Forward-looking Information and Statements" that are subject to risk factors set out in a cautionary note contained herein.

DESCRIPTION OF BUSINESS AND OVERVIEW

Sweet Earth Holdings Corporation (the "Company") was incorporated as 1168061 B.C. Ltd. under the Province of British Columbia Business Company Act on June 13, 2018. The name was changed to Sweet Earth Holdings Corporation on July 26, 2018, to reflect the Company's strategic decision to focus the business on becoming a major hemp cannabidiol ("CBD") cultivator and processor. During the fiscal year ended June 30, 2021, the Company changed its focus of operations that maintains a full line of hemp and CBD products for the US and global market. Its products combine CBD with herbal and organic ingredients, all of which are selected for their beneficial properties to soothe, rejuvenate, and reduce inflammation. In addition to high-end finished products. Sweet Earth's portfolio of skin and body care products that includes facial products, men's, spa, hemp, and muscle products that are sold on its website, <https://sweetearthskincare.com>.

Sweet Earth prides itself on sustainability by minimizing the use of plastics in both production and packaging. Sweet Earth's in-house genetics team developed its own proprietary hemp strain and the Company is committed to lab research as part of its product development. Its research on bioavailability of CBD isolate and CBD broad spectrum particle size and nano-particle delivery systems. This has become increasingly important to the Company, which continues to conduct research on Invitro permeation study and permeation rate determination, stability under skin condition, and carrier studies, and membrane absorption, all of which are key factors in product efficacy.

Sweet Earth has also created a line of CBD pre-rolls that are made from 100% naturally grown US hemp flower that is rich in non-intoxicating cannabinoids like CBD and cannabigerol ("CBG"). The pre-rolls are completely free of tobacco, nicotine, or additives and are rich in terpenes, like pinene, limonene and myrcene and are sold on its online portal, <https://www.sweetearthsmooth.com>

Future Plans & Market Outlook

The Company is vertically integrated and has the ability to make it a significant company in the hemp segment with its focus on smaller molecular compounds to bolster product efficacy. Sweet Earth is in the process of moving nano-technology production inhouse through its technology partner NAVCO Pharmaceuticals Limited, an accredited laboratory located in Burlington, Ontario. This next phase of research will help Sweet Earth keep pace with the expanding medical discoveries and natural healing properties of this plant. From seed development, growing, harvesting, drying, extracting, and packaging.

With the recent transition from research-focused product development to sale of products, the Company has tried to increase its media presence to increase sales. It has been featured in various magazines in the past, including Women's World, television, podcasts, and radio. The Company anticipates increased media presence as the consumer market develops and requires products to base claims on data, which is core to Sweet Earth. The Company has published its first research papers on CBD efficacy of its products. The research and nana-particle capability is expected to differentiate itself from peers.

RESULTS OF OPERATIONS

This review of the results of operations should be read in conjunction with the Company's condensed interim consolidated financial statement for the three months ended September 30, 2023.

Financial Results

For the three months ended September 30, 2023

The Company's revenue from operations for the three months ended September 30, 2023, was \$4,275 (2022 – 9,640) and the gross profit was \$3,492 (2022 - \$8,695)

For the three months ended September 30, 2023, the Company incurred net loss of \$40,399 (2022 – \$128,104). The net loss is comprised of a gross profit on sales of \$3,492 (2022 - \$8,695), net operating costs of \$5,579 (2022 - \$52,308), administrative expenses of \$30,788 (2022 - \$132,421) and other items of \$7,524 (2022 - \$47,930).

For the three months ended September 30, 2023, net operating expenses of \$5,579 (2022 - \$52,308) consisted of depreciation of \$nil (2022 - \$32,161), interest on leases (equipment and building) of \$nil (2022 - \$14,816), and utilities of \$5,579 (2022 - \$5,331). The operating expenses decreased from the previous year due to termination of land leases in 2023.

For the three months ended September 30, 2023, significant administrative expenses of \$30,788 (2022 - \$134,421) consisted of consulting fees of \$nil (2022 - \$41,804), office and general expenses of \$9,990 (2022 - \$26,499), management fees of \$16,125 (2022 - \$55,125), professional fees of \$4,135 (2022 - \$3,568), marketing and investor relations expense of \$538 (2022- \$941) and travel costs of \$nil (2022 - \$4,394). The administrative expenses during period were on lower than last year as the company continues research pertaining to the nana-particle capability and explore other corporate opportunities.

For the three months ended September 30, 2023, significant other items of \$7,524 (2022 - \$47,930) consisted of loss for impairment of property and equipment of \$7,981 (2022 - \$47,930) and gain on termination of lease liabilities of \$457 (2022 - \$nil).

ANNUAL SELECTED INFORMATION

	For the year ended June 30, 2023	For the year ended June 30, 2022	For the year ended June 30, 2021
	\$	\$	\$
Revenue	42,254	88,116	200,725
Gross Profit	30,300	21,959	107,558
Operating expenses	(187,135)	(326,971)	(414,277)
Administrative expenses	(344,951)	(1,048,937)	(3,859,531)
Net loss	(117,866)	(3,146,879)	(4,917,757)
Basic/Diluted loss per share	(0.04)	(1.16)	(3.12)
Total assets	167,512	1,283,452	3,184,406
Total liabilities	640,798	2,123,792	2,303,444

SUMMARY OF QUARTERLY RESULTS

Selected financial indicators for the past eight quarterly periods are shown in the following table:

	Three Months Ended September 30, 2023	Three Months Ended June 30, 2023	Three Months Ended March 31, 2023	Three Months Ended December 31, 2022
	\$	\$	\$	\$
Revenue	4,275	7,704	15,672	9,238
Income (loss) for the period	(40,399)	236,738	(206,356)	(20,144)
Income (loss) per share – basic & diluted	(0.00)	0.09	(0.07)	(0.01)
Total assets	123,011	167,512	71,180	228,345
Total liabilities	645,462	640,978	1,289,546	1,237,483

	Three Months Ended September 30, 2022	Three Months Ended June 30, 2022	Three Months Ended March 31, 2022	Three Months Ended December 31, 2021
	\$	\$	\$	\$
Revenue	9,640	12,260	24,344	29,651
Loss for the period	(128,104)	2,052,608	247,340	622,265
Loss per share – basic & diluted	(0.05)	0.76	0.08	0.24
Total assets	1,171,815	1,283,452	3,228,759	3,416,125
Total liabilities	2,167,636	2,020,326	1,970,902	

LIQUIDITY, FINANCING AND CAPITAL RESOURCES

As at September 30, 2023, the Company had a cash balance of \$123,011 (June 30, 2023 - \$155,048) to settle current liabilities of \$645,462 (June 30, 2023 - \$640,798). The Company expects to fund these liabilities and its operational activities and through the issuance of capital stock and, or through operational revenues over the coming year.

As at September 30, 2023, the Company's cash used in operating activities was \$23,271 (2022 - \$27,172), and cash used in financing activities of \$nil (2022 - \$12,749).

During the three months ended September 30, 2023, cash used in operating activities was \$23,271 (2022 - \$27,172). Cash used during the three months consists primarily of operating and administrative expenditures of \$40,399 (2022 - \$128,104), less adjustments for depreciation of \$nil (2022 - \$32,161), interest on leases of \$nil (2022 - \$14,816), gain on termination of lease liabilities of \$457 (2022 - \$nil), loss on impairment of property and equipment of \$7,981 (2022 - \$47,930) and net change in non-cash operating working capital of \$9,604 (2022 - \$101,885).

During the three months ended September 30, 2023, cash used for financing activities was \$nil (2022 - \$12,749) for lease payments of \$nil (2022 - \$12,749).

RELATED PARTY TRANSACTIONS

The Company considers officers and members of the Board of Directors as related parties. Key Management costs for the three months ended September 30, 2023 is \$16,125 (2022 - \$55,125). Payments and accruals were made to the following officers and directors, or to companies controlled by these officers and directors:

	For the Three months Ended	
	September 30, 2023	September 30, 2022
	\$	\$
Management fees to CEO and director	8,250	31,500
Management fees to CFO and director	7,875	23,625
Total	16,125	55,125

Due to related parties represents fees due to officers and directors at September 30, 2023 of \$18,375 (June 30, 2023 – \$7,500). The amounts are non-interest bearing, due on demand and bear no specific terms of repayment.

FINANCIAL INSTRUMENTS

International Financial Reporting Standards establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. At September 30, 2023, management considers the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

As at September 30, 2023, the Company had a cash balance of \$123,011 (June 30, 2023 - \$155,048) to settle current liabilities of \$645,462 (June 30, 2023 - \$640,798). So far, the Company's sole source of funding has been the issuance of equity securities. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. The Canadian dollar equivalent of the amounts denominated in foreign currencies at September 30, 2023 and June 30, 2023 are as follows:

	USD
September 30, 2023	\$
<i>Financial assets</i>	2,227
<i>Financial liabilities</i>	531,275
June 30, 2023	
<i>Financial assets</i>	-
<i>Financial Liabilities</i>	392,108

b) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company is not currently subject to price risk as it is not listed on a public stock exchange.

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, amendments to standards and interpretations are not yet effective as of the date of this report and were not applied in preparing the audited financial statements. None of these are expected to have a material effect on the financial statements of the Company.

CAPITAL COMMITMENTS

The Company has no commitments for equipment expenditures for 2024. The Company has forecasted that any property and equipment expenditures based on future needs will be funded from working capital and/or from operating or capital leases.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Management must make significant judgments or assessments as to how financial assets and liabilities are categorized. The following are the critical estimates and judgments that management has made in applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

b) *Functional currency*

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21. An entity considers the following factors in determining the functional currency of entities under its control:

- i) the currency that mainly influences sales prices for goods and services,
- ii) the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services, and
- iii) the currency that mainly influences labour, material and other costs of providing goods or services.

The Company has determined that the function currency of TSN and LLC is the US dollar.

c) *Estimated useful life and residual value of equipment*

The calculation of depreciation involves estimates concerning the economic life and salvage value of equipment.

d) *Fair value of share-based payments*

The fair value of share-based payments is calculated using a Black-Scholes option-pricing model. There are a number of estimates used in the calculation such as the future forfeiture rate, expected option life and the future price volatility of underlying security, which can vary from actual future events. The factors applied in the calculation are management's best estimate based on historical information and future forecasts.

e) *Leases*

The Company applies judgement to determine whether an arrangement contains a lease. The evaluation requires the Company to determine whether a contract conveys the right to direct the use of an identified asset, the supplier has a substantive substitution right, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period and whether renewal options are reasonably certain of being exercised. For those arrangements considered to be a lease, further judgement is required to determine the lease term and the rate implicit in the lease.

f) *Taxation*

The calculation of deferred taxes is based on a number of assumptions including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse, the use of substantively enacted tax rates at the statements of financial position date and the likelihood of deferred tax assets being realized.

FUTURE ACCOUNTING POLICY CHANGES

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OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

SHARES AND SHARE-BASED UNITS

The Company has the following common shares, stock options, and share purchase warrants outstanding:

Common shares

As at the date of this report, the issued and outstanding share capital is comprised of 12,802,941 common shares.

Warrants

As at the date of this report, the following warrants were outstanding:

Warrants	Number of shares upon exercise	Exercise price	Expiry Date
303,000	303,000	\$5.00	October 15, 2024
10,000,000	10,000,000	\$0.10	June 12, 2025

Share Options

As at the date of this report, there were no options were outstanding and exercisable.

GOING CONCERN

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at September 30, 2023, the Company has incurred an accumulated loss of \$15,295,883 to date. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

RISK FACTORS

The Company's principal activity is becoming a major hemp cannabidiol ("CBD") processor and retailer, both online and in stores.

In addition to the other information report, you should carefully consider the following factors, which describe the risks, uncertainties and other factors that may materially and adversely affect our business, products, financial condition and operating results. There are many factors that affect our business and our results of operations, some of which are beyond our control. The ongoing costs and obligations; competition; future acquisition or disposition; product liability; product recalls; product approvals; promotion and maintenance of brands; dependence on suppliers and skilled labour; management of growth; intellectual property risks; security breaches; client acquisitions; changes in laws, regulations and guidelines; constraints on marketing products and management's success in anticipating and managing the foregoing factors.

These risk factors are not intended to represent a complete list of the risk factors that could affect the Company, many factors could cause actual actions, events or results to differ materially from those described in the forward looking statements included herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended, and there can be no assurance that the forward-looking statements will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements in this document. All of the forward-looking statements made in this document are qualified by these cautionary statements.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained or incorporated by reference in this management discussion and analysis are forward-looking statements, including, but not limited to other statements that are not historical facts. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including Sweet Earth's experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, milestones, strategies and outlook of the Company, including but not limited to those statements under the headings "General Development of the Business", "Narrative Description of the Business", and "Risk Factors". Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "pro forma", "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "seeks", "likely" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Examples of the assumptions underlying the forward-looking statements contained herein include, but are not limited to those related to: the ability to obtain necessary financing to pursue its business plans, the achievement of goals, the obtaining of all necessary permits and governmental approvals, as well as expectations regarding availability of equipment, skilled labour and services needed for operations, intellectual property rights, development, operating or regulatory risks, trends and developments in the hemp industry, business strategy and outlook, expansion and growth of business and operations: the timing and amount of capital expenditures, future exchange rates, the impact of increasing competition, conditions in general economic and financial markets, access to capital, future operating costs, government regulations, including future legislative and regulatory developments involving medical and recreational marijuana and the timing thereto, the effects of regulation by governmental agencies, the anticipated changes to laws regarding the recreational use of hemp, the demand for hemp products and corresponding forecasted increase in revenues and the size of the medical marijuana market and the recreational marijuana market.