NEVIS BRANDS INC. (Formerly Pascal Biosciences Inc.)
1900 Airport Way S, Suite 201, Seattle, WA 98134
Form 51-102F1

Management's Discussion & Analysis of Financial Condition and Results of Operations for the Nine Months Ended August 31, 2024

Date: October 9, 2024

Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) of the financial information of Nevis Brands Inc. (formerly Pascal Biosciences Inc.) (the "Company") and results of operations should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended August 31, 2024 and the audited consolidated financial statements for the year ended November 30, 2023. These documents are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include the operating results of the Company.

This MD&A was reviewed by the Audit Committee and subsequently approved and authorized for issue by the Board of Directors on October 9, 2024. The information contained within this MD&A is current to October 9, 2024.

The Company's critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian Dollars unless noted otherwise.

Forward-Looking Statements

This MD&A contains forward-looking statements within the meaning of applicable securities laws. All statements contained herein that are not clearly historical in nature are forward-looking, and the words "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe" "predict" or "likely" or words of a similar nature are generally intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy, and financial needs. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:

- The Company's expectation that the funds available and/or revenues derived from its operations will be sufficient to cover its expenses over the next 12 months;
- The success of the Company's business activities and programs;
- The timing and amount of future plans, costs of production, capital expenditures, and costs and timing of the development of the Company's business;
- The estimates of expected or anticipated economic returns in relation to development of the Company's business;
- Projections of market prices and costs for the Licensed Products;
- U.S. federal and state regulation of recreational cannabis;
- Requirements for additional capital and the Company's expectations regarding its ability to raise capital;
- The Company's plans and expectations for the Licensed Products;
- The intention to retain Licenses, brands, and Trademarks;

- Statements relating to the business and future activities of, and developments related to the Company to the date of this Listing Statement and thereafter;

- Timing and costs associated with completing the manufacture and delivery of the bottles, tops, labels, and shipping boxes used for the Licensed Products; and

- The Company's expected business objectives for the next 12 months.

All forward-looking statements reflect the Company's beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on management's expectations regarding future activities, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities.

By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, known and unknown, that contribute to the possibility that the predictions, forecasts, projections or other forward-looking statements will not occur. In evaluating forward-looking statements, readers should specifically consider various factors, including the risks outlined under the heading "Risk Factors" in this MD&A. Some of these risks and assumptions include, among others:

- The limited operating history of THC Essentials and no assurance of continuing profitability;

- Uncertainty about the Company's ability to continue as a going concern;

- The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;

- The Company may not be able to secure additional financing for current and future operations and capital projects;

- Inherent uncertainties and risks associated with the Licensed Products;

- The possibility that future results will not be consistent with the Company's expectations;

- The risk that the brands and Trademarks that support the Licensed Products could be challenged;

- Risks related to the Company's ability to attract and retain qualified personnel, including the ability to keep essential operational staff in place as a result of COVID-19;

- Uncertainties related to global financial and economic conditions and the impact of market reaction to the COVID-19 pandemic, including potential disruptions to the manufacture, marketing, and sales of the Licensed Products;

- Risks associated with the Licensed Products being subject to change by U.S. state regulations;

- Competition for, among other things, capital acquisitions of resources and skilled personnel;

- Uninsured risks and hazards;

- Risks associated with potential conflicts of interest of the Company's executive officers and directors;

- The market price for Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;

- Changes in market dynamics, including business relationships and competition;

- The safety, efficacy, and quality of the Licensed Products and the consumer perception thereof;

- Conflicts with third parties to manufacture, develop, distribute, and sell the Licensed Products;

- Recall of the Licensed Products; and

- Negative cash flow from the Company's operations

Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements. Any forward-looking statements represent estimates only as of the date of this MD&A and should not be relied upon as representing estimates as of any subsequent date. The Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as may be required by securities legislation.

Overview

The Company was incorporated on January 28, 2011 pursuant to the *Business Corporations Act* (British Columbia). On May 24, 2013, the Company acquired all the issued and outstanding shares of bioMmune Advanced Technologies Inc. ("BAT"), a private company (incorporated on July 5, 2012) formed to commercially exploit a number of patents and patent applications that surround three technologies. On March 27, 2017, the Company incorporated a wholly owned subsidiary in Seattle, Washington, named Nevis Brands, Inc. USA (formerly Pascal Biosciences US, Inc.) ("Nevis (US)"), a Tier 2 Biotechnology Issuer targeting therapies for serious diseases. On June 12, 2023, the Company changed its name from Pascal Biosciences Inc. to Nevis Brands Inc. On July 6, 2023, the Company de-listed from the Exchange and listed on the Canadian Securities Exchange ("CSE") upon receiving approval under the trading symbol "NEVI". On August 14, 2023, the Company became listed on the Frankfurt Stock Exchange under the trading symbol "8DZ". On February 15, 2024, the Company became listed on the OTCQB under the trading symbol "NEVIF".

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

Acquisition of THC Essentials Assets

On February 11, 2023, the Company signed an asset purchase agreement (the "Agreement") with SōRSE to acquire from SōRSE the assets comprising THC Essentials, as amended March 31, 2023, April 2, 2023, April 26, 2023, May 29, 2023 and June 8, 2023. Closing must be on or before June 30, 2023 (the "Closing Date") and the Company's shares must be listed on the CSE (the "Listing Date").

The purchase price of US$1,125,000 was paid as follows: (i) a secured promissory note of US$500,000, bearing interest at 7.5% per annum due on July 31, 2024 (later amended to December 31, 2024), (ii) an aggregate of 3,775,000 post-consolidation shares, and (iii) US$625,000 payable on the Closing Date.

The closing occurred on June 30, 2023, whereby a reorganization occurred. The reorganization included, inter alia, closing both a private placement of $2,000,000 and the acquisition of THC Essentials, issuing 1,246,372 shares for debt, the appointment of a new CEO, a change of directors, a name change, a share consolidation on the basis of one new share for five old shares and listing on the CSE. The share consolidation occurred on June 12, 2023.

The acquisition of THC Essentials assets did not meet the definition of a business under IFRS 3 Business Combinations and has been accounted for as an asset acquisition in these condensed interim consolidated financial statements. On the acquisition date, June 30, 2023, the Company has allocated the purchase price of the acquisition to the assets acquired as follows:

Purchase Price	**$**
Cash payment	827,693
Common shares issued	283,125
Promissory note	662,000
Transaction costs	122,128
	1,894,946
Net assets acquired	
Inventory	222,159
Equipment	21,185
Intangible assets – Customer relationship	695,180
Intangible assets- Trademarks	956,422
Total	1,894,946

Overall Performance

THC Essentials Operations

On June 30, 2023, the Company acquired the assets of THC Essentials, including trademarks Major, Happy Apple, Pearl, Utopia, Atomic Apple, Vertus, Velvet Swing, and Velvet Kiss; (ii) product formulas, designs, and recipes sold under the trademarks and brands; (iii) assignment of all licenses and royalty agreements and associated royalty revenue from the sale of beverages by licensees in Washington, Oregon, California, Arizona, Colorado, and Ohio; and (iv) all remaining inventory and equipment.

The Nevis THC Essentials business model is “asset-light” and remains focused on the licensing of its trademarks to established licensed partners in each legal cannabis state, which use the THC Essentials recipes and formulas and the Emulsion Technology in the Licensed Products. The Company forms partnerships with production and distribution partners in licensed facilities to support the business in each state and typically collects a royalty of 15-25% of sales. Nevis is the owner of each Product formula and brand trademark.

Partners typically sell the Licensed Products at wholesale for US$5 to US$10, with THC Essentials collecting US$1.00 to US$2.00 per unit. While THC Essentials assists partners with initial production, package design, and co-marketing, sales and distribution are handled by the licensed partners along with subsequent production.

As of August 31, 2024, Nevis has licensed beverage manufacturers / Licensees in eleven states. The Company has slightly varying arrangements with each partner state but typically a Licensee is responsible for all production, operations, and marketing. THC Essentials is responsible for the provision of bottles, labels, and flavours, the collection of revenues from its partners, and investing in certain marketing it deems strategically advantageous.

The Company currently has two full-time employees: the CEO and the VP of Operations.

Since acquiring the assets of THC Essentials and Major, Nevis has focused on the following:

1. Review and optimization of operations. The Company established relations with current licensees and undertook a marketing, business operations and production review of all markets. The Company launched new marketing programs including increased engagement with retailers and budtenders in Washington that resulted in increased sales. In addition, the Company developed a comprehensive merchandising program for all markets to use to increase the exposure of Major at the retail level.

2. Negotiation of improved pricing relating to cost of goods sold: Acquiring the bottles, labels and caps for Nevis partners is a significant portion of the cost of goods sold for Nevis. Since acquiring the business, the Company secured a new vendor for bottles which has reduced cost of goods sold and also secured additional vendors for other packaging and design that it deems more capital efficient. The Company continues to review its suppliers and operations for the most competitive terms and pricing.

3. Launch of Nevada Market: The company secured a Nevada licensee in August 2023 and began production of Major in October 2023. The Company has since secured retail sales by over 25 retailers and continues to develop additional retailers. The Company began generating revenues in Nevada in December 2023.

4. Entry in California market: The Company secured a new licensee in California for production of Major in October 2023 for production of Major in 2024. The Company signed a licensing agreement with Blaze Life holdings based in Van Nuys, California and has produced all five flavours of Major and manage sales and distribution of the products. Sales to retailers began in March 2024.

5. Entry in Missouri market: The Company secured a new licensee in Missouri in January 2024 for production of Major in March 2024. The Company signed a licensing agreement with Stash House Distro based in Kansas City, MO for production of Major Shots and has been generating revenue since June 2024.

6. Entry in Mississippi market: The Company secured a new licensee in Mississippi in early July 2024 for production of Major scheduled to start in July 2024. The Company signed a licensing agreement with Stash House Distro based in Jackson, MS for production of Major Shots and has been generating revenue since July 2024.

7. The Company signed a licensing agreement with an established cannabis producer and distributor in Michigan in December 2023. Under these agreements, Major will be delivered to market in 2024 subject to regulatory requirements

and approvals. Due to heavier regulatory requirements, the Company believes Major will be introduced in late 2024 in Michigan.

8. Entry into New Jersey market: The Company secured a new licensee in New Jersey in August 2024 for production of Major scheduled to start in November 2024.

9. Additional state expansion: The Company is in discussions with various operators to increase its partners in 1-2 additional states with a target of producing and selling products in calendar 2024.

10. Product Expansion: The Company is continually innovating new flavors, brands and edible formats that it believes can be introduced to its existing markets through established sales channels. In particular, these products are introduced in states where the Company believes there is market demand and a trusted following for the Major Brand. The Company introduced Major™ Gummies for sale in Washington and Oregon in the summer of 2024.

11. Investor Relations: The Company engaged various investor relations services to assist with awareness of Nevis Brands to the financial community.

12. The Company filed to become an issuer on the OTCQB and received approval on February 15, 2024 for trading under the symbol NEVIF.

13. Financial: The Company is in various stages of discussions with financial providers for the establishment of more liquidity options for the Company. These options include straight debt, convertible debt and equity financing options.

<u>Share Capital</u>

On June 30, 2023, the Company issued 1,246,372 common shares to settle debt of $593,049. The shares were valued at $93,478, which resulted in a gain on debt settlement of $499,571.

On June 30, 2023, the Company issued 3,775,000 common shares pursuant to the acquisition of THC Essentials assets.

On June 30, 2023, the Company issued 15,195,000 units at a price of $0.10 per unit for gross proceeds of $1,519,500. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of $0.20 for a period of one year following the closing date. The Company allocated $379,875 of the gross proceeds to warrant reserve using the residual value method. The Company paid a finder's fee of $74,550 and issued 532,500 finders' warrants on the same terms as the private placement warrants. The finders' warrants were valued at $2,080 using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 4.47%, expected dividend rate of 0%, expected volatility of 72.81%, and forfeiture rate of 0%.

On July 6, 2023, the Company issued 4,805,000 units at a price of $0.10 per unit for gross proceeds of $480,500. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of $0.20 for a period of one year following the closing date. The Company paid a finder's fee of $32,235 and issued 230,250 finders' warrants on the same terms as the private placement warrants. The finders' warrants were valued at $13,121 using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 4.70%, expected dividend rate of 0%, expected volatility of 68.42%, and forfeiture rate of 0%. The Company also incurred cash share issuance costs of $5,119.

On July 6, 2023, the Company granted 2,240,000 stock options to directors. The stock options are exercisable at a price of $0.10 per share, for a period of ten years and vest immediately. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 3.42%, expected dividend rate of 0%, expected volatility of 87.05%, and forfeiture rate of 0%. The fair value of the options was calculated at $404,845.

On March 1, 2024, the Company granted 250,000 stock options to the VP of Operations. The stock options are exercisable at a price of $0.12 per share, for a period of five years and will vest quarterly over one year. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 3.43%, expected dividend rate of 0%, expected volatility of 90.40%, and forfeiture rate of 0%. The fair value of the options was calculated at $21,415.

On May 23, 2024, the Company issued 250,000 common shares pursuant to the exercise of 250,000 stock options with an exercise price of $0.10 for total gross proceeds of $25,000.

On July 16, 2024, the Company granted 200,000 stock options to a Director of the Company. The stock options are exercisable at a price of $0.13 per share, for a period of five years and half will vest in six months and the remaining half will vest 18 months from the date of grant. The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 3.31%, expected dividend rate of 0%, expected volatility of 93.31%, and forfeiture rate of 0%. The fair value of the options was calculated at $18,035.

Management

On June 16, 2021, the Company announced the appointment of Hardy Forzley as Chief Financial Officer of the Company.

On June 12, 2023, Dr. Patrick Gray ceased to be Chief Executive Officer and President, and John Kueber was appointed Chief Executive Officer and President. Dr. Patrick Gray continued his duties as Director.

On June 12, 2023, Thomas Gadek, Michael Shepherd and Terry Pearson resigned as directors and John Kueber, John Bell and Vahan Ajamian were appointed directors.

On July 10, 2024, Dr. Patrick Gray resigned as director and Michael Urness was appointed director.

Financial Position

The condensed interim consolidated statement of financial position as of August 31, 2024 indicates a cash position of $115,227 (November 30, 2023: $418,524). Current assets are comprised of prepaid expenses and deposits of $4,182 (November 30, 2023: $8,015), accounts receivable of $299,080 (November 30, 2023: $206,839) and inventory of $318,603 (November 30, 2023: $248,269).

Current liabilities at August 31, 2024 total $887,933 (November 30, 2023: $1,119,072), comprised of accounts payable and accrued liabilities of $331,692 (November 30, 2023: $336,092), short-term loans due to related parties of $44,713 (November 30, 2023: $99,707) and promissory note of $511,528 (November 30, 2023: $683,273).

Shareholders' equity is comprised of share capital of $14,991,907 (November 30, 2023: $14,921,723), contributed surplus of $402,481 (November 30, 2023: $822,805) and accumulated other comprehensive income of $36,934 (November 30, 2023: $48,911).

As at August 31, 2024, the Company had a working capital deficit of $150,841 (November 30, 2023: $237,425).

The weighted average number of common shares outstanding, basic and diluted as at August 31, 2024 was 38,231,236 (November 30, 2023: 23,528,379).

Results of Operations

Three months ended August 31, 2024

During the three months ended August 31, 2024, the Company reported a net and comprehensive income of $27,873 ($0.00 basic and diluted loss per share) compared to a net and comprehensive income of $10,660 ($0.00 basic and diluted loss per share) for the three months ended August 31, 2023.

Nine months ended August 31, 2024

During the nine months ended August 31, 2024, the Company reported a net and comprehensive loss of $144,120 ($0.00 basic and diluted income per share) compared to a net and comprehensive loss of $205,184 ($0.01 basic and diluted loss per share) for the nine months ended August 31, 2023.

Summary of Quarterly Results

The following table presents selected quarterly financial information of the Company for the eight most recently completed quarters of operation prepared in accordance with IFRS and expressed in Canadian Dollars.

	2024			2023				2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	$	$	$	$	$	$	$	$
Revenue	474,584	436,562	380,729	395,876	275,669	-	-	-
Net and comprehensive gain (loss)	7,883	(54,788)	(97,215)	(145,677)	10,660	(83,210)	(132,634)	(201,453)
Basic and diluted loss per share	0.00	0.00	0.00	0.00	0.00	(0.01)	(0.00)	(0.00)

Share-based payments impacted expenses and net and comprehensive loss as follows: Q4 2024: $8,886, Q2 2024: $11,050, Q1 2024: $nil, Q4 2023: $nil, Q3 2023: $404,845, Q2 2023: $nil, Q1 2023: $1,774 and Q4 2022: $4,174. Income during Q3 2023 is due to a significant gain on debt settlement. Losses during Q2 2023 and Q3 2022 are significantly lower due mainly to reduced salaries and research and development expenses. The Company recorded a bad debt expense of $129,477 during Q4 2022.

The Company's significant accounting policies are set out in Note 3 of the audited annual consolidated financial statements as at and for the year ended November 30, 2023.

Analysis of Quarterly Results

		Three Months Ended August 31,		Nine Months Ended August 31,	
	Notes	**2024**	**2023**	**2024**	**2023**
		$	$	$	$
Revenues	a)	474,584	275,669	1,291,875	275,669
Cost of goods sold	a)	(135,433)	(144,381)	(418,497)	(144,381)
Accounting and audit fees		(19,218)	(640)	(65,573)	(58,387)
Administrative and general office		(39,077)	(40,887)	(128,811)	(45,729)
Equipment depreciation		(2,604)	(1,854)	(7,183)	(1,854)
Intangible assets amortization	b)	(60,667)	(26,924)	(180,693)	(26,924)
Bank charges and interest		(2,316)	(1,066)	(7,846)	(2,838)
Consulting fees		-	(14,909)	-	(33,511)
Salaries and benefits	c)	(93,474)	(124,594)	(302,367)	(124,594)
Foreign exchange		232	7,062	(2,927)	1,885
Insurance		601	(4,239)	(2,648)	(4,951)
Transfer agent, listing and filing fees		(4,995)	814	(18,019)	(18,271)
Investor relations and marketing	d)	(45,942)	(17,632)	(169,005)	(26,073)
Legal fees		(16,051)	30,297	(35,263)	(52,056)
Share-based payments		(8,886)	(404,845)	(19,936)	(406,619)
Travel and entertainment		(5,279)	(4,747)	(23,197)	(4,747)
Research and development		-	157	-	(40,091)
Interest expense		(13,602)	(8,507)	(42,053)	(8,507)
Other income		-	(17,643)	-	-
Gain on sale of equipment		-	(35)	-	7,231
Gain on debt settlement		-	509,564	-	509,564
Current translation adjustment		(19,990)	-	(11,977)	-

a) Revenue and cost of goods sold:
The increase is due to the Company incurring revenue from licensing its trademarks and formulas after the acquisition of the THC Essentials assets. Note that Nevis only began recognizing revenue from THC Essentials on June 30, 2023.

b) Intangible assets amortization:
The increase is due to the fact that on June 30, 2023, as part of the Transaction with SōRSE, the Company acquired trademarks, which are being amortized using a ten-year straight-line method and customer relationship which is being amortized using a five-year straight-line method.

c) Salaries and benefits:
The increase is due to higher salaries incurred for the CEO, VP of Operations and a few consultants as compared to no salaries during the first seven months of the year ended November 30, 2023 due to cash constraints at the time.

d) Investor relations and marketing:
The increase is due to the fact that during the nine months ended August 31, 2024, the Company engaged in more marketing campaigns subsequent to the Transaction with SōRSE to promote the Company's new business as compared to lower investor relations and marketing costs incurred during the nine months ended August 31, 2023 due to cash constraints at the time.

Liquidity & Capital Resources

The Company has financed its operations to date through the issuance of common shares.

	August 31, 2024	November 30, 2023
	$	$
Working capital deficiency	(150,841)	(237,425)
Deficit	14,154,154	14,417,087

During the nine months ended August 31, 2024, net cash used in operating activities was $38,703 (2023: $273,478), comprised of a loss of $132,143 (2023: $205,184) net of equipment depreciation expense of $7,183 (2023: $1,854), intangible assets amortization expense of $180,693 (2023: $26,924), share-based payments of $19,936 (2023: $406,619), gain on sale of equipment of $nil (2023: $7,231), gain on debt settlement of $nil (2023: $509,564), interest expense of $33,430 (2023: $8,506), a decrease in prepaid expenses of $3,833 (2023: increase of $22,705), an increase in accounts receivable of $92,241 (2023: increase of $162,113) and a decrease in accounts payable and accrued liabilities of $59,394 (2023: increase of $189,416).

During the nine months ended August 31, 2024, cash used in investing activities was $81,896 (2023: cash used in investing activities of $933,065), comprised of purchase of inventory and purchase of equipment.

During the nine months ended August 31, 2024, cash used in financing activities was $180,175 (2023: cash provided by financing activities of $1,765,584), comprised of partial repayment of promissory note partially offset by proceeds from the exercise of stock options.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

Related Party Transactions

The following is a summary of related party transactions that occurred during the three and nine months ended August 31, 2024 and 2023:

		Three Months Ended August 31,		Nine Months Ended August 31,	
Services provided by:		**2024**	**2023**	**2024**	**2023**
		$	$	$	$
Key management salaries/fees	a)	59,738	34,562	198,408	49,562
Share-based payments		3,010	404,845	3,010	404,845
		62,748	439,407	201,418	454,407

Related parties include:
a) Key management salaries include amounts paid to the CEO and CFO.

Included in accounts payable and accrued liabilities is $2,940 (November 30, 2023: $13,127) payable to directors and officers of the Company. The amounts in accounts payable and accrued liabilities are non-interest bearing and due within 30 days. Additionally, there are loans to the Company by directors of the Company totalling $44,713 (US $33,143) (November 30, 2023: $99,707 /US$67,178). The loans are unsecured, due on demand and bear no interest.

Financial Instruments & Other Instruments

(a) Fair value

Financial instruments recognized at fair value on the consolidated statements of financial position must be classified in one of the following three fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability; or

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

As at August 31, 2024 and November 30, 2023, the Company’s financial instruments are comprised of cash, receivables and accounts payable and accrued liabilities. The carrying amounts reported in the consolidated statements of financial position for cash, receivables, short-term loan, and accounts payable and accrued liabilities approximate fair values due to the short-term maturities of these financial instruments.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company considers its exposure to credit risk to be low, as its cash is deposited with a large financial institution with a strong credit rating.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due.

At August 31, 2024, the Company had cash and cash equivalents of $115,227 (November 30, 2023: $418,524) available to apply against short-term business requirements and current liabilities of $887,933 (November 30, 2023: $1,119,072). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of August 31, 2024. The short-term loans payable are due on demand.

On April 22, 2024, the promissory note maturity date was extended from July 31, 2024 to December 31, 2024. On July 16, 2024, the promissory note maturity date was extended to May 31, 2025. During the nine months ended August 31, 2024, $205,174 (US $150,000) of principal on the promissory note was repaid.

(d) Currency risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar. The Company does not manage currency risks through hedging or other currency management tools.

As at August 31, 2024 and 2023, the Company's net exposure to foreign currency risk is as follows:

US dollars	2024	2023
	$	$
Cash	61,806	8,213
Accounts receivable	217,032	116,348
Accounts payable	(222,376)	(152,359)
Short-term loan	(33,143)	(2,135)
Promissory note	(390,340)	(500,000)
Net exposure to foreign currency risk	(367,021)	(529,933)
Canadian dollar equivalent	(495,148)	(717,052)

Based on the above net foreign currency exposure, and assuming all other variables remain constant, a 7% weakening or strengthening of the Canadian dollar against the US dollar would have an immaterial effect on the Company's net loss and comprehensive loss.

(e) Other price risk

Other price risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

Risks and Uncertainties

Overview

An investment in the Company's shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the company and its business, shareholders should carefully consider, in addition to the other information contained in this management discussion and analysis, the following risk factors. These risk factors are not a definitive list of all risk factors associated with the Company. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Investors should not rely upon forward-looking statements as a prediction of future results.

Risks Pertaining to the Company's Business

Limited Operating History

The new business of the Company, THC Essentials, has a limited operating history upon which its business and future prospects may be evaluated. Although there is a prior history of revenue from the THC Essential Trademarks, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating requirements, it will need to be successful in its growth, marketing, and sales efforts. There are no assurances that the Licensed Products can be successfully marketed in the future or that there will not be U.S. FDA changes in rules, an initiation of investigations, other regulatory actions taken, or changes in state regulations.

Additionally, where the Company experiences increased production and future sales, its current limited operational infrastructure may require changes to scale its business efficiently and effectively to keep pace with demand and achieve long-term profitability. If the Company's future Licensed Products are not accepted by future customers, the Company's operating results may be materially and adversely affected. As the Company produces new Licensed Products, there is no guarantee that the market will embrace the new Licensed Products.

Regulatory Risks and Uncertainties
Although none of the current licensed Products currently require regulatory approval other than the requirement that the Licensees be licensed under state cannabis laws, there is no assurance that this will continue, as the states in which recreational cannabis is legal could at any time impose new regulatory requirements. The success of the Company's business is dependent on its activities continuing to being permissible under applicable state laws, and any change could have a material negative impact on the Company's business and success. There can be no assurance that the Company will not experience difficulties with its efforts to comply with applicable regulations as they change in the future or that its continued compliance efforts (or failure to comply with applicable requirements) will not have a material adverse effect on the Company's results of operations, business, prospects, and financial condition.

Plans for Growth
The Company intends to continue to license the Trademarks and Licensed Know-How and supply the bottles and labels for the Products in the states in which the Licensed Product are currently sold and to expand to other states where recreational cannabis is legal. If the Company experiences growth, it will place a significant strain on the Company's management systems and resources and impede the implementation of its business strategy in a rapidly evolving market, which may have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Limited Marketing and Sales Capabilities
The Company will, for the immediate future, have limited marketing and sales capabilities, and there can be no assurance that it will be able to develop or acquire these capabilities at the level needed, on a cost-effective basis, or at all, to expand the sale of the Licensed Products through industry sales alliance and other business partners. The Company's dependence upon third parties for the production, marketing, or sale, as applicable, of the Licensed Products could have a material adverse effect on the Company's business, financial condition, and results of operations.

Compared to other companies involved in the cannabis industry, the Company is very small, has few resources, and must limit its marketing and product development. The Issuer is a small company in an industry dominated by many larger companies that have substantial amounts of capital and management expertise. The Issuer does not have the human resources or financial resources to compete with senior companies in the cannabis industry, which could and probably would spend more time and money developing and marketing infused beverages. As a result, the Company must limit its marketing and product development unless it raises further capital, likely by the sale of its Shares.

No Assurance of Continued Commercial Success
The Company's continuing success depends on its ability to establish and maintain working partnerships with industry participants in order to market the Licensed Products, the Company's ability to supply a sufficient amount of its bottles and labels to meet market demand, and the number of competitors within each jurisdiction within which the Company may be engaged from time to time. There can be no assurance that the Company or its industry partners will be successful in their respective efforts to continue sales and to expand the markets in which the cannabis drinks are sold.

No Profits or Significant Revenues
THC Essentials has been operating only since 2018, so there has been no significant history upon which to evaluate its performance and future prospects. THC Essentials operations are subject to all the business risks associated with new enterprises. These include likely fluctuations in operating results as the Company makes investments in product opportunities and reacts to developments in its market, including the purchasing patterns of customers and the effect of competitors. In addition, there is no assurance that future profitability will be sustained or that future revenues will be sufficient to generate the funds required for the Company to fund its operations, business development, and marketing. If the Company fails to do so, it may be required to reduce its sales and marketing efforts or forego certain business operations. The Company will only be able to pay dividends on any shares once its directors determine that it is financially able to do so. The Company cannot make any assurance that it will be profitable in the next three years or generate sufficient revenues to pay dividends to the holders of the Shares.

Reliance on Third-Party Manufacturers and Licensees
The Company does not manufacture any of the items used in the manufacture of the Licensed Products. It will continue to outsource the manufacture of the bottles, tops, labels, and shipping boxes to various manufacturers that ship the bottles and labels to the Licensees. There can be no assurances that these manufacturers will be able to continue to meet the Company's timetable and requirements or that the Company will be able to arrange for alternative thirdparty manufacturing sources on commercially reasonable terms or in a timely manner, which could delay the fulfillment of orders for bottles, tops, labels, and shipping boxes. The Company's dependence upon the third-party manufacturers may adversely affect its profit margins and its ability to ensure the manufacture and delivery of the bottles, tops, labels, and shipping boxes on a timely and competitive basis.

Trademark Protection
Failure to register new trademarks and maintain existing Trademarks by the Company could require a rebranding of the Licensed Products, resulting in a material adverse impact on its business. There is no guarantee that the Company will be able to identify and diligently defend such rights against any third parties' usage of the same or similar marks. Trademark protection is important to protect the Company's brand development and good will. If the Company infringes upon the trademark of another company, the Company may be forced to stop using those marks and could be liable for damages caused by any such infringement.

Promoting the Brand
Promoting the Company's brand will be critical to creating and expanding a customer base and to realizing cash flow. If the Company fails to successfully promote its brand or incurs excessive expenses in this effort, its business and financial results from operations could be materially adversely affected.

Competition
There is intense competition in the cannabis industry. There are a large number of companies, both public and private, that have much greater resources than those of the Company.

Customer Demand
The Company intends to target a large and diverse customer base to achieve its desired level of revenue. The Company's ability to attract customers is dependent on a number of factors, including offering high-quality products at a competitive price, the strength of its competitors, and the abilities of its sales and marketing teams. The failure to attract customers or obtain new business from existing customers may result in the Company not achieving its desired level of revenue as quickly as anticipated, if at all.

Costs of Operating as a Reporting Issuer
As a Reporting Issuer, the Company will continue to incur significant legal, accounting, and other expenses. As a Reporting Issuer, the Company is subject to various securities rules and regulations, which impose various requirements on the Company, including the requirement to establish and maintain effective disclosure and financial controls and corporate governance practices. The Company's management and other personnel need to devote a substantial amount of time to these compliance initiatives.

Reliance on Key Personnel
The Company is dependent upon the services of its management team for the successful operation of its business. The loss of these services could affect the business. If the Company cannot successfully recruit and retain the personnel it needs, or replace key personnel after departure, the Company's ability to develop and manage its business will be impaired. John Kueber's ongoing involvement as the Company's CEO is important to the Company's success.

Novel Coronavirus – "COVID-19"
The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, including the implementation of travel bans, self- imposed quarantine periods, and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. However, depending on the length and severity of the pandemic, COVID-19 could impact the Company's operations and could impair the Company's ability to raise funds, depending on COVID-19's effect on capital markets. To the knowledge of the Company's management as of the date hereof, COVID-19 does not present, at this time, any specific known impacts to the Company in relation to the timelines, business objectives, or disclosed milestones related thereto. The Company is not currently aware of any changes in laws, regulations, or guidelines, including tax and accounting requirements, arising from COVID-19, which would be reasonably anticipated to materially affect the Company's business.

Litigation
The Company is not subject to any litigation and is unaware of any possible litigation proceedings. A settlement agreement was reached, on June 22, 2023 with the former CEO, Robert Gietl.

Inflation
Inflationary pressure may also affect the Company's labour, commodity, and other input costs, which could affect the Company's financial condition and the production of the Products. Throughout 2021 and 2022, global inflationary pressures increased,

caused by the ongoing COVID-19 global pandemic and related lockdowns, and the war in Ukraine, which has caused increasing global energy costs and a shortage of agricultural commodities.

Environmental, Health and Safety Laws and Regulations
The Company's operations are not affected by environmental, health, and safety regulations as it does not manufacture any items used in the Licensed Products.

Financial and Accounting Risks

Negative Cash Flow from Operating Activities and Additional Capital Requirements
The Company has had negative cash flow from operating activities from inception. Positive cash flow is now dependent on the operations from its acquisition of THC Essentials. Future capital investment may be required for the Company's future operations. The Company's net losses have had and will continue to have an adverse effect on, among other things, shareholder equity, total assets, and working capital. Accordingly, the Company may be required to obtain additional financing in order to meet its future cash commitments. There is no assurance that additional financing will be available on terms acceptable to the Company.

Availability of Financing
The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company for further operations since it will depend upon the capital market conditions and the business success of the Company. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities or respond to competitive pressures and remain in business.

Financial Position and Results of Operations
The Company's actual financial position and results of operations may differ materially from management's expectations, and the Company's revenue, net income, and cash flow may differ materially from the Company's projected revenue, net income, and cash flow. The process for estimating the Company's revenue, net income, and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed and may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Risks Related to Securities of the Company

Volatile Public Market for the Shares
Fluctuations in the market price of the Shares could cause investors to lose all or part of their investments. Factors that could cause fluctuations in the trading price of the Shares include: (a) announcements of new offerings of Shares and new Licensed Products, commercial relationships, acquisitions, or other events by the Company and its competitors; (b) price and volume fluctuations in the overall stock market from time to time; (c) significant volatility in the market price and trading volume of comparable companies; (d) fluctuations in the trading volume of the Shares or the size of the Company's public float; (e) actual or anticipated changes or fluctuations in the results of operations; (f) whether the results of operations meet the expectations of securities analysts or investors; (g) litigation involving the Company, its industry, or both; (h) regulatory developments; (i) general economic conditions and trends; (j) major catastrophic events; (k) escrow releases or sales of large blocks of the Shares; (l) departures of key employees or members of management; or (m) an adverse impact from any of the other stated risks.

CSE Listing
In the future, the Company's securities may fail to meet the continued listing requirements to be listed on the CSE. If the CSE delists the Shares, the Company could face significant material adverse consequences, including a limited availability of market quotations for the Shares, a limited amount of news and analyst coverage of the Company, and a decreased ability to issue additional securities or obtain additional financing in the future.

Volatile Market Price for Shares
The market price of the Shares may be volatile. The volatility may affect the ability of holders to sell the Shares at an advantageous price or at all. Market price fluctuations in the Shares may be adversely affected by a variety of factors relating to the Company's business, including fluctuations in the Company's operating and financial results, such results failing to meet the expectations of securities analysts or investors and downward revisions in securities analysis' estimates in connection therewith, sales of additional Shares, governmental regulatory action, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors, including, without limitation, those set forth under the heading "Forward-Looking Statements." In addition, the market price for securities on stock markets, including the CSE, is subject to significant price and trading fluctuations. These

fluctuations have resulted in volatility in the market prices of securities that often have been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may materially adversely affect the market price of the Company. Additionally, the value of the Shares is subject to market value fluctuations based upon factors that influence the Company's operations, such as legislative or regulatory developments, competition, technological change, and changes in interest rates or foreign exchange rates. There can be no assurance that the market price of the Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance.

No Dividends

The Company's current policy is, and will be, to retain earnings to finance the development and enhancement of its Products and to otherwise reinvest in its business. Therefore, the Company does not anticipate paying cash dividends on the Shares in the foreseeable future. Until the time that the Company does pay dividends, which it might never do, its shareholders will not be able to receive a return on their Shares unless they sell them.

Enforcement of Judgments Against Certain Persons

There is some doubt as to the enforceability in the United States by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the United States may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the United States agrees to hear a claim, it may determine that the local law in the United States, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law in such circumstances.

Other MD&A requirements

Information available on SEDAR

As specified by National Instrument 51-102, the Company advises readers of this MD&A that important additional information about the Company is available on the SEDAR website – www.sedar.com.

Disclosure by venture issuer

An analysis of the material components of the Company's general and administrative expenses is disclosed in the condensed interim consolidated financial statements for the three and nine months ended August 31, 2024 and 2023.

Outstanding share data

Common shares issued and outstanding as at August 31, 2024 are described in detail in Note 7 to the condensed interim consolidated financial statements for the three and nine months ended August 31, 2024 and 2023.

As at the date of this document, the Company had the following number of securities outstanding:

Number of shares Issued and outstanding	Number of options	Exercise price	Expiry date
38,390,327			
	80,000	$0.40	April 20, 2026
	250,000	$0.12	March 1, 2029
	200,000	$0.13	July 16, 2029
	1,990,000	$0.10	July 6, 2033