



Vext Science, Inc.

**MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING
DECEMBER 31, 2021**

Dated as of April 19, 2022

(All amounts expressed in U.S. dollars, unless otherwise stated)

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

This Management’s Discussion and Analysis (“MD&A”) contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include, but are not limited to, statements regarding future expansion, business goals, anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, business and financing plans, and other forward-looking statements including, but not limited to, information concerning intentions, plans and future actions of the Company.

In connection with the forward-looking information contained in this MD&A, the Company has made assumptions about the Company’s ability to expand operations; profitably license its brands and operate in the future without any regulation or law imposed which would prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company’s normal course of business.

The forward-looking information in this MD&A reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company’s ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

BACKGROUND

This MD&A has been prepared for the year ending December 31, 2021, and it presents an analysis of the consolidated financial position of Vext Science, Inc. (“Vext” or the “Company”) for the year ended December 31, 2021. The following information should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2021, including the notes contained therein. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

The consolidated financial statements of the Company include the financial statements of the Company and its direct subsidiaries, indirect subsidiaries that are not wholly owned by the Company and other entities consolidated other than on the basis of ownership:

Name	Jurisdiction	Ownership
Vext Science, Inc.	BC, Canada	100%
Subsidiaries:		
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Delaware, USA	100%
New Gen Admin Services, LLC	Arizona, USA	100%
New Gen Agricultural Services, LLC	Arizona, USA	100%
New Gen Real Estate Services, LLC	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
New Gen Phoenix (PHX), LLC	Arizona, USA	100%
New Gen Eloy, LLC	Arizona, USA	100%
New Gen Prescott (PV), LLC	Arizona, USA	100%
Pure Touch Botanicals, LLC	Arizona, USA	100%
Vapen, LLC	Arizona, USA	100%
Vapen CBD, LLC	Arizona, USA	100%
RDF Management, LLC	Arizona, USA	100%
Firebrand, LLC	Arizona, USA	100%
Joint Ventures:		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen-Oklahoma, LLC	Oklahoma, USA	25%
Happy Travels, LLC	California, USA	50%

Vext, through its wholly owned subsidiaries, currently operates in the U.S. as an agricultural technology, services and property management company utilizing a full vertical integration business model to oversee and execute all aspects of cultivation, extraction, manufacturing (THC and CBD cartridges, concentrates, edibles), retail dispensary, and wholesale distribution of high margin cannabis THC and hemp CBD products under the Vapen and Pure Touch Botanicals brands. Vext's expansion plans include continuing to invest in expansion and efficiencies of AZ operations and partnering with cannabis license holders within the U.S.

New Gen Holdings, Inc is a service company that provides services to Herbal Wellness Center Inc. ("HWC"), licensed dispensaries for medical marijuana products and extracts pursuant to licenses granted by the State of Arizona. On April 6, 2020, the Company acquired 100% membership interest in Firebrand, LLC and RDF Management, LLC, which owned management contracts to provide services to Organica Patient Group Inc., and Organica Patient Group Medical Marijuana Dispensary. As a result of this acquisition, the Company through its operating subsidiaries, has management contracts with two licensed medical marijuana dispensaries in the State of Arizona.

During the period covered by this MD&A, the Company continued its expansion strategy by entering into additional joint venture agreements, management service agreements, and operating agreements with partners located in various states in the United States. As of the date of this MD&A, four of these relationships have commenced commercial operations.

MATERIAL EVENTS THAT OCCURRED DURING THE YEAR ENDED DECEMBER 31, 2021

On January 22, 2021, the state of Arizona's adult use marijuana program became effective. HWC and Organica began selling to adult use customers January 28, 2021.

On February 8, 2021, the Company closed a public offering of 18,515,000 units of the Company (the "Units") at a price of CAD\$1.12 per Unit for aggregate gross proceeds of \$16,259,725 (CAD\$20,736,800) (the "Offering"). Each Unit is comprised of one Subordinated Voting Share and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD\$1.40 until February 8, 2024. As compensation, the Company paid to the Agents a cash fee of \$1,113,530 (CAD\$1,420,138) and issued to the Agents an aggregate of 1,357,980 share purchase warrants (the "Agents' Warrants"). Each Agents' Warrant entitles the holder thereof to purchase one Subordinated Voting Share at an exercise price of CAD\$1.12 per Subordinated Voting Share until February 8, 2024.

On February 8, 2021, the Company closed a non-brokered private placement of 1,395,000 units (the "Units") at a price of CAD\$1.12 per Unit for a total of \$1,225,078 (CAD\$1,562,400). Each Unit is comprised of one Subordinated Voting Share and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD\$1.40 until February 8, 2024.

On February 10, 2021, the Company settled the remaining balance of \$250,000 that was owed to Robert Brilon, the former CFO, Corporate Secretary, President and Director.

On March 10, 2021, the Company announced that it had appointed Vahan Ajamian as Chief Financial Officer. Mr. Ajamian replaced Denise Lok, who left for personal reasons. Mr. Ajamian will also assume the responsibilities of Corporate Secretary. As part of this appointment, Mr. Ajamian was granted 100,000 options at CAD\$0.96 which expire March 10, 2031.

On March 15, 2021, the Company announced that it entered into a binding LOI to establish a retail presence in Ohio through a joint venture in which it intends to acquire a 50% economic interest.

On May 20, 2021, the Company announced that it received approval from the State of Arizona to begin operations in its recently expanded, dedicated extraction and manufacturing facility in Phoenix. As part of the move to a dedicated footprint, Vext increased overall space by four times and built additional automation into its processes. The expansion includes: additional extract and concentrates production space; a tripling of the Company's kitchen capacity in order to meet growing demand for edibles as the Arizona adult-use market develops; a re-designed finished goods area to support increased efficiency and throughput; and a dedicated product development lab, which the Company will utilize to continue innovating the Vapen line of branded products.

The Company entered into three separate purchase agreements to acquire: a vacant industrial facility located in Eloy, Arizona (New Gen Eloy); the Company's managed indoor cultivation facility in Phoenix, Arizona (New Gen Phoenix); and its managed indoor cultivation facility in Prescott Valley, Arizona (New Gen Prescott).

On May 25, 2021 the Company paid approximately \$6.55 million in cash consideration upon closing of the Transactions, representing the outright purchase of the Eloy facility, and deposits on the Phoenix and Prescott Valley facilities. The Company entered into owner financing arrangements for the balance of the Phoenix and Prescott Valley facilities. The acquisition of the Phoenix facility closed in May 2021. The acquisitions of the Eloy and Prescott Valley facilities closed in June 2021.

On July 6, 2021, the Company announced that it has signed a Memorandum of Understanding (“MOU”) with SōRSE Technology Corp. (“SōRSE”) to exclusively produce and sell SōRSE’s MAJOR cannabis-infused beverages in Arizona. SōRSE is a leader in water-soluble emulsion technology for integrating functional ingredients into commercially available consumer packaged goods. The Company began selling MAJOR beverages in October 2021.

On July 20, 2021, the Company announced that the provisional cannabis dispensary license in Ohio for which the Company and its joint venture partner have a binding LOI to access, has become operational. Once the licensed entity has been operational for 12 months, the Company and its joint venture partner may apply to the Ohio Board of Pharmacy for a change in ownership of the provisional license.

On July 28, 2021, the Company announced that it has signed an agreement with Agtech PA LLC (“Agtech”) to exclusively produce and sell Wynk THC seltzers (“Wynk”) in Arizona. Vext began selling Wynk beverages in October 2021.

On October 18, 2021, the Company announced that it had received approval to have ownership of a manufacturing operation in Ohio, through a 37.5% ownership interest in Appalachian Pharm Processing, LLC, an Ohio limited liability company (“APP”). In July 2022, the Company expects to apply to the Ohio regulators, through another affiliated joint venture partner (the “Joint Venture”), to transition an operating cannabis dispensary license to the Joint Venture. The combination of these acquisitions, once approved by the Ohio regulators and completed, will move the Company closer to vertical integration in Ohio, which is an attractive limited license state with the potential for a future transition into an adult-use market.

On November 17, 2021, the Company announced that an affiliated entity (the “Affiliate”) of Appalachian Pharm Processing, LLC, an Ohio limited liability company (“APP”), has received a Level I Cultivator provisional license (the “License”) to be collocated at the APP facility at 16064 Beaver Pike, Jackson, Ohio (the “Facility”). The License, granted by the Ohio Department of Commerce, will enable the Affiliate to build-out an initial cultivation area of up to 25,000 square feet, with the potential to expand up to 50,000 square feet following further application and approval.

On December 6, 2021, the Company announced that it agreed with all of the holders of the currently outstanding secured non-convertible debentures of the Company issued December 31, 2019 (the “Debentures”), holding an aggregate principal amount of \$4,400,000 in Debentures, to an extension from their current maturity date of December 31, 2021 to December 31, 2022. All other terms of the Debentures remain unchanged.

COMPANY OVERVIEW

The Company was incorporated in British Columbia, Canada on December 11, 2015, and its head office are located at 2250 – 1055 West Hastings Street, Vancouver, BC, Canada, V6E 2E9. On May 13, 2019, the Company commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “VEXT”. On July 12, 2019, the Company commenced trading on the OTCQX Best Market under the ticker symbol (OTCQX: VEXTF).

On December 31, 2018, the Company closed a share exchange agreement where it acquired all the issued and outstanding shares of New Gen Holdings Inc. (“New Gen”) in exchange for certain shares of the Company. New Gen incorporated in the State of Wyoming on July 8, 2014. New Gen has several wholly owned subsidiaries for the purpose of providing exclusive operating services to Herbal Wellness Center Inc. (HWC), a not-for-profit company that holds licenses to cultivate, extract, and dispense connoisseur-grade cannabis brands and cannabis-related products in Arizona. New Gen manages the activities of its operating subsidiaries and has done so since incorporation.

The Company is an agricultural technology, services and property management company utilizing a full vertical integration business model to oversee and execute all aspects of cultivation, extraction, manufacturing (THC and CBD cartridges, concentrates, edibles), retail dispensary, and wholesale distribution of high margin cannabis THC and hemp CBD products. The Company currently provides these management and marketing services in Arizona to two licensed dispensaries. The Company has also entered into management agreements, operating agreements, investments, or non-binding letters of intent at the date of this MD&A in Kentucky, Nevada, Hawaii, Massachusetts, California, Ohio, and Oklahoma. The Company has developed proven and sought after standard operating procedures (SOPs) to produce a full line of branded flower, Vapen branded THC and CBD distillates, concentrates, extracts, and edibles.

The Company has built and operates a service business for cannabis cultivation and processing located in the State of Arizona. Products produced under contract are sold through Herbal Wellness Center (“HWC”) and Organica Patient Group Medical Marijuana Dispensary (“Organica”), both licensed not-for-profit dispensaries located in Phoenix, Arizona. In other jurisdictions, the Company will provide SOPs and extraction expertise to partners pursuant to operating agreements. Products produced from these facilities will be branded as “Vapen”. The Company may assist in opening retail dispensaries where appropriate. The model minimizes the capital needed to enter new markets by avoiding, where appropriate, the costs and time associated with licensing and acquiring real estate. The business model provides both near term return on invested capital and minimized lead time to market.

The Company’s multi-state operations encompasses a medical and adult-use cannabis and CBD products and services, including cultivation, processing, product development, and wholesale and retail distribution. Cannabis products include flower and trim, products containing cannabis flower and trim (such as pre-rolls), cannabis infused products, and products containing cannabis extracts (such as cartridges, concentrates, wax products, oils, tinctures, topical creams, and edibles). CBD products include tinctures, lotions, balms, cartridges, and other delivery systems.

The Company will enter new markets with limited capital risk, leveraging its operational expertise and brand strength. As a leader in the Arizona market, the Company is now monetizing both its manufacturing, cultivation and distribution expertise. The Company has negotiated joint ventures, management agreements and operating agreements in multiple states, most of which have commenced production at the date of this MD&A. The Company continues to grow by reinvesting its net profits back into the business.

Competitive strengths:

Product Development, Branding and Standard Operating Procedures (“SOPs”): The business commenced in Arizona, where the Company entered the market to provide cultivation, extraction and manufacturing, support for retail and wholesale distribution for high margin cannabis THC and hemp CBD through HWC. The Vapen brand is widely recognized throughout the State of Arizona.

The Company’s established SOPs provide consistency in product quality whether flower, extracts or edibles. Industry participants have sought out these capabilities, thus enabling a rapid expansion into other markets, many without the inherent time and costs associated with either direct license acquisition or the acquisition of existing operations. For this reason, the Company’s footprint is expanding rapidly with minimal capital requirements. The Company may also seek out attractive acquisitions of existing operations that are accretive.

The Company’s established operations in Arizona are positioned for continued growth and with the passage of Proposition 207 legalizing cannabis for adult use, the Company is expected to handle increased demands.

Licensing SOPs and Acquisitions: The strategy is to identify opportunities where the Company can deliver its SOPs to a rapidly expanding national and international market, where medical and recreational markets are converging and where the ability to penetrate both retail and wholesale markets effectively with the Vapen brand is quantifiable. Secondly, the Company seeks out partners for joint ventures and management agreements who have strength in cultivation, licenses, and real estate to support its extraction capabilities for both high margin cannabis THC and hemp CBD.

High Quality Cannabis and CBD Products: The Vapen Clear THC high quality solvent-free concentrates include daytime (sativa), afternoon (hybrid), and nighttime (Indica) products, offered with multiple and convenient delivery options. Vapen extracts include high quality products produced from premium biomass. Vapen Clear THC products can be produced from any cannabis biomass thus complementing state-by-state expansion plan without compromising quality.

Vapen CBD and Pure Touch Botanicals branded products complement the Vapen brand and facilitate multi-state expansion plans.

Edibles produced under the Vapen Kitchens Brand consist of Vapen Clear infused products, THC chocolate bars, THC syrup, THC snacks, candies, and gummies. Vapen branded products have earned industry-wide recognition.

Management Team: The Vext management team possesses expertise in the cannabis industry, finance, capital markets, regulations, operations, project management, and marketing. This team has proven its ability to grow and scale companies, skills that have been inherited from the experience gained by the team over many years.

Replicable Processes and Scalability. The Company's production processes are replicable and scalable, resulting in consistent quality and taste across all the Company's products. SOPs utilized in the Arizona operation are being deployed in other states under various agreements.

Growth Strategies and Strategic Priorities:

Growth of Core Arizona Business: Marketing and sales strategies are focused on attracting new and existing patients and customers to the dispensaries and the Vapen CBD and the Pure Touch Botanicals CBD.

The acquisition of the Organica management agreement through acquiring RDF Management, LLC provides the Company another organization to support with the infrastructure developed. With the Company now managing Organica, an application to relocate the dispensary to North Phoenix was approved and the dispensary began operating on July 10, 2020.

On May 25, 2021 the Company paid approximately \$6.55 million in cash consideration upon closing of the Transactions, representing the outright purchase of the Eloy facility, and deposits on the Phoenix and Prescott Valley facilities. The Company entered into owner financing arrangements for the balance of the Phoenix and Prescott Valley facilities. The acquisition of the Phoenix facility closed in May 2021. The acquisitions of the Eloy and Prescott Valley facilities closed in June 2021.

Joint Ventures and or Management Services Agreements: The Company's growth strategies involve partnering with established operators in multiple states. Several management agreements have been negotiated. In each market, the Company provides the equipment, and operating experience, while the partners provide licensure, access to raw material (biomass), and real estate for the facility to the joint venture. Both the Company and the joint venture partners will provide a working capital loan to the joint ventures which will be repaid to the partners before any distribution of profits.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

The Company began operations in the State of Arizona, through its operating subsidiary, New Gen Holdings Inc. (New Gen), and subsidiaries. The Company was incorporated on December 11, 2015. New Gen was incorporated in the State of Nevada on July 8, 2014. New Gen has multiple subsidiaries for the purpose of providing operating services for not-for-profit cannabis companies that hold licenses to cultivate, extract, infuse and dispense cannabis products in Arizona.

Vext operates under management agreements, joint ventures, joint operation, investments or service agreements in Arizona, Kentucky, Ohio, Oklahoma, Nevada, and California, with the Ohio operations being vertical.

Arizona Operations:

The Company's services are provided individually by operating subsidiaries pursuant to ten-year renewable management services agreements providing, among other things, employee leasing services, physical plant for cultivation and extraction of cannabis and derivative products, agricultural technology and research services, and related management and administrative services.

HWC and Organica sell products on a retail basis to customers holding a valid medical marijuana card and on a wholesale basis to other licensed cannabis operations throughout the State of Arizona. With the passage of Proposition 207, the State of Arizona has legalized adult use. The adult use program licenses were granted to HWC and Organica on January 22, 2021 and both locations began selling adult use January 28th, 2021.

HWC and Organica are independent from the Company and operate pursuant to Arizona law as not-for-profit corporations. The Company's subsidiaries provide services to HWC and Organica enabling both to conduct their respective businesses. With the passage of **Proposition 207**, the dispensaries can be acquired and operated as a for profit entity.

Summary of Operations

For the year ended December 31, 2021, the Company had revenue of \$37,243,709 a gross profit of \$16,431,706 and a profit margin of 44.1%. For the three months ended December 31, 2021, the Company had revenue of \$9,307,944, a gross profit of \$3,953,292 and a profit margin of 42%. Comparatively, for the quarter ended December 31, 2020, the Company had revenue of \$6,409,489; gross profit of \$3,018,869; and a profit margin of 47%.

The largest driver of the revenue increase in the fourth quarter of 2021 compared to the fourth quarter of 2020 was product sales, followed by service revenue from the increased staffing demand needed for the dispensary locations.

Organica Patient Group, Inc.

On April 6, 2020, the Company acquired RDF Management, LLC ("RDF") and Firebrand, LLC ("Firebrand"), Arizona based companies, in order to provide exclusive services for the management, administration and operation of Organica Patient Group, Inc. ("Organica"), an Arizona not for profit corporation, which was issued and holds in good standing, a Medical Marijuana Dispensary Registration Certificate, by the Arizona Department of Health Services in the State of Arizona and certain intangible assets (the "Organica Transaction"). Organica has been operational in the Arizona market since 2013, with its retail dispensary located and operational in Chino Valley, Arizona, which has been relocated to north Phoenix, and its offsite cultivation facility located in and operational in Prescott Valley, Arizona. Organica cultivates and produces medical marijuana and medical marijuana products which are sold and distributed on a retail and wholesale basis in State of Arizona.

RDF Management, LLC

Organica entered into a management services agreement with RDF effective as of March 20, 2020. Pursuant to the terms of the agreement, RDF agreed to provide services to Organica in connection with the operation and management of certain licensed medical or recreational marijuana cultivation, infusion kitchen and extraction facilities or dispensaries.

As noted above, the Company acquired RDF on April 6, 2020. With the acquisition of RDF, New Gen Holdings began providing services directly to Organica. The term of the agreement is 10 years and automatically renews, and Organica pays New Gen Holdings, Inc. for management services and support of the dispensary and cultivation facilities.

Herbal Wellness Center

Herbal Wellness Center has contracted with New Gen Holdings, Inc. for management services, support of retail, cultivation operations and securing supplies. The contract is for 10-year terms and renews automatically.

On December 31, 2018, the Company completed a transaction pursuant to which New Gen Holdings, Inc. became a wholly owned subsidiary of the Company. New Gen Holdings, Inc. was incorporated in the State of Wyoming on July 8, 2014. New Gen Holdings, Inc. has several wholly owned subsidiaries for the purpose of providing exclusive operating services to HWC. New Gen Holdings, Inc. manages the activities of its operating subsidiaries and has done so since its incorporation. On December 31, 2019, the Company and HWC entered into a promissory note, whereby \$2,933,957 was re-classified from accounts receivable into an interest-bearing note. The note bears an interest rate of 10% per annum, beginning on January 1, 2020. As at December 31, 2021, the remaining outstanding balance is \$1,082,873 with accrued interest.

Joint Ventures and Joint Operations

None of the Company’s joint ventures or joint operation are with related parties of the Company.

STATE	FOOTPRINT	VAPEN PRODUCTS IN MARKET	PRODUCT TYPE	VEXT RELATIONSHIP	VEXT ECONOMIC INTEREST	CURRENT STATUS	EXPECTED SHORT TERM DEVELOPMENTS
Ohio	Cultivation, Processing and/or Wholesale	Yes	THC	Investment	NA	Vapen actively being sold at dispensaries in the market	Expanding SKUs and on-shelf presence
	Retail	NA	NA	LOI	NA	Current license holder received Certification of Operation and is fully functional	Vext and current license holder may apply for a change in ownership in Q3 2022
Kentucky	Processing and/or Wholesale	Yes	CBD	Joint Venture	50%	Operating and selling wholesale product	Working on securing base load supply contracts
Nevada	Processing and/or Wholesale	Yes	THC	Service Agreement	Licensing Fee	Vapen actively being sold at dispensaries in the market	Expanding on-shelf presence for Vapen brand
Oklahoma	Processing and/or Wholesale	Yes	THC	Joint Venture	25%	Expanding SKUs and on-shelf presence	Expanding outdoor cultivation and increasing product quality
California	Processing and/or Wholesale	Yes	THC	Joint Operation	~50%	Vapen actively being sold at dispensaries in the market	Expanding on-shelf presence for Vapen brand

Vapen Oklahoma, LLC

Vapen, LLC entered into an operating agreement dated effective March 5, 2020 with Texoma Processing and Extraction, LLC (“TPE”) to form a joint venture, Vapen Oklahoma, LLC (“Vapen OK”). Vapen OK conducts business in Oklahoma. Operations commenced in the second quarter of 2020. Vapen, LLC is a minority member of Vapen OK, owning 25%, with TPE owning the remaining 75% interest. Both TPE and Vapen, LLC have agreed to contribute equal amounts of capital to cover the initial expenses and assist in operations. Pursuant to the terms of the agreement, Vapen, LLC has agreed to provide equipment, training, SOPs, marketing and branding, and working capital loans as needed for startup. TPE has agreed provide the licensing, facilities, and working capital for startup as needed. Members have agreed to provide Vapen OK with certain assets in order to enable Vapen OK to operate a cannabis extraction and kitchen facility and other business (TPE will provide physical space and Vapen, LLC will provide equipment). Each of Vapen, LLC and TPE will enter into a loan agreement with Vapen OK with respect to such party’s contribution to the joint venture. Vapen, LLC has agreed to license the Vapen brand to Vapen OK for Vapen OK to utilize during the term of the joint venture, and Vapen OK will be able to utilize the Vapen brand, without any licensing fees. All advances to Vapen OK must be repaid before there is any distribution to the joint venture members. As at December 31, 2021, the Company loaned Vapen OK \$1,477,426 for working capital. The working capital loan is interest free.

Vapen Kentucky, LLC

Vapen, LLC entered into an operating agreement dated effective February 1, 2020 with Emerald Pointe Hemp, Inc. (“EPH”) and formed a joint venture, Vapen Kentucky, LLC (“Vapen KY”). Vapen KY conducts business in Kentucky. Operations commenced in the first quarter of 2020. Pursuant to the terms of the agreement, Vapen, LLC will supply equipment, training, SOPs, and working capital for startup as needed. EPH will supply building, licensing, access to biomass from its existing farming operations and working capital for startup as needed. Products will primarily be sold through wholesale distribution channels worldwide. Each party owns 50% of Vapen KY and shares in net profits on a 50/50 basis. Both members have agreed to contribute equal initial capital contributions. Funding arrangements also include a pre-operational budget and an annual operating budget. Each member can designate an individual to be on the board of managers (which exercises all powers of Vapen KY). No action of the managers or Vapen KY shall require member approval. All advances to Vapen KY must be repaid before there is any distribution to the joint venture members. As at December 31, 2021, the Company loaned Vapen KY \$1,305,520 for working capital. The working capital loan is interest free.

Happy Travels, LLC

On June 10, 2020, Vapen, LLC entered into a joint operation agreement with Green Goblin Inc. (GG) to operate Happy Travels, LLC (“Happy Travels”). Happy Travels conducts business in San Diego, California. Vapen and GG will utilize Happy Travels and its commercial manufacturing license to jointly operate a commercial cannabis manufacturing, extraction and kitchen facility in the state of California. Vapen is supplying equipment, training, SOPs and working capital as needed to Happy Travels. The title and rights to the equipment supplied by Vapen, LLC will remain with Vapen, LLC. GG has agreed to supply the building, licensing, and access to biomass to Happy Travels. The Company and GG have equal voting rights. Vapen, LLC is entitled to 50% of all profits received by the joint operation and has agreed to cover 50% of all losses. In the event of a sale of Happy Travels or substantially all of the assets of Happy Travels, including a change in the membership of Happy Travels, Vapen, LLC will be compensated as if it has a 50% interest in Happy Travels. Vapen, LLC has agreed to provide Happy Travels working capital loans, and Happy Travels’ repayment obligations will begin when Happy Travels attains \$400,000 in working capital. All revenues and profits will be shared equally between Vapen, LLC and GG. All advances to Happy Travels must be repaid before there is any distribution to the joint venture members. The term of the initial joint operation will be three years, with automatic successive renewal terms of additional two-year periods. As at December 31, 2021 \$360,778 was advanced to Happy Travels, and \$332,615 is the Company’s portion of funds Happy Travels advanced Green Goblin. These are personal guarantees of Green Goblin principals.

Investments, Management Agreements, and Non-Binding Letters of Intent

Las Vegas Wellness and Compassion, LLC

Vapen, LLC entered into a management services agreement and intellectual property and commercialization agreement with Las Vegas Wellness and Compassion, LLC (“LVWC”) effective as of September 6, 2019. Vapen, LLC earns a participation fee (the “Participation Fee”) equal to 33% of the net income of LVWC as calculated in accordance with the management services agreement, with such Participation Fee to be paid on an annual basis. The management services agreement has a five-year term and is renewable for consecutive five-year terms. The intellectual property and commercialization agreement sets out the trademarks for all licensed products to LVWC and from which LVWC will derive revenue and from which Vapen, LLC will receive its Participation Fee.

Legacy Ventures Hawaii, LLC (Discontinued)

On August 22, 2019, Vapen CBD, LLC, a subsidiary of Vapen, LLC, entered into a subscription agreement to purchase 350,000 Class B Units of Legacy Ventures Hawaii, LLC (“Legacy”) for a total purchase price of \$350,000, representing a 12.28% membership interest in Legacy. Legacy was formed to make an investment in Archipelago Ventures Hawaii, LLC. (“Archipelago”). As of December 31, 2021, the Company had invested additional funds for a total of \$425,350 in its membership interest in Legacy. Archipelago was formed as a partnership between Arcadia Bio Science Inc. and Legacy to engage in the cultivation and production of Hemp related products in Hawaii. Vapen CBD, LLC was issued 175,000 Class A Units (19.62% membership) of Legacy as of June 30, 2021 as consideration for providing services related to Archipelago’s business. At September 30, 2021 the Company determined that its investment in Legacy Ventures Hawaii was impaired due to delays created from COVID restrictions on Molokai (Hawaiian Islands) and changes within the regulatory positions of Hawaii in regards to CBD cultivation and processing. As a result, the Company chose to write down 50% of its investment, \$212,675, in Legacy Ventures Hawaii during the third quarter of 2021 while it continues to retain its 19.62% ownership interest. The Company wrote off the remainder of its investment during the fourth quarter of 2021.

Appalachian Pharms Processing, LLC

On March 30, 2020, the Company's wholly owned subsidiary, Vapen, LLC ("Vapen"), entered into a non-binding letter of intent (the "LOI") with Appalachian Pharms Processing, LLC ("App Pharms") to form a joint venture in Ohio related to the manufacturing, production and sale of medical cannabis (marijuana) products in Ohio, pursuant to, and subject to, applicable Ohio state law. On March 15, 2021, the Company entered into a Letter of Intent (the "LOI") with Appalachian Pharms Processing 1803 LLC (APP1803) to acquire an option for dispensary license in Ohio. Through a Vext subsidiary, the Company will have a 50% economic interest and a 48% ownership for the license. Vext's total contribution for the option would be \$4,000,000 plus accrued interest.

Per the LOI, Vext and APP1803, has executed a convertible loan agreement. The convertible loan agreement will transfer the ownership of the license, per Ohio State regulations in 2022. Through December 31, 2021 Vext has made payments of \$4,000,000 with accrued interest of \$164,066 plus an additional payment of \$320,000 for license fee for a total of \$4,484,066. Vext has fully funded its obligation per the LOI to acquire 50% economic interest and a 48% ownership in the license.

In addition to the Loan Agreements, the Company loaned a further \$570,000 in working capital to APP 1803, LLC pursuant to the LOI for a total of \$5,054,066 as of December 31, 2021.

An additional \$110,000 was loaned to APP1804, a second new dispensary in Ohio, under the original LOI with APP1803 as of December 31, 2021.

Appalachian Pharms Processing was loaned \$477,755 as of December 31, 2021 as additional working capital per the LOI.

March 30, 2020, Vapen agreed, and subsequently advanced to Appalachian Pharms Processing, LLC, \$500,000 in two equal installments of \$250,000 on April 1, 2020 and April 6, 2020, for the exclusive purpose for the manufacturing and production of cannabis products as well as associated expenses.

As of the date hereof, the Company has loaned to Appalachian Pharms Processing and APP 1803 an aggregate of \$6,141,821.

As at December 31, 2021, and 2020 the Company's notes receivables related to Ohio consist of the following by location:

APP 1803, LLC	December 31, 2021	December 31, 2020	Total
Contributions	\$ 1,200,000	\$ 2,800,000	\$ 4,000,000
Working capital	570,000	—	570,000
Interest	10,919	153,147	164,066
Deposit for license	320,000	—	320,000
	2,100,919	2,953,147	5,054,066
APP 1804, LLC			
Deposit for license	110,000	—	110,000
	\$ 110,000	\$ —	\$ 110,000
APP Pharms, LLC			
Startup loan	500,000	—	500,000
Working capital	477,755	—	477,755
	\$ 977,755	\$ —	\$ 977,755
Total	\$ 3,188,674	\$ 2,953,147	\$ 6,141,821

The members of App Pharms and APP1803 are essentially the same. They are two separate LLCs within the State of Ohio for the purpose of ownership of the separate cannabis licenses.

The Company, through Vapen, funded the Loan Agreements from the Company's internally generated working capital. The Loan Agreements are secured against the processing license held by App Pharms and the assets of APP1803.

On October 18, 2021, the Company announced that has received approval from the State of Ohio and been granted ownership of an operating manufacturing facility in Jackson, Ohio, through Appalachian Pharm Processing, LLC, an Ohio limited liability company ("APP"). The Company has a 37.5% ownership in App Pharms.

On November 17, 2021, the Company announced that an affiliated entity (the "Affiliate") of Appalachian Pharm Processing, LLC, an Ohio limited liability company, has received a Level I Cultivator provisional license (the "License") to be collocated at the APP facility at 16064 Beaver Pike, Jackson, Ohio (the "Facility"). The License, granted by the Ohio Department of Commerce, will enable the Affiliate to build-out an initial cultivation area of up to 25,000 square feet, with the potential to expand up to 50,000 square feet following further application and approval. Similar to the letter of intent that resulted in the Company acquiring a 37.5% interest in APP, the Company has a letter of intent to acquire a 37.5% ownership percentage in the Affiliate. This ownership transfer cannot occur until the Affiliate has received a certificate of operation from the Ohio Department of Commerce (the "Department") and, thereafter, received the Department's approval for such transfer. The transfer is subject to the Department's review and approval and may not take place as contemplated or at all.

Competitive Advantages:

Brand Strength:

The Company has developed and supports the Vapen brand of products. The products are recognized for their high quality and competitive price structure. In Arizona and Ohio the Vapen brand is available in the majority of dispensary locations.

Vapen branded products encompass edibles, concentrates and extracts. Vapen manufactures white label products in Arizona, Ohio, Oklahoma, and San Diego utilizing expertise and equipment.

Distribution Channels:

The Company has a well-developed distribution process at both retail and wholesale levels in Arizona. The Vapen brand is carried by most of the dispensaries in that market. Joint ventures as noted elsewhere in the MD&A will further expand the distribution capability of the Company as it moves into new markets. The cost of expanding distribution is shared with partners in each location.

Supply Chain:

The Company has a well-established supply chain. The Company uses multiple suppliers, both international and domestic. Suppliers are proven and reliable to meet the needs of the Company.

Financial Strength:

The Company has a proven track record of operating profitable cannabis companies, providing access to capital markets to support growth and expansion into different geographic markets.

FINANCING ACTIVITIES

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2021

The financial information reported herein reflects the operations of the Company as of December 31, 2021.

The Company has reviewed its financial position and results of operations for the year ended December 31, 2021 with a view to assessing an impact that the novel corona virus known more particularly as COVID-19 has had or will have on the business going forward. Although there can be no assurance that there will not be an impact on the Company's financial position or operations (see Risk Factors – COVID-19), at the date of this MD&A, the following determinations have been made by management:

- a) There has been no inherent loss in the carrying value of the Company's assets as of December 31, 2021. Management is of the opinion that both its current and long-term assets are fully collectable and or realizable at their recorded values.
- b) The Company has no obligations to third parties which have or will require renegotiation at the date of this MD&A.
- c) Although there can be no assurances given with respect to future unknown events (See Risk Factors - COVID-19), the Company's outlook for 2022 remains on target. Construction delays have slowed initiation of operations in certain markets. These delays are being reflected in internal planning tools for revenue expectations in 2022 and were not caused by the COVID-19 outbreak.
- d) The Company has funded all its currently planned expansion programs in the markets referred to in this MD&A and accordingly the capital requirements to operate in these expanded markets has been met. Management is particularly conservative with the application of its current liquid assets and therefore the 2021 expansion plans are not dependent upon additional outside capital. Continued growth will of course be determined by market forces outside the control of the Company.
- e) To date, the Company has been deemed an essential service in all its markets and therefore continues to operate without interruption or suspension. That said, management is taking all necessary preventative actions to protect and safeguard its employees and customers from the effects of COVID-19.

Use of Available Funds & Business Objectives and Milestones from February 2021 Offering

The net proceeds of the offering are currently intended to be used for corporate expansion projects and general corporate purposes. Specifically, the Company expects to use the net proceeds of the Offering for the following purposes:

Project	Timeline	Milestone	Allocation of Net
Acquire Cultivation Facilities	Completed	Acquire Cultivation Facilities in Phoenix and Prescott Arizona.	\$3,000,000
Acquire new Cultivation Facilities	Completed	Acquire new Cultivation building and facilities which, when built, out will triple our current cultivation capacity	\$4,300,000
Build out newly acquired facilities	Completed	Build out new cultivation facilities	\$8,000,000
General corporate purposes	3rd Qtr 2022	n/a	\$2,000,000
		Total	\$17,300,000

SELECTED QUARTERLY INFORMATION

The following financial data was derived from the Company's financial statements for each of the Company's most recent eight completed financial quarters:

EBITDA and Adjusted EBITDA

The Company defines EBITDA and Adjusted EBITDA as per the table below. It should be noted that these performance measures are not defined under IFRS and may not be comparable to similar measures used by other entities. The Company believes that these measures are useful financial metrics as they assist in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net earnings or cash flows as determined under IFRS. The reconciling items between net earnings, EBITDA, and Adjusted EBITDA are as follows:

	2021					2020			
	Total	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 37,243,709	\$ 9,307,944	\$ 9,399,700	\$ 9,375,774	\$ 9,160,291	\$ 6,409,489	\$ 7,951,648	\$ 6,736,723	\$ 4,096,098
Gross Profit	\$ 16,431,707	\$ 3,953,292	\$ 4,101,313	\$ 4,217,215	\$ 4,159,887	\$ 3,018,869	\$ 3,135,135	\$ 2,543,992	\$ 1,205,791
Gross Profit Margin (%)	44.1%	42.5%	43.6%	45.0%	45.4%	47.1%	39.4%	37.8%	29.4%
Operating & Other Expenses	\$ 11,444,988	\$ 2,868,205	\$ 3,131,207	\$ 2,424,766	\$ 3,020,810	\$ 1,892,153	\$ 1,722,161	\$ 1,987,595	\$ 2,176,811
Net Income (loss) after taxes	\$ 4,986,719	\$ 1,085,087	\$ 970,106	\$ 1,792,449	\$ 1,139,077	\$ 1,126,716	\$ 1,412,974	\$ 556,397	\$ (971,020)
Interest Expense	\$ 215,209	\$ 233,420	\$ 33,840	\$ (38,175)	\$ (13,876)	\$ (109,348)	\$ 63,917	\$ 75,658	\$ 44,833
Income Taxes	\$ 1,833,367	\$ 462,523	\$ 538,308	\$ 433,636	\$ 398,900	\$ 514,000	\$ —	\$ —	\$ —
Depreciation & Amortization	\$ 3,288,783	\$ 939,470	\$ 886,920	\$ 743,999	\$ 718,394	\$ 629,228	\$ 802,108	\$ 426,024	\$ 269,098
EBITDA	\$ 10,324,078	\$ 2,720,501	\$ 2,429,173	\$ 2,931,909	\$ 2,242,495	\$ 2,160,596	\$ 2,278,999	\$ 1,058,079	\$ (657,089)
<i>Accretion</i>	\$ 1,223,083	\$ 170,546	\$ 785,192	\$ 208,946	\$ 58,399	\$ 36,589	\$ 37,542	\$ 25,354	\$ 26,134
<i>Share (Profit) / Loss on JVs</i>	\$ 539,557	\$ 130,860	\$ 2,602	\$ 102,938	\$ 303,157	\$ 127,627	\$ 76,747	\$ 253,908	\$ 62,520
<i>Share-based compensation</i>	\$ 949,664	\$ 132,822	\$ 171,479	\$ 220,410	\$ 424,953	\$ 243,554	\$ 86,790	\$ 461,926	\$ 87,406
<i>Office and General*</i>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 500,000
<i>Gain on derecognition of ROU</i>	\$ (3,195)	\$ —	\$ —	\$ (3,195)	\$ —	\$ —	\$ —	\$ —	\$ —
<i>(Gain)/Loss on Investment</i>	\$ 425,350	\$ 212,675	\$ 212,675	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<i>Other Income</i>	\$ (75,000)	\$ —	\$ (75,000)	\$ —	\$ —	\$ 77,987	\$ 82,531	\$ —	\$ 766
<i>Foreign Exchange</i>	\$ 10,726	\$ 2,869	\$ (29)	\$ 2,746	\$ 5,140	\$ (353,179)	\$ 18,738	\$ 132,616	\$ (126,347)
Adjusted EBITDA	\$13,394,264	\$ 3,370,272	\$ 3,526,093	\$ 3,463,755	\$ 3,034,144	\$ 2,293,174	\$ 2,581,347	\$ 1,931,883	\$ (106,610)
	\$13,394,264	2021				\$ 6,699,794	2020		

* Includes a one-time severance settlement with the former CFO, President, Corporate Secretary, and Director.

** Operating Expenses add back Income Tax, Share Profit / (Loss) on JVs and Foreign Exchange

Quarter over quarter results may vary due to New Gen, the Company's wholly owned subsidiary, being a service and product supplier to cannabis companies, meaning that as product is received at New Gen from the supply chain, revenues from the customer companies will follow in that period. Revenues tend to decrease in periods with lower procurement of raw materials and supplies.

New Gen is primarily a service and product supplier with management services agreements in the State of Arizona servicing two not-for-profit licensed cannabis dispensaries, HWC and Organica. The Company's business outside of Arizona is conducted by way of either participating as a member of joint ventures or by way of investment in entities conducting business in selected markets. At the date of this MD&A, most of all revenues have been historically generated from the Company's Arizona operations. During the year ended December 31, 2021, the Company has utilized cash flows from operations and financings to invest in ventures outside the State of Arizona, which have not yet begun to generate significant revenues.

Therefore, comments made with respect to the quarterly results herein are focused on Arizona operations. Due to the nature of the business, revenues have been generated by the provision of products and services to its two customers in the State of Arizona. Cost of sales generally follow sales trends. Operating expenses have fluctuated due to one-time charges and/or adjustments that were made in part for continued IFRS compliance.

Financial Position as at December 31, 2021

	December 31, 2021	December 31, 2020
ASSETS		
Current assets	\$ 31,162,117	\$ 23,997,578
Non-current assets	52,541,991	31,457,083
Total Assets	\$ 83,704,108	\$ 55,454,661
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	9,736,012	8,832,393
Long-term liabilities	14,574,534	10,309,148
Shareholders' equity	59,393,562	36,313,120
Total Liabilities and Shareholders' Equity	\$ 83,704,108	\$ 55,454,661

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as at December 31, 2021.

Current Assets

As of December 31, 2021, the Company had total current assets of \$31,162,117 (2020 – \$23,997,578). The current assets were made up of the following: cash of \$6,467,091 (2020 – \$1,745,381), accounts receivable of \$21,890,638 (2020 – \$17,224,397), inventory of \$214,859 (2020 – \$857,317), prepaid deposits and other receivables of \$497,012 (2020 – \$1,566,145), notes receivable – current of \$1,082,873 (2020 – \$1,853,573), due from related parties – current of \$316,251 (2020 – \$537,151), advances to joint ventures and operation of \$693,393 (2020 – \$69,013), and investment in sublease – current of \$— (2020 – \$144,601).

Accounts Receivable

The company's account receivable is comprised of balances owed by the dispensary operations. Prior to the acquisition of RDF Management, LLC and Firebrand, LLC, the accounts receivable was related to HWC, but now it comprises Organica as well. The accounts receivable from both HWC and Organica are at 180-day terms. The growth in account receivable is attributed to growth in sales at the dispensaries being managed under the service agreements.

Non-current Assets

As at December 31, 2021, the Company's non-current assets were \$52,541,991 (2020 – \$31,457,083). Non-current assets are comprised of long term notes receivable of \$13,272,694 (2020 – \$7,024,110), investment in Legacy Ventures of \$— (2020 – \$350,000), property, plant and equipment \$28,817,265 (2020 – \$12,457,565), investment in sub-lease \$— (2020 – \$432,287), investment in joint ventures \$1,722,587 (2020 – \$1,282,598), right-of-use asset \$228,835 (2020 – \$258,362), related party loans receivable of \$1,328,383 (2020 – \$1,644,634), intangible assets \$6,710,475 (2020 – \$7,545,775), and goodwill \$461,752 (2020 – \$461,752).

Current Liabilities

As at December 31, 2021, the Company's current liabilities were \$9,736,012 (2020 – \$8,832,393). Current liabilities include the following: accounts payable and accrued liabilities of \$3,091,428 (2020 – \$2,572,975), due to related party \$225,000 (2020- Nil), due to Legacy Ventures of \$— (2020 – \$22,479), notes payable – current portion of \$769,117 (2020 –

\$920,828), notes payable – from RDF acquisition of \$1,235,095 (2020 – \$948,750), current portion of lease liability of \$15,372 (2020 – \$156,694), loan payable of \$4,400,000 (2020 – \$4,165,034), and income taxes payable of \$— (2020 – \$45,633).

Non-current Liabilities

As at December 31, 2021, the Company’s non-current liabilities were \$14,574,533 (2020 – \$10,309,148). Notes payable – non-current portion of 4,725,484 (2020 – \$64,763), notes payable – from RDF acquisition of \$2,706,357 (2020 – \$4,529,575), lease liability – non-current portion of \$250,692 (2020 – \$701,810), and deferred tax liabilities of \$6,892,000 (2020 – \$5,013,000).

Shareholders’ Equity

As at December 31, 2021, the Company had shareholders’ equity of \$59,393,563 (2020 – \$36,313,120).

Working Capital Position

As at December 31, 2021, the Company’s working capital position was \$21,426,105 compared to \$15,165,185 as at December 31, 2020.

Financial Results of the Operation for the Three Months Ended December 31, 2021

	For the Three Months Ended		\$	%
	December 31, 2021	December 31, 2020	Change	Change
REVENUES	\$ 9,307,944	\$ 6,409,489	\$ 2,898,455	45.2%
COST OF SALES	5,354,652	3,390,620	1,964,032	57.9%
GROSS PROFIT	3,953,292	3,018,869	934,423	31.0%
OPERATING EXPENSES	2,237,462	1,644,314	593,148	36.1%
Foreign exchange gain	(2,869)	353,179	(356,048)	NMF
Other Income	—	(77,987)	77,987	NMF
Interest income	178,184	118,596	59,588	50.2%
Loss on Investment	(212,675)		(212,675)	NMF
Share of profit (loss) of Joint Venture	(130,860)	(127,627)	(3,233)	2.5%
Net income before taxes	1,547,610	1,640,716	(93,106)	(5.7%)
Income tax expense	(462,523)	(514,000)	51,477	(10.0%)
Net income after taxes	1,085,087	1,126,716	(41,629)	(3.7%)
Unrealized gain on foreign exchange translation	(92,826)	(337,003)	244,177	(72.5%)
Total comprehensive income	\$ 992,261	\$ 789,713	202,548	25.6%

The Company’s revenues from operations were \$9,307,944 for the three months ended December 31, 2021, compared to \$6,409,489 for the three months ended December 31, 2020, an increase of \$2,898,455 or 45.2%.

Management fees for the three months ended December 31, 2021 were \$2,250,000 compared to \$1,200,000 for the three months ended December 31, 2020, an increase of \$1,050,000 or 87.5%. The increase was due to the construction at the Eloy facility and preparing for dispensaries moving to for profit operation.

Professional services revenue for the three months ended December 31, 2021 was \$3,380,582 compared to \$2,348,435 for the three months ended December 31, 2020, an increase of \$1,032,147 or 44.0%. The increase was due to increased staffing from the ability to sell Recreational (Adult use) at the dispensaries.

Product sales revenue during for the three months ended December 31, 2021 was \$2,655,417 compared to \$1,194,020 for the three months ended December 31, 2020, an increase of \$1,461,397 or 122.4%. The increase in product sales is primarily due to increased purchases to support sales and in anticipation of Chinese New Year.

Equipment leasing revenues for the three months ended December 31, 2021 was \$792,295 compared to \$1,624,788 for the three months ended December 31, 2020, a decrease of (\$832,493) or (51.2)%. The decrease was due to completion of the construction at Organica cultivation and dispensary in 2020.

Property leasing revenues for the three months ended December 31, 2021 was \$229,650 compared to \$42,246 for the three months ended December 31, 2020, an increase of \$187,404 or 443.6% due to the acquisition of properties previously leased by others to Herbal Wellness Center, LLC and Organica Patient Group, LLC are now leased direct though New Gen Real Estate.

Total cost of sales for the three months ended December 31, 2021 was \$5,354,652 compared to \$3,390,620 for the three months ended December 31, 2020, an increase of \$1,964,032 or 57.9%. The cost of sales increase resulted from the following:

- **Cost of Goods Sold** increased to \$1,772,710 (4th Qtr./2021) from \$958,475 (4th Qtr./2020) for a total increase of \$814,235 or 85.0%. This increase was consistent with the increase in product sales.
- **Salaries** increased to \$2,846,306 (4th Qtr./2021) from \$2,041,208 (4th Qtr./2020) for a total increase of \$805,098, an increase of 39.4%. This increase was attributable to accrued related party payroll paid out to the related party.
- **Property, plant, and equipment costs** increased to \$44,160 (4th Qtr./2021) from \$20,733 (4th Qtr./2020) a total increase of \$23,427 or 113.0%, reflecting more equipment needed to support operations and sales in the three months ended December 2021.
- **Amortization cost** increased to \$691,476 (4th Qtr./2021) from \$370,204 (4th Qtr./2020) a total increase of \$321,272 or 86.8%. The increase is directly related to capital asset acquisition to support growth in Arizona, JV's and Operating Agreements.
- **Gross profit** for the three months ended December 31, 2021 was \$3,953,292 compared to \$3,018,869 for the three months ended December 31, 2020, an increase of \$934,423 or 31.0% over the comparative quarter. Gross profit represented 42% of revenue during the three months ended December 31, 2021, which was below the 47% level realized during the three months ended December 31, 2020.

The Company's total operating expenses were \$2,237,462 for the three months ended December 31, 2021 compared to \$1,644,314 for the three months ended December 31, 2020, an increase of \$593,148 or 36.1%. This increase is primarily attributable to office and general administrative expenses.

Financial Results of the Operation for the Year Ended December 31, 2021

	For the Twelve Months Ended		\$	%
	December 31, 2021	December 31, 2020	Change	Change
REVENUES	\$ 37,243,709	\$ 25,193,958	\$ 12,049,751	47.8%
COST OF SALES	20,812,003	15,290,171	5,521,832	36.1%
GROSS PROFIT	16,431,706	9,903,787	6,527,919	65.9%
OPERATING EXPENSES	9,453,668	7,289,757	2,163,911	29.7%
Other Income	75,000	—	75,000	NMF
Foreign exchange gain	(10,726)	328,172	(338,898)	NMF
Gain / (Loss) on asset disposal	3,195	(161,284)	164,479	NMF
Gain on derecognition of ROU asset	—	—	—	NMF
Interest income	739,487	378,952	360,535	95.1%
Loss on Investment	(425,350)	—	(425,350)	NMF
Share of profit (loss) of Joint Venture	(539,557)	(520,802)	(18,755)	3.6%
Net income before taxes	6,820,086	2,639,068	4,055,696	158.4%
Income tax expense	(1,833,367)	(514,000)	(1,319,367)	NMF
Net income after tax	4,986,719	2,125,068	2,861,651	134.7%
Unrealized gain on foreign exchange translation	145,522	(334,296)	479,818	(143.5%)
Total comprehensive income	\$ 5,132,241	\$ 1,790,772	\$3,341,469	186.6%

For the year ended December 31, 2021, gross revenue was \$37,243,709 compared to \$25,193,958 for the comparative period ending December 31, 2020, representing an increase of 12,049,751 or 47.8%. The Company experienced a sizeable increase in primary revenue categories.

Management fees for the year ended December 31, 2021 were \$7,500,000 compared to \$4,100,000 for the comparative year. Management fees were higher during 2021 due construction and management of the expanded Phoenix cultivation and extraction facility and the construction and management of the Eloy facility. Additional resources were utilized in preparing for the Q1 2022 For-Profit change at the dispensaries.

Professional fees for the year ended December 31, 2021 were \$11,504,410 compared to \$8,081,670 for the comparative period in 2020, caused largely by the additional fees associated with the Organica management agreement.

Product sales for the year ended December 31, 2021 were \$12,795,794 compared to \$9,642,535 for the comparative period in 2020. The increase was largely due to reworking of the Vapen Brand Packaging from Adult Use requirements in AZ. With the passage of Adult Use in Arizona, brand packaging had to be modified for compliance purposes. Product sales were lower during the fourth quarter of 2020 as the Company intentionally depleted existing supplies to ensure reduction of product obsolescence in 2021 with the implementation of the program, reflected in Q1, 2021.

Equipment leasing revenues for the year ended December 31, 2021 was \$4,831,176 compared to \$3,197,097 in the comparative period in 2020. The increase was largely due to increased construction and equipment needs associated with the expansion of manufacturing capacity in 2021 in Arizona.

Property leasing revenue for the year ended December 31, 2021 was \$612,329 compared to \$172,656 for the comparative period in 2020. The increase was due to the acquisition of properties previously leased by others to Herbal Wellness Center, LLC and Organica Patient Group, LLC are now leased direct though New Gen Real Estate.

For the year ended December 31, 2021, the Company recorded cost of goods sold of \$20,812,003 compared to \$15,290,171 for the comparative period in 2020, representing an increase of \$5,521,832 or 36.1%. The following factors contributed to this increase:

- an increase in cost of goods sold to \$8,839,772 (2021) from \$7,126,813 (2020). The increase of \$1,712,959 or 24.0% was largely driven by higher product sales.
- an increase in salaries to \$9,588,653 (2021) from \$6,770,153 (2020). The increase of \$2,818,500 or 41.6% was consistent with the 42.4% increase in professional services revenue as more staff was required to operate growing demand in dispensaries white label programs.
- an increase in amortization to \$2,253,791 (2021) from \$1,295,976 (2020). The increase of \$957,815 or 73.9% was driven by the growth in depreciable equipment being placed in service.
- gross profit for the year ended December 31, 2021 was \$16,431,706 compared to \$9,903,787 for the year ended December 31, 2020, representing an increase of \$6,527,919 or 65.9%. Gross margins as a percentage of revenue rose to 44%.

Operating expenses for the year ended December 31, 2021 were \$9,453,669 compared to \$7,289,757 for the comparative period, an increase of \$2,163,912 or 29.7%. The largest driver was an increase in accretion due to maturity of the HSD acquisition note of RDF & Organica, and increased office and general expenses to support the increase in revenue.

SELECTED ANNUAL INFORMATION

The following select financial data from the Company's financial statements was prepared in accordance with International Financial Reporting Standards (IFRS).

	December 31, 2021	December 31, 2020	December 31, 2019
Total Revenue	\$ 37,243,709	\$ 25,193,958	\$ 22,322,568
Cost of Sales	\$ 20,812,003	\$ 15,290,171	\$ 12,954,720
Gross Profit	\$ 16,431,706	\$ 9,903,787	\$ 9,367,848
Operating Expenses	\$ 9,453,669	\$ 7,289,757	\$ 5,849,739
Net Income Before Tax	\$ 6,820,086	\$ 2,639,068	\$ 3,668,229
Total assets	\$ 83,704,108	\$ 55,454,661	\$ 38,780,494
Total long-term liabilities	\$ 14,574,534	\$ 10,309,148	\$ 10,736,865
Net Income per share (basic)	\$ 0.04	\$ 0.02	\$ 0.04
Net Income per share (diluted)	\$ 0.03	\$ 0.02	\$ 0.04
Total liabilities and shareholders' equity	\$ 83,704,108	\$ 55,454,661	\$ 38,780,494

CASH FROM ACTIVITIES

The following table summarizes the sources and uses of cash for the year ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Cash provided by (used in) operating activities	\$ 11,681,311	\$ 3,098,562
Net cash provided by (used in) investing activities	(27,097,786)	(12,901,183)
Net cash provided (used in) by financing activities	20,138,185	4,255,741
Net (decrease) in cash	\$ 4,721,710	\$ (5,546,880)

Operating Activities

During the year ended December 31, 2021, operating activities contributed \$11,681,311 of cash compared to \$3,098,562 in the comparative period, an \$8,582,749 increase. Meaningful drivers to improved cash flow from operations include higher net income, as well as increase in income taxes payable, amortization and accretion.

Additionally, with respect to accounts receivable, it should be noted that the Company charges its management services pursuant to the various management agreements when the services or supplies are delivered or procured. Cultivation and product preparation consumes approximately 120 days in the cycle, and since the cash available from the customers is derived from product sales at the dispensary level, the Company's accounts receivable has a longer than traditional payment cycle, usually averaging 180 days. This in no way affects the collectability of the accounts.

Investing Activities

During the year ended December 31, 2021, cash flows used by investing activities was \$27,097,786 compared to \$12,901,183 for the comparative period in 2020, an increase of \$14,196,603. The increase is driven by the purchase of three properties in Arizona during 2021 - in Phoenix, Prescott Valley and Eloy.

Financing Activities

During the year ended December 31, 2021, cash flows provided by financing activities was \$20,138,185 compared to \$4,255,741 for the comparative period in 2020, representing an increase of \$15,882,444. This increase was driven mainly by the prospectus offering in 2021.

LIQUIDITY AND CAPITAL RESOURCES

These consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon the Company's ability to continue to earn adequate revenues from operations and to raise adequate financing. The Company intends to finance its future requirements through continued operations.

As at December 31, 2021, the Company had working capital of \$21,426,105 (December 31, 2020 - 15,165,185) and retained earnings of \$22,403,001 (December 31, 2020 - \$17,416,282). There is uncertainty as the likely effects of the novel coronavirus ("COVID-19") outbreak which may, among other things, impact the Company's operations and ability to raises further financing. Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Operating Officer, President, Chief Financial Officer, and Corporate Secretary.

Remuneration attributed to key management personnel for the year ended December 31, 2021 and 2020 is summarized as follows:

	December 31, 2021	December 31, 2020
Share-based compensation	\$ 146,521	\$ 291,322
Salaries and wages included in cost of sales		
Jason Nguyen, Executive Chairman*	1,218,098	438,995
Robert Brilon, Former CFO, Corporate Secretary & President	—	580,595
Eric Offenberger, CEO, COO, and Director*	393,314	208,269
Salaries, wages and commissions included in operating expenses		
Jason Nguyen, Executive Chairman*	64,111	23,105
Robert Brilon, Former CFO, Corporate Secretary & President	—	4,242
Eric Offenberger, CEO, COO, and Director*	20,701	10,962
Consulting fees included in operating expenses:		
Vahan Ajamian, CFO	92,225	—
Jonathan Shelton, Director	4,000	4,000
Caroline Williams, Former Director	—	4,000
Denise Lok, Former CFO	5,931	11,388
Brian Cameron, Former Corporate Secretary	10,000	100,000
David Eaton, Director	9,862	—
	\$ 1,964,763	\$ 1,676,878

Other related parties

Other related parties include close family members of the Company's Executive Chairman, former CFO, President, Corporate Secretary and Director and a company that is controlled by a Director.

Remuneration attributed to other related parties for the year ended December 31, 2021 and 2020 is summarized as follows:

	December 31, 2021	December 31, 2020
Salaries and wages included cost of sales	\$ —	\$ 47,299
Salaries, wages and commissions included in operating expenses	—	2,489
Consulting fees included in operating expenses	37,936	363,009
	\$ 37,936	\$ 412,797

Balances with related parties:

Due from related parties:

The current portion of balances due from related parties is as follows:

	December 31, 2021	December 31, 2020
Non-interest bearing, due on December 31, 2022 from Jason Nguyen, Executive Chairman	\$ 316,251	\$ 537,151
	\$ 316,251	\$ 537,151

The non-current portion of balances due from related parties is as follows:

	December 31, 2021	December 31, 2020
Non-interest bearing, due on December 31, 2023 from Jason Nguyen, Executive Chairman	1,328,383	1,328,383
	\$ 1,328,383	\$ 1,328,383

OUTSTANDING SHARE DATA

The following share capital data is current as at the date of this MD&A:

Number Outstanding		—
Subordinate voting shares		70,562,367
Multiple voting shares*		675,678
Stock options		3,023,334
Warrants		33,172,423
Special advisory warrants		1,000,000

*One multiple voting share can be converted into 100 subordinate voting shares.

PROPOSED TRANSACTIONS

Other than disclosed in this MD&A, the Company does not have any other proposed transactions at this time.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no changes in accounting policies nor were there any adoptions of any new policies for the years ended December 31, 2021 and 2020.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, current notes receivable, advances to joint operation, deposits and other receivables, payables, accrued liabilities, approximate their carrying value, due to their short-term nature. The fair value of other financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, price risk, and currency risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its receivables. As at December 31, 2021, the Company was dependent on two major customers from its consulting business segment (Note 22). The majority \$20,451,092 of the Company's accounts receivable of \$21,890,638 are from these two customers. The Company is of the opinion that it is not exposed to significant credit risk from these two customers as at December 31, 2021 as it continues to collect accounts receivable routinely. The company has no investments in asset-backed commercial securities.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customers, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

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 manages liquidity risk through its capital management as outlined in Note 21. As at December 31, 2021, the Company had cash, accounts receivable and short-term notes receivable of \$29,440,602 to settle its current liabilities of \$9,736,012. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Market risk

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

a) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not hold any financial instruments with variable interest rates, and as a result, is subject to insignificant interest rate risk.

b) Price risk

The Company is not exposed to significant price risk as it does not hold investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in U.S. dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As at December 31, 2021, the Company had \$197,137 in net financial liabilities denominated in Canadian currencies. A 10% change in the foreign exchange rate between the U.S. dollar and the Canadian dollar would result in a change on approximately \$19,714 CAD or \$15,527 US in other comprehensive income.

OFF-BALANCE SHEET TRANSACTIONS

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

SUBSEQUENT EVENTS

- On February 10, 2022, the Company announced the appointment of Mark W. Opzoomer to its Board of Directors effective immediately. Mr. Opzoomer is an experienced public company director and committee chair.
- Subsequent to the year ended December 31, 2021, 10,000 options were cancelled, 16,667 RSUs were cancelled, and 8,333 RSUs were converted into common shares, 331,025 RSUs were granted, 369,500 warrants were exercised at CAD\$0.45 each for a total of \$166,275, and 2,931 multiple voting shares were converted into 293,100 common shares.
- As at December 31, 2021 RDF was named as a defendant in a lawsuit in Yavapai County Superior Court, for certain loan agreement and promissory note with a total due of \$340,000. At December 31, 2021 the Company has paid on behalf of RDF from the legal settlement allowance a total of \$200,000. The Company and the plaintiff have agreed to resolve all claims and causes of action related to the lawsuit and settled the claim for a balance \$69,786 as of April 1, 2022 to be paid May 1, 2022.
- As at December 31, 2021 RDF was named as a defendant in a lawsuit in Maricopa County Superior Court, for certain loan agreement and promissory note. The Company and the plaintiff have agreed to resolve all claims and causes of action related to the lawsuit and settled the claim for the balance of \$247,236 which was paid on March 1, 2022.
- Two Arizona dispensary operations managed by subsidiaries of the Company— Herbal Wellness Center, Inc., an Arizona nonprofit corporation (“HWC”), and Organica Patient Group, Inc., an Arizona nonprofit corporation (“OPG”)—recently restructured from nonprofit corporations to for-profit-corporations for purposes consolidating under the Vext corporate umbrella. Until the launch of Arizona’s adult-use of marijuana program, Arizona law required all marijuana license holders to operate as nonprofit entities under the state’s medical-marijuana program. Following the passage of Arizona voter initiative 207 in November 2020, codified as A.R.S. §§ 2850, et seq., a dual-licensee holding both a medical-marijuana registration certificate and adult-use marijuana establishment license may operate on a for-profit basis if the licensee promptly notifies the Arizona Department of Health Services (“AZDHS”), Department of Revenue, and takes all actions necessary to enable its for-profit operation, including converting its corporate form under the Arizona Restructuring Act. See A.R.S. § 36-2858(D)(2).
- On December 28, 2021, the Board of Directors of HWC and OPG entered into resolutions to convert the two dual-licensees from nonprofit to for-profit corporations, pursuant to which these corporations approved New Gen Holdings, Inc., a Wyoming corporation (“New Gen”), and a wholly-owned subsidiary of Vext, as the sole shareholder of these corporations, holding 100,000 of the outstanding shares in each of the respective entities. Both HWC and OPG submitted and have received approvals of the necessary filings to AZDHS and other governmental agencies with an effective conversion date of December 31, 2021, resulting in New Gen’s ownership of outstanding shares as at January 1, 2022.
- On January 14, 2022, the Board of Directors of HWC and OPG entered into another round of resolutions to nominate and elect Eric Offenberger, the CEO of Vext, as a Board Member and Principal Officer of these corporations. By taking these actions, Vext consolidated its holdings in Arizona, and HWC and OPG became wholly-owned entities under the Vext corporate umbrella through Vext’s U.S. subsidiaries.

- Subsequent to the year end, the Company repaid \$727,000 of notes payable which had come due. The following notes were paid as at March 1, 2022 as outlined below:

	Paid	December 31, 2021	December 31, 2020
Maturing on January 5, 2022 with an interest rate of 15% per annum	1/5/2021	\$ 175,000	\$ 175,000
Maturing on February 1, 2022 with an interest rate of 12% per annum	2/1/2021	272,000	272,000
Maturing on March 1, 2022 with an interest rate of 12% per annum	3/1/2021	280,000	280,000
		\$ 727,000	\$ 727,000

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to decide of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

RISK AND UNCERTAINTIES

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on its financial position and operations.

DESCRIPTION OF THE U.S. LEGAL CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities ("CSA Notice 51-352"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved. In accordance with CSA Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Legal and Regulatory Matters

United States Federal Overview

In the United States, thirty-three (36) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and sixteen (18) states and Washington D.C. have legalized "adult use" or "recreational" marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities including, without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law. Although federally illegal, the U.S. federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the DOJ issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The

Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses. However, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community". While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime", it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses.

Arizona Overview:

Arizona has authorized the cultivation, extraction and dispensing of medical marijuana products by licensed dispensaries located throughout the State. There are 130 licenses in the state which cover all categories of production and sale of cannabis and cannabis related products. In 2010, Arizona became the 14th state to legalize medicinal cannabis for adults over 21 under Proposition 205: the Arizona Medical Marijuana Act (AMMA). Arizona is one of the 36 states to have some form of medical marijuana law in place. The AMMA is regularly used as an example for other states as an effective way to regulate a legal cannabis industry. In Arizona, the dispensaries operate as not-for-profit entities and engage with management companies to provide real estate rental, administrative, general management and advisory services, financing and logistics to medical marijuana businesses (the dispensaries) licensed under the provisions of the Arizona Medical Marijuana Act, A.R.S. Title 36, Section 28.1 (the "AMMA") and to provide material support. These management companies exert considerable influence and control over not-for-profit dispensaries.

Medical Use

Arizona Medical Marijuana cardholders are entitled to purchase not more than 2.5 ounces of product every two weeks. Purchases are tracked by cardholder and all dispensaries are required to report cardholder sales to the state to ensure that cardholders do not exceed their allotted purchase amount. New Gen and its subsidiaries are in compliance with Arizona's medical marijuana regulatory requirements and programs where applicable.

Adult Use

On November 3, 2020, Arizona voters passed Proposition 207, the "Smart and Safe Act", allowing adults to possess up to 1 ounce (28 grams) of marijuana (with no more than 5 grams being marijuana concentrate). Possession and cultivation of cannabis for adult use became legal on November 30, 2020. State-licensed sales of adult use cannabis began January 22, 2021. New Gen and its subsidiaries are in compliance with Arizona's adult use marijuana regulatory requirements and programs where applicable.

Regulatory Risks

The U.S. cannabis industry 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 impact on actual results.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The U.S. cannabis 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 growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of the Company and which cannot be reliably predicted.

The Company expects to derive most of its revenues from the U.S. cannabis industry, which industry is illegal under U.S. federal law (other than its business related to high CBD/low THC products, known as "hemp"). As a result of the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The Company is expected to remain focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum in January 2018.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company.

Nature of the Company's Involvement in the U.S. Cannabis Industry

Currently, the Company is engaged in the branding and procurement for companies that manufacture and distribute cannabis in the medical and adult-use cannabis marketplace. As at December 31, 2021, the Company's assets and revenues are primarily attributable to the medical marijuana use in the State of Arizona.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Company's involvement in the U.S. cannabis industry will be (i) only in those states that have enacted laws legalizing cannabis; and (ii) only in those states where the Company can comply with state (and local) laws and regulations and has the licenses, permits or authorizations to properly carry on each element of its business.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold license, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Heightened Scrutiny

For the reasons set forth above, the Company's activities in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's activities in the U.S. or any other jurisdiction, in addition to those described herein.

Change in Laws, Regulations and Guidelines

The Company's business operations will directly and indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its operations.

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of 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 favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its business activities may require substantial expenditures on proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question,

earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on the Company.

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

Other Regulatory Risks

The activities and products of the Company are subject to regulation by governmental authorities, including, the U.S. Food and Drug Administration, and others. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. 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.

Additional Financing

In order to execute the anticipated growth strategy, the Company may require some additional equity and/or debt financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of subordinated voting shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Cannabis Industries are Highly Competitive

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing

experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business.

Operating Risk and Insurance Coverage

The Company carries insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Key Personnel Risk

The Company's success will depend on its directors and officers to develop the business and manage operations, and on its ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the business. Competition for qualified technical, sales and marketing staff, as well as for officers and directors, can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a client base for its product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on its operations and, if applicable, the trading price of its subordinated voting shares on any stock exchange.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Securities and Dilution

There is no assurance that sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of their current shareholders. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company's strategic goals.

Future Capital Requirements

The Company's future capital requirements will depend on many factors, including inorganic growth initiatives, securing new contracts, the rate of expansion and the status of competitive products. Depending on these factors, the Company may require additional financing which may or may not be available on acceptable terms. If additional funds are raised by issuing equity securities, dilution to the existing shareholders may result. If adequate funds are

not available, the Company may not be able to achieve its growth objectives and operational targets, which could have a material adverse effect on the Company's business.

Novel Corona Virus Known as "COVID-19"

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact the Company by causing operating, manufacturing, supply chain, and project development delays and disruptions, labor shortages, travel, and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). It is unknown whether and how the Company may be affected if such a pandemic persists for an extended period of time, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject. Although the Company has been deemed essential and/or has been permitted to continue operating its facilities in the states in which it operates during the pendency of the COVID-19 pandemic, there is no assurance that the Company's operations will continue to be deemed essential and/or will continue to be permitted to operate. The Company may incur expenses or delays relating to such events outside of its control, which the Company cannot estimate the length and severity of these developments or quantify the impact this pandemic may have on the financial results and condition of the Company in future periods.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.