Vext Science, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED March 31, 2023

Dated as of May 25, 2023

(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 Vext Science, Inc. ("Vext" or "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 by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators and Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana Related Activities ("Staff Notice 51-352").

This MD&A has been prepared for the quarter ended March 31, 2023, and it presents an analysis of the consolidated financial position of Vext for the quarter ended March 31, 2023. The following information should be read in conjunction with the condensed consolidated interim financial statements of the Company for the quarter ended March 31, 2023, including the notes contained therein. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim 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 as of March 31, 2023:

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%
Herbal Wellness Center, LLC	Arizona, USA	100%
Organica Patient Group, LLC	Arizona, USA	100%
New Gen Ohio, LLC	Ohio, USA	100%
Herbal Wellness Center Ohio, LLC (Jackson Pharm, LLC)	Ohio, USA	100%
Joint Ventures:		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen Oklahoma, LLC	Oklahoma, USA	25%
Joint Operations:		
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, Pure Touch and Herbal Wellness brands. Vext's expansion plans are to continue to invest in the Arizona operations, build out the Ohio cultivation facility and look for accretive opportunities.

On January 2, 2023, New Gen Holdings, Inc. ("New Gen") acquired ownership for one licensed dispensary operating in Ohio; Jackson Pharm, LLC, operating as Herbal Wellness Center Ohio.

During the period covered by this MD&A, the Company continued its expansion strategy by continuing to fund joint venture agreements, and operating agreements with partners located in various states in the United States. As of the date of this MD&A, all three of these relationships have commenced commercial operations in Kentucky, Oklahoma and California.

MATERIAL EVENTS THAT OCCURRED DURING THE THREE MONTHS ENDED MARCH 31, 2023

In the first quarter, we initiated operations in Jackson, Ohio by rebranding the purchased dispensary as Herbal Wellness Center Ohio.

The table presented below illustrates the changes that occurred when comparing the years 2023 and 2022.

Herbal Wellness Center Ohio Dispensary (% change)

	Q1 2023 vs Q1 2022
Customers	26.66%
Orders	24.75%
Average Basket	(10.37)%
Sales	11.82%
GP $	2.94%
GP %	(7.94)%

As the cultivation facility continues to come online, we will see further growth at the Jackson dispensary.

During Q1 2023, the cultivation facility in Jackson, Ohio successfully completed its initial harvest and generated some sales. As anticipated, there was a cash burn in the Ohio cultivation operations during this period.

However, we expect Ohio cultivation to become a free cash generator in Q2 2023, and our aim is to consolidate the manufacturing and cultivation operations by Q3 2023.

On February 23, 2023 the Company announced that it has been granted a Certificate of Occupancy by the City of Eloy for its 17,000 square foot cultivation space in Eloy, Arizona. The Company expects to begin planting during the second quarter of 2023, with a first harvest estimated in the third quarter of 2023.

COMPANY OVERVIEW

The Company was incorporated in British Columbia, Canada on December 11, 2015, and its registered and records office is located at Suite 1500, 1055 West Georgia Street, Vancouver, BC, Canada, V6E 4N7. 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 ""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) and Organica Patient Group, LLC, both for-profit companies (effective January 1, 2022) that hold 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.

Competitive strengths:

The company operates two vertically integrated cannabis operations in the Arizona market. These operations were part of the original licensing of dispensaries in Arizona, allowing them to serve both recreational and medical patients. Strategically located in high-traffic areas within the Phoenix metro, the dispensaries hold a significant market presence. Furthermore, the Company operates two cultivation facilities: one in Phoenix spanning approximately 13,000 sq feet under canopy and another in Prescott Valley with approximately 11,000 sq feet of canopy. The Prescott Valley operation also has outdoor hoop house grows spanning five acres, that is currently idle due to market conditions. There are no significant costs with maintaining the operation during the idle period, and as demand changes we can quickly bring the capacity back online. We anticipate that the Eloy cultivation will be operational during Q2 2023, with the first harvest in Q3 2023.

Starting in 2023, we have expanded our successful dispensary operations into Ohio by acquiring Buckeye Botanical in Jackson, Ohio. The dispensary has been rebranded as Herbal Wellness Center and is already contributing positively to the Vext operations.

The Company possesses a manufacturing facility that supports the production of its Vapen branded products and offers contract manufacturing services. All facilities are company-owned and equipped to ensure efficient operations.

Current cultivation output is sold through the Company's retail operations, avoiding reliance on the wholesale flower market, and resulting in better profit margins. The Company's manufactured products have gained a strong market presence and are sold in both company-owned and non-owned dispensaries across Arizona.

The Vext team brings a wealth of expertise in manufacturing, distribution, and retail operations, spanning both the cannabis industry and other sectors. In-house research and development (R&D) facilities facilitate consistent production and the continuous development of new products. The Company has made significant investments in equipment and facilities, enabling efficient production and cost structures that support maintaining or growing margins in different macroeconomic situations.

Growth Strategies and Strategic Priorities:

The Company's primary focus remains on expanding within the Arizona market while investing in vertical expansion opportunities in Ohio, recognizing both markets as highly promising for growth. Emphasis is placed on entering markets with limited licenses that allow for vertical operations. Furthermore, the Company actively seeks out accretive acquisition opportunities.

Marketing and sales strategies revolve around attracting new and existing patients and customers to the dispensaries and promoting the Vapen and Herbal Wellness brand. Given the recent legalization in Kentucky, we view it as a favorable opportunity to convert our hemp operation into a THC operation.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

Summary of Operations

For the three months ended March 31, 2023, the Company achieved a revenue of $9,110,651, a gross profit of $4,701,716, and a profit margin of 51.61%. In comparison, during the quarter ending on March 31, 2022, the Company's revenue was $10,791,133, with a gross profit of $9,266,265 and a profit margin of 85.87%. The Company experienced a 1% decline in sales compared to the fourth quarter of 2022 and a 15.6% decrease compared to first quarter 2022.

This decline in sales on a year-over-year basis can be attributed primarily to changes in the Arizona operation and caused by overall market conditions affected by the economy. It should be noted that the increase in sales in the first quarter of 2022 was due, in part, to the transition to a for-profit model and increased sales to the Ohio and Oklahoma operations.

We anticipate that Arizona sales will continue at their current levels, as we do not expect significant improvements in the macroeconomic conditions in 2023; they are likely to remain stable.

Arizona

According to the revenue collection data reported by the State of Arizona, the market experienced a 15% decrease in sales through February 2023 compared to the same period of 2022. We expect this trend to continue when the March numbers are released. The main factor contributing to the decline is the financial pressure faced by consumers, resulting in reduced discretionary income available.

Despite not setting the market trend, our retail operations experienced less reduction in top line than reported in the overall market. We continue to see an increase in customers and transactions, although the average basket size has declined due to customers having less discretionary income due to inflation and participating more in the adult use market. Operating expenses in the dispensary have remained steady, even with increased transactions, allowing us to maintain our margin percentages.

In line with the third and fourth quarters of 2022, the wholesale markets in Arizona faced ongoing pressure. The market expansion following Arizona's legalization of adult use in late 2020 led to increased cultivation capacity. Consequently, there is now excess capacity and supply that has created significant downward price pressure.

Some cultivators lease licenses from dispensary owners, do not own retail fronts and are therefore more subjected to market supply pricing pressure. Additionally, certain dispensary operators expanded their cultivation capacity beyond their ability to sell the product through their own dispensaries, relying on the wholesale market to support the increased production.

Recognizing this trend, Vext management has taken appropriate action to ensure that we only produce what can be sold through our stores and do not enter the wholesale flower market in Arizona. As part of this strategy, we decided to idle the outdoor cultivation in Prescott Valley in the first quarter 2023, resulting in cost savings that will be reflected in the second-quarter expense line.

The idling of the outdoor grow operation contributed to a $712,000 charge to the cost of goods in the first quarter in relation to biological assets. Previously incurred costs were charged back. Some of this charge will be one time in nature.

The Vapen branded product and contract manufacturing segments also continue experiencing pressure and reduced reach. Other companies operating in Arizona have publicly reported that they aim to sell more products produced by their own operations to help control margins. In tough macroeconomic trends, consumers focus on value pricing and trade down, which negatively impacts pure wholesale operations.

However, Vext's operations in Arizona are not built on wholesale operations being a significant portion of revenue, so we are well positioned in these market conditions.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE (*CONTINUED...*)

The table provided below showcases the wholesale landscape in Arizona by brands and categories, as per Alpine IQ data:

Total Unique Brands*	285
Carts	95
Edible	80
Flower	100
Concentrates	85
Beverages	25

*Some brands sell in multiple categories

Given the prevailing market conditions, our ongoing priority has been to safeguard margins and maintain control over expenses. When assessing changes in expenses, we specifically focus on salary/wages, selling, general, and administrative costs. Although these expenses witnessed a 14% decrease compared to the fourth quarter of 2022, we believe that this figure does not accurately reflect the actual changes. It is important to note that the fourth quarter often includes year-end adjustments that can inflate the running rate. When comparing expenses to the third quarter in 2022, we observe a 9.8% decrease. We anticipate that the expense rate will remain relatively stable in Arizona for the remainder of 2023.

Ohio

According to the Ohio retail table provided in the summary of significant events for the first quarter, the Ohio dispensary has displayed strong performance and exhibits year-over-year growth. We have confidence that our operations team will continue to enhance the Ohio dispensary, leading to sustained growth and profitability.

While we are unable to consolidate the Manufacturing and Cultivation operations in Ohio, we actively manage them through existing management agreements. With the Ohio Cultivation center coming online in Q2 2023, the Company will be charging for their management services beginning Q2 until ownership changes for consolidation. The Ohio manufacturing sector continues to expand and grow on a year-over-year basis, as depicted in the table below.

The wholesale market in Ohio is gradually maturing, and we anticipate witnessing increased growth in product sales with the introduction of new dispensaries. While Ohio also sees vertical operators similar to Arizona, the concentration of dispensary ownership by groups is limited to five dispensaries currently. The state has a cap on Tier 1 cultivation and the number of processors. This environment should prove more stable on the wholesale market pricing and supply to not exceed demand. Consequently, we anticipate stability in pricing and demand within the Ohio wholesale market.

Manufacturing % Change

	Q1 2023 vs Q1 2022
Customers	30.68%
Orders	11.04%
Average Basket	45.27%
Sales	61.31%
GP $	18.30%
GP %	(26.66)%

As the table above indicates, Ohio manufacturing saw a nice increase in customers, orders, and average basket size. We did see an erosion in gross margin % as we recognized more internal costs in the cost of goods sold line. We think with the cultivation coming online and the increase of operating dispensaries in Ohio, we have opportunities to increase our customer base and bottom line.

In addition to our operations in Arizona, we consider Ohio to be one of the most promising markets in the United States. We are particularly encouraged by the developments in Kentucky regarding a medical marijuana program. We believe that our existing relationships will grant Vext a competitive advantage in obtaining licenses for this program.

Joint Ventures and Joint Operations

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	License change has been applied for and expected Q3 2023
	Retail	NA	THC	LOI	NA	Current license holder received Certification of Operation and is fully functional	Vext and current license holder will apply for a change in ownership in Q3 2023
	Retail	Yes	THC	Operating	100%	Current license holder received Certification of Operation and is fully functional	Currently operating as Herbal Wellness Center Ohio
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

Competitive Advantages:

Brand Strength:
The Company has developed and supports the Vapen brand of products and Herbal Wellness products. The products are recognized for their high quality and competitive price structure. In Arizona and Ohio, the Vapen brand is available in company owned and other dispensary locations.

Vapen branded products encompass edibles, concentrates and extracts. Vapen manufactures white label products in Arizona, Ohio, Oklahoma, and CA (San Diego) utilizing the Company's expertise and equipment.

Distribution Channels:
The Company has a well-developed distribution process at both retail and wholesale levels in Arizona and Ohio. 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 and keep cost structures competitive.

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.

Operations:

The Company has operations that are designed for efficient and quality-controlled production. We have completed and brought online new manufacturing centers and cultivation to maximize throughput.

The Company has reviewed its financial position and results of operations for the three months ended March 31, 2023 and, the following determinations have been made by management:

a. There have been no inherent losses in the carrying value of the Company's assets since March 31, 2023. Management is confident that both current and long-term assets are fully collectible and realizable at their recorded values.

b. As of the date of this MD&A, the Company has no obligations to third parties that require or will require renegotiation.

c. While there are uncertainties regarding future events, the Company's outlook for adjusted EBITDA remains on track. Based on macroeconomic conditions and pressures on consumer discretionary spending, revenue in Arizona is expected to remain stable throughout 2023.

d. The Company has secured funding for all its planned expansion initiatives in the markets discussed in this MD&A. As a result, the capital requirements for operating in these expanded markets have been fulfilled. Management exercises caution in utilizing its current liquid assets, and therefore, the previously disclosed 2023 expansion plans do not depend on additional external capital. Considering the current macroeconomic conditions, as projects near completion, the Company anticipates a significant reduction in capital spending.

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:

	2023	2022				2021		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	9,110,651	8,180,603	7,673,101	8,765,798	10,791,133	9,307,944	9,399,700	9,375,774
Gross profit before FV adjustments	4,642,093	4,092,811	4,624,430	5,671,215	6,538,345	3,953,292	4,101,313	4,217,215
Gross profit margin % before FV adj.	51%	50%	60%	65%	61%	43%	44%	45%
Change in FV of biological	(59,623)	(247,392)	(252,041)	(456,060)	(1,216,152)	—	—	—
Operating expense	3,887,819	4,152,091	4,206,798	3,672,301	3,836,557	2,059,278	2,452,651	1,885,446
Other expense	1,881,902	115,106	55,715	180,040	181,933	346,404	140,248	105,684
Income taxes	(1,141,064)	(6,209,576)	190,425	322,725	1,475,051	462,523	538,308	433,636
Net Income after taxes	**73,059**	**6,282,582**	**423,533**	**1,952,210**	**2,260,957**	**1,085,087**	**970,106**	**1,792,449**
Interest (net)	860,978	632,207	620,687	337,407	337,888	233,420	33,840	(38,175)
Income taxes	(1,141,064)	(6,209,576)	190,425	322,725	1,475,051	462,523	538,308	433,636
Depreciation and amortization	1,845,036	1,774,672	1,579,906	1,543,027	1,536,843	939,470	886,920	743,999
EBITDA	**1,638,009**	**2,479,885**	**2,814,551**	**4,155,368**	**5,610,739**	**2,720,501**	**2,429,173**	**2,931,909**
Accretion	(6,026)	—	—	—	12,372	170,546	785,192	208,946
Share (profit)/loss on joint ventures	91,205	40,256	53,014	190,783	182,145	130,860	2,602	102,938
Share-based compensation	130,332	601,493	660,488	104,762	85,696	132,822	171,479	220,410
(Gain)/loss on asset disposal	—	(13,127)	2,893	(10,164)	—	—	—	—
Office and general*	—	—	—	—	—	—	—	—
Gain on derecognition of ROU	—	—	—	—	—	—	—	(3,195)
(Gain)/loss on investment	—	—	—	—	—	212,675	212,675	—
Refinance of loan payable	—	200,170	—	—	—	—	—	—
Loan costs WPCU loan	742,036	—	—	—	—	—	—	—
FV of WPCU loan	190,984	—	—	—	—	—	—	—
Loan costs EWB amortized	125,451	—	—	—	—	—	—	—
Other income	—	—	—	—	—	—	(75,000)	—
RSU taxes	75,825	119,900	—	—	—	—	—	—
Foreign exchange	2,726	(350)	(45)	(580)	(212)	2,869	(29)	2,746
Relative FV adjustment to inventory	—		—	863,000	(863,000)	—	—	—
Change in FV of biological	(59,623)	(247,392)	(252,041)	(456,060)	(1,216,152)	—	—	—
Adjusted EBITDA	**2,930,919**	**3,180,835**	**3,278,860**	**4,847,110**	**3,811,589**	**3,370,272**	**3,526,093**	**3,463,755**
	32%	39%	43%	55%	35%	36%	38%	37%
2023	**$ 2,930,919**	**$15,118,394**	**2022**			**$13,394,263**	**2021**	

For all quarters preceding 2023:
The Company's revenue is generated from its owned dispensaries. The Company has two dispensaries in Arizona and one in Ohio doing business as Herbal Wellness Center, as well as related wholesale sales. The Company's other business activities are 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 revenues have been historically generated from the Company's Arizona operations.

For the period ending March 31, 2023:
Pursuant to the Company's Arizona dispensaries conversion to for-profit status, biological assets were recorded in the books of record at Fair Value Less Cost to Sell (FVLCS) which resulted in Unrealized and Realized Gain of $(1,063,916) and $1,004,293, respectively.

Financial Position as at March 31, 2023

		March 31, 2023		December 31, 2022
ASSETS				
Current assets		**47,678,029**		52,682,151
Non-current assets		**73,871,822**		67,834,822
Total Assets	**$**	**121,549,851**	$	120,516,974
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities		**10,312,295**		12,975,187
Long-term liabilities		**39,115,644**		35,623,264
Shareholders' equity		**72,121,913**		71,918,522
Total liabilities and shareholders' equity	**$**	**121,549,851**	$	120,516,973

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as at March 31, 2023.

Current Assets

As at March 31, 2023, the Company had total current assets of $47,678,029 (2022 – $52,682,151). The current assets were made up of the following: cash of $3,446,092 (2022 – $5,933,837), accounts receivable of 3,356,309 (2022 – $3,295,537), inventory of $13,418,406 (2022 – $12,574,202), biological assets $1,151,453, (2021 — $1,188,499), prepaid deposits and other receivables of $4,561,192 (2022 – $9,945,716), notes receivable – current of $18,733,063 (2022 – $18,111,849), due from related parties of $1,328,383 (2022 - $—) , deferred tax asset of $756,253 (2021 — $756,253.00), and advances to joint ventures and operation of $926,878 (2022 – $876,258).

Non-current Assets

As at March 31, 2023, the Company's non-current assets were $73,871,822 (2022 – $67,834,822). Non-current assets are comprised of investment in property, plant and equipment $36,123,280 (2022 – $35,650,655), investment in joint ventures $1,710,514 (2022 – $1,758,719), right-of-use asset $959,400 (2022 – $796,940), due from related parties of $0 (202 – $1,328,383), intangible assets $33,007,975 (2022 – $27,838,374), and goodwill $2,070,654 (2022 – $461,752).

Current Liabilities

As at March 31, 2023, the Company's current liabilities were $10,312,295 (2022 – $12,975,187). Current liabilities include the following: accounts payable and accrued liabilities of $4,348,134 (2022 – $7,018,634), notes payable – current portion of $4,106,487 (2022 – $4,106,487), notes payable – from RDF Management, LLC ("RDF") acquisition of $1,200,000 (2022 – $1,200,000), current portion of lease liability of $169,901 (2022 – $156,719), and loan payable of $487,772 (2022 – $493,347).

Non-current Liabilities

As at March 31, 2023, the Company's non-current liabilities were $39,115,644 (2022 – $35,623,264). Notes payable – non-current portion of $27,754,321 (2022 – $26,011,498), notes payable – from RDF acquisition of $952,568 (2022 – $1,198,598), lease liability – non-current portion of $898,595 (2022 – $737,030), non-convertible debt non - current portion of $4,248,809 (2022 - $4,249,260), and deferred tax liabilities of $5,261,351 (2022 – $3,426,879).

Shareholders' Equity

As at March 31, 2023, the Company had shareholders' equity of $72,121,913 (2022 – $71,918,522).

Working Capital Position

As at March 31, 2023, the Company's working capital position was $37,365,734 (2022 - $39,706,964).

Financial Results of the Operation for the Three Months Ended March 31, 2023

	For the Three Months Ended		$	%
	March 31, 2023	March 31, 2022	Change	Change
REVENUES	9,110,651	10,791,133	$ (1,680,482)	(15.6)%
NET COST OF GOODS SOLD	4,408,935	1,524,868	$ 2,884,067	189.1 %
GROSS PROFIT	4,701,716	9,266,265	(4,564,549)	(49.3)%
OPERATING EXPENSES	3,887,819	3,820,526	$ 67,293	1.8 %
Accretion on debt	6,026	(12,372)	$ 18,398	(148.7)%
Share of profit (loss) of joint ventures	(91,205)	(177,399)	$ 86,194	(48.6)%
Change in fair value of debt	(190,984)	—	$ (190,984)	(100.0)%
Debt transaction costs	(742,036)	—	$ (742,036)	(100.0)%
Foreign exchange gain/(loss)	(2,726)	212	$ (2,938)	(1386.1)%
Interest (expense)	(861,188)	(322,900)	$ (538,288)	166.7 %
Interest income	211	—	$ 211	100.0 %
Net income before taxes	(1,068,005)	4,933,280	$ (6,001,285)	(121.6)%
Income tax (expense)/recovery	1,141,064	(1,475,051)	$ 2,616,115	(177.4)%
Net income after taxes	$ 73,059	$ 3,458,229	$ (3,385,170)	(97.9)%
Total comprehensive income	**$ 73,059**	$ 3,458,229	$ (3,385,170)	(97.9)%

Sales:
The following table is a comparison of the category breakdown for the three months ending March 31, 2023 compared to March 31, 2022.

Sales:

Source	**March 2023**	**Source**	**March 2022**
Retail	8,385,248	Retail	10,153,121
Wholesale/Manufacturing	725,403	JV Partners and Other	638,012
	$ 9,110,651		$ 10,791,133

Sales decreased by $1,680,482 which is a 15.6% decrease comparing first quarter 2023 vs first quarter 2022. Decreased sales are primarily from switching to a for profit reporting structure in Arizona and ongoing reduction in discretionary spending due to the current economy.

Cost of Goods Sold:
The following table shows the comparison by category breakdown for three months ending March 31, 2023 compared to March 31, 2022.

	March 2023		**March 2022**
Cost of goods sold	2,087,839	Cost of goods sold	(287,149) *
Wages and benefits	892,986	Wages and benefits	1,455,894
Amortization	755,933	Amortization	481,914
General & administrative	731,800	General & administrative	1,090,361
Subtotal expenses	$ 4,468,558	Subtotal expenses	$ 2,741,020
Gross profit	4,642,093	Gross profit	8,050,113 *
With the effect of biological inventory gross profit changes:	4,701,716	With the effect of biological inventory gross profit changes:	9,266,265

*Cost of goods was revalued from historic cost to wholesales as part of the acquisition the two dispensaries, which temporarily inflated gross profit. This one time entry was amortized back into cost of goods sold in Q2 2022, see EBITDA table.

Financial Results of the Operation for the Three Months Ended March 31, 2023 ***(CONTINUED...)***

Pursuant to the Company's dispensaries conversion to for-profit status, biological assets were recorded in the books of record at Fair Value Less Cost to Sell (FVLCS) which resulted in Unrealized and Realized Gain of $(1,063,916) and $1,004,293 realized loss, respectively.

Gross profit decreased from $9,266,265 for three months ended March 31, 2023, to $4,701,716 for the same period in 2022 due to the change in accounting treatment for the dispensaries to be for-profit and consolidated, which included picking up of the biological and other dispensary inventory.

Operating expenses for the three months ended March 31, 2023, were $3,887,819 compared to $3,820,526 for the comparative period in 2022, an increase of $67,293 or 1.8%. The increase in expense is primarily associated with the new Ohio dispensary being consolidated.

CASH FROM ACTIVITIES

The following table summarizes the sources and uses of cash for the three months ended March 31, 2023 and 2022:

		March 31, 2023		March 31, 2022
Cash provided by operating activities	**$**	**397,910**	$	3,086,264
Net cash used in investing activities		**(1,783,221)**		(4,800,068)
Net cash used in financing activities		**(1,102,434)**		(904,589)
Net change in cash	**$**	**(2,487,745)**	$	(2,618,394)

Operating Activities

During the three months ended March 31, 2023, operating activities contributed $397,910 of cash compared to $3,086,264 for the comparative period in 2022, a $2,688,354 decrease. Biological asset recording and reduction in sales revenue from the current economic condition are the primary drivers for the change.

Investing Activities

During the three months ended March 31, 2023, cash flows used in investing activities was $1,783,221 compared to $4,800,068 for the comparative period in 2022, a decrease of $3,016,847. This decrease is driven by a reduction in capital outlay for the cultivation and dispensary facility purchases and recognition of current economic conditions.

Financing Activities

During the three months ended March 31, 2023, cash flows from financing activities was $(1,102,434) compared to $(904,589) for the comparative period in 2022, representing an increase of $197,845. The change is attributable to the capital needs for the Company.

LIQUIDITY AND CAPITAL RESOURCES

These condensed consolidated interim 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 March 31, 2023, the Company had working capital of $37,365,734 (2022 - $39,706,964) and retained earnings of $33,395,340 (2022 - $33,322,281). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

The $(2,341,230) in working capital decrease is primarily attributable to the debt financing and loan costs that was funded in December 2022.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the condensed consolidated interim 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 three months ended March 31, 2023 and March 31, 2022 is summarized as follows:

	March 31, 2023	March 31, 2022
Share-based compensation	**$ 130,332**	$ 12,718
Salaries and wages included in cost of goods sold	**83,021**	81,528
Salaries, wages and commissions included in operating expenses	**177,665**	114,354
Consulting fees included in operating expenses:	**—**	40,989
	$ 391,017	$ 249,589

Other related parties

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

Remuneration attributed to other related parties for the three months ended March 31, 2023 and March 31, 2022 is summarized as follows:

	March 31, 2023	March 31, 2022
Consulting fees included in operating expenses	**47,462**	37,890
	$ 47,462	$ 37,890

Balances with related parties:

Due from related parties:

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

	March 31, 2023	March 31, 2022
Non-interest bearing, due on December 31, 2022 from Jason T. Nguyen, Executive Chairman	**$ —**	$ 316,251
	$ —	$ 316,251

	March 31, 2023	March 31, 2022
Non-interest bearing, due on December 31, 2023 from Jason T. Nguyen, Executive Chairman	**1,328,383**	1,328,383
	$ 1,328,383	$ 1,328,383

RELATED PARTY TRANSACTIONS (*CONTINUED…*)

Due to related parties:

		March 31, 2023		March 31, 2022
Payables and Accrued Liabilities				
Jason T. Nguyen, Executive Chairman (Due to Related Party)		**—**		225,000
Jason T. Nguyen, Executive Chairman		—		235,000
David Eaton, Director		**—**		1,000
Mark Opzoomer, Director		**35,477**		6,666
Eric Offenberger, CEO, COO, and Director		—		87,885
	$	**35,477**	$	555,551

OUTSTANDING SHARE DATA

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

Number Outstanding	
Subordinate voting shares	82,485,279
Multiple voting shares*	672,747
RSUs	369,658
Stock options	5,201,334
Warrants	33,538,337
Special advisory warrants	1,000,000

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

PROPOSED TRANSACTIONS

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent audited annual consolidated financial statements of the Company with the addition of the new inventory and biological asset accounting policies below. These condensed consolidated interim financial statements should be read in conjunction with the Company's March 31, 2023, annual consolidated financial statements.

a) Biological Assets Biological assets, consisting of cannabis plants, are measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of inventories after harvest. Gains or losses arising from changes in fair value less costs to sell during the year, including the impact on the carrying amount of inventory, are included in the consolidated statement of income (loss) and comprehensive income (loss) of the related year. At the point of harvest, the biological assets are transferred to inventories at their fair value less costs to complete and sell. All direct and indirect costs related to biological assets are capitalized as they are incurred and expensed when the related item is sold. While the Company's biological assets are within the scope of IAS 41, Agriculture and are measured at fair value less costs to sell, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, Inventories. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and at the point of harvest including labor related costs, grow consumables, utilities, facilities costs including allocation of overhead costs related to production facility, quality and testing costs, and production related depreciation. Capitalized costs are subsequently recorded within cost of sales in the consolidated statements of income and comprehensive income in the period that the related product is sold.

b) Inventories' Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant, and slow-moving goods and any such inventories identified are written down to net realizable value. The direct and indirect costs of finished goods inventory that includes internally cultivated flower and trim, includes the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expenses on equipment involved in processing, packaging, labelling, and inspection to turn raw materials into finished goods. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of sales on the consolidated statements of income and comprehensive income at the time cannabis products are sold. The Company measures inventory costs using the first-in first-out method. Realized fair value amounts from biological assets included in the cost of inventory sold are separately presented for cost of sales as fair value adjustment on sale of inventory in Note 11.

c) New Accounting Pronouncements The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

Amendments to IFRS 9: Financial Instruments As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company has evaluated the potential impact of these amendments on the Company's consolidated financial statements and is complying with these new amendments in the condensed consolidated interim financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current the amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact on the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's condensed consolidated interim financial statements.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract The amendment specifies that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company has evaluated the potential impact of these amendments on the Company’s consolidated financial statements and is complying with these new amendments in the condensed consolidated interim financial statements.

Amendments to IAS 41: Agriculture As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IAS 41. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Company has evaluated the potential impact of these amendments on the Company’s consolidated financial statements and is complying with these new amendments in the condensed consolidated interim financial statements.

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 minimal credit risk on its receivables. As at March 31, 2023, $3,356,309 was due to the Company from less than 80 customers. 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 March 31, 2023, the Company had cash, accounts receivable and short-term notes receivable of $25,535,464 to settle its current liabilities of $10,312,295. 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 that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

   As of March 31, 2023, $20,692,867 of the Company's borrowings include a variable interest rate component. As a result, the Company is subject to interest rate risk with respect to such floating-rate debt. For the period ended March 31, 2023 a hypothetical 100 basis point increase in the variable interest rate would increase the annual interest expense by approximately $221,850. There was no variable interest rate debt outstanding for the period ended March 31, 2023.

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.

OFF-BALANCE SHEET TRANSACTIONS

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

SUBSEQUENT EVENTS

- On May 11, 2023, the Company issued an aggregate of 42,719 subordinate voting shares upon settlement of 62,500 restricted share units, which were settled for a combination of subordinate voting shares and cash equivalent to the amount the Company was permitted to withhold under the Company's restricted share unit plan for the remittance of tax related to the settlement of such restricted share units.
- The Company received $2,100,991 related to the federal ERC program related to past Covid payroll tax expense credits on April 3, 2023.

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 the 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 Staff 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-seven (37) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and nineteen (19) 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 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 143 active dispensaries, and 131 active nonprofit medical marijuana dispensary registration certificates 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). On November 20, 2020, Arizona passed Proposition 207 (Responsible Adult Use of Marijuana Act) which legalized recreational marijuana use for adults. Arizona is one of the 38 states to have some form of medical marijuana law in place, while another 21 states have legalized Marijuana for adult recreational use. 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 can now operate as 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.

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 following 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 one ounce (28 grams) of marijuana (with no more than five 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 following 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 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 could also 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 adult-use or medical 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 March 31, 2023, 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 is 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 developing the business and managing 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 people 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 raising 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 financing 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.

Pandemic and Public Health Emergencies

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.