better

PLANT SCIENCES

Management's Discussion & Analysis

For the Three and Nine Months Ended August 31, 2021 and 2020

This Management's Discussion and Analysis ("MD&A") relates to the consolidated financial position and financial performance of Better Plant Sciences Inc. ("Better Plant"), and all our subsidiaries, including our 100% owned subsidiary Urban Juve Provisions Inc. ("Urban Juve"), our 100% owned subsidiary Wright & Well™ Essentials Inc. ("Wright & Well"), our 100% owned subsidiary Jusu Bars Corp. ("Jusu Bars"), and our 100% owned subsidiary Jusu Wellness Inc. ("Jusu Wellness"), for the three and nine months ended August 31, 2021 and August 31, 2020. Collectively, Better Plant and all our subsidiaries are referred to as the "Company". All references to "us" "we" and "our" refer to the Company. All intercompany balances and transactions have been eliminated.

Except where otherwise indicated, the financial information contained in this MD&A was prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with our unaudited condensed interim financial statements for the three and nine months ended August 31, 2021 and August 31, 2020 and audited annual consolidated financial statements for the years ended November 30, 2020 and 2019 (collectively referred to as the "Financial Statements").

Financial information contained in this MD&A has been prepared on the basis that we will continue as a going concern, which assumes that we will be able to realize our assets and satisfy our liabilities in the normal course of business for the foreseeable future. Management is aware, in making our going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon our ability to continue as a going concern.

We had a net loss of $1,611,237 and $1,795,019, respectively, for the three and nine months ended August 31, 2021, and used $1,260,645 of cash for operating activities during the nine months ended August 31, 2021. As at August 31, 2021, we had working capital of $907,123 including cash of $596,997 and had an accumulated deficit of $34,638,263. Our continued operations are dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. Whether and when we can generate sufficient operating cash flows to pay for our expenditures and settle our obligations as they fall due is uncertain. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. These adjustments could be material.

The COVID-19 pandemic has led to broad adverse impacts on the Canadian and global economies. The COVID-19 pandemic has impacted and could further impact our operations and the operations of our suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. As a result of the pandemic, we experienced delays in certain planned projects and product launches. Our associates and investment companies may have experienced the adverse impact of COVID-19 as well. Below is an analysis the impact of COVID-19 on our business:

Revenue generation

While we achieved significant revenue growth during the nine months ended August 31, 2021 compared to the same period of the prior year, certain revenue generating areas were negatively impacted by COVID-19 restrictions. Specifically, our brick-and-mortar retail location in Victoria, British Columbia, as a juice bar, experienced, and is still experiencing, reduced traffic and sales. Depending on the further development of the COVID-19 pandemic, its future impact on sales at this location is uncertain, although our management believes that such impact is manageable and will not be significant to our total revenues.

Productivity

We have adopted a remote work policy and our team has been working remotely since March 2020. We have been able to keep our office open and functional with minimal staff presence, and have assessed that working remotely has not materially impacted the team's overall productivity or our general financial position.

Impairment

Due to the outbreak of COVID-19, many companies are experiencing delays in projects and in their business in general. We incurred larger than expected losses from our investment in an associate, due to a restructuring process in their business. However, without availability of quantifiable information, our management cannot conclude if, and how much of, such losses were caused by the COVID-19 pandemic.

Suppliers' and vendors' contracts

We experienced slightly increased lead times of production and services with certain suppliers and vendors. However, such delays were not considered to have caused any material impact on our business and financial position. We did not have to cancel any contracts with suppliers and vendors and did not incur any cancellation penalties during the year.

Funding

The general sentiment in the capital market caused difficulties in some fund-raising activities, but we were able to overcome the difficulties and obtain the amount of funding required to support operations.

With the COVID-19 pandemic still developing and the resurgence of new cases recently, the extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on our suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Over the past year, we have been closely following the progression of COVID-19 and its potential impact on us and have been working on alternative measures and resources to minimize the impact on us. Even after the COVID-19 pandemic has subsided, we may experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, we cannot reasonably estimate the impact at this time on our business, liquidity, capital resources and financial results going forward.

Except where otherwise indicated, all financial information is expressed in Canadian dollars.

CORPORATE OVERVIEW

Our Business

We offer plant-based products for optimum health and wellness. We are engaged in product development, manufacturing, marketing and retail sales and direct-to-consumer distribution of our products. Our all-natural products vary from juice cleanses to home products to personal care products, all without chemicals or harmful ingredients. We currently have over 70 plant-based products which we manufacture (either ourselves or through co-packers) for sale through eCommerce and/or in retail stores under the brands Jusu, Urban Juve, and Wright & Well. Our direct-to-consumer platforms offer over 70 of our branded products for international distribution through 3 Shopify enabled eCommerce sites, as well as direct to consumer distribution for refrigerated goods in Victoria and Vancouver, British Columbia and Calgary, Alberta. We have one quick-serve retail location of a Jusu juice bar in Victoria, British Columbia where we sell Jusu branded products and other food items. We also offer operational, marketing, corporate and other support services to companies who have similar goals in improving the planet.

Evolving for Tomorrow

We continuously evolve our business and product commercialization plan to stay relevant to consumers. We intend to increase revenues by offering new products that are in high and sustainable consumer demand. We draw on existing, often stability-tested formulas to bring these to market under new and existing brands. Our wholly owned active brands include Jusu Bars, Jusu Wellness, Urban Juve and Wright & Well. All of the products we develop are plant-based and created to improve lives through enhanced wellness.

Plant-Based Bioscience

We take care to protect our intellectual property, which includes formulas and processes for our catalogue of more than 400 product formulas. We have conducted research into plant-based medicines to create natural health products and we have received approvals from Health Canada for 4 natural health products - 2 hand sanitizers, one product to treat pain and one plant-based healing skin ointment intended to fight against infectious diseases. We sell a hand sanitizer gel in the United States (the "U.S.") which we have listed for sale with the U.S. Food and Drug Administration (the "FDA").

Our plan is to harness plant intelligence to lead the way in making plant-based products that are better for you and better for the earth.

Our Mission Statement

Bringing better product experiences to our customers through better ingredients and innovative plant intelligence.

Our Core Values

We communicate our core values through the acronym GROW:

Gusto
We are driven, passionate and committed. We truly love what we do, which is why we're always eager to learn new things and take on any challenges with gusto.

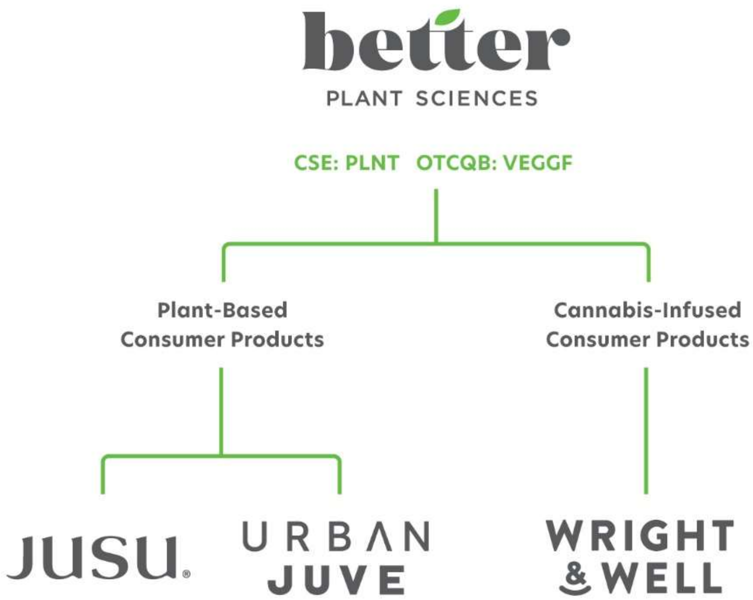
Respect
We treat our peers, partners, and our community with honesty and respect. We also respect our planet, which is why we're very conscious of the environmental impact we have and our duty to protect the earth.

Openness
With an open mind, anything is possible. We communicate openly with one another and support the unique ideas of every person on our team. We are constantly evaluating the way we operate to see if there are better, regenerative ways we can develop and deliver our products and services.

Wonderment
We are forever curious, inviting new discoveries and embracing new ideas. We're constantly looking for ways to innovate and do things better.

Our Brands

We own 100% of the Jusu, Urban Juve and Wright & Well Brands. The following image illustrates our wholly owned brands.



JUSU

Jusu offers plant-based wellness products with the goal to holistically improve life and improve sustainability, for ourselves, for our families, and for our planet. Every ingredient in all Jusu products is 100% naturally sourced.

Our Jusu products consist of products in the following three key categories:

1. Plant-based beverages consisting of cold-pressed juices, cleanses and booster shots with nut milks in development.
2. Plant-based personal care products, including skin care, hair care and body care.
3. Plant-based all natural home cleaning products.

Through Jusu Bars we are operating a quick-serve location at 2560B Sinclair Road, Cadboro Bay, Victoria, British Columbia, and we manufacture (ourselves and through a co-packer) and distribute Jusu juices to our Jusu Bar location as well as through our direct to consumer eCommerce platform to consumers in Calgary, Alberta and Victoria, British Columbia and Vancouver, British Columbia, and through a retail network of grocery stores and restaurants.

Plant-Based Beverages

Jusu cold pressed juices are made with a hydraulic press that uses thousands of pounds of pressure to extract the maximum amount of liquid from fresh fruits and vegetables. No heat or oxygen is used in the process.

We put most of our Jusu juices through high pressure processing as a final step in the manufacturing process allowing an extended shelf life. Jusu is selling 13 original juices that can be combined to make 1, 3 or 5 day cleanses. In June 2021, we expanded our beverage line with five new juices and two booster shots, and we continuously develop new products to expand our product line.

Jusu employs the following marketing and sales strategies for the sale of juices through sales to retail and through our direct to consumer eCommerce platform:

- local campaigns to boost both awareness of the brand and online sales including social media advertising and guerilla marketing tactics such as posters in targeted neighborhoods;
- enhancements to our eCommerce platform with updated creative assets, copy and functionality like subscriptions and newsletter signups; and
- leveraging social media channels such as Facebook and Instagram to showcase our products, interact with our customers, make announcements and partner with “influencers” to drive revenue.

Plant-Based Home Products

Jusu home products support the wellness of the home by replacing regular home products with natural, plant-based ones. As of the date of this MD&A, Jusu has seven home products on the market: All Purpose Cleaner, Concentrated Cleaner + Degreaser, Glass + Multi-Surface Cleaner, Deodorizing Soft Scrub, Dish Soap, Stainless Steel Cleaner and Laundry Detergent. During this quarter, we also relaunched ten 100% pure essential oils, and six pure essential oil blends, and six essential oil spritzers.

Plant-Based Personal Care Products

Jusu Body products are plant-based, containing only natural ingredients, and are free from harmful chemicals. The Jusu body line encompasses products ranging from babies to adults and includes hair, skin, body and face products. Jusu personal care products use pure ingredients for vitality and healthy skin. Jusu products are free from: parabens, fragrance, 4-Dioxane, SLS/SLES, triclosan, aluminum, DMDM Hydantoin, mineral oil, phthalates, PEG, and petroleum.

Jusu Wellness employs the following marketing strategies to sell its home and personal care products:

- paid ads through the Google network, video advertising on channels such as YouTube and improvements to the organic listings on Google search engine optimization;
- enhancement of email marketing strategy through testing and learning what messages resonate with customers and where improvements can be made;
- using customer data to launch ‘bundles’ of products, subscriptions and referral programs, all with a goal of improving the customer experience online;
- leveraging other opportunities to showcase our products such as advertising on podcasts and researching additional affiliate networks that align with the brand and can drive revenue; and
- leveraging social media channels such as Facebook, Instagram, Pinterest and Tik Tok to showcase our products, interact with our customers, make announcements and partner with “influencers” to drive revenue.

We distribute Jusu home and body products through retail outlets that offer goods and services in health and wellness, food, pharmacy, beauty, recreation and luxury goods, and through recently appointed sales agents, we plan to continue to expand this network.

In the past few financial quarters, we have been successful in building the retail distribution platform for Jusu products and there are now over 60 retailers that carry the products, including 7 Whole Foods locations in Ontario, Canada. Our plan is to continue to build our retail customers by actively targeting multi-chain retailers and larger online health & wellness companies. We will continue to focus on supporting our current brick & mortar stores with new JUSU products to help build out the JUSU line in their retail space.

Future Product Development

Jusu has more than 300 proprietary plant-based formulas in its library. All products are made in the same way and meant to harness the power of plants to improve wellness and a healthy environment. We are also engaged in constant research and development monitoring both consumer trends and customer feedback to launch, test and learn what new products can be launched to enhance the brand.

We are operating the Jusu Bar business, which consists of the operation of one Jusu Bar quick-serve location in Cadboro Bay, Victoria, as well as juice manufacturing and sales through retail and direct to consumer eCommerce platforms and delivery services of refrigerated cold-pressed juices in Victoria, British Columbia and Calgary, Alberta.

Since acquiring the assets of Jusu in October 2020, we have rebranded 76 wellness products and re-launched them for sale in a Shopify based Jusu eCommerce site at getjusu.com. Our direct-to-consumer website at getjusu.com offers a Shopify-powered mobile first experience that is designed to increase conversions and improve the customer experience. This is complemented by improved navigation and a customer-centric approach that creates a seamless shopping experience across the entire Jusu product catalogue.

URBAN JUVE™

Urban Juve is a personal care line with hemp root oil as our hero ingredient. We currently have eleven products on the market, being sold in the U.S. and Canada through eCommerce as well as product sets. In the Spring of 2020, we brought to market a refined and more sophisticated packaging collection, which meets U.S., Canada and European labelling standards and requirements.

We have acquired the rights to and have developed the Urban Juve products through our wholly owned subsidiary, Urban Juve. We have acquired and developed body care and therapeutic products primarily using plant-based ingredients and inspiration from the ancient medical science of Ayurveda. Our products contain predominantly natural ingredients and minimal preservatives.

We have completed stability testing to establish either a one-year or two-year shelf life with certain packaging for approximately 50 products. These products include deodorant, body exfoliants, facial masks, sexual lubricant, sports spray, sunscreen, body oils, lip products, cleansers, facial oils, eye cream, essential oil roll-ons, perfumes, colognes, hair pomade, beard oil, shaving creams, pain balm, pain gel, mists, moisturizers, hand cream and foot cream.

WRIGHT & WELL

Wright & Well is a cannabis wellness brand that launched in Oregon, United States in early 2020. The Wright & Well products are intended to help relieve pain and anxiety and are sold through Nova Path's distribution network of retail cannabis stores. The initial five products to market include two CBD tinctures, an analgesic topical gel with CBD and THC, a pain balm with CBD and THC, and a massage oil with CBD and THC.

Wright and Well products are formulated with proprietary formulas using carefully selected cannabis strains, and the balm, topical gel and massage oil contain our proprietary hemp root oil. There are approximately 15 licensed Cannabis dispensaries selling the products in Oregon, and we are slowly growing the business by adding several dispensaries each month. Nova Paths produced a second run in May 2021 of our top selling product, which is a cannabis infused topical gel. We have 19 retailers now carrying the Wright & Well brand in Oregon, USA.

At this time we are not pursuing further product development of cannabis infused products.

OVERALL PERFORMANCE

As of August 31, 2021, our total assets grew to $6.6 million from $4.7 million at November 30, 2020. The majority of the growth was due to the deconsolidation of a previously majority-owned subsidiary, NeonMind Biosciences Inc. ("NeonMind") after its initial public offering ("IPO") in December 2020, and the recognition of our investment in NeonMind as an associate under the equity method thereafter.

For the three and nine months ended August 31, 2021, product sales were $139,618 and $451,980 respectively, compared to $59,703 and $135,942 in the same periods of the prior year. During this period, we focused on building product sales, especially in the region of North America through ecommerce and retail distribution. Licensing is no longer our strategic focus and we realized licensing revenues of $9,132 and $336,038 for the three and nine months ended August 31, 2021, compared to licensing revenues of $104,977 and $319,801 for the same periods of the prior year. Consulting revenue was $195,251 and $591,164 for the three and nine months ended August 31, 2021 as compared to $11,041 and $12,620 for the same periods of the prior year. The increase in consulting revenue was primarily related to the adoption of a shared service model with two of our affiliated companies, whereby our team provides them with finance, legal, investor relations, creative & marketing services. Our total revenue increased to $344,001 and $1,379,182 for the three and nine months ended August 31, 2021, from $175,721 and $468,363 in the same periods of the prior year, as we increased consulting activities and refocused on product sales of our plant-based products.

We had a net loss of $1,611,237 and $1,795,019 for the three and nine months ended August 31, 2021 as compared to a net loss of $1,712,567 and $6,877,775 for the same periods of the prior year. The decrease in net loss was primarily driven by an increase in revenue, decrease in operating expenses, and gain on deconsolidation of NeonMind. We had a negative adjusted EBITDA of $1.2 million and $2.8 million for the three and nine months ended August 31, 2021, as compared to negative adjusted EBITDA of $1.2 million and $5.3 million for the same periods of the prior year. The decrease in negative adjusted EBITDA was achieved primarily by the increase in revenue and reduction in operating expenses.

FINANCIAL HIGHLIGHTS

The following table summarized our recent results of operations for the periods indicated. The following information was derived from our unaudited condensed interim financial statements for the three and nine months ended August 31, 2021 and August 31, 2020, and as of August 31, 2021 and November 30, 2020.

	Three months ended August 31,			Nine months ended August 31,		
	2021	2020	% chg	2021	2020	% chg
Licensing revenue	$ 9,132	$ 104,977	(91)	$ 336,038	$ 319,801	5
Product sales	139,618	59,703	134	451,980	135,942	232
Consulting revenue	195,251	11,041	1668	591,164	12,620	4584
	344,001	175,721	96	1,379,182	468,363	194
Gross profit	145,278	100,632	44	699,574	366,081	108
Gross margin	42%	57%	(26)	51%	72%	(29)
Total expenses	1,040,377	1,578,722	(34)	4,248,370	6,906,238	(38)
Net income (loss)	(1,611,237)	(1,478,090)	9	(1,795,019)	(6,877,775)	74
Adjusted EBITDA[1]	(1,169,463)	(1,212,279)	(4)	(2,786,228)	(5,266,992)	(47)
Basic income (loss) per share	(0.01)	(0.02)	50	(0.01)	(0.06)	83

	August 31, 2021	November 30, 2020	% change
Current assets	$ 2,027,193	$ 1,903,383	7
Total assets	6,637,756	4,658,389	42
Current liabilities	1,120,070	1,114,191	1
Total liabilities	2,093,822	1,378,331	52

ADJUSTED EBITDA

Adjusted EBITDA, a measure used by management to indicate operating performance, is defined as earnings before interest, taxes, depreciation and amortization, excluding certain non-operating amounts as shown below. Adjusted EBITDA is not a recognized term under IFRS and is not intended to be an alternative either to gross profit or income before taxes as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

[1] Adjusted EBITDA is a non-GAAP measure and should not be considered a substitute or alternative for GAAP measures. Adjusted EBITDA is not a recognized, defined or standardized term under IFRS, and may not be a reliable way to compare us to other companies. See "Adjusted EBITDA" section for more information about this measure and details on how it was calculated.

Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow available for discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. We use Adjusted EBITDA to supplement IFRS results to provide a more complete understanding of the factors and trends affecting the business than IFRS results alone. Because not all companies use identical calculations, the presentation of Adjusted EBITDA may not be comparable to other similarly titled measurements used by other companies. Readers should not consider Adjusted EBITDA in isolation or as a substitute for profit (loss) for the year as determined by IFRS, or as a substitute for an analysis of our Financial Statements.

Reconciliation of Adjusted EBITDA for the three and nine months ended August 31, 2021 and August 31, 2020:

	For the three months ended		For the nine months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Net income (loss) for the period	$(1,611,237)	$ (1,712,567)	$ (1,795,019)	$ (6,877,775)
Add:				
Depreciation & Amortization	79,517	55,773	228,656	147,268
Adjustments:				
Share-based compensation	(23,029)	267,091	964,291	1,231,489
Loss on sale of marketable securities	3,665	-	3,665	4,293
Unrealized loss (gain) on marketable securities	499	46,088	(2,605)	95,477
Gain on reclassification of investment	-	-	(366,230)	-
Gain on sale of equity accounted investee	-	-	(9,925)	-
Share of net loss of equity accounted investees	381,762	114,130	1,882,614	196,409
Gain on loss of control and disposal of subsidiary	-	-	(3,680,165)	-
Loss on impairment of intangible assets	-	17,206	-	17,206
Gain on settlement of accounts receivable	-	-	-	(17,784)
Gain on settlement of accounts payable	(640)	-	(11,510)	(63,575)
Adjusted EBITDA	$(1,169,463)	$ (1,212,279)	$ (2,786,228)	$ (5,266,992)

In the current quarter, we incurred expenses primarily in brand building activities including advertising, marketing and media, and in office and administrative expenses which includes logistics, selling costs and general operational costs. The decrease in negative adjusted EBITDA was primarily driven by an increase in product sales and consulting revenue and by expenses reductions compared to prior year.

DISCUSSION ON OPERATIONS

Revenues

Our total revenue increased to $344,001 and $1,379,182 for the three and nine months ended August 31, 2021, from $175,721 and $468,363 for the same periods of the prior year, as we increased consulting activities and product sales of our plant-based products. For the three and nine months ended August 31, 2021, product sales were $139,618 and $451,980 respectively, compared to $59,703 and $135,942 in the same periods of the prior year. The increase in product sales was largely due to Jusu brand sales, and we anticipate significant growth potential in the Jusu brand products going forward. The addition of Jusu brands expanded our offering of plant-based products in the areas of face and body care, house cleaning, baby care, and cold pressed juices. We plan to build on the existing foundation and introduce additional new products to the market, especially in the house cleaning and cold-pressed juice product lines.

During this period, we focused on building product sales through ecommerce and retail customers, especially in the region of North America. Licensing is no longer our strategic focus and we realized licensing revenues of $9,132 and $336,038 for the three and nine months ended August 31, 2021, compared to licensing revenues of $104,977 and $319,801 for the same periods of the prior year.

Consulting revenue was $195,251 and $591,164 for the three and nine months ended August 31, 2021 as compared to $11,041 and $12,620 for the same periods of the prior year. The increase in consulting revenue was primarily related to the adoption of a shared service model with two of our affiliated companies, whereby our team provides them with finance, legal, investor relations, creative & marketing services. We anticipate future fluctuations in our consulting activities, which will depend on how active we are in supporting our affiliated companies on bringing in new projects that add to our future growth.

Advertising, Marketing and Media

Advertising, marketing and media expenses are related to our activities in promoting our corporate brand name, our plant-based line of products, which includes market studies, brand design, labelling artwork, primary packaging design, social media launch and maintenance, and creatives and contents for the website. For the three and nine months ended August 31, 2021, we incurred $169,441 and $971,091, as compared to $312,869 and $1,601,498 for the same periods of the prior year. The reduction in advertising, marketing and media expenses was due to larger investments in the prior year in launching new brands. Moving forward, we intend to keep advertising, marketing and media expenses consistent with the current reduced levels as we have built up a strong marketing team and are taking marketing activities in-house rather than through third-party agents.

The following is a breakdown of advertising, marketing and media expenses:

	For the three months ended		For the nine months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Promotions & Events	$ 2,248	$ 4,834	$ 4,527	$ 28,326
Marketing Expenses	80,856	50,155	285,497	190,604
Marketing Materials	1,895	23,191	6,551	148,667
Public Relations	-	12,000	34,883	57,689
Media & influencers	42,277	225,462	581,650	1,162,510
Product Samples and other	42,165	(2,773)	57,983	13,702
Total advertising, marketing and media	$ 169,441	$ 312,869	$ 971,091	$ 1,601,498

Amortization & Depreciation

Depreciation and amortization are related to computer equipment, furniture, telephone equipment, leasehold improvements and website development costs. For the three and nine months ended August 31, 2021, we incurred depreciation and amortization expenses of $79,517 and $228,656, as compared to $55,773 and $147,268 for the same periods of the prior year. The increase in depreciation expenses was driven by expanded office and staffing, and the development of an e-commerce website.

Consulting Fees

We engage consultants regularly to obtain expertise in various business areas to limit our fixed commitments on staffing and salaries expenses including but not limited to marketing, technology, finance and accounting. Consulting services provided consisted primarily of corporate finance, CFO services, director services, and regulatory advisory services. For the three and nine months ended August 31, 2021, we incurred consulting expenses of $122,076 and $361,857, as compared to $229,555 and $1,299,664 for the same periods of the prior year. The decrease in consulting fees was a result of tightened expense policies in the company.

Information System

We incurred expenses on Information Systems, primarily to establish our ERP system and ecommerce website and related backend transaction processing and support systems, as well as supporting our consulting services provided to third parties. During the three and nine months ended August 31, 2021, we incurred expenses in information systems of $nil and $1,700, as compared to $25,568 and $116,618 for the same periods of the prior year. The decrease in information systems expenses during the year compared to the prior year was due to one-time costs incurred in setting up information systems and creating new websites in the prior year, which were not required in the current year.

Investor Relations

Investor relations expenses were incurred to enhance our investor relations program and included investor relations consulting services and fees paid for news releases. Investor relations expenses increased to support ongoing efforts to expand visibility within the investment community. For the three and nine months ended August 31, 2021, we incurred $18,137 and $60,637, as compared to $nil and $107,800 for the same periods of the prior year. The increase in investor relations during the three months ended August 31, 2021, was due to ongoing efforts to expand visibility within the North American investment community. The decrease in investor relations during the nine months ended August 31, 2021, was due to normalization of such activities as compared to larger spend in the prior year to support our fundraising efforts and our stock on the Canadian Securities Exchange, the OTCQB Venture Market in the United States and The Frankfurt Stock exchange in Germany during the year.

Listing fees

We incurred listing fees of $3,000 and $14,252 for the three and nine months ended August 31, 2021 as compared to $18,250 and $38,739 for the same periods of the prior year.

Office and Administrative Expenses

For the three and nine months ended August 31, 2021, we incurred office and administrative expenses of $225,215 and $592,638, as compared to $116,185 and $455,966 for the same periods of the prior year. The increase in office and administrative expenses was related to the increase in office expenses and selling costs, which is directly related to the increase in revenue and business activity.

Breakdown of office and administrative expenses is as follows:

	For the three months ended		For the nine months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Dues and subscriptions	$ 20,908	$ 19,421	$ 70,999	$ 62,463
Insurance	33,262	19,606	84,280	72,808
Office rent	17,715	17,790	22,189	46,926
Office expenses	39,840	18,150	118,207	78,856
Logistics	24,820	14,230	76,179	55,669
Selling costs	3,506	116	46,026	116
Telephone	3,389	6,609	9,346	23,401
Travel	1,037	74	2,104	17,236
Other expenses	80,738	20,189	163,308	98,491
Total office and administrative	$ 225,215	$ 116,185	$ 592,638	$ 455,966

Product Development, Research and Registration

Product development, research and registration expenses are related to product testing, research and regulatory registrations. For the three and nine months ended August 31, 2021, we incurred product testing costs of $4,970 and $167,764 as compared to $40,829 and $214,463 for the prior year. The decrease in product development, research and registration was driven by decreased product development activities as the bulk of the research was performed in the prior year, and we have a developed catalogue of products that is sufficient to support our short and mid-term development goals.

Professional Fees

Professional fees are primarily related to legal, accounting, recruiting and audit services. For the three and nine months ended August 31, 2021, we incurred professional fees of $76,794 and $232,749 as compared to $89,285 and $293,343 for the same periods of the prior year. The decrease in professional fees were mainly related to increased reliance on internal resources to drive efficiency.

Share-based Compensation

Share-based compensation granted to our directors, officers, employees and consultants included stock options in the Company, and stock options and restricted share units of NeonMind up to the date of deconsolidation. For the three ended August 31, 2021, we incurred negative share-based compensation expense of $23,029 primarily due to the cancellation of unvested stock options relating to the termination of a consultant. For the nine months ended August 31, 2021, we incurred share-based compensation of $964,291. In the prior year, we incurred share-based compensation of $267,091 and $1,231,489 for the three and nine months ended August 31, 2020. We expect to continue to utilize stock options, and other forms of equity instruments, to incentivize our teams.

Wages

Wages expenses for three and nine months ended August 31, 2021 were $364,256 and $652,735, as compared to $423,317 and $1,399,390 for the same periods of the prior year. The decrease in wages was due to subsidies received from the Canada Emergency Wage Subsidy (CEWS), a government assistance program introduced during the COVID-19 pandemic. We anticipate wage expenses to be consistent with our revenue activities going forward.

Loss on Sale of Marketable Securities

We incurred a loss on sale of marketable securities of $3,665 during both the three and nine months ended August 31, 2021, related to the disposition of shares of Komo Plant Based Foods Inc. (formerly Fasttask Technologies Inc.) (“Komo YUM”), as compared to a loss of $nil and $4,293 for the same periods of the prior year, which was primarily related to the disposition of shares of Fobi AI Inc. (formerly Loop Insights Inc.).

Unrealized Gain (Loss) on Marketable Securities and Investments

During the three and nine months ended August 31, 2021, we incurred unrealized loss on marketable securities of $499 and unrealized gain of $2,605, as compared to unrealized loss of $46,088 and $95,477 for the same periods of the prior year.

Loss on Write-off of Inventory

We incurred losses from inventory write-offs of $325,265 and $437,671 for the three and nine months ended August 31, 2021, as compared to $69,467 for both the same periods of the prior year. Of the total inventory written off, $353,567 was related to old packaging and $50,031 was related to raw materials that we no longer plan to use, and $34,073 was related to finished goods that were expired.

Gain on Reclassification of Investment

We recorded a gain on reclassification of investment of $nil and $366,230 for the three and nine months ended August 31, 2021, relating to the reclassification of our investment in Komo YUM from an investment in associate using the equity method to an investment at fair value through profit or loss. The reclassification resulted from a loss of significant influence over Komo YUM during the nine months ended August 31, 2021. We did not incur such gains in the same periods of the prior year.

Share of Net Loss of Equity Accounted Investees

During the three and nine months ended August 31, 2021, we incurred loss from investment in associates of $381,762 and $1,882,614, as compared to $114,130 and $196,409 for the same periods of the prior year. The increase in share of net loss of equity accounted investees was due to the deconsolidation of a previously majority-owned subsidiary, NeonMind, after its IPO in December 2020, and the recognition of our investment in NeonMind as an associate under the equity method thereafter.

Gain on Loss of Control and Disposal of Subsidiary

During the three and nine months ended August 31, 2021, we recognized a gain on loss of control of subsidiary of $nil and $3,680,165, primarily relating to the deconsolidation of NeonMind.

Our control over our former subsidiary, NeonMind, had been lost after NeonMind closed its IPO on December 30, 2020. As a result, we deconsolidated NeonMind on December 30, 2020. The deconsolidation consisted of derecognizing the assets and liabilities of NeonMind at the date when control was lost, derecognizing the carrying amount of the non-controlling interest in NeonMind, recognizing the fair value of the investment retained in NeonMind, and recognizing the resulting difference as a gain on loss on control of subsidiary. The fair value of the investment retained in NeonMind was calculated at the fair value at the date when control was lost.

We did not incur such gains in the prior year.

Net Loss

We incurred a net loss of $1,611,237 and $1,795,019 for the three and nine months ended August 31, 2021, as compared to net loss of $1,712,567 and $6,877,775 for the same periods of the prior year. The decrease in net losses were primarily driven by an increase in product sales and consulting revenue, expense reductions, and gain on deconsolidation of NeonMind.

Net loss per share was $0.01 for both the three and nine months ended August 31, 2021, as compared to net loss per share of $0.01 and $0.06 for the same periods of the prior year.

Comprehensive Loss

For the three and nine months ended August 31, 2021, we had a comprehensive loss of $1,611,551 and $1,795,368 as compared to a comprehensive loss of $1,711,376 and $6,876,745 for the same periods of the prior year.

Dividends

No dividends were declared or paid for the three and nine months ended August 31, 2021 and August 31, 2020.

SUMMARY OF QUARTERLY RESULTS

	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Revenue	$ 344,001	$ 543,856	$ 491,325	$ 666,923
Net profit (loss)	(1,611,237)	622,110	(805,892)	(3,034,069)
Basic income (loss) per share	(0.01)	0.00	(0.00)	(0.02)
Diluted income (loss) per share	(0.01)	0.00	(0.00)	(0.02)

	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenue	$ 175,721	$ 160,798	$ 131,844	$ 146,365
Net loss	(1,712,567)	(2,462,858)	(2,702,350)	(6,215,389)
Basic income (loss) per share	(0.01)	(0.02)	(0.02)	(0.07)
Diluted income (loss) per share	(0.01)	(0.02)	(0.02)	(0.07)

SEGMENTED INFORMATION

We have two reporting segments: Licensing and product sales, and corporate and consulting. Licensing and product sales are aggregated as one segment as they are focused around the same product line and share similar economic characteristics. Performance is measured based on operating income (loss) and net income (loss) before taxes, as management believes that this information is the most relevant in evaluating the results of the operating segments relative to other entities that operate within these industries. Operating income (loss) is calculated as revenue less operating expenses.

The following is a summary of our results by operating segment for the three and nine months ended August 31, 2021 and 2020:

	Licensing and product sales	Corporate and consulting	Total
For the three months ended August 31, 2021			
Revenue – Licensing	$ 9,132	$ -	$ 9,132
Revenue – Product sales	139,618	-	139,618
Revenue – Consulting	-	195,251	195,251
Net income (loss) before taxes	(781,838)	(829,399)	(1,611,237)
For the nine months ended August 31, 2021:			
Revenue – Licensing	$ 336,038	$ -	$ 336,038
Revenue – Product sales	451,980	-	451,980
Revenue – Consulting	-	591,164	591,164
Net income (loss) before taxes	(3,430,768)	1,635,749	(1,795,019)
As at August 31, 2021:			
Total assets	$ 2,880,600	$ 3,757,156	$ 6,637,756
Total liabilities	545,060	1,548,762	2,093,822

	Licensing and product sales	Corporate and consulting	Total
For the three months ended August 31, 2020			
Revenue – Licensing	$ 104,977	$ -	$ 104,977
Revenue – Product sales	59,703	-	59,703
Revenue – Consulting	-	11,041	11,041
Net income (loss) before taxes	(284,285)	(1,428,282)	(1,712,567)
For the nine months ended August 31, 2020:			
Revenue – Licensing	$ 319,801	$ -	$ 319,801
Revenue – Product sales	135,942	-	135,942
Revenue – Consulting	-	12,620	12,620
Net income (loss) before taxes	(878,798)	(5,998,977)	(6,877,775)
As at August 31, 2020:			
Total assets	$ 2,601,271	$ 2,211,284	$ 4,812,555
Total liabilities	593,666	1,044,523	1,638,189

Significant customers

For the three months ended August 31, 2021, we had three significant customers in the corporate and consulting segment, comprising 57% of total revenue.

For the nine months ended August 31, 2021, we had two significant customers relating to licensing revenue, comprising 24% of our total revenue, and two significant customers in the corporate and consulting segment, comprising 37% of total revenue.

As at August 31, 2021, we had one significant accounts receivable balance outstanding relating to the corporate and consulting segment, comprising 23% of our total accounts receivable.

For the three months ended August 31, 2020, we had three significant customers relating to licensing revenue, comprising 83% of our total revenue.

For the nine months ended August 31, 2020, we had two significant customers relating to licensing revenue, comprising 70% of our total revenue.

As at August 31, 2020, we had one significant accounts receivable balance outstanding relating to the consulting segment and one significant accounts receivable balance outstanding relating to licensing revenue, comprising 57% and 18% of our total accounts receivable respectively.

LIQUIDITY

		August 31, 2021		November 30, 2020
Current ratio[1]		1.81		1.71
Cash	$	596,997	$	181,293
Working capital surplus (deficit) [2]	$	907,123	$	789,192
Government loan [3]	$	97,083	$	80,000
Convertible debentures [4]	$	590,484	$	-
Equity attributable to Shareholders	$	4,543,934	$	3,828,138

(1) Current ratio is current assets divided by current liabilities.

(2) Working capital is current assets minus current liabilities.

(3) We obtained a $120,000 Canada Emergency Business Account (CEBA) interest-free loan provided by the Canadian government to help businesses operate during the COVID-19 pandemic. If $80,000 of the loan is repaid by December 31, 2022, the remaining $40,000 will be forgiven. If any portion of the loan is unpaid by December 31, 2022, the balance of the loan will convert to a 5% interest term loan with extended maturity to December 31, 2025.

(4) We issued convertible debentures with face value of $900,000, bearing interest at 10% per annum, convertible in full or in part at the holders' option into common shares of the Company at $0.08 per common share, at anytime up to maturity date of August 31, 2023.

Cash Position

As at August 31, 2021, we had $596,997 of cash as compared to $181,293 at November 30, 2020. For the nine months ended August 31, 2021, cash used in operating activities was $1,260,645, consisting of operating expenditures during the year to support brand development activities and the acquisition of Jusu, as compared to cash used in operating activities of $5,982,966 for the same period of the prior year to support our Urban Juve and Wright & Well product lines, and development of other product lines and formulas. Cash provided by investing activities was $60,863 for the nine months ended August 31, 2021, from proceeds from sale of investments, as compared to cash used in investing activities of $303,291 for the prior year driven by purchases of equipment and investments. Cash provided by financing activities was $1,615,102 for the nine months ended August 31, 2021, which was primarily from proceeds received from the issuance of convertible debentures, issuance of special warrants on a shelf prospectus and exercise of warrants and options, as compared to $6,222,816 for the prior year, primarily from proceeds received from the issuance of common shares and special warrants through private placements, as well as the exercise of warrants and options by investors.

Working Capital

We had a working capital of $907,123 as at August 31, 2021 as compared to a working capital of $789,192 as at November 30, 2020. The increase in working capital was primarily due to an increase in cash and marketable securities, and a decrease in deferred revenue and deposits.

CAPITAL RESOURCES AND MANAGEMENT

We are authorized to issue an unlimited number of common shares. As at August 31, 2021, there were 195,409,577 common shares issued and outstanding. We also had 55,488,774 share purchase warrants with weighted average exercise price of $0.16 and 22,659,828 stock options with weighted average exercise price of $0.31.

OFF-BALANCE SHEET ARRANGEMENTS

As at August 31, 2021 and November 30, 2020, we had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three and nine months ended August 31, 2021 and August 31, 2020, compensation of key management personnel and directors were as follows:

	Three months ended		Nine months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Consulting fees	$ 97,576	$ 40,550	$ 267,094	$ 146,659
Share-based compensation	60,938	209,176	681,194	887,683
Wages	67,712	166,900	192,545	665,415
	$ 226,226	$ 416,626	$ 1,140,833	$ 1,699,757

During the nine months ended August 31, 2021, we recognized consulting revenue of $315,870 (August 31, 2020 - $nil) from an associated company, Komo YUM and its subsidiary, Komo Foods. As at August 31, 2021, we were owed $12,823 (November 30, 2020 – $55,722) from Komo YUM, which was included in accounts receivable, and is unsecured, non-interest bearing, and due on demand. At August 31, 2021, we held $60,000 in deposits from Komo YUM and Komo Foods (November 30, 2020 - $16,525), which is included in deferred revenue and deposits.

On February 20, 2020, our subsidiary entered into a license agreement with Komo Foods (a subsidiary of Komo YUM) whereby we granted a non-exclusive license to our proprietary mushroom extraction technology to Komo Foods for use in the United States. Pursuant to the license agreement, our subsidiary received 1,250,000 common shares of Komo Foods, with a fair value of $415,000, which was recognized in licensing and product sales revenue during the year ended November 30, 2020.

During the nine months ended August 31, 2021, we recognized licensing revenue of $160,695 (August 31, 2020 - $nil), consulting revenue of $270,982 (August 31, 2020 - $nil) and interest income of $26,814 (August 31, 2020 - $nil) from an associated company, NeonMind. As at August 31, 2021, we were owed $744,804 from NeonMind, of which $692,044 was included in due from related parties and $52,760 was included in accounts receivable. This balance in due from related parties includes a promissory note balance of $691,245 for previously advanced payment which is unsecured, bears interest at 5% compounded annually, and is due on February 28, 2022. The remaining $800 is unsecured, non-interest bearing, and due on demand. The balance in accounts receivable is comprised of interest receivable of $52,760 relating to the promissory note. At August 31, 2021, we held $10,000 in deposits from NeonMind (November 30, 2020 - $nil), which is included in deferred revenue and deposits.

During the year ended November 30, 2020, NeonMind was a consolidated subsidiary of the Company and therefore the balance owed from NeonMind at year-end was eliminated upon consolidation.

On February 12, 2020, our wholly owned subsidiary, Urban Juve entered into a license agreement with NeonMind whereby Urban Juve granted NeonMind a license to use, modify and sublicense extraction technology for the purpose of developing an extraction process for mushroom extract. Pursuant to the agreement, NeonMind issued 6,250,000 common shares with a fair value of $500,000 to Urban Juve. The fair value of the shares received is being recognized as revenue over a period of eighteen months, which is the expected period of completion of our performance obligation under IFRS 15. During the nine months ended August 31, 2021, $160,695 was recognized as revenue on the condensed interim consolidated statement of operations and comprehensive loss. During the period from December 1, 2020 to December 30, 2020 and the nine months ended August 31, 2020, NeonMind was a consolidated subsidiary of the Company and therefore the revenue recorded during these prior periods was eliminated upon consolidation.

At August 31, 2021, the Company owed $130,445 (November 30, 2020 - $Nil) to directors and officers of the Company, $70,776 of which is included in accounts payable and accrued liabilities and $59,669 of which is included in due to relates parties. These amounts are unsecured and non-interest bearing.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include:

- collectability of accounts receivable
- impairment of inventory
- useful lives and carrying values of equipment and intangible assets
- carrying value of goodwill
- impairment of investments in associates and marketable securities
- deferred revenue
- fair value of share-based compensation
- measurement of unrecognized deferred income tax assets

Significant judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements include the following:

Going concern

The factors that are used in determining the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the year end of the reporting period.

Licensing revenues

In recognizing licensing revenue from contracts with multiple obligations, management's judgment with respect to contracts with multiple performance obligations are determined based on identifying distinct goods or services and uses judgment to estimate the proportion of each distinct good or service within a contract.

Website development costs

Website development costs related to the development of an e-commerce website for Jusu Wellness. Management's judgment is used in determining that we will realize significant economic benefit from the website to justify the capitalization of all costs relating to its development. All operational website costs incurred after its launch was expensed as incurred. Website costs are being amortized on a straight-line basis over an estimated useful life of 3 years.

Incremental borrowing rate

Judgment was used to determine the incremental borrowing rate for lease liabilities under IFRS 16. The incremental borrowing rate applied to the lease liabilities was 16%. The rate was estimated based on our ability to source debt financing to fund our operations.

Fair value of investments in private companies

The fair value of shares and warrants held in private companies is determined by valuation techniques such as recent arm's-length transactions, option pricing models, or other valuation techniques commonly used by market participants. The investments in common shares and warrants are measured at fair value through profit or loss and unrealized gains and losses are recorded in the consolidated statement of operations.

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the statement of financial position or the reported results of operations. An adjustment has been made to the condensed interim consolidated statements of operations and comprehensive loss to separate licensing revenue from product sales, to group distribution fees with consulting fees, and to reclassify loss on write-off of inventory from cost of product sales to a separate line item under other items.

Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are not mandatory for the current period and have not been early adopted.

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 rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also defines a 'settlement' as the transfer to the counterparty of cash, equity instruments, other assets or services. In July 2020, due to the COVID-19 pandemic, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from these amendments. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact on us.

Management has assessed that there are no other future accounting pronouncements that are expected to have a material impact on us in the current or future reporting periods.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on our consolidated statement of financial position as at August 31, 2021, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance August 31, 2021
Marketable securities	$ 457,444	$ 43	$ –	$ 457,487
Investment in associate	–	1,653,720	–	1,653,720
	$ 457,444	$ 1,653,763	$ –	$ 2,111,207

The fair values of other financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. Our credit risk is primarily attributable to accounts receivable. We minimize our credit risk associated with our cash balance by dealing with major financial institutions in Canada, and have no other significant concentration of credit risk arising from operations. Accounts receivable primarily consists of trade accounts receivable. For accounts receivable, we limit our exposure to credit risk by dealing with what management believes to be financially sound counter parties. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate and Interest Rate Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. We are mainly exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	August 31, 2021 USD	August 31, 2020 USD
Cash	$ 4,291	$ 668
Accounts receivable	-	1,816
Accounts payable and accrued liabilities	(100,759)	(89,061)
Net exposure	$ (96,468)	$ (86,577)
Canadian dollar equivalent	$ (121,714)	$ (112,914)

A 10% change in the foreign exchange rate of US dollars is not expected to have a material impact on the consolidated financial statements. We are not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. We manage liquidity risk by maintaining sufficient cash balances and adjusting our operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there are sufficient funds to meet short-term and specific obligations.

Price Risk

We are exposed to price risk with respect to our marketable securities, which consists of common shares and warrants held in publicly-traded companies and are dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

COMMITMENTS AND CONTINGENCIES

Commitments

We have entered into multiple non-cancellable binding purchase orders for operational items that have yet to be fulfilled as of August 31, 2021, as well as various agreements for warehousing and consulting. Our annual contractual commitments for the next five years related to these items are as follows:

	Payments Due by Period			
	1 Year	2-3 Years	4-5 Years	Total
Lease payment obligations	$ 159,064	$ 187,018	$ 79,878	$ 425,960
Services contracts	3,000	–	–	3,000
Loans	–	80,000	–	80,000
Convertible debentures	–	900,000	–	900,000
	$ 162,064	$ 1,167,018	$ 79,878	$ 1,408,960

Loan:

We received an interest free CEBA loan of $120,000. If $80,000 of the loan is repaid by December 31, 2022, the remaining $40,000 will be forgiven. If any portion of the loan is unpaid by December 31, 2022, the balance of the loan will convert to a 5% interest term loan with extended maturity to December 31, 2025.

Convertible debentures:

The debenture holders have the option at any time prior to the maturity date on August 31, 2023, to convert in whole or in part being $1,000 or an integral multiple thereof, of the principal amount of the Debenture into common shares of the Company at $0.08 per share. On maturity, the Company shall satisfy its obligation to pay the principal amount of the Debentures which have matured in cash.

Other Commitments:

On January 22, 2021, our wholly-owned subsidiary, Urban Juve, entered into an agreement with a sales broker to represent the brand and all products sold by Urban Juve. The agreement appointed the broker as a sales representative agent to solicit orders for the products in the U.S., Australia, Japan and any additional regions mutually agreed to by both parties. For the first nine months of the agreement, Urban Juve will compensate the broker in the amount of the higher of: 8% of gross retailer generated sales or USD$6,800. From the tenth month onward, Urban Juve will compensate the broker in the amount of 8% of gross retailer generated sales. The contract shall continue for an indefinite term until terminated by either party. If the agreement is terminated without cause, Urban Juve shall pay to the broker the amount equal to the last three months compensation due during the ninety-day written notice period.

On September 2, 2017, our wholly-owned subsidiary, Urban Juve, entered into an Asset Purchase and Distribution Agreement whereby Urban Juve was granted exclusive and international distribution rights to various plant and root-based products developed by a supplier. The term of the agreement is for twenty years and will be automatically renewed for twenty additional years unless terminated by the parties. As consideration for the distribution rights, we issued 3,600,000 common shares with a fair value of $180,000, paid an initial payment of $6,000 on the effective date of the agreement, and paid a second payment of $30,000 upon completion of the initial public offering by us. Urban Juve will also pay a royalty fee of 10% of the net revenues from the sale of any products under the agreement.

On December 30, 2017, Urban Juve entered into an Asset Purchase and Distribution Agreement whereby Urban Juve would be granted exclusive Canadian distribution rights to various plant and root-based products developed by a supplier. The term of the agreement is for 20 years and will be automatically renewed for 20 additional years unless terminated by the parties. As consideration for the distribution rights, we paid $50,000 on the effective date of the agreement. Urban Juve will also pay a royalty fee of 10% of the net revenues (as defined in the agreement) from the sale of any products under the agreement.

Contingencies

On February 26, 2021, a claim was commenced against us and 8931429 Canada Inc. (formerly Jusu Bars Inc.), a company from whom we purchased assets during the year ended November 30, 2020, regarding the failure of 8931429 Canada Inc. to pay rent on its retail unit in Calgary, Alberta. The landlord is seeking payment for the amounts owing in arrears and damages for breach of contract. We believe this claim lacks merit and intend to defend this claim. Due to the uncertainty of timing and the amount of estimated future cash outflows relating to this claim, no provision has been recognized.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to us, including our consolidated subsidiaries, is made known to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Control over Financial Reporting ("ICOFR")

Our management, with the participation of our CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the CEO and CFO, our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

Limitations on the Effectiveness of Disclosure Controls and the Design of ICOFR

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures and ICFR will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system objectives will be met. The likelihood of achievement is affected by limitations inherent in all internal control systems. These inherent limitations include the realities that judgments or decision making can be faulty, and that breakdowns occur because of simple errors or mistakes. Controls can also be circumvented in numerous ways including collusion, overrides and deception. In addition to the inherent limitations, the design of a control system must reflect that there are resource constraints, and the expected benefit of controls must be considered relative to the expected costs. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Further, no evaluation of controls can provide absolute assurance that all control issues within a company will be detected.

SUBSEQUENT EVENTS

On September 10, 2021, we entered into an agreement with NeonMind for the purchase of functional food assets related to the NeonMind's consumer division. The following assets were transferred by NeonMind to us: four mushroom coffee products currently being sold in Canada and four mushroom coffee dietary products, including existing inventory, raw materials and packaging for all eight products, social media accounts related to the products, a domain neonmind.com and the neonmind.com Shopify-enabled website in Canada and the US, as well as associated marketing materials and a license to use the brand NeonMind in association with the products.

In consideration for the assets, we paid $645,000 including taxes, which was offset by the balance due on a promissory note of $645,000 owed by NeonMind to us which had a maturity date in February 2022. In addition, a 3% royalty of net product sales for a term of 25 years will be payable to NeonMind after we reach cumulative net product sales of over $1,000,000.