



HAPPY BELLY FOOD GROUP INC.
(Previously Plant & Co Brands Ltd)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2022

(Expressed in Canadian Dollars)

INTRODUCTION

This management discussion and analysis (“**MD&A**”), prepared on April 17, 2023, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 and 2021. All amounts are stated in Canadian dollars unless otherwise indicated. These financial statements together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of Happy Belly Food Group Inc. (the “**Company**” or “**Happy Belly**.”).

Management of the Company is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, are complete and reliable. The Company’s Board of Directors (the “**Board**”) follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Company’s Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company’s statutory filing on www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “possible”, and similar expressions, or statements that events, conditions or results “will”, “may”, “could”, or “should” occur or be achieved. The forward-looking statements may include statements regarding capital expenditures, timelines, strategic plans or other statements that are not of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties, and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company’s expectations include uncertainties involved in disputes and litigation, uncertainty of estimates in capital and operating costs, the need to obtain additional financing to develop projects and uncertainty as to the availability and terms of future financing; uncertainty regarding changes in laws, regulations and guidelines; and uncertainty as to timely availability of licenses, permits and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company’s policy that all forward-looking statements are based on the Company’s beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as at April 17, 2023 and are subject to change after this date and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is a significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

Additional information related to the Company is available for view on SEDAR at www.sedar.com or by requesting further information from the Company’s head office in Vancouver.

Company Background

Happy Belly Food Group Inc. (previously Plant & Co. Brands Ltd.) (the “Company” or “Happy Belly”) was incorporated pursuant to the Canada Business Corporations Act on November 24, 2014. On August 12, 2019, the Company changed its name from Cannvas MedTech Inc. to Eurolife Brands Inc. On December 4, 2020, the Company changed its name from Eurolife Brands Inc. to Plant & Co. Brands Ltd. On September 1, 2022, the Company changed its name from Plant & Co. Brands Ltd. to Happy Belly Food Group Inc.

On June 23, 2017, the Company continued from the federal jurisdiction to the jurisdiction of British Columbia. The Company's corporate office is located at Suite 400, 1681 Chestnut Street, Vancouver, British Columbia V6J 4M6.

Happy Belly is a leading consolidator and accelerator of emerging food brands focused on Quick Service Restaurants (“QSR”) and Consumer Packaged Goods (“CPG”). Happy Belly's portfolio includes Heal Wellness, Lettuce Love Cafe, Yamchops, Holy Crap Foods and Lumber Heads.

The Company shares trade on the CSE under the symbol “VEGN”, on the Frankfurt Stock Exchange as “VGP” and on the over-the-counter market exchange as “VGANF”.

Company Operations

Happy Belly is a consolidator and accelerator of emerging food brands focused on the QSR and CPG sectors in North America. The Company has made five acquisitions in the food sector over the past two-years. These acquisitions establish the foundation to which Happy Belly will grow its operations. With these acquisitions, Happy Belly has acquired businesses with revenue and the Company will continue to grow this base business organically and by acquiring additional assets that provide synergies to existing assets as well as expand the product base and geographical footprint of the business.

Happy Belly's M&A strategy continues to be one of accretive business acquisitions. With the creation of a new Board in June 2021, the wealth of knowledge added to the business with such people as Alex Rechichi and Mark Rechichi from the Crave It Restaurant Group (founders of Mucho Burrito, Extreme Pita and other successful business ventures), and Kevin Cole (20 years building consumers package goods businesses), Happy Belly is well situated to accelerate revenue and earnings per share. Happy Belly can also improve operations through the development and execution of multiple brand and channel strategies within this same resource pool of the Company, including leveraging shared distribution networks within Happy Belly's network.

In addition to the seasoned Board of Directors and Management, Happy Belly added to its corporate team in the second quarter with the appointment of Sean Black as Chief Investment Officer. Subsequently Mr. Black joined the Happy Belly Board of Directors in Q4, 2022. Mr. Black has led the growth and franchise development of the CraveIT, MTY and Extreme Brands portfolios. Mr. Black has held the position of Chief Development Officer at CraveIT Restaurant Group since 2014. In 2021, CraveIT Restaurant Group sold its interest in The Fresh Plant Powered restaurant brand and The Burgers Priest restaurant brand, including its 27 corporately owned stores, to Recipe Unlimited, a formerly publicly traded company on the Toronto Stock Exchange. From 2013 to 2014, Mr. Black held the executive level position of Chief Development Officer at MTY Food Group. Prior to MTY, Mr. Black was the Chief Development Officer of Extreme Brands, which was acquired by MTY in 2013.

Happy Belly operations are focused on growing our Quick Service Restaurants and Consumer Packaged Goods businesses. Happy Belly intends to add additional brands and businesses to the QSR and CPG portfolios in 2023 and 2024. Currently, Happy Belly's QSR portfolio includes Heal Lifestyle, Lettuce Love, and Yamchops, while the CPG portfolio includes Holy Crap Foods and Lumber Heads.

Heal Lifestyle – On May 9, 2022, Happy Belly acquired a controlling interest in Heal Lifestyle Inc. Heal operates three Heal Wellness plant-based quick serve restaurants in Southern Ontario and has recently opened a fourth location in our Yamchops facility in Toronto.

Heal Wellness provides fresh plant-based wellness foods that power and support a busy, active lifestyle. The Company offers a wide variety of smoothie bowls, smoothies, waffles, tea and coffee. Every superfood ingredient in the Heal Wellness menu is carefully selected with the intention of fueling the body with a reduced ecological footprint.

The Heal Lifestyles acquisition was the second acquisition for Happy Belly in 2022. The acquisition of a controlling interest in Heal Lifestyle was accretive (revenue or profit accretive) and is a key part of Happy Belly's growth plans moving forward. Additional locations for Heal Wellness are currently being evaluated.

Lettuce Love - On October 11, 2022, the Company completed an asset purchase agreement for substantially all of the assets and property of 2563434 Ontario Incorporated (“Lettuce Love acquisition”) in exchange for assuming the liabilities of \$172,287.

Yamchops, is primarily a plant-based QSR. Over the past 18 months, Yamchops has continued to improve menus and operations to optimize their restaurant offerings, and day-to-day deli while reducing costs to improve the business model as we evaluate expansion opportunities.

Holy Crap Brands is a line of high-fiber, plant-based super-seed cereals and oatmeal that helps you maintain good gut health. When you have a healthy gut, it impacts your total wellbeing and is proven to help your mental health. Based on this premise, the strategy of this brand is to implement both a B2B as well as a B2C revenue model to reach more consumers and accelerate growth.

Since acquisition in February 2021, Holy Crap Cereals has increased its retail distribution by adding several new retailers to its portfolio, which have contributed to growth, and an increase of retail presence across Canada. In addition, it has also added DSM and Rabba Fine Foods as a broker to further expand its distribution in the Canadian market.

In its B2C execution, Holy Crap has increased sales since acquisition by Happy Belly. As consumers increasingly return to stores with the easing of COVID-19, online sales have pulled back vs record highs however the team continues to improve operations and is back to adding new users month over month. In 2023, Holy Crap will continue to push forward and drive sales revenue and increase its distribution at key retailers and digitally.

Lumber Heads Food Co. - On February 1, 2022, Happy Belly acquired a controlling interest in Lumber Heads Food Co. Lumber Heads offers an incredible tasting and handcrafted plant-based Kettle Corn snack food. Their products are peanut and nut free, gluten free, dairy free and allergen free. The company has earned a reputation for high quality and great customer service from a growing and loyal customer base. The acquisition allows Happy Belly to assist Lumber Heads in growing its business and support its growing product line of plant-based foods.

Company Highlights and Outlook

In 2021-2022, the Company completed a number of key initiatives and transactions that have enhanced overall operations. The Company has expanded its offering, diversified its business, created economies of scale within the operations and enhanced its financial growth plans while reducing costs.

- On March 30, 2023, the Company closed on a non-brokered private placement of unsecured convertible debentures (the "Convertible Debentures") for gross proceeds of \$1,000,000. The Convertible Debentures have a term of 5 years and pay interest at a rate of twelve percent (12%) per annum payable quarterly and are convertible at the holder's option into common shares of the Company every three months, prior to March 30, 2028, into common shares at a conversion price equal to \$0.30 per common share.
- On October 11, 2022, the Company completed an asset purchase agreement for substantially all of the assets and property of 2563434 Ontario Incorporated ("Lettuce Love acquisition") in exchange for assuming the liabilities of approximately \$172,287.
- In July 2022, the Company closed two tranches of a non-brokered private placement (the "Private Placement") of unsecured convertible debentures (the "Debentures") for a total gross proceeds of \$2,000,000. The Debentures have a term of 24 months, and pay interest at a rate of twelve percent (12%) per annum payable quarterly after the closing date of June 30, 2022, for the first tranche of \$1,295,000 and July 8, 2022 for the second tranche of \$705,000 (the "Closing Date"), maturing on the date that is the second anniversary of the first date that the Debentures are issued (the "Maturity Date") and are convertible at the holder's option into common shares of the Company every three months after the Closing Date, but prior to the Maturity Date, into common shares at a conversion price equal to (a) \$0.20 per common share if converted in the first 12 months after the Closing Date; or (b) \$0.25 per common share if converted after the first 12 months after the Closing Date, provided that not less than 25% of the outstanding principal, and any interest amounts owed, is converted (the "Conversion Price").
- On May 27, 2022, Sean Black joined the Happy Belly team as Chief Investment Officer.
- On May 5, 2022, the Company acquired a 50% controlling interest in Heal Lifestyle Inc. ("Heal Wellness"), which operates three Heal Wellness plant-based Quick Serve Restaurants in southern Ontario. A joint venture company was set up and Happy Belly issued 2,777,777 common shares to the joint venture for the purchase of its ownership interest.
- On February 1, 2022, pursuant to a share purchase agreement, the Company acquired 51% of the issued and outstanding common shares of Lumber Heads Food Co. in exchange for providing an interest free loan of \$75,000 to

Lumber Heads Food Co. Lumber Heads Food Co. is a boutique plant-based snack food manufacturer based in Ontario.

- In September 2021, the Company announced the spinout of all cannabis assets to Blackwell Intelligence Inc, a private company. The purpose of the spinout was to allow the Company to remain strategically focused on the plant-based food sector. Blackwell will continue with new management, with a focus on emerging technologies. Upon closing of the arrangement, each shareholder of Happy Belly received 0.09582494 common shares of Blackwell for every common share of Happy Belly held on the share distribution record date of December 29, 2021.
- In July 2021, the Company completed its Notice of Meeting and Management Information Circular to Shareholders. The document outlined the Company's plans to carve-out all businesses and activities related to the cannabis sector.. On September 2, 2021, shareholders voted in favour of all matters tabled.
- In June 2021, the Company entered into a strategic advisory agreement (the "**Advisory Agreement**") with Maricom Inc., and 2085086 Ontario Inc. (the "**Advisors**") represented by Sean Black, Mark Rechichi and Alex Rechichi to assist with the Private Placement and to arrange for Alex Rechichi, Mark Rechichi and Kevin Cole to join the Board of Directors of the Company (the "**Board**"). In consideration for the assistance with the Private Placement and the arrangement of strategic appointments to the Board (the "**Strategic Board Appointments**"), the Company has issued an aggregate of 27,000,000 non-transferrable share purchase performance warrants ("**Advisory Warrants**") to the Advisors. Each Advisory Warrant entitles the holder to acquire one common share at a price of \$0.20 for a period of five (5) years from their date of issue and vest upon the occurrence of performance and market vesting triggers. The vesting triggers occur when the stock reaches a price target of \$0.50, \$0.75, \$1.00, \$1.50 and \$2.00. Jerry Habuda and Lindsay Hamelin resigned as Directors at this time.
- In June 2021, the Company closed a non-brokered private placement for total gross proceeds of \$600,000. The Company issued 3,000,000 units at a price of \$0.20 per unit, where each unit consisted of one common share of the Company and one common share purchase warrant of the Company, where each warrant entitles the holder to purchase one common share within three years of the closing date at a price of \$0.20 per common share.
- In February 2021 the Company via its wholly owned subsidiary Plant & Company Brands Group Inc. completed an amalgamation with Holy Crap Brands Inc. ("**Holy Crap**") whereby the Company issued 29,300,000 common shares and 4,000,000 share purchase warrants (expiring May 2022) entitling the current Holy Crap warrant holders to purchase one common share of the Company at a price of \$0.40.
- In January 2021, pursuant to a share purchase agreement, the Company acquired 100% of the issued and outstanding common shares of 2574578 Ontario Inc. and JDB Innovations Ltd., collectively referred to as "**Yamchops**" in exchange for payment of \$770,000 and the issuance of 344,828 common shares of the Company.

FINANCIAL PERFORMANCE

SELECTED FINANCIAL INFORMATION

	For the Three Months Ended		For the Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Total Revenue	995,178	220,376	2,734,496	1,249,353
Net (loss) for the period	(1,100,957)	(4,645,268)	(2,742,952)	(26,577,373)
Net (loss) per share-basic	(0.01)	(0.04)	(0.03)	(0.27)
Total comprehensive (loss)	(1,100,957)	(4,645,268)	(2,742,952)	(26,577,373)
Capital expenditures	48,266	499	106,695	4,495
			As at December 31, 2022	As at December 31, 2021
Total assets			4,282,839	3,667,618
Total liabilities			3,496,134	592,709
Working capital			894,418	1,013,621

RESULTS OF OPERATIONS

The following paragraphs provide information about the results of the Company's on-going operations for the three months and year ended December 31, 2022 and 2021.

Revenue

For the three months and year ended December 31, 2022, revenue increased 352% and 119% respectively over the corresponding periods of 2021. The increase was primarily as a result of the Heal acquisition on May 5, 2022, and the Lettuce Love acquisition that closed on October 8, 2022. Revenue is primarily generated from the sale of plant-based food products through the Company's Consumer Product Goods and Quick Restaurant Service divisions.

Net Loss for the period-end

For the three months and year ended December 31, 2022, the net loss decreased 76% and 90% respectively over the corresponding periods of 2021. The decrease in losses were primarily as a result of the goodwill impairment charge and the high share-based compensation for performance warrants in 2021, as well as increased revenues in 2022.

General and administrative expense

The following table provides a breakdown of general and administrative expense:

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Legal and accounting	135,018	157,138	352,708	355,491
Advertising and marketing	75,680	64,050	291,914	244,202
Investor relations	86	47,395	3,086	1,851,295
Consulting	77,646	14,422	213,604	450,396
Management	81,076	135,800	394,109	497,212
Office and sundry	81,850	71,636	294,448	181,369
Business development	64,741	(9,289)	160,881	435,227
Salaries and wages	299,078	74,679	842,703	413,939
Total General and Administrative	815,175	555,831	2,553,453	4,429,131

General and administrative costs increased 47% in the three months ended December 31, 2022, as compared to the same period of 2021, mostly as a result of increased salaries and wages as well as higher consulting fees. On a year-to-date basis general and administrative cost were down 42% from the same period of 2021 mostly due to the reduction in investor relation costs. The company is working on reducing its general and administrative costs. The increases in management fees, accounting and legal, salaries and wages are a reflection of the Heal Wellness and Lettuce Love acquisitions in the second half of 2022.

Depreciation and amortization expense

Amortization expense for the year ended December 31, 2022, was \$537,667 as compared to \$531,174 in 2021, the increase relates to the depreciation of assets acquired in the three corporate acquisitions in the year.

Capital expenditures

The following table shows the Company's capital additions for the period ended December 31, 2022:

	Capital expenditures	Asset dispositions
Computer equipment	1,520	-
Furniture and fixtures	42,195	(6,000)
Leasehold improvements	53,898	-
ROU Assets	9,082	(64,819)
Total Property and equipment additions	106,695	(70,819)

BUSINESS UNIT PERFORMANCE

The Company has two operating segments: Quick Restaurant Services ("QRS") and Consumer Product Goods ("CPG"). The QSR segment includes Heal Lifestyles, Lettuce Love and Yamchops. The CPG segment includes Holy Crap, and Lumber Heads. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services.

Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in stand-alone sales of identical goods or services.

Quick Restaurant Services

The following table show the results of operations for the Quick Restaurant Services segment:

	For the Three Months Ended		For the Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Revenue	640,111	125,131	1,687,155	544,580
Cost of goods sold	295,340	55,220	844,399	231,725
Gross Margin	344,771	69,911	842,756	312,855
Gross Margin %	54%	56%	50%	57%
General and administrative	332,649	193,286	960,778	505,757
Interest, depreciation and amortization	608,139	50,722	838,795	-
Other (Income)/expense	(32,373)	21,967	(53,822)	199,068
Segmented loss	(563,644)	(196,064)	(902,995)	(391,970)

QRS segment of the Company is made up of its three restaurant lines namely Heal Lifestyles, Lettuce Love and Yamchops. In the three months and year ended December 31, 2022 the revenues in the from the QRS segment increased 412% and 210% respectively as compared to the corresponding periods of 2021. The main reason for the increase was the acquisition of Heal in May of 2022 and Lettuce Love in October of 2022.

Consumer Product Goods

The following table show the results of operations for the Consumer Product Goods segment:

	For the Three Months Ended		For the Year Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Revenue	355,067	169,761	1,047,341	658,508
Cost of goods sold	251,737	128,129	683,586	364,797
Gross Margin	103,330	41,632	363,755	293,711
Gross Margin %	29%	25%	35%	45%
General and administrative	114,570	159,731	471,653	366,221
Interest, depreciation and amortization	68,887	30,736	272,580	-
Other (Income)/expense	(6,936)	4,131	(13,717)	212,677
Segmented loss	(73,191)	(152,966)	(366,761)	(285,187)

The CPG segment of the Company is comprised of the Holy Crap brand producing mostly breakfast cereal and the Lumber Heads producing mostly snack foods. In the three months and year ended December 31, 2022 the revenues in the from the CPG segment increased 109% and 59% respectively as compared to the corresponding periods of 2021, as a result of the Lumber Heads acquisition in February 2022 and a 17% year over year increase in sales from the Holy Crap unit.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of selected financial information compiled from the quarterly interim unaudited financial statements for the eight quarters ending December 31, 2022:

Quarter Ended	Revenue	Loss for the Period (\$)	Loss per Share-Basic (\$)
31-Dec-22	995,178	(1,100,958)	(0.01)
30-Sep-22	794,460	(639,746)	(0.01)
30-Jun-22	620,176	(587,599)	(0.01)
31-Mar-22	324,682	(414,649)	-
31-Dec-21	220,376	(4,645,268)	(0.04)
30-Sep-21	323,897	(711,303)	(0.01)
30-Jun-21	443,145	(17,150,372)	(0.22)
31-Mar-21	261,935	(4,070,430)	(0.05)

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

The Company's cash on hand at December 31, 2022, is \$1,101,960 up from \$936,167 at December 31, 2021, due to the \$2,000,000 issuance of the convertible debenture in the third quarter of 2022, offset by negative cash flow from operating activities, due to the general and administrative costs being higher than the Company's revenues. The Company had a working capital of \$894,418 on December 31, 2022, up from \$1,013,621 on December 31, 2021. As at the date of this MD&A, Management believes the Company has sufficient working capital to meet its ongoing financial obligations for the coming year.

Cash Used in Operating Activities

For the three months and year ended December 31, 2022, cash used in operating activities was \$418,352 and \$1,618,200 respectively as compared to \$434,939 and \$4,176,578 in the respective periods of 2021. Cash used in operating activities was used for general operating activities.

Outstanding Share Data

The common shares of the Company trade on the CSE under the symbol "VEGN".

As at December 31, 2022 the Company has 107,207,198 shares issued and outstanding (December 31, 2021 – 104,157,421).

The following is a summary of the share transactions:

	Number	Amount (\$)
Balance at December 31, 2020	67,813,414	18,300,070
Private placement	3,000,000	600,000
Issuance of common shares for debt and services	109,589	85,480
Issuance of common shares upon exercise of options	1,577,000	890,285
Issuance of common shares upon exercise of warrants	2,212,590	632,337
Share exchange -corporate acquisitions	29,644,828	15,058,646
Cancellation of shares returned to treasury	(200,000)	(100,000)
Balance at December 31, 2021	104,157,421	35,466,818
Share exchange -corporate acquisition	2,777,777	222,222
Issuance of common shares upon exercise of warrants	272,000	68,000
Balance at December 31, 2022	107,207,198	35,757,040

Share Purchase Warrants

A continuity of the share purchase warrants is summarized as follows:

	December 31, 2022		December 31, 2021	
	Number of Warrants	Weighted average exercise price \$	Number of Warrants	Weighted average exercise price \$
Warrants outstanding, beginning of year	54,832,660	0.25	27,232,150	0.35
Issued February 12, 2021	-	-	4,000,000	0.40
Issued June 18, 2021	-	-	3,000,000	0.20
Issued June 18, 2021	-	-	27,000,000	0.20
Exercised	(272,000)	0.25	(2,212,590)	0.26
Expired/forfeited	(24,360,660)	0.30	(4,186,900)	0.75
Warrants outstanding, end of period	30,200,000	0.20	54,832,660	0.25

On June 1, 2021, the Company entered into a strategic advisory agreement (the "Advisory Agreement") with Maricom Inc., and 2085086 Ontario Inc. (the "Advisors") represented by Sean Black, Mark Rechichi and Alex Rechichi to assist with the private placement and to arrange for Alex Rechichi, Mark Rechichi and Kevin Cole to join the board of directors of the Company. In consideration for the assistance with the private placement and the arrangement of strategic appointments to the Board (the "Strategic Board Appointments"), the Company agreed to issue an aggregate of 27,000,000 non-transferrable share purchase warrants ("Advisory Warrants") to the Advisors. Each Advisory Warrant entitles the holder to acquire one share at a price of \$0.20 for a period of five years from their date of issue and vest upon the occurrence of the vesting triggers noted below:

Number of Advisory Warrants Vested	Vesting Trigger
5,200,000	Closing of the June 2021 private placement
2,700,000	\$0.50 ⁽¹⁾
2,750,000	\$0.75 ⁽¹⁾
5,400,000	\$1.00 ⁽¹⁾
5,450,000	\$1.50 ⁽¹⁾
5,500,000	\$2.00 ⁽¹⁾

Note: (1) Closing price of the common shares on the Canadian Securities Exchange (or any other stock exchange that the Common Shares may trade) required to trigger vesting of Advisory Warrants.

The Company recognized \$3,174,062 in share-based compensation on the issuance on the Advisory Warrants in 2021. The warrants were valued using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 179%, risk free interest rates of 0.97%, expected life of 5 years and no dividend yield. A Monte Carlo probability model was applied to the various vesting trigger points resulting in probabilities of between 13% and 56% which were applied to the five unvested tranches.

As at December 31, 2022, the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life(years)	Warrants outstanding	Warrants exercisable
March 11, 2023	0.75	0.19	200,000	200,000
June 18, 2024	0.20	1.47	3,000,000	3,000,000
June 18, 2026	0.20	3.49	27,000,000	5,200,000
	0.20		30,200,000	8,400,000

Stock Options

The Company has a stock option plan and restricted share units plan that allows it to grant options to its directors, officers, employees and consultants, provided that the aggregate number of options granted shall not at any time exceed 15% of the total number of issued and outstanding common shares of the Company.

A summary of the Company's stock option transactions is presented below:

	December 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	9,870,000	0.27	4,670,091	0.33
Granted	185,000	0.38	12,145,000	0.36
Exercised	-	-	(1,577,000)	0.34
Expired	(2,420,000)	0.26	(20,000)	0.50
Cancelled/ forfeited	(50,000)	0.50	(5,348,091)	0.51
Options outstanding, end of period	7,585,000	0.28	9,870,000	0.27

The share options outstanding as at December 31, 2022 are as follows:

Grant date	Number of options outstanding	Exercise price	Expiry date
January 5, 2021	350,000	0.45	January 5, 2023
January 19, 2021	200,000	0.78	January 19, 2023
April 30, 2021	5,625,000	0.25	April 30, 2023
May 10, 2021	1,275,000	0.26	May 10, 2023
April 1, 2022	75,000	0.40	April 1, 2023
April 1, 2022	60,000	0.25	April 1, 2024
	7,585,000	0.28	

Subsequent to year-end, 550,000 outstanding options expired in January 2023.

The Company recognized \$5,110 (2021 - \$3,366,241) in share-based compensation on options during the year ended December 31, 2022.

RELATED PARTY TRANSACTIONS

The Company incurred the following transactions with companies that are controlled by directors and related parties of the Company:

	Year ended December 31, 2022	Year ended December 31, 2021
	\$	\$
Consulting and other fees	426,548	317,384
Stock-based compensation	-	9,637,556
	426,548	9,954,940

The Consulting fees paid in the year were amounts paid to the officers of the Company, or to companies related to the directors of the Company.

As at December 31, 2022, the Company had a \$13,059 balance payable to the CEO of the Company, and \$200,000 of the convertible debentures are payable to individuals related to the CEO of the Company.

The CEO of the Company exercised 272,000 of warrants for net proceeds to the Company of \$68,000.

As at December 31, 2021, the Company had no outstanding payables or receivables with its related parties.

ADDITIONAL INFORMATION

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Legal proceedings

As at the current date, management was not aware of any legal proceedings involving the Company.

Commitments - Contingent liabilities

As at the current date, management was not aware of any outstanding contingent liabilities or commitments relating to the Company's activities.

FINANCIAL RISK MANAGEMENT

The Company is exposed to minimal financial instrument related risks. The Board of the Company approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum credit risk that the Company is exposed to is the carrying value of the cash, accounts receivable and other receivables. Credit risk exposure to cash is minimized substantially by ensuring that cash is held with credible financial institutions. The Company mitigates the credit risk associated with accounts receivable by establishing relationships with creditworthy purchasers. Other receivables mostly relate to amounts receivable from long-term investors in the Company, the Company mitigates the credit risk by only establishing relationships with creditworthy investors.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and business development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cashflow in the upcoming year will be through equity financing and revenue generation. Cash on hand at December 31, 2022 and expected cashflows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company may need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof. Liquidity risk is assessed as high.

Based on the contractual obligations of the Company as at December 31, 2022, cash outflows of those obligations are estimated and summarized as follows:

Payment Due by Year	2023	2024	2025 and beyond	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	514,622	-	-	514,622
CEBA loan	150,000	-	-	150,000
Other long-term debt*	75,066	71,891	124,110	271,067
Lease obligations	233,964	207,238	571,228	1,012,430
	973,652	279,129	695,338	1,948,119

*These amounts do not include interest payable.

Market risk

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest risk as its TD and BDC loans have a variable interest rate. The Company does not believe the exposure to interest rate risk is significant. When assessing interest rate risk the Company believes 1% volatility is a reasonable measure. The effect of a 1% change in interest rates would have had a \$1,013 impact on the Company's net earnings for the year ended December 31, 2022 (2021 – \$Nil).

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. Foreign currency risk is assessed as low as the Company has no material expenses denominated in foreign currencies.

Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

FORWARD-LOOKING INFORMATION

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company, and other factors.

CAPITAL DISCLOSURE

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition of a new business. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to acquire and sustain future development of a business. The Company has recently reactivated and acquired a business, which will require additional financial resources. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the current period. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Board. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility. Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board supervises the financial statements and other financial information through its audit committee.

This committee's role is to examine the financial statements and recommend that the Board approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

As at the date of this MD&A, the directors of the Company are Shawn Moniz, Alex Rechichi, Mark Rechichi, Sean Black and Kevin Cole.