HERBAL DISPATCH INC.

Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2024

(Stated in Canadian Dollars)

Dated August 21, 2024

This Management's Discussion and Analysis (MD&A) for Herbal Dispatch Inc. ("Herbal Dispatch", the "Company", the "Corporation", "we", "us" or "our") was prepared as of August 21, 2024 to assist readers in understanding our financial performance for the three and six months ended June 30, 2024. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2024, and the notes contained therein. In addition, this MD&A should be read in conjunction with our MD&A and audited consolidated financial statements for the year ended December 31, 2023, which were prepared in accordance with International Financial Reporting Standards (IFRS) and presented in Canadian dollars, our functional currency.

This MD&A contains forward-looking statements. Please see "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking statements. Accounting principles applied under IFRS require us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We believe our estimates and assumptions are reasonable based on the information available at the time that these estimates and assumptions are made. Actual results may differ from these estimates.

This MD&A also refers to a non—IFRS financial measure "Adjusted EBITDA" that we present to assist users in assessing our performance. Adjusted EBITDA does not have any standard meaning under IFRS and may not be comparable to similar measures presented by other issuers. This measure is further described under "Non-IFRS Financial Measures".

Our head office is located at Suite 1750 – 1055 West Georgia Street, Vancouver, British Columbia V6E 3P3. The Board of Directors approved the content of this MD&A on August 21, 2024. Additional information on Herbal Dispatch, including our most recently filed audited consolidated financial statements, is available on the System for Electronic Document Analysis and Retrieval (SEDAR+) website at www.sedarplus.ca.

In February 2024, we consolidated the common shares issued in the capital of the Company on the basis of 10 pre-consolidated common shares for 1 post-consolidated common share in order to improve the Company's capital structure. All common share and per share figures in this MD&A have been restated to reflect the share consolidation.

Business Overview

We are a customer-centric cannabis marketplace and distribution company, focused on delivering the best possible experience to clients globally. Our flagship cannabis marketplace, Herbal Dispatch, is a trusted source for exclusive access to small-batch craft cannabis flower and a wide-array of other product formats. We generate revenue from four sales channels: (i) medical sales – direct to consumer; (ii) recreational sales – wholesale and direct to retailer; (iii) export sales; and (iv) co-packing and white labelling services.

Our common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "**HERB**".

We were originally incorporated with the name Ascent Industries Corp. under the Business Corporations Act (British Columbia) on May 30, 2013. We completed an amalgamation with Paget Minerals Corp. on August 9, 2018 and subsequently listed our common shares for trading on the CSE. Effective May 15, 2020, we changed our name to Luff Enterprises Ltd. and on January 20, 2023, we changed our name to Herbal Dispatch Inc.

Corporate Highlights

- In the second quarter of 2024 we reported gross sales of $4.3 million, reflecting growth of over 300% from gross sales of $1.4 million in Q2 2023.

- We reported positive adjusted EBITDA of $0.2 million in Q2 2024 and positive net income of $59 thousand, marking our first profitable quarter since the initial launch of herbaldispatch.com in the fall of 2022.

- In Q2 2024, we exported more than 1,000 kilograms of cannabis to clients in Australia and Portugal. This was more than double the amount exported in 2023.

- In April 2024, we announced the expansion of our brand portfolio with the launch of Happy Hour. The Happy Hour lineup offers consumers a blend of affordability and accessibility with a high potency-to-price ratio across a wide range of product formats, including flower, re-rolls, vapes, concentrates and edibles.

- On May 8, 2024 we completed a non-brokered equity private placement ("Private Placement") of 8,153,000 units (each a "Unit") for gross proceeds of $0.4 million. Each Unit consisted of one common share and one common share warrant (a "Warrant") with each Warrant entitling the holder thereof to acquire one common share for a period of two years at an exercise price of $0.06 per common share. Proceeds from the Private Placement are being used for working capital in support of our sales growth.

Overall Performance and Strategy

Gross revenue in Q2 2024 increased to $4.3 million, reflecting in increase of over 300% from Q2 last year. On a year-to date basis, we generated $5.9 million in gross revenue, surpassing the total revenue for the entire year of 2023. Strong growth in both domestic recreational cannabis sales and exports were the main drivers of this increase.

In Q2 2024, we exported more than 1,000 kilograms of cannabis to clients in Australia and Portugal. This was more than double the amount exported in 2023 and marks a significant expansion in our international strategy. We also expect further growth in export volume in the coming quarters, driven by increasing demand in international markets and the establishment of new client relationships across multiple countries.

In addition, the "Happy Hour" brand has been well received in the market since its launch earlier this year. This brand includes an affordable range of offerings like pre-rolls, vapes, flower, and THCA toppers, with more products launching this year. Known for its flavourful and bright offerings, "Happy Hour" products are competitively priced to appeal to a broad range of consumers, providing refreshing options for those seeking high-quality cannabis experiences at accessible price points.

We reported positive adjusted EBITDA of $0.2 million and positive net income in the second quarter of 2024, which marked our first profitable quarter since the initial launch of herbaldispatch.com in the fall of 2022.

We are encouraged by the strong revenue growth, export milestones, and net profit achieved in the second quarter of 2024. In the coming quarters we will remain focused on expanding profitable sales channels while efficiently scaling our operations to support our goals. The success of our 'Happy Hour' brand, which we will expand across Canada in the quarters ahead, and the growth in exports to international markets provides us with many promising growth opportunities.

Selected Financial Data

The following table displays a summary of our consolidated statements of operations for the three and six months ended June 30, 2024 and 2023 and a summary of select balance sheet data as at June 30, 2024 and December 31, 2023.

$	Three Months Ended		Six Months Ended	
	June 30 2024	June 30 2023	**June 30 2024**	June 30 2023
Gross revenue	**4,270,034**	1,384,940	**5,907,644**	1,768,041
Net revenue	**3,647,629**	1,158,939	**4,918,812**	1,454,257
Gross profit	**952,561**	268,715	**1,066,501**	297,905
Operating expenses	**900,561**	717,570	**1,743,552**	1,409,878
Other expenses (income), net	**(6,551)**	(47,190)	**61,908**	(24,541)
Adjusted EBITDA(1)	**152,997**	(348,533)	**(475,521)**	(922,378)
Net income (loss)	**58,551**	(401,665)	**(738,959)**	(1,087,432)
Earnings (loss) per share – basic and diluted	**0.00**	(0.01)	**(0.01)**	(0.02)

Note 1. See Non-IFRS Financial Measures.
Note 2. Basic and diluted earnings (loss) per share calculated on a post 10:1 share consolidation basis.

As at	June 30 2024	Dec 31 2023
Assets		
Cash	**635,413**	222,392
Current assets	**3,768,661**	2,308,280
Total assets	**9,476,337**	8,186,930
Liabilities		
Current liabilities	**5,129,178**	2,573,687
Long-term liabilities	**438,409**	1,372,002
Total liabilities	**5,567,587**	3,945,689
Shareholders' equity	**3,908,750**	4,241,241

Results of Operations

Revenue

Gross revenue in Q2 2024 increased to $4.3 million, reflecting in increase of over 300% from Q2 last year. Likewise, net revenue grew to $3.6 million in Q2 2024 from $1.2 million last year. Strong growth in both domestic recreational cannabis sales and exports were the main drivers of this increase. On a year-to date basis, we generated $5.9 million in gross revenue, surpassing the total revenue for the entire year of 2023.

Growth in recreational cannabis sales were driven by (i) expansion of the Company's listings in new retail locations across British Columbia, (ii) the expansion of sales to include the Liquor Distribution Branch of the Government of British Columbia commencing in Q3 last year; and (iii) the introduction of new products and brands, including the "Happy Hour" brand launched earlier this year.

Growth in export sales were driven by strong demand and growing customer relationships with customers in Australia and Portugal, where we exported more than 1,000 kilograms of cannabis in Q2 2024.

A breakdown of our net revenue by category is as follows:

$	Three Months Ended		Six Months Ended	
	June 30 2024	June 30 2023	June 30 2024	June 30 2023
Net revenue				
Direct to consumer medical sales	**336,588**	322,991	**706,352**	501,470
Recreational cannabis sales	**1,319,800**	439,291	**2,102,346**	551,345
Export sales	**1,765,800**	364,700	**1,765,800**	364,700
Other revenue	**225,441**	31,957	**344,314**	36,742
	3,647,629	1,158,939	**4,918,812**	1,454,257

Gross profit

$, except gross margin %	Three Months Ended June 30 2024	June 30 2023	Six Months Ended June 30 2024	June 30 2023
Revenue - net	**3,647,629**	1,158,939	**4,918,812**	1,454,257
Costs of sales	**2,695,068**	890,224	**3,852,311**	1,156,352
Gross profit	**952,561**	268,715	**1,066,501**	297,905
Gross margin %	**26.1%**	23.2%	**21.7%**	20.5%

Gross profit was $0.9 million for the three months ended June 30, 2024, representing a gross margin of 26.1% on net revenue of $3.6 million. This compared to gross profit of $0.3 million in Q2 2023, representing a gross margin of 23.2%. The higher gross margin in 2024 was due to changes in sales mix and economies of scale that come with spreading the fixed component of direct operating costs over a larger revenue base. Changes in sales mix included a larger proportion of our sales in Q2 2024 coming from export sales, which typically earn a higher gross margin that domestic sales.

On a year-to-date basis, our gross profit improved to $1.1 million from $0.3 million last year due to the significant increase in revenue. Our gross margin also improved slightly to 21.7% for the six months ended June 30, 2024 from 20.5% last year.

As we look forward to the remainder of 2024 and 2025, we anticipate that our gross margin will continue to vary depending on changes in sales mix. This includes export sales, which we will also experience varying margins from depending on several factors, including the type of products exported and how the products were sourced.

Operating expenses

	Three Months Ended June 30 2024	June 30 2023	Six Months Ended June 30 2024	June 30 2023
General and administrative				
Personnel	**364,582**	280,189	**702,822**	546,407
Professional service fees	**86,805**	131,534	**217,084**	266,433
Other operating expenses	**91,127**	65,635	**166,689**	124,449
	542,514	477,358	**1,086,595**	937,289
Sales and marketing				
Personnel	**52,558**	42,500	**119,308**	85,000
Advertising, promotions and selling costs	**204,492**	97,390	**336,119**	197,994
	257,050	139,890	**455,427**	282,994

General and administrative expenses increased by $65 thousand to $0.5 million for the three months ended June 30, 2024 compared to the same quarter in 2023. The increase primarily consisted of higher salaries and wages associated with a higher head count. Sales and marketing expenditures also increased in Q2 2024 from the comparative quarter in 2023. These increases were both due to the Company's growth over the past year.

On a year-to-date basis, general and administrative expenses increased to $1.1 million from $0.9 million last year. Likewise, sales and marketing expenditures also increased to $0.5 million from $0.3 million last year due to the Company's growth over the past year.

Depreciation and amortization expense of $0.1 million in Q2 2024 and $0.2 million for the six months ended June 30, 2024 were consistent with the expenses incurred in the comparative three and six month periods in 2023. This expense primarily related to the amortization of equipment and intangible assets acquired from business acquisitions in 2022.

Other expenses (income)

Other expenses (income) for the three and six months ended June 30, 2024 primarily consisted of (i) interest costs and accretion related to loans payable; (ii) a gain on extinguishment of debt related to the derecognition of certain liabilities associated with concluded operations in the United States; and (iii) foreign exchange gains and losses related to cash and a loan receivable denominated in USD.

The gain on extinguishment of debt for the six months ended June 30, 2024 was partially offset by a a loss of $20,000 incurred related to a loan from the Canada Emergency Business Account ("CEBA") that was assumed in a prior business acquisition. We originally recorded the CEBA loan at $40,000, representing its original issue amount of $60,000 less the expected loan forgiveness amount of $20,000. However, in March 2024, we decided not to repay the loan by the March 28, 2024 deadline, thereby extending the maturity date until December 31, 2026. As the Company no longer qualifies for partial loan forgiveness, a loss on settlement of debt in the amount of $20,000 was recognized.

Net income (loss)

Net income for the three months ended June 30, 2024 was $59 thousand compared to a loss of $0.4 million in Q2 2023. The positive net income in Q2 2024 was due to the higher sales and gross profit achieved.

Our net loss for the six months ended June 30, 2024 was $0.7 million compared to a loss of $1.1 million in 2023. The lower net loss was also due to the higher revenue and gross profit achieved year-to-date in 2024.

Summary of Quarterly Data

Quarter ended $ (000's, except per share)	June 2024	Mar 2024	Dec 2023	Sept 2023	June 2023	Mar 2023	Dec 2022	Sept 2022
Gross sales	**4,270**	1,638	2,484	1,484	1,385	383	230	105
Net revenue	**3,648**	1,271	2,115	1,174	1,159	295	189	101
Net income (loss)	**59**	(798)	(451)	(533)	(402)	(686)	(1,906)	(778)
Earnings (loss) per share [1,2]	**0.00**	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)

Note 1: Earnings (loss) per share represents both basic and diluted earnings (loss) per share. Quarterly earnings (loss) per share is not additive and may not equal the annual loss per share reported. This is due to the effect of rounding as well as shares issued during the year on the basic weighted average number outstanding.

Note 2: Earnings (loss) per share amounts calculated on a post 10:1 share consolidation basis.

The past 8 fiscal quarters has represented a transition and rebuilding period for our Company. In Q3, 2022, our revenue began to increase as we launched our new online cannabis marketplace in Canada near the end of the quarter. This trend continued throughout 2023 with gross sales increasing to $2.5 million in Q4 2023 from $1.5 million in Q3 2023, $1.4 million in Q2 2023, $0.4 million in Q1 2023 and $0.2 million in Q4 2022.

In Q2 2024, we achieved strong revenue growth, reporting gross sales of $4.3 million compared to sales of $1.6 million in Q1 2024. The growth in Q2 2024 was due in part to export sales of $1.8 million (compared to no export sales in Q1 2024) as well as continued growth in domestic sales volumes. With the higher revenue, we also reported positive net income in the quarter.

Our revenue in Q1 2024 declined to $1.6 million from $2.5 million in Q4 2023. The decline was due to not generating any export sales in Q1 2024 (Q4 2023 - $0.7 million) as well as lower seasonal demand for or cannabis products domestically in the quarter. With the lower sales volumes, our net loss also increased in Q1 2024 from the prior quarter.

We experienced strong revenue growth in Q4 2023 with sales growing across all sales channels. Domestically, sales volumes increased to $1.8 million from $1.5 million in the previous quarter ended September 30, 2023. In addition, Q4 2023 included export sales of $0.7 million (compared to $nil in Q3 2023).

Our revenue in Q3 2023 was flat with Q2 2023 because we did not achieve any export sales in that quarter. Domestically, we continued to achieve strong sales growth in Q3 2023 with gross sales increasing by $0.5 million or 45% to $1.5 million.

Financial Condition and Liquidity

As at $	June 30 2024	Dec 31 2023
Current assets	**3,768,661**	2,308,280
Total assets	**9,476,337**	8,186,930
Current liabilities	**5,129,178**	2,573,687
Total liabilities	**5,567,587**	3,945,689
Shareholders' equity	**3,908,750**	4,241,241
Working capital[1]	**(1,360,517)**	(265,407)

Six months ended $	June 30 2024	June 30 2023
Cash flows provided by (used in) operating activities	**174,645**	(656,784)
Cash flows used in investing activities	**(16,063)**	(6,337)
Cash flows provided by (used in) financing activities	**255,498**	(74,041)

Note: (1) Working capital is defined as current assets less current liabilities.

Working capital

Our working capital position declined to negative $1.4 million at December 31, 2023 from negative $0.3 million at December 31, 2023. The $1.4 million decrease was primarily due to loans payable in the amount of $0.9 million being reclassified as a current liability at June 30, 2024. The loans payable are scheduled to mature on January 31, 2025. The remainder of the reduction was due to our loss from operations in the first six months of 2024. At June 30, 2024, our cash position improved to $0.6 million compared to $0.2 million at December 31, 2023, primarily due to proceeds from an equity private placement completed in May 2024.

Our ability to fund our future operating expenses and capital expenditures will continue to depend on our future operating performance, most notably our ability to achieve sales in the future that are sufficient to cover our operating expenses. Future sales levels will be affected by several factors, including general economic, financial, regulatory factors, including factors beyond the Company's control (See "Risks and Uncertainties").

In fiscal 2023 and the first half of 2024, we conserved cash and managed our negative working capital by utilizing favourable payment terms with suppliers and deferring discretionary expenditures. In addition, in May 2024, we completed a non-brokered equity Private Placement of 8,153,000 Units for gross proceeds of $0.4 million.

Each Unit consisted of one common share and one Warrant with each Warrant entitling the holder thereof to acquire one common share for a period of two years at an exercise price of $0.06 per common share. Proceeds from the Private Placement are being used for working capital in support of our sales growth. Philip Campbell, Chief Executive Officer, Jason Vandenberg, Chief Financial Officer, and Herb Dhaliwal, Director, subscribed for an aggregate of 4,453,000 Units as part of the Private Placement. The securities issued under the Private Placement are subject to a statutory hold period of four months from the date of issuance under Canadian Securities laws.

Cash provided by operating activities

Cash provided by operating activities during the six months ended June 30 2024 was $0.2 million (2023 – cash used in operations of $0.7 million). The positive cash from operations in 2024 was primarily due to positive changes in non-cash working capital items such as accounts payable and accrued liabilities, and deferred revenue as we continued to closely manage our payment terms with both vendors and customers.

For the most recent quarter ended June 30, 2024, we generated positive cash from operating activities of $0.3 million. Positive Adjusted EBITDA and net income in Q2 2024 contributed to this improvement. We currently anticipate that we will continue to generate positive Adjusted EBITDA going forward should our sales targets be achieved.

Cash used in investing activities

During the six months ended June 30, 2024, we incurred a small amount of capital expenditures on miscellaneous equipment to support business operations.

Cash used in financing activities

Net cash provided by financing activities was $0.3 million for the six months ended June 30, 2024, which consisted of $0.4 million in proceeds from the equity Private Placement, partially offset by the net repayment of short -term advances in the amount of $0.1 million (with such amounts reinvested in the equity private placement) as well as principal repayments on our right of use lease liability.

At June 30, 2024 and December 31, 2023, we had an outstanding unsecured convertible debenture with a principal amount of $500,000 owing to a director and shareholder of the Company. This debenture has an annual coupon rate of 14% per annum, payable monthly, and matures on January 31, 2025. The debenture is also convertible, at the holder's option, into common shares of the Company at $0.50 per share, and at the Company's election, during any period where the trading price of the Company's common shares is $1.00 or greater for a period of 20 consecutive trading days.

Our loans payable at June 30, 2024 and December 31, 2023 also included a convertible debenture with a principal balance of $438,000 owing to a company controlled by a different director and shareholder of the Company. This debenture has a coupon rate of 14% per annum, payable monthly, and matures on to January 31, 2025. The debenture is also convertible, at the holder's option, into common shares of the Company at $0.50 per share, and at the Company's election, during any period where the trading price of the Company's common shares is $1.00 or greater for a period of 20 consecutive trading days.

Shareholders' Equity

Shareholders' equity decreased to $3.9 million at June 30, 2024 from $4.2 million at December 31, 2023. The statements of shareholders' equity included in the accompanying condensed interim consolidated financial statements for the three and six months ended June 30, 2024 provide a schedule showing changes to all of the components of shareholders' equity during the period. The decrease of $0.3 million was attributable to the net loss incurred for the six months, partially offset by the issuance of common shares pursuant to the equity Private Placement.

Related Party Transactions

	Three Months Ended		Six Months Ended	
	June 30 2024	June 30 2023	**June 30 2024**	June 30 2023
Key management personnel compensation				
Wages and benefits and management fees	**53,432**	85,511	**121,053**	163,581
Directors' fees	**26,000**	30,000	**56,000**	60,000
	79,432	115,511	**177,053**	223,581

For the three and six months ended June 30, 2024, we defined key management personnel as being the Chief Executive Officer, Chief Financial Officer, and Directors of the Company. During the three and six months ended June 30, 2024, we also incurred interest expense of $33,997 and $70,328 (three and six months ended June 30, 2023 - $8,759 and $15,327), respectively, related to convertible debentures owing to directors and shareholders of the Company. Transactions with related parties are in the normal course of operations and are initially recorded at the exchange amount.

Outstanding Share Data

	August 20 2024	**June 30 2024**
Common Shares outstanding(1)	**81,780,699**	81,780,699

Note 1. Common share amounts are presented on a post 10:1 share consolidation basis.

As at August 21, 2024, we also had outstanding:

(i) Warrants to acquire 2,765,600 common shares of the Company at an exercise price of $0.50 per share and expiring on October 26, 2024;
(ii) Warrants to acquire 8,153,000 common shares of the Company at an exercise price of $0.06 per share and expiring on May 8, 2026;
(iii) Stock options exercisable into 6,100,000 common shares of the Company at a price of $0.05 per share and expiring on August 21, 2029;
(iv) Stock options exercisable into 40,000 common shares of the Company at a price of $0.20 per share and expiring on July 28, 2025;

(v) A convertible debenture in the principal amount of $500,000 that is convertible into 1,000,000 common shares of the Company at a price of $0.50 per share and maturing on January 31, 2025;
(vi) A convertible debenture in the principal amount of $438,000 that is convertible into 876,000 common shares of the Company at a price of $0.50 per share and maturing on January 31, 2025; and
(vii) 75,000 issuable common shares contingent on certain revenue targets be achieved from the sale of Golden Spruce branded cannabis products in the future.

Risks and Uncertainties

Our business is subject to certain risks and uncertainties. Prior to making any investment decisions regarding Herbal Dispatch, investors should carefully consider, among other things, the risks described herein and in the "Risks and Uncertainties" section of our MD&A for the year ended December 31, 2023, which is incorporated by reference herein. These risks and uncertainties are not exhaustive. Additional risks presently known or currently deemed immaterial may also impair our business operations. If any of the events described in our business risks actually occur, our overall business, operating results and financial condition could be materially adversely affected.

Financial Instruments – Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk from its cash is very limited as it holds its cash with highly rated financial institutions.

The Company has moderate exposure to credit risk related to its trade and other receivables. The risk exposure is limited to its carrying amount at the balance sheet date. The Company provides credit to its business customers in the normal course and has established credit evaluation and monitoring processes to mitigate this credit risk. The Company's exposure to credit risk related to direct-to-consumer sales is limited as the majority of these sales are transacted with credit cards at the time the sale is completed.

Loan receivable from Enhanced Pet Sciences Corp. ("EPS")

At June 30, 2024, we had a loan receivable owing from EPS, which consisted of a principal balance of USD $536,995 plus accrued interest, incurred at a rate of 8% per annum. At June 30, 2024, we recognized the loan receivable at is estimated fair value of $467,850. This represented a substantial discount against the full balance owing, given the significant credit risk associated with the loan receivable and the expected time it will take to successfully collect the loan receivable from EPS. The full loan balance outstanding including accrued interest at June 30, 2024 approximated $636,000 USD ($861,000 CAD).

The loan receivable has been past due and in default since December 31, 2022. In the first quarter of 2024, we commenced litigation against EPS and the guarantors of the loan. As part of EPS's defence strategy, EPS then filed a counter suit against the Company in the State of Kentucky for unspecified damages pertaining to an unfulfilled lease agreement and failed negotiations related to a potential plan of arrangement between the two companies in early 2020. EPS has also alleged that the loan should be considered an advance of funds for transition steps in the plan of arrangement and not be enforceable against EPS or its guarantors.

Subsequent to June 30, 2024, we settled all litigation claims between the Company and EPS regarding our outstanding loan receivable owing from EPS as well as all other matters of dispute between the parties. As part of the settlement, our loan receivable was replaced by a royalty agreement whereas we will receive royalty payments in an amount equal to five percent of all of EPS's gross sales until the Company has received total payments equal to CAD $850,000 (the Target Amount"). The royalty payments shall be made on a quarterly basis within 30 days of the end of each calendar quarter.

In conjunction with the settlement agreement, EPS also granted to the Company the right (the "Call Option") to convert any portion of the remaining royalty payments owing into up to a maximum of 1,700,000 common shares (the "Target Shares") of EPS at a deemed price of $0.50 per share (the "Strike Price"). The number of Target Shares shall be reduced by one share of stock for every Strike Price EPS has paid to the Company in royalty payments. The Strike Price may be adjusted downwards in certain circumstances, including if EPS issues new common shares at a price lower than the Strike Price that exceeds 5% of its outstanding common shares at the time. The Call Option shall expire upon full repayment of the Target Amount by EPS.

Any remaining unpaid balance of the Target Amount shall be paid by EPS on or before July 19, 2027, unless extended, at the option of EPS, for an additional three years. If EPS exercises its option to extend the payment deadline, the outstanding balance owing at the time the deadline is extended shall be increased by 10% and an additional 250,000 common shares of EPS shall be added to the original amount of the Target Shares. EPS may prepay the Target Amount at any time.

Non-IFRS Financial Measures

This MD&A contains the non-IFRS financial measure "Adjusted EBITDA". Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other issuers. Investors are cautioned that this financial measure should not be construed as an alternative to net income or to cash provided by operating, investing and financing activities determined in accordance with IFRS, as indicators of our performance.

Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, share based compensation, loss (gain) on sale of assets, loss (gain) on investments, loss (gain) on extinguishment of debt, impairment losses, loss (gain) on foreign exchange and accretion expense. We believe that, in addition to net income (loss), adjusted EBITDA is a useful measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before certain non-cash items such as depreciation, amortization, and other items.

A reconciliation of net income (loss) to adjusted EBITDA for each of the periods presented in this MD&A follows:

$	Three Months Ended		Six Months Ended	
	June 30 2024	June 30 2023	**June 30 2024**	June 30 2023
Net income (loss)	**58,551**	(401,665)	**(738,959)**	(1,087,432)
Add/subtract				
Interest and other	**45,107**	34,481	**93,198**	48,819
Gain on settlement of debt	**(39,912)**	(103,543)	**(19,912)**	(103,543)
(Gain) loss on foreign exchange	**(12,726)**	11,531	**(13,301)**	13,264
Accretion expense	**980**	10,341	**1,923**	16,919
Depreciation & amortization	**100,997**	100,322	**201,530**	189,595
Adjusted EBITDA	**152,997**	(348,533)	**(475,521)**	(922,378)

Forward Looking Information

Certain statements in this MD&A, including statements or information containing terminology such as "anticipate", "believe", "intend", "expect", "estimate", "may", "could", "will", and similar expressions constitute "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, that address activities, events, or developments that we or a third party expect or anticipate will or may occur in the future, including our future growth, results of operations, performance, and business prospects and opportunities are forward-looking statements.

These forward-looking statements reflect our current beliefs and are based on information currently available to us. These statements require us to make assumptions we believe are reasonable and are subject to inherent risks and uncertainties. Actual results and developments may differ materially from the anticipated results and developments discussed in the forward-looking statements as certain of these risks and uncertainties are beyond our control. These risks include several of the factors discussed further under "Risks and Uncertainties" above. These risk factors are interdependent and the impact of any one risk or uncertainty on a particular forward-looking statement is not determinable.

Examples of forward-looking statements in this MD&A and the key assumptions and risk factors involved in such statements include, but are not limited to, executing our strategic growth initiatives for 2024 and beyond, which includes growing our sales both domestically and via export and continuing to achieve positive adjusted EBITDA in future fiscal quarters. The successful execution of these initiatives is subject to a number of risks and uncertainties, including industry competition, and future customer demand for our products, among others.

Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected effects on Herbal Dispatch. These forward-looking statements are made as of the date of this MD&A. Except as required by applicable securities legislation, we assume no obligation to update publicly or revise any forward-looking statements to reflect subsequent information, events, or circumstances.

Additional information

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca.

Corporation information

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