BEVCANNA ENTERPRISES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the nine months ended September 30, 2021 and 2020

Prepared as of November 29, 2021

INTRODUCTION

The following management's discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Bevcanna Enterprises Inc. (the "Company") and should be read in conjunction with the Company's condensed interim consolidated financial statements for the nine months ended September 30, 2021, the audited consolidated financial statements for the year ended December 31, 2020 and notes thereto. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

As used in this MD&A and unless otherwise indicated, the terms "we", "us", "our", and "Company" refer to BevCanna Enterprises Inc. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

The recent outbreak of the coronavirus, also known as "COVID-19", continues to impact worldwide economic activity. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from such statements. The words "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "likely", "may," "optimistic," "plan," "potential", "predict", "should," "would," and other similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on material factors and assumptions made by our Company in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, including but not limited to:

- the Company's expectations regarding its consolidated revenue, expenses and operations;
- the Company's anticipated cash needs, its needs for additional financing;
- the Company's intention to develop its business and its operations;
- expectations with respect to future production costs and capacity;

- the grant and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof;
- expectations with respect to the future growth of its medical and/or adult-use recreational cannabis products;
- the Company's competitive position and the regulatory environment in which the Company operates; and
- expectations with respect to the Company's intended operations in California and the United States.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those indicated in these statements, including, but not limited to:

- uncertainty with respect to the conflict between United States federal and state laws;
- uncertainty over whether a market will develop for the Company's products;
- the Company's limited operating history;
- potential or actual conflicts of interest;
- the risk the Company is unable to obtain additional financing to achieve its business objectives and execute its strategy on satisfactory terms, or at all;
- uncertainty about the Company's ability to continue as a going concern; and
- changes in general economic or political conditions.

The forward-looking statements contained in this MD&A reflect our views and assumptions only as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements after the date on which the statement is made, except as required by applicable laws, including the securities laws of Canada.

SIGNIFICANT TRANSACTION

On February 22, 2021, the Company announced that it has closed its acquisition of Naturo Group Investments Inc. The combination of these two emerging industry leaders creates a diversified health and wellness; beverage and natural products company, with a global multi-channel sales and distribution network positioned for growth.

On December 11, 2020, and as amended on January 31, 2021, the Company entered into an amalgamation agreement to complete the acquisition of all issued and outstanding securities of Naturo Group Investments Inc. ("Naturo"). Naturo develops and manufactures beverages and consumer products for in-house brands and private label clients and is based in BC. The acquisition closed on February 18, 2021.

In accordance with IFRS 3, the substance of a transaction constitutes a business combination as the business of Naturo meets the definition of a business under the standard. Accordingly, the assets acquired and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

The purchase price is based on management's estimate of the fair value of the following transactions:

a) 50,000,000 common shares of the Company were issued to the former shareholders of Naturo with a fair value of $36,398,323.
b) The Company assumed the obligation to issue:
   (i) 450,000 common shares (each, an "Option Share") in the capital of the Company pursuant to outstanding options in Naturo exercisable at $0.25 per Option Share until July 31, 2024,

(ii) 26,250,000 common shares (each, a "Warrant Share") in the capital of the Company issuable upon exercise of outstanding warrants in Naturo exercisable at $0.50 per Warrant Share until August 19, 2021, and
(iii) Such common shares (each, a "Debenture Share") in the capital of the Company as may be issuable pursuant to a convertible debenture in Naturo in the principal amount of $1,468,373 convertible at $0.40 per Debenture Share, maturing on January 27, 2023 and accruing interest at an annual rate of 10% which is also convertible into Debenture Shares.

DESCRIPTION OF BUSINESS

The Company is a diversified health and wellness and natural products producer and marketer. Through its wholly-owned subsidiary, BevCanna Operating Corp. ("Bevopco"), it owns and operates an approximately 10,000 sq. ft. tetrahydrocannabinol ("THC") beverage manufacturing plant near Osoyoos, BC. The plant, having just recently been approved by Health Canada, commence production of THC beverages for its white-label clients in Q3 2021. At a later date, it will also begin production of its own branded line of THC products.

Through Naturally Pure Therapy Products Corporation ("NPT"), acquired on September 4, 2020, the Company sells a range of nutraceutical and hemp-based cannabidiol ("CBD") health products through its direct-to-consumer e-commerce platform in the United States and Western Europe.

Through the acquisition of Naturo Group Enterprises Inc. ("Naturo") on February 19, 2021, the Company owns and operates an approximately 30,000 sq. ft. conventional beverage bottling plant adjacent to the Bevopco facility. The plant has its own water source, a naturally alkaline spring water aquifer. Naturo also owns approximately 295 acres of prime agricultural land on the same site. Through Naturo, the Company manufactures and markets the TRACE brand of alkaline and plant-based mineral beverages, concentrates and shots to approximately 3000 retail customer stores across Canada. It also offers custom beverage manufacturing on a private label basis to Canadian retail chains.

The Company holds licences for processing and research under the Cannabis Act and a hemp cultivation licence under the Industrial Hemp Regulations in addition to the originally applied for Production Licence and Sales Licence. In May 2019, Health Canada issued the hemp cultivation licence to the Company. In August 2019, Health Canada issued the cannabis research licence to the Company. In February 2021, Health Canada issued the Standard Processing license to the Company. On April 15, 2021, the Canada Revenue Agency issued the Cannabis License under the Excise Act, 2001 to the Company.

OVERALL PERFORMANCE

The Company has not yet achieved profitable operations. The Company recognized $1,101,347 revenue for the third quarter of 2021. Of this amount, $398,022 is e-commerce sales and $703,325 is revenue from beverage operations. In the prior year, the Company had revenue of $94,010.

The Company successfully commercialized an array of beverage products in Q3. The Company's future performance depends on, among other things: (i) launching products with a healthy margin while staying competitive; (ii) improving risk diversification by expanding the Company business portfolio through M&A activities; and (iii) providing funding to support NPT's e-commerce platform growth.

The Company obtained a gross margin of over 32% in Q3 due largely to a now completed high profit margin specialty order. Given the above, the gross margin achieved is unlikely to be replicated in Q4.

On August 11, 2021, the Company announced the receipt of purchase orders from Ontario Cannabis Store ("OCS") and expected the products will be available in Ontario retail locations and online at ocs.ca in September 2021.

On August 18, 2021, the Company announced the receipt of purchase orders from Alberta Gaming and Liquor Commission ("AGLC") and expected the products will be available in Alberta retail locations and online at AlbertaCannabis.org by the fall 2021. The Company also announced the premiere of local B.C. beverage brand State B Cannabis Beverage Co. with three flavours: Sparkle, Zing and Resolve through an exclusive white-label program will be available in Alberta retailers.

On August 19, 2021, the Company entered into a White-label cannabis beverage manufacturing agreement with The Tinley Beverage Company Inc. (“Tinley’s”) (CSE:TNY, OTCQX:TNYBF), to manufacture the award-winning Tinley’s Tonics products for the Canadian market. The Company will produce and distribute the full line of Tinley’s ready-to-drink, adult beverage-inspired sparkling Tinleys Classics, Canadian versions of Tinley’s Tonics, currently available in California.

On September 13, 2021, the Company entered into a sales services agreement with Velvet Management Inc. (“Velvet”) to represent the Company at all levels of selling and marketing, to government buyers and private retailers.

On September 15, 2021, the Company announced the receipt of purchase orders from the British Columbia Liquor Distribution Branch (“BCLDB”) and expected products deliveries in late September 2021.

On September 20, 2021, the Company entered into a definitive agreement to acquire Embark Health Inc. (“Embark”). The acquisition will accelerate the Company’s evolution into a diversified health and wellness brand with Embark’s products offering from Cannabis concentrates, liquid and powder beverage mixes, topicals to edible products. For the full details of this acquisition, please refer to the Company’s news release dated September 20, 2021.

On September 27, 2021, the Company announced the successful production and delivery of its first batch of Keef Brands cannabis-infused beverages to the Ontario Cannabis Store (“OCS”) and scheduled further production run in the third and fourth quarters. The Company also expected the Keef products to hit British Columbia and Alberta shelves by early November 2021.

On September 29, 2021, the Company announced the TRACE line of natural alkaline spring waters will be the official Water Supplier of the Canadian E-Prix / 2022 Vancouver E-Prix event (taking place on June 30 – July 2, 2022), including the highly anticipated Formula E electric car race, part of the ABB FIA Formula E World Championship series.

On October 5, 2021, the Company entered into a wholesale distribution agreement with United Natural Foods, Inc. (“UNFI”) to distribute the Company’s TRACE line of products to retailers across Canada.

On October 7, 2021, the Company entered into a white-label agreement with Xebra Brands Ltd. (“Xebra”) to produce and distribute Xebra Brands’ Vicious Citrus™ THC Lemonade into the Canadian market.

On October 14, 2021, the Company entered into a white-label agreement with Averi Health Products (“Averi”) to produce and distribute a portfolio of cannabis-infused beverages into the Canadian market.

On October 20, 2021, the Company announced granted an amendment to its Health Canada-authorized Cannabis Research License to include sensory evaluations of cannabis beverages in the product development trials. The update to the license will allow the Company to conduct on-site human assessments of the taste, smell, feel and visual appeal of products in development, opening up significant opportunities in the formulation and refinement of the Company’s products and those of the white-label clients.

On November 3, 2021, the Company engaged international investor relations specialists MZ Group (“MZ”) to lead comprehensive strategic investor relations and financial communications program across all key markets.

On November 8, 2021, the Company announced the initial shipment of Keef Brands cannabis-infused beverages to the British Columbia Liquor Distribution Branch (“BCLDB”) has sold out online. The Company has scheduled production runs to keep with the strong customer demand.

On November 23, 2021, the Company announced the TRACE alkaline water will be the exclusive water partner for Country Music Week 2021. As the exclusive water partner of Country Music Week 2021 and the 2021 CCMA Awards, TRACE will keep fans, artists and the Canadian country music industry hydrated. With products available in all official welcome packages, backstage at CCMA-sanctioned events and available for purchase at all main points of sale. TRACE branding will also be included on all menu listings throughout Country Music Week 2021.

Management Changes

On March 3, 2021, the Company announced the appointment of Melise Panetta as the new President, succeeding Martino Ciambrelli. Mr. Ciambrelli will continue to help to assist the Company through his seat on the Board of Directors, as well as his continued position as Senior Person in Charge on the Company's Health Canada Standard Processing License. Ms. Panetta is a highly experienced sales, marketing and commercial leader within the CPG sector, having held senior and executive roles at global companies such as General Mills (NYSE:GIS), PepsiCo (Nasdaq:PEP), and S.C. Johnson. Ms. Panetta's broad experience in both the CPG and cannabis sectors positions her well to lead the Company into a fully diversified health and wellness beverage and natural products company.

OUTLOOK

With the receipt of its Standard Processing License in February 2021, the Company completed its commercialization of THC infused beverages in Q3 and is now rapidly progressing to nationwide distribution.

With the completion of the acquisition of Naturo in February 2021, the Company is moving rapidly to broaden distribution and bring additional innovative new products to the market.

The Company's business objectives through the balance of the current year include:

- Broadening Keef Brand's THC infused beverage line distribution to more Provinces in Canada.
- Solidifying at least 3 additional white label partner relationships for THC infused beverage lines.
- Securing private label partner relationships for conventional beverage lines.
- Broadening the distribution of Naturo's product line in Canada and in the United States.
- Entering the US, Japanese and other international markets with Naturo products.
- Significantly expanding NPT's range of product offerings and sales reach.

DISCUSSION OF OPERATIONS

Nine months ended September 30, 2021

Revenue

For the nine months ended September 30, 2021, the Company generated revenue through its beverage wholesale and distribution subsidiary, Naturo Group Enterprises Inc. ("Naturo Group") acquired on February 19, 2021 and e-commerce platform subsidiary, Naturally Pure Therapy Products Corp. ("Naturally Pure Therapy") acquired on September 4, 2020. The revenue from the beverage distribution is $880,620 with cost of sales of $599,452 and generating a gross profit of $281,168. The revenue from the e-commerce platform is $1,357,260 with cost of products and services mainly comprised of the traffic fees of $1,219,338 to direct customers to the platform and generating a gross profit of $137,922. The cost of products and services is expected to reduce in proportion to the total revenues as the e-commerce business scales. As of September 30, 2021, the Company has completed the final process of stability testing and delivered the first batch of cannabis infused-beverage products to the Ontario Cannabis Store.

	Nine months ended September 30, 2021 $	Nine months ended September 30, 2020 $
Total revenues	2,237,880	94,010
Cost of products and services	(1,818,790)	(134,290)
Gross profit (loss)	419,090	(40,280)

Net Loss

For the nine months ended September 30, 2021, the Company recorded gross profit of $419,090 (2020 – gross loss of $40,280) and recorded a net loss of $10,924,859 compared to $5,483,867 in the nine months ended September 30, 2020.

During the nine months ended September 30, 2021, the Company had administrative expenses of $10,450,402 compared to $5,258,696 in the nine months ended September 30, 2020. The Company had the following significant changes in administrative expenses during the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020:

- Professional and consulting fees increased by $2,493,739 to $3,146,244 as the Company has continued to hire external consultants to manage the growth of the Company and the transactions that the Company has completed.
- Marketing expense increased by $1,010,601 to $1,130,993 as the Company has increased spending on marketing campaigns to advertise the brand.
- Investors relations expenses increased by $974,008 to $1,694,445 as the Company has expanded the distribution of news related to the Company's acquisitions and transactions.
- Amortization expense has increased by $939,056 to $1,881,955. The increase is due to the significant amount of capital assets that have been purchased and acquired over the prior year.
- Plant operations, facilities and office expense increased by $609,372 to $657,781 due to the increased activity at the Company related to sales and inventory.
- Salaries increased by $359,942 to $596,514 as the Company has hired more staff through acquisitions.
- Share-based payments decreased by $1,256,295 from the prior year as the Company has granted less stock options. In the nine months ended September 30, 2021, the Company granted 4,050,000 stock options compared to 12,266,667 during the same period last year.

During the nine months ended September 30, 2021, the Company had other expenses of $893,547 as compared to $184,891 in the prior year. The increase is mainly due to an increase in financing fees of $650,660 to fund the Companies continued growth through multiple forms of financing.

Three months ended September 30, 2021

Revenue

For the three months ended September 30, 2021, the Company generated revenue through its beverage wholesale and distribution subsidiary, Naturo Group acquired on February 19, 2021 and e-commerce platform subsidiary, Naturally Pure Therapy acquired on September 4, 2020. The cost of products and services is expected to reduce in proportion to the total revenues as the e-commerce business scales.

	Three months ended September 30, 2021 $	Three months ended September 30, 2020 $
Total revenues	1,101,347	94,010
Cost of products and services	(745,179)	(134,290)
Gross profit (loss)	356,168	(40,280)

Net Loss

For the three months ended September 30, 2021, the Company recorded a gross profit of $356,168 (2020 – gross loss of $40,280) and recorded administrative expenses of $3,243,733 (2020 - $1,842,803), as well as other expenses totaling $644,233 (2020 – other income of $59,604), which resulted in a net loss of $3,531,798 (2020 - $1,823,479). The main factors that contributed to the loss in the period were professional and consulting expenses of $867,384, amortization expenses of $606,345, investor relations of $352,165, and marketing expenses of $296,464. The increase in expenses is mainly due to the acquisition of Naturo Group and Naturally Pure Therapy which has consolidated their expenses in the current quarter. Management anticipates that the Company will incur expenses in subsequent periods as a result of expenses associated with being a reporting issuer listed on a stock exchange, and expenses anticipated to be incurred in connection with the expansion of the Production Facility and announced definitive agreements.

SUMMARY OF QUARTERLY RESULTS

The following table provides a summary of the previous eight quarters of the Company's financial performance.

	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Total revenues	1,101,347	505,786	630,747	302,307
Loss	(3,531,798)	(5,364,480)	(2,028,581)	(8,760,965)
Loss per share (basic and diluted)	(0.02)	(0.03)	(0.01)	(0.09)
	Q3 2020	**Q2 2020**	**Q1 2020**	**Q4 2019**
Total revenues	94,010	-	-	-
Loss	(1,823,479)	(1,442,714)	(2,217,674)	(3,473,263)
Loss per share (basic and diluted)	(0.03)	(0.02)	(0.04)	(0.08)

During the three months ended September 30, 2021, the Company had an increase in revenues of $595,561 mainly due to higher sales activity in Q3 2021 including the launch of Keef and Green Monke cannabis infused-beverages.

Revenues has been increasing steadily since Q3 2020 as the Company generates revenue through its beverage wholesale and distribution subsidiary, Naturo Group acquired on February 19, 2021 and e-commerce platform subsidiary, Naturally Pure Therapy acquired on September 4, 2020. The acquisitions of Naturo Group and Naturally Pure Therapy have also increased expenses due to consolidation of their expenses as well as the increased expenses to complete the transactions.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at September 30, 2021, the Company had working capital of $1,762,179 (December 31, 2020 - $609,406). For the remaining months of 2021, management intends to continue to diligently monitor and adjust the capital budget based on expected cash flows from capital raising, option and warrant exercising, and operational revenues, and as such management believes the Company has sufficient resources to fund its 2021 operations and expansion plan.

Cash used in Operating Activities

During the nine months ended September 30, 2021, the Company had cash used in operating activities of $5,852,238 (2020 - $1,414,652). Cash used in operating activities was mainly due to the net loss of $10,410,449 and adding back items not affecting cash totaling $2,156,519 and changes in non-cash working capital items totaling $2,401,692. The most significant items not affecting cash are amortization, loss on marketable securities, share-based payments, and finance costs.

Cash used in Investing Activities

During the nine months ended September 30, 2021, the Company used $1,259,425 (2020 – received $679,311) in cash on investing activities. These investing activities included using $1,156,582 in cash for the purchase of property plant and equipment and $125,000 in cash for the note receivable. These were offset by the proceeds from cash acquired in the acquisition of Naturo totaling $22,157.

Cash provided by Financing Activities

During the nine months ended September 30, 2021, the Company received a net of $6,741,190 (2020 - $695,726) in cash from financing activities. These activities comprised of $2,903,749 (2020 - $473,700) from issuance of shares, $3,141,250 (2020 - $149,490) from the exercise of options, $1,386,750 (2020 - $nil) from the exercise of warrants, and $20,000 provided by the CEBA loan. These were offset by less promissory note payment of $279,994, lease payment of $3,065 and repayment of convertible debt of $115,000.

Future Capital Requirements

The Company will need to continue to raise capital, as the Company expects its costs will increase due to the expansion of the Production Facility and the start of production, as well as working capital commitments related to products launches and expansion. The Company's future capital requirements will depend upon many factors including, without limitation, the market demand for THC infused beverages. The Company has limited capital resources and must rely upon the sale of equity securities or the exercise of options and warrants for cash required for expansion and production purposes, for acquisitions and to fund the administration of the Company. Although the Company started to generate revenue through its subsidiary in the last quarter, the subsidiary is not yet at the stage where it is able to self-funded and it must continue to rely upon the sales of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements as at September 30, 2021 or as of the date of this report.

TRANSACTIONS BETWEEN RELATED PARTIES

During the nine months ended September 30, 2021, the Company incurred the following related party transactions:

Nine months ended	September 30, 2021 $	September 30, 2020 $
Management and Consulting fees		
Chief Financial Officer and Chief Strategic Officer ("CFO & CSO")	180,000	180,000
Chief Executive Officer ("CEO")	225,000	-
President	143,336	-
Former President	45,000	7,500
Share-based payments		
Director	26,977	-
Chief Financial Officer and Chief Strategic Officer ("CFO & CSO")	56,347	43,153
Chief Executive Officer ("CEO")	-	239,740
President	60,850	-

Former President	-	28,769
	737,510	499,162

Accounts payable and accrued liabilities:

At September 30, 2021, the following amounts were included in accounts payable and accrued liabilities in relation to transactions with related parties, which were non-interest bearing, unsecured and due on demand:

- $27,690 (December 31, 2020 - $15,565) for services provided and expenses paid by the CEO of the Company;
- $21,000 (December 31, 2020 - $3,245) for services provided and expenses paid by the CFO & CSO of the Company;
- $2,425 (December 31, 2020 - $nil) for services provided and expenses paid by the President;
- $400 (December 31, 2020 - $nil) for services and expenses paid by a person related to the CEO;

Due from related parties:

On June 28, 2021, the Company sold 3,717,000 shares of the Company for $1,486,800 to a person related to the CEO. The payment has not yet received as of September 30, 2021.

Convertible debenture:

On June 28, 2021, the Company entered into a debenture amendment and cancellation agreement with a person related to the CEO of the Company. The agreement cancelled the $1,505,020 convertible debenture and settled a receivable of $2,005,020 from the CEO of the Company and a $500,000 payable for financing charge. The interest payable of $62,709 on the convertible debenture remains outstanding as of September 30, 2021.

Other related party transactions:

During the nine months ended September 30, 2021, the Company expensed $531,438 (2020 - $65,653) in consulting and share based-payments to two companies controlled by two persons related to the CEO. During the nine months ended September 30, 2021, the Company expensed $338,889 (2020 - $nil) in consulting and share based-payments to a company controlled by a person related to the Former President.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, marketable securities, prepaid expenses and deposits, accounts payables and accrued liabilities and the convertible debentures. The fair value of the Company's prepaid expenses and deposits, accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. Fair value of the debentures is calculated using a valuation model that considers the future stream of cash flows discounted at the market yield adjusted for risk premium. The convertible debentures is classified under level 2.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as the majority of receivable balance is GST refund from the Receiver General and funds being processed by banks and not released yet. The short term note receivable provided in April 2021 is loans provided to a close business partner. Management believes the risk of default on this note is low.

There is one customer accounting for more than 10% of gross revenue listed as below:

For the period ended	September 30, 2021	September 30, 2020
Customer A	20.4%	-

The amount receivable from the Customer A has been fully received subsequent to September 30, 2021.

Liquidity risk

The Company's approach to managing liquidity risk is to raise capital as required to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of $ 655,563 to settle current liabilities of $ 5,350,656. Subsequent to September 30, 2021, the Company has completed share for debt transactions to settle debt for a total of $605,895 with various vendors, consultants and related parties. Subsequent to September 30, 2021, the Company received $75,000 from options exercised and an additional $74,779 for options to be exercised. The Company believes it can continue to raise capital as required to fund its operations and expansion.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, equity prices, input costs and product prices. Cannabis is part of a developing market, likely subject to volatile and possibly declining prices year over year, as a result of increased competition. Because cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels.

Legal and regulatory risk

The Company's business must be evaluated considering the problems, delays, uncertainties and complications encountered in the process of establishing as a beverage producer of cannabidiol ("CBD") and tetrahydrocannabinol ("THC") post licensed period and the commercialization of CBD and THC infused beverages.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect of the Company's business, financial condition and results of operations.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various stakeholders. Litigation, complaints, and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2021, the Company did not have any significant interest rate risk as the interest-bearing convertible debentures has a fixed interest rate.

DISCLOSURE OF OUTSTANDING SECURITY DATA

The Company has one class of shares outstanding, being common shares. As of the date of this report, 179,756,069 (September 30, 2021 – 177,059,762) common shares were issued and outstanding as fully paid and non-assessable shares.

As of the date of this report, the Company had 10,615,940 stock options outstanding (September 30, 2021 – 7,188,667).

As of the date of this report, the Company had 5,542,133 common share purchase warrants outstanding (September 30, 2021 – 6,042,133).

SUBSEQUENT EVENTS

Debt

On November 23, 2021, the Company issued 2,423,579 common shares at a price of $0.25 for debt settlements of $605,895 with vendors, consultants and related parties. Of this amount, 632,672 common shares were issued to settle debt with related parties.

Equity

On October 5, 2021, the Company granted 4,000,000 stock options with an exercise price of $0.28 and expiration date of October 5, 2022. The options vested immediately.

On October 19, 2021, the Company entered into an investor relations consulting services agreement with a consultant. The consultant will provide promotion and investor relations services for a term of twelve months for US$13,500 per month. The Company also granted 1,000,000 stock options with an exercise price of $0.275 and expiration date of October 19, 2023. The options vested immediately.

On October 19, 2021, the Company granted 4,000,000 stock options with an exercise price of $0.275 and expiration date of October 19, 2022. The options vested immediately. On October 28, 2021, 272,727 of these stock options were exercised for proceeds of $75,000.

Subsequent to September 30, 2021, the Company received $74,779 for exercise of 271,924 options.

Subsequent to September 30, 2021, 500,000 share purchase warrants with an exercised price of $0.40 per warrant expired unexercised.

Subsequent to September 30, 2021, 1,300,000 stock options with an exercised price of $0.40 per option expired unexercised.

Proposed acquisition

On September 20, 2021, the Company entered into a definitive agreement to acquire Embark Health Inc. (“Embark”). On closing of the transaction (“Closing”), the Company will issue 46,666,666 common shares to acquire all of the issued and outstanding common shares of Embark which develops and manufactures high-end solventless cannabis extracts, concentrates, liquid, powder beverage mixes, topicals and edible products. Upon closing of the acquisition, Embark will become a wholly-owned subsidiary of the Company.

The acquisition of Embark will close with the following:

a) 46,666,666 common shares (“Consideration Shares”) to be issued to the former shareholders of Embark;
    a. The Consideration Shares will subject to resale restriction over a one year period in equal portions;
b) The issuance of preferred shares (“Earn-out Payments”) of the Company to the former shareholders of Embark for earn-out payments of an aggregate of up to $9,199,442, contingent

upon Embark archieving up to $92,178,280 EBITDA over the first three completed financial years following the closing;

   a. The Earn-out Payments will be issued using a conversion rate equal to the current 5-day VWAP, redemption of preferred shares for cash, or a combination of both conversion and redemption at the Company's discretion.

c) The agreement will also provide a post-closing price adjustment pursuant to which the net proceeds from the disposition of Embark's facility in Woodstock Ontario will be distributed to former Embark shareholders if such disposition occurs within 18 months of Closing.

The completion of the acquisition remains subject to, among other things: approval of the Canadian Securities Exchange (the "CSE"); shareholder approval by both Embark and the Company; and other conditions which are customary for transactions of this nature.

All Company shares to be issued for the acquisition will be issued pursuant to an exemption from applicable securities laws. There will be no finder's fees paid in connection with the acquisition.

Risks and Uncertainties

The following information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected.

Regulatory Risks

The Company operates in a new industry which is highly regulated and is in a market that is very competitive and evolving rapidly. The Company's ability to grow, store and sell cannabis in Canada is dependent on the Licences from Health Canada and the need to maintain the Licences in good standing. Failure to comply with the requirements of the Licences or any failure to maintain these Licences would have a material adverse impact on the business, financial condition, and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomical. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Change in Laws, Regulations and Guidelines

The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drug, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations.

Limited Operating History

The Company was incorporated in 2017. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Net Losses

The Company has incurred operating losses since incorporation. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses into the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Negative Operating Cash Flow

The Company did not generate operating revenue and historically has had negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flows in the foreseeable future. Continued losses may have the following consequences:

a) increasing the Company's vulnerability to general adverse economic and industry conditions;
b) limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
c) limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

Size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Restrictions on Sales Activities

The cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

The Company's business strategy is constantly evolving

The Company's business strategy involves constantly seeking new opportunities in the cannabis industry. In the pursuit and execution of such opportunities, the Company may fail to select appropriate investment candidates and/or fail to negotiate beneficial or advantageous contractual arrangements. The Company cannot provide assurance that it can complete any investment or business arrangement that it pursues or is pursuing, on favourable terms, or that any investments or business arrangements completed will ultimately benefit the Company.

Failure to integrate acquired business and realize benefits from acquisitions

The Company may grow by acquiring other businesses. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time-consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licences as well as licences; however, the procurement of such applications for licences and licences generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licences may never result in the grant of a licence by any state or local governmental or regulatory agency and the transfer of any rights to licences may never be approved by the applicable state and/or local governmental or regulatory agency.

Additional Financing

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

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

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. The demand for products may increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Unfavourable Publicity or Consumer Perception

The Company believes the cannabis is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant Management attention. Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Company will be subject in connection with the operations of the Company. In particular, certain of the directors and officers of the Company are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with those of the Company. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such for other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Risk Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Reliance on Key Personnel and Advisors

The success of the Company will be largely dependent upon the performance of its key officers, consultants, and employees. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Licenses, Patents and Proprietary Rights

The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.

COVID-19

The current outbreak of COVID-19 and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions, which may adversely impact the Company's operations, and the operations of its suppliers, contractors and service providers, the ability to obtain financing and maintain necessary liquidity, and the ability to market the Company's products. The outbreak of COVID-19 and political upheavals in various countries have caused changes to traditional methods of conducting business. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

Similarly, the Company cannot estimate to what extent this outbreak and the potential financial impact may extend to countries outside of those currently impacted. Travel bans and other government restrictions may also adversely impact the Company's operations and the ability of the Company to grow its business. In particular, if any employees or consultants of the Company become infected with Coronavirus or similar pathogens and/or the Company is unable to source necessary consumables or supplies, due to government restrictions or otherwise, it could have a material negative impact on the Company's operations and prospects, including the complete shutdown of its marketing activities. The situation is dynamic and changing day-to-day. The Company is exploring several options to deal with any repercussions that may occur as a result of the COVID-19 outbreak.

OTHER MD&A REQUIREMENTS

Additional information related to the Company can be found on SEDAR at www.sedar.com.