BEVCANNA ENTERPRISES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and year ended December 31, 2021 and 2020

Prepared as of October 19, 2023

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 audited consolidated financial statements for the year ended December 31, 2021, and notes thereto. The Company prepares its consolidated 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 ongoing 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 adult-use recreational cannabis products; and
- the Company's competitive position and the regulatory environment in which the Company operates.

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 the market will continue to support 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 TRANSACTIONS

Acquisition of Naturo Group Investments Inc.

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"), primarily to secure its access to the water bottling facility and the water source rights for the cannabis beverage business. Based in British Columbia, Canada, Naturo develops and manufactures beverages and consumer products for in-house brands and private label clients. Naturo owns an alkaline spring water aquifer and a HACCP certified manufacturing facility. It also owns and operates nationally distributed house brands across Canada. The acquisition closed on February 19, 2021.

a) 50,000,000 common shares of the Company were issued to the former shareholders of Naturo with a fair value of $1.30 per share;
b) The Company assumed the obligations to issue:
    (i) 450,000 common shares of the Company pursuant to outstanding options in Naturo exercisable at $0.25 until July 31, 2024,
    (ii) 26,250,000 common shares of the Company pursuant to outstanding warrants in Naturo exercisable at $0.50 until August 19, 2021, and
    (iii) Common shares 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 share, maturing on January 27, 2023, and accruing interest at an annual rate of 10% which is also convertible into shares.

At the time of the Acquisition, the Company determined that Naturo constituted a business as the operation of Naturo meets the definition of a business as defined under IFRS 3 Business Combinations, and accounted for it as such on the date that control was acquired. The Company has recognized the identifiable assets and liabilities acquired at their estimated fair values at the closing date of the Acquisition.

The Company performed an evaluation of the underlying assets and liabilities acquired and determined that the total net assets obtained supported a valuation of approximately $15,402,746 and the excess of $71,203,661 was allocated to goodwill, which primarily consisted of the assembled workforce, access to additional production capacity and the expected synergies from combining the operation and distribution network.

The purchase price allocation determined at the closing date of the Acquisition of Naturo is as following:

Consideration:	$
Fair value of common shares issued	61,772,161
Fair value of warrants	21,941,126
Fair value of options	529,976
Settlement of inter-company balances	234,144
Settlement of pre-existing relationship	2,129,000
	86,606,407
Net assets acquired:	
Cash and cash equivalents	23,625
Marketable securities	585,715
BevCanna common shares, repurchased	4,832,171
Property, plant and equipment	11,514,182
Right of use asset	15,731
Liabilities assumed	(320,879)
Debt assumed	(2,012,836)
Intangible asset – brand	680,000
Non-controlling interest	85,037
Total net assets	15,402,746
Goodwill	71,203,661
	86,606,407

From the acquisition date to December 31, 2021, Naturo contributed revenue of $699,084 and net loss of $1,519,186 to the consolidated statements of loss and comprehensive loss. Had the Company acquired Naturo from the beginning of the year ended December 31, 2021, the Company's revenue would have increased by $27,560 and the net loss for the year would have increased by $2,041,550.

During the year ended December 31, 2021, the Company reviewed Naturo's goodwill and intangible assets and determined that the carrying amount of the goodwill was fully impaired. As a result, an impairment loss of $71,203,661 was recorded against the goodwill account balance and reduced the carrying value of the goodwill as at December 31, 2021 to $nil.

Acquisition of Embark Health Inc.

On January 28, 2022, the Company completed the acquisition of Embark Health Inc. ("Embark"). Embark develops and manufactures high-end solvent less cannabis extracts, concentrates, liquid, powder beverage mixes, topicals and edible products. On closing of the transaction, the Company issued 54,925,889 common shares to acquire all of the issued and outstanding common shares of Embark. Embark became a wholly-owned subsidiary of the Company.

The consideration for the acquisition of Embark including the following:

a) 54,925,889 common shares ("Consideration Shares") were issued to the former shareholders of Embark as consideration for the purchase price of $21 million, plus an estimated closing working capital adjustment of $3,716,705. The purchase price is subject to a final working capital adjustment.

b) The Consideration Shares are subject to resale restriction over a one-year period in equal portions.

c) 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 achieving the target earnings before income tax, depreciation and amortization (“EBITDA”) up to $92,178,280 over the first three completed financial years following the closing. The Earn-out Payments will be issued using a conversion rate equal to the current 5-day volume-weighted average price, redemption of preferred shares for cash, or a combination of both conversion and redemption at the discretion of the Company.

d) The agreement provided a post-closing price adjustment pursuant to which the net proceeds from the disposition of Embark’s facility in Woodstock, Ontario are to be distributed to former Embark shareholders if such disposition occurs within 18 months of the Closing.

On September 30, 2022, there were 5,900,692 common shares returned to treasury pursuant to the finalization of the working capital adjustment clause of the Acquisition.

The Company has determined that Embark met the definition of a business as set out IFRS 3 Business Combinations. Therefore, the Acquisition have been accounted for as a business combination using the acquisition method whereby the assets and liabilities acquired were recorded at fair value on the acquisition date. The purchase price allocation for the Acquisition of Embark is preliminarily determined to be the following approximate amounts:

Consideration:	$
Fair value of common shares and warrants issued	9,070,000
Fair value of warrants	380,000
Fee paid associated with the Acquisition	249,000
	9,699,000
Net assets acquired:	
Assets acquired(1)(2)	18,561,000
Liabilities assumed	(10,549,000)
Total net assets	8,012,000
Goodwill	1,687,000
	9,699,000

(1) Subsequent to the acquisition, Embark concluded their office and warehouse lease in Delta, BC to continue lease under a co-packing partner. At the acquisition date, the office lease was recorded as a right of use asset and lease liability on the Embark balance sheet.

(2) Subsequent to the acquisition, Embark has received notification from NFS Leasing Canada Ltd. on May 2, 2023, regarding the termination of the equipment lease, specifically relating to the CO2 extraction machine. At the acquisition date, the equipment lease was recorded as a right of use asset and lease liability on the Embark balance sheet. The Company has determined that the equipment has not been in use and is considered redundant.

DESCRIPTION OF BUSINESS

The Company is a diversified holding company. Its wholly-owned subsidiaries focus on developing, manufacturing and distributing lifestyle and wellness consumer packaged goods for in-house brands and white-label clients via a multichannel sales network.

The Company owns and operates an approximately 40,000 sq. ft. beverage manufacturing plant through its wholly-owned subsidiary Naturo, of which 10,000 sq. ft. is operated by Bevopco, defined below. The Company owns a naturally alkaline spring water aquifer located on site. Naturo also owns approximately 308-acres of prime agricultural land, and 5-acres of industrial zoned land on the same property. Through Naturo, the Company manufactures and markets the TRACE brand of alkaline and mineralized waters, concentrates and shots to retailers and online across Canada. It also offers custom beverage manufacturing on a private label basis.

The Company operates an approximately 10,000 sq. ft. cannabis beverage (“Cannabis Beverages”) manufacturing plant near Osoyoos, BC through its wholly-owned subsidiary, BevCanna Operating Corp.

("Bevopco"), out of which it manufactures and distributes a portfolio of cannabinoid-infused lifestyle beverages for house brands and white-label clients.

The Company, through its wholly-owned subsidiary Naturally Pure Therapy Products Corp. ("NPT"), sells a range of nutraceutical and hemp-based cannabidiol ("CBD") health products on its e-commerce platform in the United States. With an extensive catalogue of premium-grade proprietary formulations, all products under the NPT umbrella are manufactured in GMP-certified facilities and independently tested for purity.

The Company develops and manufactures solvent-less cannabis extracts and concentrates for the B2B and adult-use recreational sectors through its wholly-owned subsidiary Embark.

The Company, through Bevopco and Embark, collectively holds the following Health Canada issued licences (collectively, the "Licences"): Research Licence, Standard Processing Licence, Sales Licence, and Hemp Cultivation Licence under the Industrial Hemp Regulations.

OVERALL PERFORMANCE

The Company has not yet achieved profitable operations as it is still in the early phase of its commercialization ramp-up. The Company recognized $3,117,677 revenue for the year ending December 31, 2021. Of this amount, $1,933,659 was e-commerce sales and $1,184,018 was revenue from beverage operations. In the prior year, the Company had revenue of $396,317 from e-commerce sales only. Within beverage operations, the Company had $484,934 in revenue in 2021 related to cannabis sales.

The Company successfully commercialized an array of beverage products during the year ended December 31, 2021. 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's business portfolio through M&A activities; and (iii) maintaining tight cost controls over production and administrative spending.

Recent Highlights

On August 11, 2021, the Company announced the receipt of purchase orders from Ontario Cannabis Store ("OCS").

On August 18, 2021, the Company announced the receipt of purchase orders from Alberta Gaming and Liquor Commission and product deliveries commenced by the fall.

On September 13, 2021, the Company entered into a sales services agreement with Velvet Management Inc. 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 product deliveries began 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. 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 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 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 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 8, 2021, the Company announced that the initial shipment of Keef Brands cannabis-infused beverages to the BCLDB sold out online. The Company scheduled increased production runs to keep with the strong customer demand.

On January 28, 2022, the Company announced the closing of its acquisition of solventless cannabis extraction and delivery technology provider Embark. The acquisition was pursuant to the agreement dated September 19, 2021, as amended November 12, 2021, by and among Embark, 1323977 B.C. Ltd., a wholly-owned subsidiary of BevCanna, Bruce Dawson-Scully, in his capacity as shareholder representative and not in his personal capacity, and certain shareholders of Embark, pursuant to which BevCanna acquired all of the issued and outstanding securities of Embark by way of a three-cornered amalgamation as previously announced on September 20, 2021.

On February 23, 2022, the Company announced that one of Ontario’s leading natural products retailers, Healthy Planet, will list a number of TRACE SKUs in their locations. Healthy Planet currently has 34 locations in the Greater Toronto Area, with additional stores opening in 2022. Healthy Planet is a Canadian-based natural products retailer with a passion for health and wellness. By providing the highest quality vitamins, supplements and remedies for all lifestyle needs, Healthy Planet has a goal of making high-quality products readily available and affordable for consumers far and wide. Healthy Planet’s goal is to make the world healthier and greener one day at a time.

On May 3, 2022, the Company announced that it was not able to file its annual financial statements, MD&A and the required certifications on or before the filing deadline for the year ended December 31, 2021, and that the Company was granted a management cease trade order.

On May 17, 2023, the Company announced that it has entered into an agreement with Heritage Cannabis Holdings Corp. (CSE:CANN) (“Heritage”) for the sale and distribution of the Company’s cannabis-infused beverages in Canada.

Under the agreement, Heritage will purchase BevCanna cannabis beverage products, as and when purchase orders (“POs”) are received from provincial cannabis boards, distributors, and retailers in Canada. As consideration for the foregoing, BevCanna and Heritage will equally participate in the net margin. The cannabis beverages that will be sold and distributed include the market-leading Keef brand beverages, and BevCanna house brands including but not limited to Anarchist Mountain.

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.

On August 11, 2022, the Company announced that Phil Fontaine has resigned as a director of the Company.

On June 21, 2023, the Company announced that Melise Panetta has resigned as the President of the Company and continued her position as the senior sales marketing consultant to focus on sales generation, developing and executing consumer product strategies, managing relationships with key stakeholders, and supporting sales operation.

On June 21, 2023, the Company announced the appointment of Bruce Dawson-Scully as the new President, succeeding Melise Panetta. Mr. Dawson-Scully was the founder of WeedMD, now known as Entourage Health Corp., where he played a pivotal role in the continued financial growth of the Company. Mr. Dawson-Scully is also the founder of Embark Health Inc. Prior to his work in the Cannabis industry, Mr. Dawson-Scully spent 22 years in leadership roles in both start-up and established retirement and Long-term care communities, including Regency Care, Leisureworld Senior Care & Sterling Senior Living. His leadership and strategic vision were instrumental in the successful exit of these businesses for upwards of $250M. With his extensive experience and proven track record, Mr. Dawson-Scully is poised to bring valuable insights and expertise to our Company, further enhancing our growth trajectory and strategic initiatives.

Effective July 19, 2023, Douglas Mason resigned as a director of the Company.

OUTLOOK

Looking forward, the Company intends to focus on attaining and increasing profitability as well as expanding its presence in key markets. Strategic initiatives include:

Naturo:

- *Private Label Manufacturing:* The Company intends to continue to execute on its private label manufacturing efforts in Canada, servicing its partnerships with organizations like the BC Ministry of Forests, London Drugs, and 7-Eleven Canada.
- *TRACE Distribution:* Building on the existing distribution of TRACE alkaline and mineralized water and supplements, the Company is committed to expanding its product offering and distribution domestically and internationally via a multichannel sales network.
- *Venturing into Southeast Asia:* Naturo intends to venture into the Southeast Asian market through strategic distribution and sales partnerships.
- *Exploring Functional Beverages:* In line with the Company's commitment to innovation and catering to evolving consumer preferences, it is actively evaluating the prospect of launching or acquiring a functional beverage with a focus on distribution in the USA.

NPT:

The Company is currently assessing the feasibility of shifting its sales approach from affiliate marketing to a direct-to-consumer e-commerce model. This transition is designed to elevate both customer acquisition and retention strategies and increase profitability.

Bevopco:

Bevopco is dedicated to optimizing costs while upholding product quality. The company is exploring a strategic move to partially outsource cannabis beverage production in specific geographic territories. This initiative is designed to reduce transportation costs in these areas, ultimately contributing to higher margins and ensuring competitiveness in the evolving cannabis market.

Embark:

Upon completion of the acquisition of Embark, the Company plans to conduct a thorough review of its current product portfolio in response to the evolving landscape of the cannabis industry.

Conclusion:

As the Company navigates this dynamic landscape, it is committed to transitioning towards a higher-margin business model.

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2021 (Audited) $	Year ended December 31, 2020 (Audited) $	Year ended December 31, 2019 (Audited) $
Total revenues	3,117,677	396,317	-
Net loss	(98,945,950)	(14,244,832)	(10,191,987)
Loss per share (basic and diluted)	(0.59)	(0.19)	(0.22)
Cash used in operating activities	6,909,938	2,297,772	5,143,907

Statements of Financial Position	At December 31, 2021 (Audited) $	At December 31, 2020 (Audited) $	At December 31, 2019 (Audited) $
Assets			
Current assets	2,380,590	2,408,509	1,195,471
Non-current assets	16,545,612	21,925,613	15,041,206
Total assets	18,926,202	24,334,122	16,236,677
Liabilities			
Current liabilities	5,795,007	1,799,103	2,099,984
Non-current liabilities	561,386	534,877	630,000
Total liabilities	6,356,393	2,333,980	2,729,984
Total shareholders’ equity	12,569,808	22,000,142	13,506,693
Total liabilities and shareholders’ equity	18,926,202	24,334,122	16,236,677

DISCUSSION OF OPERATIONS

For the year ended December 31, 2021

Revenue

For the year ended December 31, 2021, the Company generated its revenue through its cannabis beverage subsidiary, Bevopco, conventional beverage subsidiary, Naturo, and e-commerce platform subsidiary, NPT.

The revenue generated from Naturo was $699,084 for the year ended December 31, 2021, of which $546,362 was the cost of sales, generating a gross profit of $152,722. This made up 22% of the total revenue generated for the year ended December 31, 2021. Naturo was acquired on February 19, 2021. The gross margin generated in 2021 was 22%.

The revenue generated from NPT was $1,933,659 for the year ended December 31, 2021, of which $1,486,234 was the cost of sales, generating a gross profit of $447,425. This made up 62% of the total revenue generated for the year ended December 31, 2021. NPT was acquired September 4, 2020. The gross margin generated in 2021 was 23%.

The revenue generated from Bevopco, was $484,934 for the year ended December 31, 2021, of which $216,945 was the cost of sales, generating a gross profit of $267,989. This made up 16% of the total revenue generated for the year ended December 31, 2021. Production of cannabis beverages commenced in Q3 2021.

	Year ended December 31, 2021 (Audited) $	Year ended December 31, 2020 (Audited) $
Total revenues	3,117,677	396,317
Cost of products and services	(2,249,604)	(510,229)
Gross profit (loss)	868,073	(113,912)
Net loss	($98,945,950)	($14,244,832)

Net Loss

For the year ended December 31, 2021, the Company recorded a gross profit of $868,073 compared to a gross loss of $113,912 for the year ended December 31, 2020. The increase of $981,985 can be attributed to the acquisition of NPT, Naturo, and the commencement of cannabis beverage sales.

For the year ended December 31, 2021, there was a net loss of $98,945,950, compared to a net loss of $14,244,832 for the year ended December 31, 2020 which can largely be ascribed to the following key factors:

1. Operating expenses increased from $10,071,497 for the year ended December 31, 2020 to $12,984,873 for the year ended December 31, 2021, due to the following:

   - Filing, listing and compliance fees increased from $49,933 to $186,154 due to having a full year of filing fees across multiple exchanges.
   - Investor relations increased from $1,027,336 to $2,018,157 due to expanding the distribution of news related to the Company's acquisitions, transactions, and developments.
   - Marketing expense increased from $242,058 to $1,191,036 as the Company increased expenses on marketing campaigns to advertise product launches.
   - Legal fees increased from $498,718 to $618,357 due to the Embark acquisition that was ongoing during the fourth quarter of 2022. Also, the Company experienced increased regulatory expenditures due to the acquisition of Naturo.
   - Plant operations, facilities and office expenses increased from $89,174 to $1,009,813 due to the acquisition of Naturo and commencing production of cannabis beverages.
   - Professional fees decreased from $3,265,528 to $2,934,281 as the Company decreased the hiring of consultants on the achievement of cannabis beverage commercialization.
   - Salaries increased from $276,105 to $879,212 as the Company increased the headcount of staff through acquisitions. This includes the acquisitions of Naturo in the current year and NPT in the prior year.
   - Amortization expense increased from $1,460,512 to $2,462,590. The increase was due to the significant amount of capital assets that have been acquired over the prior year. This includes the capital assets of Naturo which was acquired during the current year.
   - Share-based payments decreased from $2,152,841 to $892,243 as the Company granted less stock options.

2. During the year ended December 31, 2021, the Company had other expenses of $86,829,150 as compared to $4,059,423 in the prior year. The increase is mainly due to the following significant events:
   - Goodwill related to the acquisition of NPT was impaired by $3,209,198. In addition, the intangible assets related to the acquisition of NPT were impaired by $2,053,275. This was due to challenges in the realization of synergies of the e-commerce platform associated with NPT.
   - The Company recorded a loss on the sale of marketable securities of $403,898 due to declines in the market value of the holdings that were sold.
   - The Company recorded financing fees of $755,529, an increase of $706,144 from the prior year due to an increase in working capital funding and promissory notes that are accruing interest.
   - The Company recorded a loss on settlement of pre-existing relationship of $6,946,508 related to the acquisition of Naturo and the reduced value of the License Agreement asset that was outstanding at the date of the acquisition between BevCanna and Naturo.
   - Goodwill related to the acquisition of Naturo was impaired by $71,185,661. The goodwill impairment

charge for Naturo is largely a function of IFRS policy which requires that an acquisition to be paid for by shares of the acquirer be valued on the basis of the acquirer's share price as of the date of the closing of the transaction.

The Letter of Intent (“LOI”) to acquire Naturo was entered into on November 24, 2020, on the basis of BevCanna acquiring the shares of Naturo in exchange for receiving 50,000,000 BevCanna common shares at a deemed value of $0.40 per share, or $20,000,000. BevCanna’s shares subsequently appreciated dramatically, as did cannabis stocks generally, on the expectation that the Democratic election win in the United States would lead to the federal legalization of cannabis. As of the date of closing of the acquisition on February 19, 2021, BevCanna’s shares were trading at $1.30 per share, resulting in a $86,606,407 valuation for Naturo’s shares of which $71,185,661 was goodwill.

Upon subsequent analysis, the Company has determined that the goodwill stemming from the appreciation of BevCanna’s shares from the LOI date to the closing date was based on share price volatility, as opposed to reflecting a tangible business valuation approach. Goodwill is a non-cash item.

Three months ended December 31, 2021

Revenue

For the three months ended December 31, 2021, the Company generated its revenue through its cannabis beverage subsidiary, Bevopco, conventional beverage subsidiary, Naturo, and e-commerce platform subsidiary, NPT.

The revenue generated from Naturo was $54,795 for the three months ended December 31, 2021, of which $61,743 was the cost of sales, generating a gross loss of $6,948. This made up 6% of the total revenue generated for the three months ended December 31, 2021. Naturo was acquired on February 19, 2021

The revenue generated from NPT was $576,398 for the year ended December 31, 2021, of which $266,896 was the cost of sales, generating a gross profit of $309,502. This made up 66% of the total revenue generated for the three months ended December 31, 2021. Conversely, for the three months ended December 31, 2020, NPT generated revenue of $302,307, of which $375,939 was the cost of sales, generating a gross loss of $73,632. The gross loss can be attributed to one time acquisition related expensed. NPT was acquired September 4, 2020.

The revenue generated from Bevopco, was $248,604 for the three months ended December 31, 2021, of which $102,112 was the cost of sales, generating a gross profit of $146,492. This made up 28% of the total revenue generated for the three months ended December 31, 2021. Conversely, for the three months ended December 31, 2020 Bevopco generated revenue of $nil. Production of cannabis beverages commenced in Q3 2021.

	For the three months ended December 31, 2021 **$**	**For the three months ended December 31, 2020** **$**
Total revenues	$879,797	$302,307
Cost of products and services	$430,814	$375,939
Gross profit	$448,983	($73,632)
Net loss	($88,021,091)	($8,760,965)

Net Loss

For the three months ended December 31, 2021, the Company recorded a gross profit of $448,983 compared to a gross loss of $73,632 for the three months ended December 31, 2020. The increase of $522,615 can be attributed to the acquisition of NPT, Naturo, and the commencement of cannabis beverage sales.

For the three months ended December 31, 2021, there was a net loss of $88,021,091, compared to a net loss of $8,760,965 for the three months ended December 31, 2020. The net loss for the year ended 2020 was largely the
result of a decline of operating expenses and an increase in other expenses due to the acquisition of NPT and Naturo. The large net loss for the year ended 2021 was attributable to the write-down of the Company's assets which were reviewed during the three months ended December 31, 2021. As a result of that review, the majority of impairments were attributable to the following:

- Goodwill related to the acquisition of Naturo was fully impaired resulting in an impairment loss of $71,185,661. The goodwill impairment charge for Naturo is largely a function of IFRS policy which requires that an acquisition to be paid for by shares of the acquirer be valued on the basis of the acquirer's share price as of the date of the closing of the transaction.
- Loss on settlement of acquisition related to the acquisition of Naturo and the reduced value of the License Agreement asset that was outstanding at the date of the acquisition between BevCanna and Naturo resulted in an impairment loss of $6,946,508.

NPTs assets were also reviewed during the three months ended December 31, 2021, and the following impairments were determined:

- Goodwill related to the acquisition of NPT was fully impaired resulting in an impairment loss of $3,227,198.
- Intangible assets related to NPT was fully impaired resulting in an impairment loss of $2,053,275.

SUMMARY OF QUARTERLY RESULTS

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

	Q4 2021	**Q3 2021**	**Q2 2021**	**Q1 2021**
Total revenues	879,797	1,101,347	505,786	630,747
Loss	(88,021,091)	(3,531,798)	(5,364,480)	(2,028,581)
Loss per share (basic and diluted)	(0.50)	(0.02)	(0.03)	(0.01)
	Q4 2020	**Q3 2020**	**Q2 2020**	**Q1 2020**
Total revenues	302,307	94,010	-	-
Loss	(8,760,965)	(1,823,479)	(1,442,714)	(2,217,674)
Loss per share (basic and diluted)	(0.09)	(0.03)	(0.02)	(0.04)

During the three months ended December 31, 2021, the Company had an increase in its net loss of $77,096,232 from the three months ended September 30, 2021. This was mainly due to the impairment of goodwill related to Naturo of $71,185,661 and the loss on settlement of pre-existing relationship of $6,946,508 due to the reduced value of the License Agreement asset from the completion of the Naturo acquisition. In addition, the goodwill and intangible assets related to NPT were impaired by $3,209,198 and $2,053,275, respectively.

During the three months ended September 30, 2021, the Company had an increase in revenues of $595,561 mainly due to commercialization of cannabis beverages in Q3 2021 and the acquisition of NPT.

Revenues has been increasing steadily since Q3 2020 in reflection of the purchases of its conventional beverage wholesale and distribution subsidiary, Naturo, and e-commerce platform subsidiary, NPT. The acquisitions of Naturo and NPT have also increased expenses due to consolidation of their expenses as well as the increased legal and other due diligence expenses to complete the transactions.

The Company expects that revenues will continue to grow in fiscal 2022 with the acquisition of Embark, and the continued expansion of its THC product lines.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at December 31, 2021, the Company had working capital deficiency of $3,414,417 (2020 - $609,406). Management intends to continue to diligently monitor and adjust the capital budget based on expected cash flows from capital raising, accounts receivable financings, option and warrant exercising, and operational revenues, and as such management believes the Company will have sufficient resources to fund its future operations and expansion plan.

Cash used in Operating Activities

During the year ended December 31, 2021, the Company had cash used in operating activities of $6,909,938 (2020 - $2,297,772). Cash used in operating activities was mainly due to the net loss of $98,945,950 and adding back items not affecting cash totaling $90,372,313 and changes in non-cash working capital items totaling $1,663,699. The most significant items not affecting cash are the impairment of goodwill of $74,412,859, loss on acquisition of $6,946,508, amortization of $2,462,590, impairment of intangible assets of $2,053,275, and impairment of property, plant & equipment of $1,828,688.

Cash used in Investing Activities

During the year ended December 31, 2021, the Company used $850,408 (2020 – $383,620) in cash on investing activities. These investing activities included using $1,060,117 (2020 - $936,695) in cash for the purchase of property plant and equipment. These were partially offset by the proceeds from cash acquired in the acquisitions during the year totaling $23,625 (2020 - $510,802) and proceeds from the sale of marketable securities of $181,817 (2020 - $42,273).

Cash provided by Financing Activities

During the year ended December 31, 2021, the Company received a net of $6,925,473 (2020 - $3,629,100) in cash from financing activities. These activities comprised of $2,903,749 (2020 - $573,700) from issuance of shares, $3,316,371 (2020 - $1,673,990) from the exercise of options, $1,386,750 (2020 - $nil) from the exercise of warrants, and $20,000 (2020 - $40,000) provided by the CEBA loan. These were partially offset by less promissory note repayments of $150,000, interest paid of $176,865, common shares acquired for cash of $250,000 and a repayment of convertible debt of $124,532. In the prior year, the Company also received $1,387,000 in share subscriptions related to shares that were issued in the current year.

Subsequent to December 31, 2021, the Company entered into several facilitation agreements against purchase order receivables with several creditors and obtained total advances of approximately $5,112,737. For the amounts advanced against the purchase order receivables, the Company has repaid approximately $4,727,295 and incurred facilitation fees of $393,896 in total.

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, as well as working capital commitments related to products launches and geographic 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 BevCanna Operating Corp. subsidiary in the third 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 year ended December 31, 2021, or as of the date of this report.

TRANSACTIONS BETWEEN RELATED PARTIES

During the years ended December 31, 2021 and 2020, the Company incurred the following related party transactions:

Year ended December 31,	2021	2020
	$	$
Management and Consulting fees		
Chief Financial Officer (“CFO”) and Chief Strategic Officer (“CSO”)	240,000	240,000
Chief Executive Officer (“CEO”)	305,000	-
President	200,004	-
Former President	60,000	-
Directors	47,500	-
Company controlled by individual related to CEO	47,250	-
Share-based payments		
CFO & CSO	56,347	189,251
CEO	-	544,740
President	73,775	-
Former President	-	183,818
Directors	83,324	35,049
Individual related to CEO	-	113,153
	1,113,200	1,306,011

In addition, during the year ended December 31, 2021, the Company expensed $352,218 (2020 - $65,653) in consulting fee and share based-payments to two companies controlled by two individuals related to the CEO. During the year ended December 31, 2021, the Company expensed $372,359 (2020 - $nil) in consulting fee and share based-payments to a company controlled by an individual related to the Former President.

Related Parties Balances:

As at December 31, 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:

As at December 31,	2021	2020
	$	$
Accounts payable and accrued liabilities:		
CFO and CSO	42,000	3,245
CEO	65,299	15,565
President	7,000	-
Directors	15,250	-
Company controlled by individual related to CEO	47,250	-
Individual related to CEO	86,758	-
	263,557	18,810

Convertible debenture:

On June 28, 2021, the Company entered into a debenture amendment and cancellation agreement with an individual related to the CEO of the Company to settle the $1,505,020 in the convertible debenture plus a $500,000 payable for finance charge, with a receivable of $2,005,020 from the CEO of the Company. There was $nil gain or loss on the settlement of these balances.

Upon the settlement, the convertible debenture has an outstanding balance of $1,525,459 for the principal and accrued interest. Following the settlement, the excess $20,439 accrued interest payable remains outstanding as of December 31, 2021.

FINANCIAL INSTRUMENTS

The Company is exposed to a number of financial instrument risks related to changes in interest rates, collection of accounts receivable, settlement of liabilities, foreign currency exchange rates and management of cash from a liquidity perspective. The Company manages these risks through internal risk management policies. The Company’s risk management activities are designed to mitigate possible adverse effects on the Company’s performance, having regard for the size and scope of the Company’s operations, with a primary focus on the preservation of capital. Many of the Company’s strategies are based on historical patterns, correlations and management’s expectations of future events. However, these strategies may not be fully effective in all market environments or against all types of risks. Unexpected market developments may affect risk management strategies during this time, and unanticipated developments could impact the Company’s strategies in the future. If any of the variety of instruments and strategies utilized is not effective, the Company may incur losses. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company limits its exposure to undue credit risk from cash and cash equivalents by holding them with high credit quality financial institutions located in Canada. The Company manages its exposure to credit risk by assessing the associated risk of default prior to accepting new customers, monitoring the level of accounts receivable attributable to each customer, the length of time taken for amounts to be settled, and maintaining reserves for potential credit losses. Once items are identified as being past due, contact is made with the respective company to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms. Management does not believe that there is significant credit risk arising from any of the current customer base. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts. The Company's fixed-rate debt structure effectively minimizes interest rate risk. Furthermore, the current risk associated with foreign currency fluctuations has been significantly reduced as a result of winding down its US-based affiliate marketing e-commerce business.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Actual results could differ from these estimates.

Estimates and Judgements

The following are the key assumptions, estimates and judgments that have a significant risk of resulting in a material adjustment to the Company’s financial statements:

Property, Plant, Equipment, and Intangible Assets

The Company makes estimates on the useful lives when determining depreciation of property and equipment and the amortization of intangible assets are dependent on estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and useful lives of assets.

Share-Based Payments

The Company uses the Black-Scholes Option Pricing Model to value options and warrants granted during the year. The model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates of expected interest rate, volatility, and terms that are subjective and may not be representative of actual.

Income Taxes

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Business Combinations

In an acquisition that constitutes a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. Estimates are applied in the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The valuations are linked closely to the assumptions made by management regarding revenue growth rates, expected operating cashflows, discount rates and earnings multiples.

Going Concern

The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Impairment Testing

The Company's assets are aggregated into cash-generating units ("CGU" or "CGUs") for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The Company evaluates CGU at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when assessing whether there are indications of impairment for the Company's intangible assets and goodwill. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider various factors such as economic and market conditions, revenue growth rates, discount rates, future capital expenditures, expected operating margin changes, and future use of these assets.

DISCLOSURE OF OUTSTANDING SECURITY DATA

The Company has one class of shares outstanding, being common shares. As of the date of this report, 241,984,466 (December 31, 2021 – 180,120,143) common shares were issued and outstanding as fully paid and non-assessable shares, of which 8,752,456 common shares were held in treasury.

As of the date of this report, the Company had 3,600,000 stock options outstanding (December 31, 2021 – 9,901,865).

- Subsequent to December 31, 2021, 8,301,865 stock options expired unexercised.
- On February 23, 2022, the Company granted 2,000,000 stock options to purchase up to 2,000,000 common shares of the Company to a consultant and a director. Each option vests immediately upon the grant and is exercisable from the date of grant with expiry on June 23, 2023, at a price of $0.20 per common share.

As of the date of this report, the Company had 3,000,000 common share purchase warrants outstanding (December 31, 2021 – 5,542,133).

- Subsequent to December 31, 2021, 2,542,133 common share purchase warrants expired unexercised.

SUBSEQUENT EVENTS

On January 19, 2022, the Company issued 100,000 common shares upon the exercise of stock options.

On February 23, 2022, the Company issued 6,839,126 shares to settle a debt of $1,368,226 with various vendors, consultants, and related parties.

On February 23, 2022, the Company granted 2,000,000 stock options to purchase up to 2,000,000 common shares of the Company to a consultant and a director. Each option vests immediately upon the grant and is exercisable from the date of grant with expiry on June 23, 2023, at a price of $0.20 per common share.

Subsequent to December 31, 2021, the Company reached a settlement agreement with a former consultant for $250,000. The 2,851,764 shares of the Company that were previously issued to the consultant to settle debt with the consultant will be returned to treasury and cancelled.

Subsequent to December 31, 2021, the Company entered into several factoring agreements against purchase order receivables with several creditors and obtained total advances of approximately $1,852,703 For the amounts advanced against the purchase order receivables, the Company has repaid approximately $1,567,995 and incurred facilitation fees of $149,763 in total.

On January 28, 2022, the Company completed the acquisition of Embark Health Inc. ("Embark"). Embark develops and manufactures high-end solvent less cannabis extracts, concentrates, liquid, powder beverage mixes, topicals and edible products. On closing of the transaction, the Company issued 54,925,889 common shares to acquire all of the issued and outstanding common shares of Embark. Embark became a wholly-owned subsidiary of the Company. Refer to the significant transactions section above for details.

On May 3, 2022, the Company was subject to a Management Cease Trade Order ("MCTO") and on August 3, 2022, the Company was the subject of a cease trade order ("CTO") issued by the British Columbia Securities Commission ("BCSC") pending the filing of the Company's annual audited financial statements and MD&A for the year ended December 31, 2021. As a consequence of the CTO, the BCSC suspended trading of the Company's securities until the CTO is revoked. As of the date of this MD&A, the CTO is still effective, and the failure-to-file CTO will remain in place until subsequent financial reports are filed and the BCSC has issued a full revocation order.

On July 21, 2023, Naturo received a $600,000 short term mortgage loan from a third-party. The loan is secured with a second charge on Naturo's land and property at Bridesville. The loan is due in three months, bearing an interest of 13.5% per annum, compounded monthly for the first two months and 21% per annum, after two months. Naturo paid a 2% fee to the broker and a $3,000 fee for closing the short-term loan. Naturo used $200,000 of the proceeds to pay off outstanding debt, which included a $125,000 CPL charge against the property and $400,000 for working capital.

USE OF PROCEEDS FROM FINANCING

On January 8, 2021, the Company completed a private placement of $3,500,000 for 2,333,333 units of the Company at $1.50 per unit. Each unit consists of one common share and one transferable common share purchase warrant, exercisable at $2.00 per warrant and expiring in one year from the date of closing. Of the total amount, $696,250 was received prior to December 31, 2020. Using the residual method, the common share purchase warrants were valued at $1,003,333.

In the news release on January 9, 2021, the Company announced the funds would be used to provide additional working capital for a number of key growth initiatives, including:

- Acceleration of BevCanna's white-label and in-house brand product commercialization strategy for Canada. The Company is in the final stage of receipt of their Standard Processing License from Health Canada, which will enable BevCanna to begin production at their manufacturing facility and begin selling its products through licensed Canadian retailers.

- BevCanna's upcoming acquisition of functional beverage manufacturer Naturo, including the company's flagship TRACE beverage brand and the company's proprietary Health Canada-approved plant-based fulvic and humic formulation.
- Development of the recently acquired Pure Therapy direct-to-consumer nutraceutical and hemp-CBD ecommerce brand and platform, through which BevCanna is expanding and launching proprietary plant-based natural products directly into the global health and wellness market, including the burgeoning U.S. CBD market. The Company continues to invest in new products and customer acquisition.
- Evaluation of prospective international & domestic M&A opportunities.

As of the date of this MD&A, the Company has used all the funds on the following:

	Unaudited Estimated Use of Proceeds at the date of this MD&A	
Capital expenditures to bring its Bevopco bottling plant into production	$	1,000,000
Inventory and receivables building		800,000
New product launches and marketing		1,000,000
Operating and administrative support costs		700,000
Total	$	3,500,000

On March 15, 2021, the Company completed a private placement of 100,000 common shares of the Company for proceeds of $100,000. These funds were used for working capital purposes to support operations.

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 on 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.

Licences, 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 ongoing 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 on 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.