BEVCANNA ENTERPRISES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and year ended December 31, 2022 and 2021

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, 2022 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.

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 $15,420,746 and the excess of $71,185,661 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	(302,879)
Debt assumed	(2,012,836)
Intangible asset – brand	680,000
Non-controlling interest	85,037
Total net assets	15,420,746
Goodwill	71,185,661
	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 $71,185,661 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. 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 net number of shares issued for the acquisition was 49,025,197 common shares.

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 $9.69 million.
b) 5,900,692 common shares valued at $1.09 million returned to treasury pursuant to the finalization of the working capital adjustment clause of the Acquisition.
c) The Consideration Shares are subject to resale restriction over a one-year period in equal portions.

At the time of the Acquisition, the Company determined that Embark 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 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 $3,712,138 and the excess of $5,986,899 was allocated to goodwill.

Consideration:	$
Fair value of common shares and warrants issued	9,069,661
Fair value of warrants	380,422
Fee paid associated with the Acquisition	248,954
	9,699,037
Net assets acquired:	
Cash	971,282
Accounts Receivable	268,087
Inventory	417,850
Right-of-use asset	1,166,982
Property, Plant and Equipment	6,000,000
Intangible asset - Brand	5,436,580
Accounts Payable	(2,332,054)
Right-of-use liabilities	(900,241)
Loan payable	(6,790,000)
Convertible debenture	(526,348)
Total net assets	3,712,138
Goodwill (Note 12)	5,986,899
	9,699,037

During the year ended December 31, 2022, the Company reviewed Embark's goodwill and intangible assets and determined that the carrying amount of the goodwill was fully impaired. As a result, an impairment loss of $5,986,899 was recorded against the goodwill account balance and reduced the carrying value of the goodwill as at December 31, 2021 to $nil.

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 progressing in its commercialization. The Company recognized $5,834,564 revenue for the year ending December 31, 2022. Of this amount, $530,133 was e-commerce sales and $5,304,431 was revenue from beverage operations. In the prior year, the Company had revenue of $1,933,659 from e-commerce sales and $1,184,018 from beverage operations.

The Company successfully commercialized an array of beverage products during the year ended December 31, 2022. 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 January 28, 2022, the Company announced the closing of its acquisition of solventless cannabis extraction company 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. The management cease trade order was expanded to a full Cease Trade Order (“CTO”) on August 3, 2022.

As of December 31, 2022, the revenue growth from the prior year had seen an increase from $3.1M in 2021 to over $5.9M in 2022 showing year over year growth of almost double.

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

Subsequent to year end

On June 21st 2023, Bruce Dawson-Scully became the President of the Company. Mr. Dawson-Scully is an entrepreneur and proven leader, with years of cross-industry executive experience. As the founder of WeedMD, now known as Entourage Health Corp., he played a pivotal role in the continued financial growth of the company. He is also the founder of Embark Health Inc., which was acquired in early 2022.

On June 21st 2023, Melise Panetta, previous President of the Company, transitioned to lead Sales and Marketing initiatives for the company. She will continue to focus on revenue generation, developing and executing consumer product strategies, managing relationships with key stakeholders, and supporting sales operations.

On July 19th 2023, Douglas Mason resigned from the Board of Directors.

OUTLOOK

Looking forward to 2023, 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 repositioning its e-commerce business with NPT to transition to a higher-margin direct-to-consumer model, eliminating the complexities and low net margins associated with the affiliate marketing model. By harnessing NPT's e-commerce expertise and enhancing customer acquisition and retention strategies, it aims to not only better serve its customers but also increase profitability. The launch of this new direct-to-consumer e-commerce platform is expected between late 2023 and early 2024.

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:

Embark is conducting a thorough review of its current product portfolio in response to the evolving landscape of the cannabis industry.

Conclusion:

Management anticipates that the Company's operations will transition to a higher margin business model. The past two years operating in the cannabis industry has prompted management to reevaluate the industry's economic landscape. The challenges encountered are multifaceted:

In Canada, the uncontrolled grey market and the taxes imposed in the regulated market have significantly compressed margins. Furthermore, discretionary product returns from the provincial distribution boards and other regulated retailers, and low margins within licence agreements have posed additional cashflow challenges. The absence of a Safe Banking Act in the USA has prompted Canadian banks to reconsider their stance on cannabis clients, adding complexity to the industry. Rising shipping costs and transportation fees, particularly in the cannabis sector, have further burdened the Company's operations.

In conclusion, as the Company navigates this dynamic landscape, the Company committed to transitioning towards a higher-margin business model.

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2022 (Audited) $	Year ended December 31, 2021 (Audited) $	Year ended December 31, 2020 (Audited) $
Total revenues	5,834,564	3,117,677	396,317
Net loss	(16,981,497)	(98,945,950)	(14,244,832)
Loss per share (basic and diluted)	(0.14)	(0.59)	(0.19)
Cash used in operating activities	(673,997)	6,909,938	2,297,772

Statements of Financial Position	At December 31, 2022 (Audited) $	At December 31, 2021 (Audited) $	At December 31, 2020 (Audited) $
Assets			
Current assets	2,750,497	2,380,590	2,408,509
Non-current assets	19,048,772	16,545,612	21,925,613
Total assets	21,799,269	18,926,202	24,334,122
Liabilities			
Current liabilities	15,131,226	6,256,415	1,799,103
Non-current liabilities	230,000	99,978	534,877
Total liabilities	15,361,226	6,356,393	2,333,980
Total shareholders' equity	6,438,043	12,569,809	22,000,142
Total liabilities and shareholders' equity	21,799,269	18,926,202	24,334,122

Over the past three years, the Company has had increasing revenues as the Company has ramped up the commercialization of the e-commerce platform through NPT as well as beverage sales. Expenditures have also increased significantly over the past three fiscal years as the Company has worked to complete multiple acquisitions and launch multiple products. The significant acquisitions included Embark, Naturo Group, NPT, and Carmanah Craft Corp.

These acquisitions increased the net losses of the Company by $68,211,327 in the year ended December 31, 2022 and $69,261,134 in the year ended December 31, 2021 through impairment of goodwill and intangible assets.

DISCUSSION OF OPERATIONS

For the year ended December 31, 2022

Revenue

For the year ended December 31, 2022, the Company generated its revenue through its cannabis product subsidiaries (Bevopco and Embark), conventional beverage subsidiary, Naturo, and e-commerce platform subsidiary, NPT.

The revenue generated from Naturo was $662,094 for the year ended December 31, 2022, of which $769,584 was the cost of sales, generating a gross loss of $107,490. This made up 11% of the total revenue generated for the year ended December 31, 2022. Conversely, for the year ended December 31, 2021 generated revenue of $699,084, of which $546,362 was cost of sales, generating a gross profit of $152,722. The loss generated in 2022 was a result of one-time occurrences that are not expected to impact years going forward. These events included a customer disputed credit and inventory used to settle a vendor debt.

The revenue generated from NPT was $530,133 for the year ended December 31, 2022, of which $507,813 was the cost of sales, generating a gross profit of $22,320. This made up 9% of the total revenue generated for the year ended December 31, 2022. Conversely, for the year ended December 31, 2021, generated revenue of $1,933,659, of which $1,486,234 was cost of sales, generating a gross profit of $447,425. The low gross profit generated in 2022 stemmed from heightened competition within the affiliate marketing landscape, compelling the Company to pivot and wind down its operations in favor of transitioning to a direct-to-consumer (DTC) approach.

The revenue generated from Bevopco and Embark collectively, was $4,642,337 for the year ended December 31, 2022, of which $3,287,950 was the cost of sales, generating a gross profit of $1,354,387. This made up 80% of the total revenue generated for the year ended December 31, 2022. Conversely, for the year ended December 31, 2021 generated revenue of $484,934, of which $217,008 was cost of sales, generating a gross profit of $267,926. The increase in revenue can predominantly be attributed to the acquisition of Embark which accounted for $3,760,379 of the total revenue generated for the year ended December 31, 2022, and a full year of sales of cannabis beverages, which commenced in Q3 2021.

	Year ended December 31, 2022 (Audited) $	Year ended December 31, 2021 (Audited) $
Total revenues	5,834,564	3,117,677
Cost of products and services	(4,565,347)	(2,249,604)
Gross profit (loss)	1,269,217	868,073
Net loss	(16,981,479)	(98,945,950)

Net Loss

For the year ended December 31, 2022, the Company recorded a gross profit of $1,269,217 compared to $868,073 for the year ended December 31, 2021. The increase of $401,144 can be attributed to higher revenues that was partially offset by the decline in gross margin from 28% for the year ended December 31, 2021 to 22% for the year ended December 31, 2022. The decline in gross margin can be largely attributed to the decline in gross margin from NPT.

For the year ended December 31, 2022, there was a net loss of $16,981,479, compared to a net loss of $98,945,950 for the year ended December 31, 2021 which can largely be ascribed to the following key factors:

1. Operating expenses declined from $12,984,873 for the year ended December 31, 2021 to $8,548,647 for the year ended December 31, 2022, due to the following:

- Filing, listing and compliance fees decreased from $186,154 to $88,475 due to the issuance of CTO in August 2022.
- Investor relations decreased from $2,018,157 to $199,910 due to minimal investor relations activities taking place in 2023 which is largely a function of the issuance of CTO.
- Marketing expenses decreased from $1,191,036 to $338,082 due to a heavy marketing rollout in 2021 that stabilized in 2022.
- Legal fees increased from $618,357 to $1,043,844 due to the costs related to the Embark acquisition and the legal fees related to several legal disputes throughout the 2022 year.
- Plant operation and office expenses increased from $1,009,813 to $1,342,067 due to increased production of cannabis products and the acquisition of Embark and its operations.
- Professional fees decreased from $2,934,281 to $1,891,688 due to the absence of one-time acquisition related expenses.
- Salaries increased from $879,212 to $1,733,725 due to increased production as well as the acquisition of Embark and its operations.
- Share based payments decreased from $892,243 to $229,724 due to there being no additional share, option, or warrant issuances after February of 2022 largley due to the issuance of the CTO.

2. During the year ended December 31, 2022, the Company had other expenses of $9,702,049 as compared to $86,829,150 in the prior year. This year’s expenses are mainly due to the acquisition of Embark. During the acquisition a large number of assets were acquired. The Company reviewed Embark’s assets at year end and the following impairments were determined:

- Goodwill was fully impaired due to a lack of sales from Embark, resulting in an impairment loss of $5,986,899.
- Brand value was revalued and determined to be partially impaired, resulting in an impairment loss of $2,224,428.

Naturo’s assets were also reviewed during the year ended December 31, 2021, and the majority of impairments were attributable to the following factors.

- 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 year 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.

Three months ended December 31, 2022

Revenue

For the three months ended December 31, 2022, the Company generated its revenue through its cannabis product subsidiaries (Bevopco and Embark), and conventional beverage subsidiary, Naturo. Revenue from its e-commerce platform subsidiary, NPT was nominal reflecting the wind down of its affiliate marketing model.

The revenue generated from Naturo was $78,234 for the three months ended December 31, 2022, of which $59,166 was the cost of sales, generating a gross profit of $19,068. This made up 11% of the total revenue generated for the three months ended December 31, 2022. Conversely, for the three months ended December 31, 2021 generated revenue of $54,795, of which $61,743 was cost of sales, generating a gross loss of $6,948. The increase in revenue generated in 2022 was a result of securing new private label customers.

The revenue generated from NPT was $7,067 for the three months ended December 31, 2022, of which $7,398 was the cost of sales, generating a gross loss of $331. This made up 1% of the total revenue generated for the three months ended December 31, 2022. Conversely, for the three months ended December 31, 2021 generated revenue of $576,398, of which $266,896 was cost of sales, generating a gross profit of $309,502. The gross loss generated in 2022 stemmed from heightened competition within the affiliate marketing landscape, compelling the Company to pivot and wind down its operations in favor of transitionig to a direct-to-consumer (DTC) approach.

The revenue generated from Bevopco and Embark collectively, was $643,396 for the three months ended December 31, 2022, of which $801,786 was the cost of sales, generating a gross loss of $158,390. This made up 88% of the total revenue generated for the three months ended December 31, 2022. Conversely, for the three months ended December 31, 2021 generated revenue of $248,604, of which $102,112 was cost of sales, generating a gross profit of $146,492. The gross loss can be predominantly attributed to a one-time inventory obsolescence charge of $185,083, and the increase in revenue can predominantly be attributed to the acquisition of Embark which accounted for $3,760,379 of the total revenue generated for the year ended December 31, 2022, and a full year of sales of cannabis beverages, which commenced in Q3 2021

	For the three months ended December 312022 **$**	**For the three months ended December 31, 2021** **$**
Total revenues	$728,697	$879,797
Cost of products and services	868,350	430,751
Gross profit (loss)	(139,653)	449,046
Net Loss	($9,658,698)	($88,021,091)

Net Loss

For the three months ended December 31, 2022, the Company recorded a gross loss of $139,653 compared to a gross profit of $449,046 for the three months ended December 31, 2021. The decrease of $588,699 can be attributed to the decline of sales and gross margin experienced by NPT and the inventory obsolescence charge experienced by Embark.

For the three months ended December 31, 2022, there was a net loss of $9,658,698, compared to a net loss of $88,021,091 for the three months ended December 31, 2021. The net loss for the year ended 2022 can largely be ascribed to

a decline in operating expenses and expenses incurred due to the acquisition of Embark.
The large net loss for the year ended 2021 was attributableto 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 2022	Q3 2022	Q2 2022	Q1 2022
Total revenues	728,697	2,058,245	1,760,408	1,287,214
Loss	(9,658,698)	(2,215,392)	(2,832,260)	(2,275,129)
Loss per share (basic and diluted)	(0.03)	(0.01)	(0.01)	(0.01)
	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)

During the three months ended December 31, 2022, the Company had an increase in its net loss of $7,433,306 from the three months ended September 30, 2022. This was mainly due to the impairment of intangible assets and goodwill from the acquisition of Embark total valued at a loss of $8,211,327.

Up until Q4 2022, revenues had been increasing steadily since Q3 2020 in reflection of the purchase Naturo, acquired on February 19, 2021, NPT acquired on September 4, 2020, and Embark acquired on January 28, 2022. However, during the three months ended December 31, 2022, the Company had a decrease in revenues of $1,329,548.

The NPT revenue decline in Q4 resulted from the decision to wind down NPT's low-margin affiliate marketing business model in Q3 and replace it with a higher-margin direct-to-consumer (DTC) approach with a revamped product offering anticipated to launch between late 2023 and early 2024. Despite the short-term dip, these changes are expected to lead to improved profit margins, long-term revenue growth, enhanced market competitiveness, and a gradual recovery in revenues as the DTC model gains traction and new products are introduced.

Bevopco experienced a strong Q3 2022 due to seasonality shipping out Cannabis Beverages during the summer months, and subsequently normalized in Q4 2022.

The Company anticipates a decline in revenues for the year 2023, considering it a transition period marked by constrained cash flows due to the CTO. To address this, the company has undertaken a strategic evaluation of its business units, pivoting towards higher margin segments. This approach aims to bolster positive cash flow and reduce operating expenses moving forward.

Specifically, the Company is reallocating its focus from low-margin units like affiliate marketing and cannabis to high-margin Consumer Packaged Goods (CPG) business units. Management is being discerning in its approach to cannabis business development in the future.

This transition is projected to yield lower revenues during the transitional year of 2023. However, the Company foresees a reduction in operating expenses, driven by ongoing cost-cutting measures.

Looking ahead, the Company foresees a resumption of its revenue growth trajectory in 2024. This resurgence is expected to be supported by the combination of lower operating expenses and improved margins. The strategic realignment towards higher-margin business units, along with cost management, lays the foundation for a positive revenue and operating margin outlook beyond the transitional phase. Overall, while 2023 is expected to experience a revenue dip due to the transitional nature of the year, Management believes the Company's strategic initiatives are poised to lead to enhanced revenue performance and sustainable growth in the subsequent years.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at December 31, 2022, the Company had working capital deficiency of $12,380,729 (2021 - $3,875,825). 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, 2022, the Company had cash used in operating activities of $673,996 (2021 - $6,909,938). The total of the net loss and items not affecting cash was $6,378,127. The majority was made up of the net loss of $16,981,479 and offset by the Embark impairment losses totaling 8,211,327. Trade payables were the most significant value in the non-cash working capital items with a cash inflow impact of $5,528,693. This inflow of trade payables was majority due to purchase order factoring.

As a result of the imposed CTO and the inability to issue securities, the Company has managed to sustain its operations without external financing, primarily by leveraging purchase order factoring and extending the payment timelines for trade payables.

Cash used in Investing Activities

During the year ended December 31, 2022, the Company received $715,349 (2021 used $850,408) in cash from investing activities. These activities included purchasing property plant and equipment of $255,933, and receiving cash from the Embark acquisition of $971,282.

Cash provided by Financing Activities

During the year ended December 31, 2022, the Company spent a net of $112,628 (2021 received $6,925,473) in cash from financing activities. These activities consisted of $27,500 received for options exercised, and interest paid of $140,129.

Subsequent to December 31, 2022, the Company entered into several facilitation 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.

Future Capital Requirements

The Company will need to continue to raise capital, to support its working capital commitments. 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 working capital purposes, for acquisitions and to fund the administration of the Company. The Company is not yet at the stage where it is able to self-fund 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, 2022 or as of the date of this report.

TRANSACTIONS BETWEEN RELATED PARTIES

During the years ended December 31, 2022 and 2021, the Company incurred the following related party transactions:

Year ended December 31,	2022	2021
	$	$
Management and Consulting fees		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	240,000	240,000
Chief Executive Officer ("CEO")	357,659	305,000
President	200,004	200,004
Former President	180,808	60,000
Directors	120,000	47,500
Company controlled by individual related to CEO	132,285	47,250
Share-based payments		
CFO & CSO	155,177	56,347
President	6,950	73,775
Directors	-	83,324
	1,392,883	1,113,200

In addition, during the year ended December 31, 2022, the Company expensed $nil (2021 - $352,218) in consulting fee and share based-payments to two companies controlled by two individuals related to the CEO. During the year ended December 31, 2022, the Company expensed $nil (2021 - $372,359) in consulting fee and share based-payments to a company controlled by an individual related to the Former President.

Related Party Balances:

As at December 31, 2022, 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,	2022	2021
	$	$
Accounts payable and accrued liabilities:		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	210,000	42,000
Chief Executive Officer ("CEO") *(i)*	344,856	65,299
President	67,003	7,000
Former President	78,500	-
Directors	123,250	15,250
Company controlled by individual related to CEO	105,000	47,250
Individual related to CEO *(ii)*	405,370	86,758
	1,333,979	263,557

(i) The CEO also provided a shareholder loan to the company of $100,000 in 2022.
(ii) Two individuals related to the CEO each provided $125,000 USD in purchase order factoring to the Company for productions. The financing fee is $25,000 USD each. $25,000 USD principal was repaid during 2022. At end of December 31, 2022, $275,000 USD was still outstanding.

Convertible debenture

On January 28, 2022, the Company completed the acquisition of Embark Health Inc. (“Embark”). The debenture is convertible to common shares of the Company at a price equal to the lesser of: (A) a 15% discount to the price attributable to the Shares issued in connection with the Qualified Financing; and (B) the Maturity Conversion Price of $2.00 per share at any time at the discretion of the debenture holder. Upon assumption by the Company on the Acquisition Date, the convertible debenture was valued at $526,348.

	$
Balance, December 31, 2020	510,090
Acquisition (FS Note 11)	1,468,373
Accretion expense	36,212
Finance charge	81,753
Conversion to shares (FS Note 18)	(15,000)
Early redemption	(115,000)
Settled	(1,505,020)
Balance, December 31, 2021	461,408
Acquisition (FS Note 11)	526,348
Addition	50,000
Accretion expense	45,553
Accretion expense (Embark)	(34,799)
Finance charge	42,916
Finance charge payment	(20,000)
Balance, December 31, 2022	1,071,427

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, 236,084,467 (December 31, 2022 – 236,084,466) common shares were issued and outstanding as fully paid and non-assessable shares, of which 4,342,000 common shares were held in treasury.

As of the date of this report, the Company had 1,600,000 stock options outstanding (December 31, 2022 – 4,600,000).

- Subsequent to December 31, 2022, 3,000,000 stock options expired unexercised.

As of the date of this report, the Company had 8,279,237 common share purchase warrants outstanding (December 31, 2022 – 8,279,237).

SUBSEQUENT EVENTS

Debt

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.

Purchase Order Factoring

Subsequent to December 31, 2022, 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.

USE OF PROCEEDS FROM FINANCING

There was no additional financing completed in the 2022 year.

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.

OTHER MD&A REQUIREMENTS

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