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FORTE GROUP HOLDINGS INC. (formerly BevCanna Enterprises Inc.)

MANAGEMENT'S DISCUSSION & ANALYSIS

For the nine months ended September 30, 2024 and 2023

Prepared as of November 29, 2024

INTRODUCTION

The following management's discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Forte Group Holdings Inc. (the "Company") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023 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 Forte Group Holdings 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; 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 Greenflame Distribution Ltd.

On September 17, 2024, the Company completed the acquisition of all outstanding common shares of Greenflame Distribution Ltd. ("Greenflame"), a health and wellness nutraceutical company operating a direct-to-consumer e-commerce product sales business. This acquisition aligns with the Company's strategy to expand its U.S. and internal e-commerce operations.

The acquisition has been accounted for as a business combination under IFRS 3 using the acquisition method, with the Company identified as the acquirer. The Company has recongized the identifiable assets and liabilities acquired at their estimated fair values at the closing date of the Acquisition and performed an evaluation of the underlying assets and liabilities acquired and determined the total net assets obtained supported a valuation of approximately $2,708,331.

GreenFlame assets include proprietary nutraceutical product portfolio, established GMP-certified manufacturing relationships, extensive historical customer database, and unique expertise in e-commerce management, as outlined below.

Supply Chain Expertise

GreenFlame's supply chain begins with sourcing high-quality raw materials, such as herbs, vitamins, and minerals, from suppliers that adhere to strict quality and safety standards. These materials are then sent to third-party GMP-certified manufacturing facilities for processing, blending, and packaging into finished products. Once completed, the products are stored in fulfillment centers and shipped directly to customers upon purchase. GreenFlame's well-established supply chain aims to ensure reliability and efficiency, and a competitive edge in the marketplace.

Value of Client Lists

GreenFlame possesses extensive client lists comprising both individual consumers and retail businesses with an interest in health and wellness products. These lists include valuable data, such as purchase history, preferences, and contact information. GreenFlame plans to leverage this data to develop targeted marketing campaigns, create personalized promotions, and enhance the shopping experience, fostering customer retention and increasing lifetime value. Additionally, these insights will be utilized to gather feedback, refine product offerings, and improve overall customer satisfaction.

Strategic Relationships with Manufacturers

GreenFlame maintains a contractual relationship with a third-party GMP-certified manufacturing facilty, and strong ties to additional facilities. These relationships aim to ensure the consistent production of high-quality products that meet regulatory standards.

Marketing Strategies

Marketing is a cornerstone of GreenFlame's business strategy. The company intends to employ a diverse range of digital marketing tactics, including search engine optimization (SEO), pay-per-click (PPC) advertising, social media marketing, and email campaigns, to attract and retain customers. Content marketing through blogs and videos will be employed to educate consumers on the benefits of the supplements, with the intent of enhancing brand trust and credibility. Establishing partnerships with influencers and positive customer reviews aim to strengthen GreenFlame's brand presence by driving traffic, boosting sales, and solidifying its position in the health and wellness market.

E-Commerce Management Expertise

Greenflame management consultants are seasoned e-commerce professionals with over 15 years of experience each. Together, they have driven significant revenue in online sales, demonstrating their expertise in building and scaling digital brands, particularly within the natural health sector. Their experience extends to brand development, product launches, and the strategic growth of digital brands. They have provided a pivotal role in innovating retail natural health products, managing marketing strategies from inception through to execution, and driving significant revenue through online customer acquisition. The managment consultants are highly skilled in digital marketing, having executed many successful influencer, affiliate, and paid campaigns across platforms like Instagram, TikTok, Facebook, Google, and Amazon. Their deep understanding of the manufacturing and supply chain processes, both for U.S.-based and international clients, and complements their experience in corporate development strategies.

The purchase price allocation determined at the closing date of the Acquisition of Greenflame is as follows:

Consideration:	$
Fair value of common shares issued (4,166,663 @ $0.65 per share)	2,708,331
Net assets acquired:	
Intangible asset – Customer list	652,135
Intangible asset – Other (eCommerce supply chain and expertise, proprietary product portfolio)	2,056,196
Total net assets	2,708,331
Goodwill	-

The Company has recongized the identifiable net assets acquired at fair value, which equals the consideration transferred. Therefore, no goodwill or bargain purchase is recorded in accordance with IFRS 3.

Acquisition-related costs of $15,000 have been excluded from the consideration transferred and have been recognized as an expense in the current period, within the Legal expense line item in the statement of comprehensive income.

As of September 30, 2024, the Company has not recognized any impairment of the acquired intangible assets due to its short period between the acquisition date and end of the reporting period. The Company will continue to monitor these assets for potential impairment indicators in subsequent reporting periods.

DESCRIPTION OF BUSINESS

The Company is a diversified lifestyle and wellness consumer packaged goods 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 Group Enterprises Inc. ("Naturo Group"). The Company owns a naturally alkaline spring water aquifer located on site. Naturo Group also owns approximately 308-acres of prime agricultural land, and 5-acres of industrial zoned land on the same property. Through Naturo Group, the Company manufactures and markets the TRACE brand of BLACKwater and ALKALINEwater, concentrates and shots to retailers and online across Canada. It also offers custom beverage manufacturing on a private label basis.

In 2023, the Company ceased its cannabis beverage and solvent-less extract operations, previously conducted by its wholly-owned subsidiaries, BevCanna Operating Corp., and Embark Health Inc. Consequently, the licenses issued by Health Canada for these activities were surrendered during the same year. Furthermore, the Company's majority owned subsidiary, Naturo Springs filed for voluntary bankruptcy in 2023.

On January 25, 2024, BevCanna Operating Corp., a wholly owned subsidiary, filed for bankruptcy.

On July 19, 2024, the Company's wholly-owned subsidiary, Embark Health Inc. (and its wholly-owned subsidiary, Embark Delta Inc.) filed for bankruptcy. Manning & Associates Inc. was appointed trustee of the estate of the bankrupt by the official receiver subject to affirmation by the creditors of the trustee's appointment or substitution of another trustee by the creditors.

On July 24, 2024, the Company entered into a Share Exchange Agreement with Greenflame Distribution Ltd. ("Greenflame"), a U.S.-based direct-to-consumer e-commerce and nutraceutical product company. The acquisition was completed on September 17, 2024, with the Company issuing 4,166,663 common shares of the Company for a total consideration of $2,708,331.

On September 24, 2024, Naturally Pure Therapy Products Corp. ("NPT"), a wholly owned subsidiary, filed for voluntary dissolution.

Discontinued Operations

The analysis of the Company's discontinued operations (BevCanna Operating Corp., Embark Health Inc., and Embark Delta Inc.) revealed a significant reduction in both operational losses and negative cash flow, which were previously exacerbated by the Canadian cannabis industry's flawed rollout by the government. The decision to exit the Canadian cannabis industry, which will remove $4,245,738 from the balance sheet upon discharge of liabilities, was driven by the unsustainable cash flow drain that threatened the company's financial stability. The public has become increasingly aware of the many companies in this industry that have completely collapsed, leaving behind millions of dollars in unpaid debts. The decision was based primarily on the following critical factors:

1. **Operational Costs:** Health Canada's stringent staffing requirements imposed a heavy operational burden, leading to redundant staffing positions and heightened costs.
2. **Taxes:** High taxes were payable in the form of pre-payment of excise stamps, and excise taxes were to be paid at time of shipment, further straining the Company's financial resources.

3. **Transportation:** The transportation of cannabis products incurred significantly higher than transportation of traditional consumer packaged goods, in some cases 3-5x the cost, adding to the Company's operational challenges.
4. **Cash Flow:** The Company's provincial distributor customer(s), operated on Net 60 to 90-day payment terms, creating an unsustainable cash flow burden for the Company.
5. **Product Returns:** Discretionary product returns by provincial distributors, without return authorization, resulted in unexpected withdrawals from the Company's bank accounts, amounting to hundreds of thousands of dollars in aggregate. These discretionary product returns made it impossible to manage cash flow effectively after incurring production and labor costs.
6. **Regulatory Burdens:** Despite heavy investment in capital expenditures, licensing fees, and compliance with regulations, the government's failure to eliminate the grey market meant that the regulated market remained uncompetitive.
7. **Banking:** Despite operating within the federally legal cannabis industry, the Company faced significant challenges in accessing conventional banking services, resulting in the Company having to rely on more expensive and less favorable alternative financing arrangements.

Given these insurmountable challenges, the Company made the strategic decision to exit this poorly managed industry.

Furthermore, Naturo Springs Inc., the Company's majority-owned subsidiary filed for bankruptcy on December 12, 2023, which has no impact on future operations.

OVERALL PERFORMANCE

The Company has not yet achieved profitable operations as it is still progressing in its commercialization. The Company's future performance depends on, among other things: (i) launching products with a healthy margin while staying competitive; (ii) broadening distribution into international markets; (iii) improving risk diversification by expanding the Company's business portfolio through M&A activities; and (iv) maintaining tight cost controls over production and administrative spending.

Management Changes

On June 21, 2023, Bruce Dawson-Scully became the President of the Company.

On June 21, 2023, Melise Panetta, resigned as President of the Company.

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

On January 3, 2024, Bruce Dawson-Scully resigned as President of the Company.

On January 4, 2024, William MacDonald resigned from the Board of Directors.

On August 19, 2024, the Company announced the appointment of Richard Coleman as an independent director and member of the Audit Committee.

On November 19, 2024, the Company appointed Howard Blank as chair of the audit committee, effective November 15, 2024.

OUTLOOK

The Company has shifted its focus towards higher-margin business segments. As part of this strategy, the Company has discontinued its cannabis operations.

During the year ended December 31, 2023, Naturo Group reported total revenues of $749,536, with a normalized gross margin of approximately 15%. Bulk sales of water represented 75% of total revenues for the year with 25% of revenues generated by Naturo Group's premium ALKALINEwater and BLACKwater product sales where gross margins averaged approximately 30%.

For the nine months ended September 30, 2024, Naturo Group reported total revenues of $62,932 with a gross margin of approximately 31%. All product sales during the nine months ended September 30, 2024, were from Naturo Group's TRACE ALKALINEwater and BLACKwater products.

As gross margins are higher on its premium ALKALINEwater and BLACKwater products, the Company intends to grow the sales of such products through expanding distribution, marketing, and the launch of new branding and products.

Strategic initiatives to increase revenue growth and improved profit margins include the following:

Naturo Group Enterprises Inc. ("Naturo Group"):

The Company's wholly-owned subsidiary Naturo Group maintains private label manufacturing partnerships within Canada, with notable organizations like, **London Drugs**, and **7-Eleven Canada.** Naturo Group is committed to expanding its product portfolio and distribution network for **TRACE BLACKwater**, **TRACE ALKALINEwater** and fulvic and humic-based nutraceuticals, both domestically and internationally. In particular, Naturo Group has been pursuing opportunities in the Southeast Asia market, with a focus in China through strategic supply arrangements.

Naturo Group is undergoing a rebranding initiative for **TRACE** ready-to-drink beverage formats in North America and Southeast Asia, focusing on highlighting functionality. The branding of **TRACE BLACKwater and TRACE ALKALINEwater** positions the product as a premium and functional water, elevating it from the prevailing "low-cost" water alternatives in the market.

Naturo Group has secured import approvals in two major consumer markets for bottled water globally, namely Mexico and China. Furthermore, it has entered into a supply arrangement in China with Rocky Mountain Water (Shanghai) Ltd. ("**Rocky Mountain**"), a Shanghai-based company established in 2015. Rocky Mountain specializes in promoting wellness through premium beverage distribution and offers a diverse product range, including functional beverages, alkaline water, and more, prioritizing quality and health-conscious choices. Leveraging a strong distribution network that includes direct-to-consumer online sales and tastemaker bricks-and-mortar locations, Rocky Mountain has positioned itself as a prominent distributor in China.

Naturo Group has secured purchase orders for **TRACE BLACKwater** in China totaling $3,500,000 within the first twelve months from the initial shipment. The supply arrangement and purchase orders highlight Naturo Group's strategic expansion efforts and commitment to expanding into key markets, particularly in China, while meeting the demands of health-conscious consumers. The Company anticipates the initial shipment will take place in the second quarter of 2025.

E-Commerce Nutraceuticals

On July 24, 2024, the Company entered into a Share Exchange Agreement with Greenflame Distribution Ltd. ("Greenflame"), a U.S.-based direct-to-consumer e-commerce and nutraceutical product company. The acquisition was completed on September 17, 2024, with the Company issuing 4,166,663 common shares of the Company at a deemed price of $0.60 per share, for a total consideration of $2,500,000.

The Company completed the acquisition of Greenflame and plans to sell a range of proprietary nutraceutical health products on its e-commerce platform in the United States. Product segments cover life longevity, heart health, sleep health, brain support, beauty, general wellness, and natural slimming. With an extensive catalogue of premium-grade proprietary formulations, all products will be manufactured in GMP-certified facilities and independently tested for purity.

This strategic acquisition aims to reposition its e-commerce business to transition to a high-margin direct-to-consumer model. Leveraging e-commerce expertise, it plans to enhance customer acquisition and retention strategies providing enhanced customer lifecycles and boosting overall profitability. The anticipated launch of the new direct-to-consumer e-commerce platform is projected to be in the second quarter of 2025.

Greenflame's e-commerce managers maintain direct relationships with GMP Certified manufacturing facilities, providing it with control over the supply chain and distribution process, boasts a comprehensive suite of marketing collateral, encompassing landing pages, e-commerce sites, and both paid and organic marketing efforts. Additionally, they have cultivated a network of health and lifestyle influencers, aimed towards enhancing its reach and impact in the market. Furthermore, they excel in merchandising product packages to meet consumer demands, particularly through well-received subscription offerings. The Company is strategically focusing on diverse product segments to meet demand for health-conscious consumers.

Summary

The Company has worked on enhancing operational efficiency, refining its business plan to concentrate on higher-margin business segments, and expanding its presence in the world of branded products and finished-goods manufacturing.

SELECTED FINANCIAL INFORMATION

	Nine months ended September 30, 2024 (Unaudited) $	Year ended December 31, 2023 (Audited) $
Total revenues	62,932	749,536
Net loss from continued operations	(7,612,856)	(7,543,867)
Net loss from discontinued operations	(77,812)	(5,000,849)
Net loss	(7,690,668)	(12,544,716)
Loss per share (basic and diluted)	(0.48)	(1.08)
Cash (used in) provided by operating activities	(2,058,311)	(1,207,187)

Statements of Financial Position	As at September 30, 2024 (Unaudited) $	As at December 31, 2023 (Audited) $
Assets		
Current assets	855,618	794,952
Non-current assets	14,525,876	12,274,309
Total assets	15,381,494	13,069,261
Liabilities		
Current liabilities	14,708,415	17,152,509
Non-current liabilities	251,589	230,000
Total liabilities	14,960,004	17,382,509
Total shareholders' equity	421,490	(4,313,248)
Total liabilities and shareholders' equity	15,381,494	13,069,261

DISCUSSION OF OPERATIONS

For the three months ended September 30, 2024

Revenue

For the three months ended September 30, 2024, the Company's continuing operations generated its revenue through its conventional beverage subsidiary, Naturo Group.

The revenue generated from continuing operations was $26,901 for the three-month period ended September 30, 2024, of which $21,352 was the cost of sales, generating a gross profit of $5,549. Conversely, the three months period ended September 30, 2023, generated revenue of $336,907, of which $280,133 was cost of sales, generating a gross profit of $56,774. The revenue decline in 2024 compared to 2023 was primarily due to the loss of a key customer in the bulk beverage segment. As outlined in the “Outlook” section, the company has pivoted away from this segment and shifted its focus toward higher-margin products, specifically its premium ALKALINEwater and BLACKwater lines.

	Three months ended September 30, 2024 (Unaudited) $	**Three months ended September 30, 2023 (Audited) $**
Total revenues	26,901	336,907
Cost of products and services	(21,352)	(280,133)
Gross profit	5,549	56,774

Net Loss

During the three-month period ended September 30, 2024, the Company recorded a gross profit from continuing operations of $5,549, administrative expenses of 909,269, financing costs of $235,938, foreign exchange loss of $6,528, other expenses of $(1,274), and loss from debt settlement of $99,048. This resulted in a net loss from continuing operations of $1,243,960. The main factors that contributed to the loss in the period were financing costs of $235,938, management fees of $225,000, legal fees of $192,976, amortization of $145,694, professional fees of $125,499, and salaries of $90,198.

The gross profit declined from $56,774 during the three-month period ended September 30, 2023, to a profit of $5,549 during the three-month period ended September 30, 2024. This decrease was mainly attributed to the loss of a key customer for the traditional bulk beverage business.

During the three-month period ended September 30, 2024, there was a net loss from continuing operations of $1,243,960, compared to a net loss from continuing operations of $1,884,885 during the three-month period ended September 30, 2023, which can be largely ascribed to several key factors:

- Financing costs increased from $159,597 during the three-month period ended September 30, 2023, to $235,938 during the three-month period ended September 30, 2024. This increase is attributed to increased activity in Secured Promissory Note financings, where interest is payable for the first twelve months upfront.

- Professional fees decreased from $676,865 during the three-month period ended September 30, 2023, to $125,499 during the three-month period ended September 30, 2024. This decrease is largely attributed to the payment of bonuses in the prior period awarded to certain consultants, management, and board members for their support during the extended period when the Company was subject to a Cease Trade Order and unable to provide cash compensation or issue equity-based awards.

- Loss on debt settlement increased from $(237) during the three-month period ended September 30, 2023, to $99,048 during the three-month period ended September 30, 2024. This increase is mainly due to the decline in the share price between the settlement price and the closing price for debt settlements with various vendors, consultants, and related parties.

- Plant operations, facilities and office expenses decreased from $252,746 during the three-month period ended September 30, 2023, to $66,952 during the three-month period ended September 30, 2024. This decrease is due to the scaled-back operations, aligned with cost reduction strategies.

- Legal fees decreased from $400,182 during the three-month period ended September 30, 2023, to $192,976 during the three-month period ended September 30, 2024. This decrease is primarily due to intensified litigation activities related to disputes involving Embark Health Inc.'s wholly-owned subsidiary in the prior period.

- Marketing expenses decreased from $37,656 during the three-month period ended September 30, 2023, to $24,833 during the three-month period ended September 30, 2024. This decrease is largely attributed to the decline in startup costs associated with operations in China and direct engagement efforts aimed at increasing brand visibility and product awareness.

Strategic Shift for Sustainable Growth

The Company has strategically realigned its business model to prioritize higher net-margin opportunities and reduce operating expenses. The forward-looking strategy encompasses:

- Naturo Group expanding its white label and private label business: The Company aims to boost profitability by expanding its white label and private label businesses to leverage higher-margin products and circumvent retailer listing fees.

- Launching direct-to-consumer e-commerce model: The Company plans to launch its direct-to-consumer e-commerce model with an array of proprietary nutraceutical product offerings which enables opportunities for higher profit margins and increased control over sales strategies. The Company plans to launch the e-commerce sales in late Q1 2025.

- Southeast Asia distribution focus: Naturo Group has entered into an alliance with Rocky Mountain Water (Shanghai) Ltd. in China, known for premium beverage distribution, securing TRACE BLACKwater purchase orders totaling $3,500,000 in the first twelve months from initial shipment, reflecting higher margins. This alliance aligns with Naturo Group's strategic expansion into key markets, notably China, to meet the preferences of health-conscious consumers.

These initiatives are designed to augment revenue, uphold higher margins, and curtail operational expenses, ultimately positioning the Company to achieve breakeven at a lower revenue threshold moving forward.

SUMMARY OF QUARTERLY RESULTS

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

	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Total revenues	26,901	16,495	19,536	42,132
Income (loss) from discontinued operations	2,614	(1,831)	(78,595)	(5,024,875)
Loss	(1,243,960)	(4,469,162)	(1,993,397)	(7,899,740)
Loss per share (basic and diluted)(i)	(0.08)	(0.40)	(0.64)	(4.80)
	Q3 2023	**Q2 2023**	**Q1 2023**	**Q4 2022**
Total revenues	336,907	343,953	26,554	172,123
Loss from discontinued operations	187,840	(279,640)	(34,778)	(7,991,643)
Loss	(1,697,045)	(1,352,984)	(1,594,947)	(9,365,148)
Loss per share (basic and diluted) (i)	(1.38)	(1.10)	(1.28)	(7.52)

(i) The Company has completed two share consolidations:
- December 21, 2023, a 10:1 share consolidation
- February 23, 2024, a 20:1 share consolidation

The following trends have been evident over the past eight quarters:

1. Pure Therapy Contribution and Transition

Pure Therapy's revenue performance underwent a shift in 2022. While the Company made a substantial contribution to its revenue in 2021, Pure Therapy experienced $4,395 revenue in the third quarter of 2022. Revenue has remained nominal thereafter. This decline was primarily attributed to the Company's strategic decision to gradually phase out the affiliate marketing model. This move was driven by the model's challenges, which included low net margins, and the intricacies associated with the audit process. Pure Therapy filed dissolution on September 24, 2024.

2. Seasonal Beverage Business

The beverage segment experiences seasonality, with peak sales occurring in the summer, while Q4 and Q1 traditionally yield lower sales. Despite this pattern, beverage sales have remained steady.

3. Bulk Beverage Segment

Naturo Group's exit from the bulk beverage segment resulted in a revenue decline to $nil, down from $584,369 in the same period the previous year.

SUMMARY OF ANNUAL RESULTS (AUDITED)

	2023	2022	2021
	$	$	$
Revenues from continuing operations	749,536	1,378,126	3,117,677
Revenues from discontinued operations	1,488,338	7,026,249	-
Total revenues	2,237,874	8,404,375	3,117,677
Net losses from continuing operations	7,543,867	4,724,188	98,945,950
Net losses from discontinued operations	5,000,849	11,017,291	-
Total net loss	12,544,716	15,741,479	98,945,950
Loss from continued operations attributable to shareholders of the Parent	12,105,440	16,838,124	98,892,553
Loss per share (basic and diluted)[(i)]	1.08	0.14	0.59
	2023	**2022**	**2021**
Total assets	13,069,261	21,799,269	18,926,202
Non-Current Liabilities	230,000	230,000	561,386
Dividends Declared	-	-	-

The Company has undergone significant challenges during the three fiscal years ended December 31, 2023, 2022 and 2021. The Company was adversely affected by a Cease Trade Order that was imposed from August 22, 2022 to November 3, 2023. During such time, the Company was unable to raise funds and significantly scaled back operations to save costs.

Revenues: The ramp up of the Company's cannabis manufacturing operations in 2021 through to mid-year 2022, followed by the decision to suspend and ultimately discontinue these operations in late 2022 and 2023 respectively for the reasons previously described in the discontinued operations section.

Net losses: Cash operation losses of $5.3 million, $4 million, and $8.6 million respectively for 2023, 2022 and 2021 stemming from high start-up and operating costs.

Non-cash losses stemming from the goodwill and intangible asset write-offs of Naturo (2021: $77 million), Embark (2022: $8.2 million) and Naturally Pure Therapy (2021: $5.2 million).

The goodwill impairment charge for Naturo Group of $71.2 million was largely a function of IFRS policy which requires that an acquisition that is to be paid for by shares of the acquirer be valued based on the acquirer's share price as of the closing date of the acquisition. Over the period from the date of signing the definitive agreement and the closing, Forte Group's stock increased from $0.40 to $1.30, creating an unsupportable level of goodwill. Naturo Group was BevCanna Operating Corps' landlord. On the Acquisition of Naturo Group, the License Agreement asset that defined the landlord's compensation agreement was nullified, resulting in Naturo Group recording an impairment loss of $6.9 million.

Embark Health Inc. encountered a sales shortfall, resulting in goodwill charges of $6 million and a brand impairment of $2.2 million, amounting to a total loss of $8.2 million. Furthermore, unrecorded liabilities and subsequent litigation cast additional doubt on its ongoing viability.

The Naturally Pure Therapy Products Corp. (“NPT”) goodwill of $3.2 million and intangible asset impairment of $2 million charges were attributable to declining margins from what became an overly competitive market for affiliate marketing firms which led to the decision to abandon this marketing approach and relaunch under a higher margin direct-to-consumer model as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at September 30, 2024, the Company had a working capital deficiency of $13,852,797 (cash and non-cash) (December 31, 2023 - $16,357,557). Management intends to satisfy the working capital deficiency through debt for equity settlements with its creditors, debt financing, equity financing, debt restructuring, and/or its operational revenues. Management will 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 nine months ended September 30, 2024, the Company had cash used in operating activities of $2,058,311 (2023 – $120,680 provided by operating activities).

Cash used in Investing Activities

During the nine months ended September 30, 2024, the Company used $nil (2023 – $6,300) in cash from investing activities.

Cash provided by Financing Activities

During the nine months ended September 30, 2024, the Company received net proceeds of $1,977,730 (2023 - $nil) in cash from financing activities. The total proceeds consist of $812,065 from secured promissory notes, $853,944 from the issuance of common shares, and $353,333 from shares issued for the redemption of a convertible secured promissory note. Additionally, the Company paid $38,709 in interest on the secured promissory notes. The Company received proceeds of $8,262 from sale of treasury shares and paid $11,165 on reissuance of treasury shares.

Future Capital Requirements

In addition to funding its current working capital deficiency, the Company anticipates that it will require approximately $1,945,000 in capital expenditures to maintain current operations for the next 12-month period, including expenses to maintain its head office, operating beverage facility, and cover general and administrative expenses required to operate the facility effectively with staff and inventory, and expand operations and markets as set out herein over the next 12-month period.

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, share for debt securities, and/or long-term convertible or standard debt, 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 may result in material dilution to existing 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.

The Company intends to address the working capital deficiency concurrently with addressing the capital requirements to maintain operations primarily through debt restructuring, shares for debt and future equity financings. Once these items are sufficiently addressed, the Company anticipates it will then be in a position to expand operations. The Company's expansion plans are also primarily dependent on the Company's ability to raise funds through future sales of equity.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the nine months ended September 30, 2024 or as of the date of this report.

TRANSACTIONS BETWEEN RELATED PARTIES

During the nine months ended September 30, 2024 and 2023, the Company incurred the following related party transactions:

Nine months ended,	September 30, 2024 $	September 30, 2023 $
Management and Consulting fees		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	180,000	180,000
Chief Executive Officer ("CEO")	340,033	225,000
Mr. Dawson-Scully (Former President)	101,666	225,000
Ms. Panetta (Former President)	10,500	123,335
Mr. Ciambrelli (Sr. Ops Manager and Director)	112,500	153,607
Mr. Mason (Former Director), Mr. Macdonald (Former Director), Mr. Blank (Director) and Mr. Coleman (Director)	147,650	75,000
Company controlled by CEO	120,000	-
Company controlled by individual related to CEO	310,096	112,500
Company controlled by individual related to Sr. Ops Manager and Director	169,046	-
Individual related to CEO	24,330	-
	1,515,822	1,094,442

Nine months ended September 30,	2024 $	2023 $
Share-based Compensation		
Chief Financial Officer ("CFO") and	19,446	-
Chief Strategic Officer ("CSO")	148,548	-
Mr. Ciambrelli (Sr. Ops Manager and Director)	17,734	-
Mr. Mason (Former Director), Mr. Macdonald (Former Director), Mr. Blank (Director) and Mr. Coleman (Director)	37,041	-
Company controlled by CEO	118,921	-
Company controlled by individual related to CEO	32,733	-
Company controlled by individual related to Sr. Ops Manager and Director	43,468	-
	417,891	-

Related Party Balances:

As at September 30, 2024, 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:

	September 30, 2024	December 31, 2023
	$	$
Accounts payable and accrued liabilities:		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	63,000	462.000
Chief Executive Officer ("CEO") *(i)*	489,402	616,114
Mr. Dawson-Scully (Former President)	15,000	339,000
Ms. Panetta (Former President)	-	105,921
Mr. Ciambrelli (Sr. Ops Manager and Director)	65,342	76,552
Mr. Mason (Former Director), Mr. Macdonald (Former Director), Mr. Blank (Director) and Mr. Coleman (Director)	35,450	228,403
Company controlled by CEO	6,000	-
Company controlled by individual related to CEO	287,950	343,961
Company controlled by individual related to Sr. Ops Manager and Director	1,050	-
Individual related to CEO *(ii)*	18,545	139,955
Subtotal	**981,739**	**2,311,906**
Convertible Debenture		
Directors	-	57,917
Subtotal	**-**	**57,917**
Short-term loans		
Company controlled by individual related to CEO*(ii)*	202,485	203,160
Individual related to CEO *(ii)*	168,738	169,300
Subtotal	**371,223**	**372,460**
Due to related parties		
Chief Executive Officer ("CEO")	215,984	47,541
Company controlled by individual related to CEO	80,995	5,000
Subtotal	**296,979**	**52,541**
Total	**1,649,940**	**2,794,824**

(i) The CEO provided a shareholder loan to the company of $100,000 in 2022 to support its working capital needs, specifically during the period the Company was subject to a Cease Trade Order. During the period ended September 30, 2024, a repayment of $68,012 (2023 - $52,459) was made on this loan. During the period ended September 30, 2024, the Company also accrued consulting fees payable to the CEO of $120,750 (2023 - $nil). During the period ended September 30, 2024, the Company received a loan of $115,705 from the CEO. The loan is non-interest bearing and has no fixed repayment terms. As of September 30, 2024, this loan remain outstanding.

(ii) Two individuals related to the CEO each provided loans that supported the Company's working capital needs, specifically for purchase order factoring to fulfill cannabis product orders for provincial boards. This financing was crucial due to the significant cash outlay required for production before delivery, with payment terms from provincial boards typically ranging between 45 to 90 days post-delivery.

On April 22, 2022, a relative of the CEO provided a loan of $125,000 USD, with a $25,000 USD facilitation fee charged upfront. Due to extended repayment delays, an additional facilitation fee of $7,517.10 USD was accrued and paid on July 27, 2023. As of September 30, 2024, $150,000 USD remained outstanding on this loan.

On April 22, 2022, another relative of the CEO personally extended a loan of $125,000 USD, also with a $25,000 USD facilitation fee charged upfront. The initial fee was paid on June 26, 2022. Due to repayment delays, additional facilitation fees were accrued and paid: $25,000 USD on March 27, 2023, and $2,500 USD each on January 19, 2024, and March 26, 2024. As of September 30, 2024, the principal amount of $125,000 USD remains outstanding.

These loans were essential for bridging the gap between production costs and revenue realization, allow the Company to maintain adequate inventory levels and capitalize on sales opportunities despite the cash flow timing mismatches inherent in the cannabis industry's payment cycles.

Convertible debenture

Forte Group Debentures

On April 14, 2020, the Company completed a non-brokered financing of $630,000 by issuing convertible debentures ("Debentures"). The Debentures accrue interest at the rate of 8% per annum payable semi-annually and mature on April 14, 2023. The Debentures are convertible to common shares of the Company at $0.75 per share (pre-share consolidation).

The holders of the Debentures are entitled to convert the unpaid principal and interest into common shares of the Company at a conversion price of $0.75 per share (pre-share consolidation). If at any time the daily weighted average trading price of the Company's shares is greater than $1.00 (pre-share consolidation) for the preceding 10 days, the Company will have the option to convert the outstanding principal amount at the price of $0.75 per share (pre-share consolidation).

The initial liability component of the Debentures was calculated at the present value of interest payments and expected return using an effective interest rate of 16% per annum. The equity component was determined using the residual method whereby, the fair value of the equity component is arrived at by deducting the amount determined separately for the liability from the face value of the instrument. As a result, the fair value of the conversion feature was determined to be $118,252 and was recognized into the equity reserve of the Company.

On February 8, 2021, the Company completed an early redemption for $115,000 of the debenture and paid $124,532 towards the outstanding principal and accrued interest. On the same date, the Company converted $15,000 of the debentures into 20,000 common shares. The Company reclassified $3,754 from equity reserves to share capital related to this conversion.

On September 30, 2024, $58,630 accrued interest and $500,000 principal remains outstanding for the Forte Group Debenture.

Naturo Group Debenture

On January 27, 2021, Naturo completed a debt settlement with an individual related to the CEO of the Company by issuing a convertible debenture for $1,505,021 with an interest bearing at 10% per annum, payable monthly and maturing in 24 months. The debenture is convertible to common shares of the Company at $0.40 per share (pre-share consolidation) 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 $1,468,373.

On June 28, 2021, the Company entered into a debenture amendment and cancellation agreement with the related party 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 was paid during the year ended December 31, 2023.

The total value of the outstanding debenture as at September 30, 2024, is $558,630.

	$
Balance, December 31, 2021	461,408
Addition	50,000
Accretion expense	45,553
Finance charge	42,916
Finance charge payment	(20,000)
Balance, December 31, 2022	579,876
Accretion expense	27,599
Finance charge	(1,517)
Balance, December 31, 2023	605,958
Reduction	(77,356)
Finance charge	30,027
Balance, September 30, 2024	558,630

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 and 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, 16,215,067 (December 31, 2023 – 1,617,243, as adjusted for the February 23, 2024 reverse stock split) common shares were issued and outstanding as fully paid and non-assessable shares, of which 19,625 common shares were held in treasury.

On February 23, 2024, the Company completed a 1-for-20 reverse stock split of its common shares. This is to streamline its capital structure and bolster share price attractiveness for investors.

As of the date of this report, the Company had nil stock options outstanding (December 31, 2023 – 3,000 after 1:20 stock split).

As of the date of this report, the Company had 1,152,937 common share purchase warrants outstanding (December 31, 2023 – 26,396 after 1:20 stock split).

SUBSEQUENT EVENTS

On October 14, 2024, the Company announced its corporate name change to Forte Group Holdings Inc., effective October 18, 2024. The Company's common shares will trade on the Canadian Securities Exchange under the new symbol "FGH" with updated CUSIP and ISIN numbers. There will be no changes to the Company's share capital, and trading symbols on other exchanges remain unchanged.

On October 15, 2024, the Company announced that effective October 11, 2024 the Company closed a non-brokered private placement, issuing 1,111,915 common shares at a price of $0.60 per share for gross proceeds of $667,150. The fair value per share at the closing date was $0.67. Of the total shares issued, 245,250 shares were issued to related parties for proceeds of $147,151.

On October 31, 2024, the Company announced a Master Distribution Agreement with Animal Spirits Limited ("Animal Spirits") for the distribution of TRACE BLACKwater and nutraceutical products in Asia, including India and the Middle East, and the U.S. The agreement includes exclusive rights in Asia (excluding China) and shared distribution rights in China with Rocky Mountain. In the U.S., Animal Spirits holds non-exclusive rights for brick-and-mortar channels. The agreement's five-year term requires Animal Spirits to purchase a minimum of USD $2 million in the first year, with a renewal option based on performance.

On October 31, 2024, the Company announced a change in its U.S. trading symbol to "FGHFF," effective October 30, 2024, with no changes to its CUSIP and ISIN numbers.

On November 7, 2024, the Company announced the formation of a wholly-owned subsidiary, Forte Group Entertainment Inc., effective November 1, 2024. The subsidiary aims to expand brand partnership opportunities for the Company's product lines, including TRACE BLACKwater and its nutraceutical brand. Forte Group Entertainment will focus on collaborations with brand spokespersons and synergistic partnerships to enhance market visibility and audience reach.

On November 7, 2024, the Company completed a share for debt settlement related to the conversion of promissory notes. The Company issued 90,508 common shares at a price of $0.52 per share to settle outstanding debt of $47,065. This transaction resulted in the full settlement of the related promissory notes.

On November 19, 2024, the Company announced the appointment of Davidson & Company LLP as its new auditor, effective November 15, 2024, replacing GreenGrowth CPAs Inc. The change was approved by the Company's Audit Committee and Board of Directors. There were no reservations in the former auditor's reports or reportable events during their tenure.

On November 19, 2024, the Company announced the appointment of Howard Blank as Chair of the Audit Committee, effective November 15, 2024. The Audit Committee now comprises Howard Blank, Richard Coleman, and John Campbell.

USE OF PROCEEDS FROM FINANCING FOR THREE MONTHS ENDED SEPTEMBER 30, 2024

Use of Proceeds	
Category	**Amount**
Proceeds	$383,457
Consultants	($20,952)
Financing	($116,250)
Marketing	($14,885)
Legal	($32,500)
Operations	($108,854)
Payroll	($90,016)

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.

Limited Operating History

The Company was incorporated in 2017. The Company is therefore subject to many of the risks common to venture-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 venture-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 has had negative cash flows 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.

The Company's business strategy is constantly evolving

The Company's business strategy involves constantly seeking new opportunities in the beverage 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.

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 common 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 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.

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 materially adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Licenses, Patents and Proprietary Rights

The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and their continuation of 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.sedarplus.ca