

**THE GUMMY PROJECT INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2022**

This management's discussion and analysis ("MD&A") discusses the activities and financial position of The Gummy Project Inc. (Formerly Potent Ventures Inc.) (the "Company") for the period ended December 31, 2022. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the period ended December 31, 2022, and 2021 and the related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in United States Dollars unless otherwise stated. For more information regarding the foregoing and the other risk factors applicable in respect of an investment in the Company, please see "Risk Factors". Additional information can be accessed through the SEDAR website at www.sedar.com. The Company trades on the CSE under the symbol GUMY. This report is dated – February 24, 2023.

FORWARD LOOKING STATEMENTS

This MD&A may contain forward- looking statements that involve substantial known and unknown risks and uncertainties. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, use of proceeds, corporate vision, proposed acquisitions, partnerships, joint-ventures and strategic alliances and cooperation's, budgets, cost and plans and objectives of or involving the Company. Such forward- looking information reflects management's current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "predicts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company including, but not limited to, the impact of general economic conditions, industry conditions and dependence upon regulatory approvals. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by securities laws.

DESCRIPTION OF BUSINESS

We are a growing community of individuals and organizations who believe small contributions can add up to something big. We sell low sugar, plant based gummy products while raising money (and awareness) to support endangered keystone species. We are the only "better for you" candy company that is built to support our planet's most precious species and ecosystems, while educating our future generations on the steps we must take today, to ensure a viable tomorrow.



KEY DEVELOPMENTS DURING THE PERIOD ENDED

The Gummy Project Continues Strategic Expansion in US with Purchase Order from 5-Star Luxury Four Seasons Hotel Seattle to Become Supplier of Gummy Products for Guest Room Mini-Bars.

On October 12, 2022, the Company announced that it had received a purchase order from the 5-star luxury Four Seasons Hotel Seattle to become a supplier of gummies for each of the hotel's 147 guest room mini-bars. The purchase order was received from the Four Seasons Hotel Seattle on October 10, 2022. The Four Seasons Hotel Seattle is the only hotel in Washington State to be awarded the highest rating for providing extraordinary experiences with flawless service and the finest amenities, which will now include Watermelon Sharks.

10-1 Share consolidation

On November 2, 2022, the Company consolidated its common shares on a 10-1 basis.

Issue of shares for service

The Company issued 285,714 common shares at a value of \$0.035 per share for services provided.

Issue of stock options

The Company granted 2,300,000 stock options exercisable at a price of \$0.06 for a period of 5 years. Additionally, 1,664,800 stock options were cancelled by the Company.

Warrant repricing

The Company amended the exercise price of 7,261,700 warrants (previously exercisable at \$0.575 to \$0.50) to all be exercisable at \$0.05.

The Gummy Project Officially Launches in U.S. Market with Ecommerce Site and Nationwide Shipping

On December 6, 2022, the Company launched its U.S. ecommerce website at www.shopgummies.com. It is a similar website to the Canadian version but with U.S. products.

The Gummy Project Enters State of Texas with Purchase Order from 5-star Luxury Hotel Located in Austin, Texas

On December 7, 2022, the Company announced that it had received a purchase order for its Peachy Bees and Watermelon Sharks from a 5-star luxury hotel located in Austin, Texas.



SELECTED FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The following table sets out selected financial information with respect to the Company's financial statements for the three-month periods ended December 31, 2022, and 2021. The following should be read in conjunction with the condensed consolidated interim financial statements for the period ended December 31, 2022 as well as the audited financial statements for the years ended September 30, 2022 and 2021.

Summary of Operations	December 31, 2022	December 31, 2021
Revenue	\$ 38,677	\$ -
Cost of goods sold	35,079	-
Gross margin	3,598	-
Gross margin %	9%	0%
Total expenses	271,471	304,106
Net loss for the year	(278,738)	(373,911)
Basic and diluted loss per share - continuing operations	(0.03)	(0.04)
Basic and diluted loss per share - discontinued operations	-	-

Balance Sheet Summary	December 31, 2022	September 30 2022
Current assets	\$ 157,468	\$ 238,125
Total assets	168,218	258,593
Current liabilities	201,124	116,475
Non-current liabilities	201,124	116,475
Total liabilities	201,124	116,475
Working capital	(43,656)	121,650

Revenue for the period ended December 31, 2022 was \$38,677 (2021 - \$Nil). The revenues for 2022 were generated from its two gummy products: the Watermelon Sharks and Peachy Bees. Gross margin was \$3,598 or 9%.

During the period ended December 31, 2022, total expenses were \$271,471 compared to \$304,106 in the prior year. General and administrative expenses were \$108,771 compared to \$266,595, a decrease of \$152,824 which was attributed to decreased corporate activity as the change of business and new line of gummy products began in the prior year. Share-based compensation was \$102,575 (2021 - \$Nil), as there were new options granted during the period and valued based on the Black-Scholes option pricing model.

Working capital decreased primarily due to cash used in operations of \$15,042 and an increase in accounts payable and accrued liabilities of \$92,166.



Summary of significant Balance Sheet items

The primary factors affecting the changes to the balance sheet items were as follows:

- Receivables of \$20,122 related to trade receivables from the sale of low sugar gummies.
- GST of \$19,075 was recorded on the balance sheet and represented the ITCs receivable from CRA net of amounts received during the period.
- Cash used in operations was \$1,564,732 compared to \$1,260,364 in the comparative period of 2021.
- Accounts payable increased to \$198,809 from \$106,643, an increase of \$91,166 primarily related to the accrual of consulting fees to the CEO, CFO, and CMO of \$69,609.

Discussion of quarter results – three-month period ended December 31, 2022

During the period ended December 31, 2022, the Company incurred a net loss of \$278,738 or \$0.03 per share (2021 - \$373,911 or \$0.04 per share). The primary factors affecting the magnitude and variations of the Company's financial performance were as follows:

- Revenue for the period was \$38,677 compared to \$Nil for the prior comparative period. The revenues for 2022 were generated from its two gummy products: the Watermelon Sharks and Peachy Bees.
- Cost of goods sold were \$35,079 (2021 - \$Nil) which resulted in gross margin of \$3,598 (2021 - \$Nil).
- General and administration expenses decreased to \$108,771 from \$266,595 in the prior year. The decrease was attributed to timing of corporate activity and reduced funding available during the period.
- Advertising, marketing, and brand development costs increased to \$17,100 from \$12,226 in the comparative period. The Company began to work on various branding and advertising activities in relation to the new corporate image and product line, the Gummy Project.
- Office expense and general administration decreased to \$5,085 from \$29,100 in the comparative period. The Company began to implement cost cutting initiatives during the period which resulted in lower G&A expense.
- Management fees of \$74,450 (2021 - \$76,246) related to management and director fees. The decrease of \$1,796 was due to changes in amounts paid to directors and officers.
- Consulting fees of \$239 (2021 – \$125,124) were related to operations and business development in the prior comparative period and were discontinued in the current period.
- Professional fees of \$53,894 (2021 – \$31,197) was primarily related to legal and accounting for ongoing operations and was reasonably in line with the prior year.



SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly consolidated financial information for each of the last eight quarters with the figures for each quarter in United States Dollars:

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	\$ 38,677	\$ 38,555	\$ 9,637	\$ -
Net loss	(278,738)	(254,767)	(536,151)	(518,466)
Basic and diluted loss per share	(0.02)	(0.02)	(0.04)	(0.05)
Weighted average shares outstanding	12,250,109	12,250,109	12,250,109	10,251,477

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	\$ -	\$ 625	\$ 1,529	\$ 16,937
Net loss	(373,911)	(272,948)	(581,572)	(775,413)
Basic and diluted loss per share	(0.04)	(0.03)	(0.07)	(0.15)
Weighted average shares outstanding	9,490,893	8,156,609	8,156,561	5,221,037

*The above has not been adjusted for discontinued operations.

Quarter ended December 31, 2022: The Company reported revenue of \$38,677, as the Company determined to pursue a new business strategy in plant based non-THC gummies. Net loss of \$278,738 was primarily attributed to general and administrative expense of \$108,771, professional fees of \$53,894, and stock based compensation of \$102,575

Quarter ended September 30, 2022: The Company reported revenue of \$38,555, as the Company determined to pursue a new business strategy in plant based non-THC gummies. Net loss of \$254,767 was primarily attributed to general and administrative expense of \$183,407, and professional fees of \$28,752.

Quarter ended June 30, 2022: The Company reported revenue of \$9,637, as the Company determined to pursue a new business strategy in plant based non-THC gummies. Net loss of \$536,151 was primarily attributed to general and administrative expense of \$423,932, and professional fees of \$108,089.

Quarter ended March 31, 2022: The Company reported revenue of \$Nil, as the Company determined to pursue a new business strategy in plant based non-THC gummies. Net loss of \$518,466 was primarily attributed to general and administrative expense of \$341,204, and professional fees of \$122,237.

Quarter ended December 31, 2021: The Company reported revenue of \$Nil, as the Company determined to pursue a new business strategy in plant based non-THC gummies. Net loss of \$373,911 was primarily attributed to general and administrative expense of \$266,595, and professional fees of \$31,997.

Quarter ended September 30, 2021: The Company reported revenue of \$625 as the Company determined to pursue a new business strategy in plant based non-THC gummies. Net loss of \$272,948 was primarily attributed to general and administrative expense of \$154,934, professional fees of \$22,400, impairment of inventory of \$16,011, and impairment of inventory deposit of \$99,988.

Quarter ended June 30, 2021: The Company reported revenue of \$1,529 primarily related to sales of Orchard Heights products in Oklahoma. Net loss of \$581,572 was attributed to general and administrative expense of \$230,524, professional fees of \$29,723, and share-based compensation of \$294,667.



Quarter ended March 31, 2021: The Company reported revenue of \$16,937 primarily related to sales of Orchard Heights products in Oklahoma. Net loss of \$775,413 was attributed to general and administrative expense of \$500,704, professional fees of \$62,640, and share-based compensation of \$206,404.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing its liquidity and capital structure is to generate sufficient cash to fund the Company's operating, acquisition, organic growth and contractual obligations. The Company monitors its liquidity primarily by focusing on working capital.

As at December 31, 2022, the Company had working capital deficit of \$43,656 (September 30, 2022 – working capital of \$121,650). The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company does not sufficient working capital to settle current liabilities and is seeking alternative sources of financing to meet its short term obligations.

The table below highlights the Company's cash flows during the years ended:

Net cash provided by (used in)	December 31, 2022	December 31, 2021
Operating activities	\$ (15,042)	\$ (390,768)
Investing activities	-	150,803
Financing activities	(7,517)	1,194,109
Effect of exchange rate on cash	1,139	(6,729)
Cash, beginning	31,162	638,982
Cash, end	9,742	716,801

As at December 31, 2022, the Company's total liabilities were \$218,843 (September 30, 2022 - \$116,475).

The Company has minimal cash flow from operations and will require additional capital to expand its operations to achieve profitable scale of operations. The Company has minimal financial obligations currently and expects its liquidity to be sufficient for the following year.

There are no sources of financing arranged but not yet used by the Company. There are no commitments for capital expenditures.

OUTSTANDING SHARE DATA

Details of the Company's capitalization are as follows:

	December 31, 2022	Date of MD&A
Common shares	12,250,109	12,250,109
Warrants	7,505,527	7,505,527
Stock options	2,424,400	4,724,400

The Company has an unlimited number of common shares authorized for issuance.



USE OF ESTIMATES, ASSUMPTIONS, AND JUDGEMENTS

See Note 3 to the consolidated financial statements for the years ended September 30, 2022 and 2021.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals.

During the period ended December 31, 2022 and December 31, 2021, the Company entered the following key management transactions:

	December 31, 2022	December 31, 2021
Key Management Remuneration:		
	\$	\$
Charlie Lamb - CEO, Director	34,252	38,748
Robert Payment - CFO, Director	26,518	29,998
Brian Keane - Director	3,000	7,500
Michael Hopkinson - Director	1,841	-
Anthony Gindin - CMO	8,839	-
Total	74,450	76,246

Share-based compensation of \$17,839 (2021 - \$Nil) was related to directors and officers. Accounts payable or accrued liabilities owing to related parties was \$83,612 (September 30, 2022 - \$27,543).

PROPOSED TRANSACTIONS

None.

NEW ACCOUNTING PRONOUNCEMENTS

New accounting policies

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.



SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company completed the following transactions:

None.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair representation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and investments are carried at fair value using a level 1 fair value measurement. The recorded values of trade receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Financial risk management

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and trade receivables. Cash is held with reputable Canadian and United States financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. As of December 31, 2022, the Company had \$20,122 trade receivables with reputable customers.

The Company's maximum credit risk exposure is equivalent to the carrying value of cash and the trade receivables.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company's financial liabilities consist of accounts payable and accrued



liabilities which have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at September 30, 2022, the Company had cash, investments, and accounts payable and accrued liabilities, denominated in Canadian dollars ("CAD"). A 10% fluctuation in the foreign exchange rate between the USD and Canadian dollar would have a \$9,300 impact on profit or loss for the year. The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

RISK FACTORS

Readers should carefully consider the following risk factors in addition to the other information contained in this Management's Discussion and Analysis. The risks and uncertainties below are not the only ones related to the Company. There are additional risks and uncertainties that the Company does not presently know of or that the Company currently considers immaterial which may also impair the Company's business operations. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.

The Company is a development stage company with little operating history and the Company cannot assure profitability in regards to the Change of Business

The Company's lack of operating history makes it difficult for investors to evaluate the Company's prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, since there is no assurance that it will be successful. Any likelihood of success must be considered in light of the Company's early stage of operations. It is extremely difficult to make accurate predictions and forecasts of the Company's finances. This is compounded by the fact that the Company intends to operate in the food industry, which is highly competitive. There is no guarantee that the Company's products will be attractive to potential consumers. There can be no assurance that the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the operations and further development of its business.

Going concern risk

The Company's ability to continue as a going concern is dependent upon its ability to grow its revenue and achieve profitable operations while also obtaining the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all. The risks referred to herein indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The Company's future operations may be dependent upon the identification and successful completion of equity or debt or other financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Negative operating cash flow



The Company has negative operating cash flow. The failure of the Company to achieve profitability and positive operating cash flows could have a material adverse effect on the Company's financial conditions and results of operations. To the extent that the Company has a negative cash flow in future periods, the Company may need to deploy a portion of its cash reserves to fund such negative cash flow. The Company expects to continue to sustain operating losses in the future until it generates revenue from its products. There is no guarantee that the Company will ever be profitable.

Limited or no operating history in the food sector

The Company has limited cash reserves, a limited operating history in its new post-Change of Business industry, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. Operations are not yet sufficiently established such that the Company can mitigate the risks associated with planned activities.

With specific respect to the Company's limited history of operations in the food industry, the Company is subject to many of the risks common to entering a new area of operation, including under-capitalization, limitations with respect to personnel, financial, and other resources, lack of revenues, and uncertainty with respect to its ability to attract and retain paying customers. There is no assurance that the Company will be successful in operating its business, generate revenue, successfully implement its plans or achieve a return on its investment and the likelihood of success must be considered in light of the Company's lack of experience in the food industry and the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business.

The payment and amount of any future dividends will depend on, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Uncertainty of Revenue Growth

There can be no assurance that the Company can generate revenue growth, or that any revenue growth that is achieved can be sustained. Revenue growth that the Company may achieve may not be indicative of future operating results. In addition, the Company may increase further its operating expenses in order to fund higher levels of research and development, increase its sales and marketing efforts and increase its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely affected.

There are factors which may prevent the Company from the realization of growth targets

The Company's growth strategy contemplates marketing its initial portfolio of products, with the potential to develop additional products. There is a risk that the initial portfolio of products and any additional products will not be developed on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- non-performance by third party contractors;
- increases in materials or labour costs;
- falling below expected levels of output or efficiency;
- inability to engage with food professionals;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers; and



- disruptions in the supply of energy and utilities.

The Company's actual financial position and results of operations may differ materially from the expectations of the Board

The Company's actual financial position and results of operations may differ materially from the Board's expectations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Competition

The Company's ability to compete successfully in the gummy market, and the food market more generally, is expected to depend upon many factors both within and beyond its control, including:

- the size and composition of the Company's customer base;
- the number of suppliers and products that the Company has;
- the quality and responsiveness of customer service;
- the Company's selling and marketing efforts;
- the quality, price and reliability of the products that the Company offers;
- the convenience of the shopping experience that the Company provides;
- the Company's ability to distribute its products and manage its operations; and
- the Company's reputation and brand strength.

The food and snacking industry is highly competitive. The Company may not be able to compete successfully in this highly competitive market. Numerous brands and products compete for limited retailer shelf space, foodservice and food customers and consumers. In the Company's target market, competition is based on, among other things, product quality and taste, brand recognition and loyalty, product variety, interesting or unique product names, product packaging and package design, shelf space, reputation, price, advertising, promotion and nutritional claims.

The Company competes with conventional confectionary companies, who may have substantially greater financial and other resources than the Company and whose confectionary products are well-accepted in the marketplace today. Established confectionary companies may also have lower operational costs, and as a result may be able to offer confectionary products to customers at lower costs. This could cause the Company to lower its prices, resulting in lower profitability or, in the alternative, cause it to lose market share if it fails to lower prices.

The Company would also have to compete with other food brands that develop and sell low-sugar gummy products, and with companies which may be more innovative, have more resources and be able to bring new products to market faster and to more quickly exploit and serve niche markets. This would also include competition for retailer shelf space and consumers.

Generally, the food industry is dominated by multinational corporations with substantially greater resources and operations than the Company. The Company cannot be certain that it will successfully compete with larger competitors that have greater financial, sales and technical resources. Conventional food companies may acquire the Company's competitors or launch their own gummy products, and they may be able to use their resources and scale to respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities, among other things. Retailers could change the merchandising



of the Company's products and it may be unable to retain the placement of its products in retailers to effectively compete with other confectionary products. Competitive pressures or other factors could cause the Company to lose market share, which may require it to lower prices, increase marketing and advertising expenditures, or increase the use of discounting or promotional campaigns, each of which would adversely affect margins and could result in a decrease in operating results and profitability.

To remain competitive, the Company will require a continued high level of investment in research and development, marketing and sales. The Company may not have sufficient resources to maintain research and development, marketing, and sales efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

The Dietary Supplement Industry is an Intensely Competitive Market

The Company cannot assure potential investors that consumers will continue to embrace using dietary supplement products derived from alternative sweetener ingredients. Many factors must be considered when investing in this industry due to regulations set by agencies that regulate the industry. The Company expects to face significant competition from others in this industry. The industry is highly fragmented with smaller companies offering products, to large multi-national corporations with integrated manufacturing operations, all of which may affect the Company's entry into the market. Many companies may have greater financial resources than the Company and to the extent the Company competes directly with any given company possessing greater financial resources, it may be at a disadvantage.

Dependency on customers

The Company's success will depend on its ability to acquire and retain customers and to do so in a cost-effective manner. The Company must acquire customers to increase net sales, improve margins, and achieve profitability. The Company will make significant investments related to customer acquisition. The Company cannot assure you that the net sales from the customers it acquires will ultimately exceed the cost of acquiring those customers. If the Company fails to deliver quality products, or if consumers do not perceive the products it offers to be of high value and quality, the Company may be unable to acquire or retain customers. If the Company is unable to acquire or retain customers who purchase products in volumes sufficient to grow its business, the Company may be unable to generate the scale necessary to achieve operational efficiency and drive beneficial network effects with its suppliers. Consequently, the Company's prices may increase, or may not decrease to levels sufficient to generate customer interest, the Company's net sales may decrease, and its margins and profitability may decline or not improve. As a result, the Company's business, financial condition, and results of operations may be materially and adversely affected.

Global pandemic

As a result of the global outbreak of COVID-19 and its declaration by the World Health Organization to be a pandemic, certain actions are being taken by governments and businesses around the world to control the outbreak, including restrictions on public activities, travel and commercial operations. As such, the Company's ability to produce and supply products and its sales revenue, results of operations, cashflow and liquidity has been and may continue to be adversely impacted.

The COVID-19 pandemic, the measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, shutdowns and restrictions on trade, and the resulting changes in customer and consumer behaviors have disrupted and will continue to disrupt the Company's normal operations and impact employees, suppliers, partners, and customers and their buyers.



The degree to which COVID-19 will affect the Company's results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic, actions taken to contain the COVID-19 pandemic, the impact of the COVID-19 pandemic and related restrictions on economic activity and domestic and international trade, and the extent of the impact of these and other factors on the Company's employees, partners, suppliers, customers and their buyers. The COVID-19 pandemic and related restrictions could limit customers' ability to continue to operate, lead to disruption in the Company's supply chain, disrupt or delay the ability of employees to work because they become sick or are required to care for those who become sick, cause delays or disruptions in services provided by key suppliers and vendors, increase vulnerability of the Company and its partners and service providers to security breaches, denial of service attacks or other hacking or phishing attacks, or cause other unpredictable events.

COVID-19 has also caused heightened uncertainty in the global economy. If economic growth slows further or if a recession develops or continues to develop, consumers may not have the financial means to make purchases from customers, or potential customers, of the Company and may delay or reduce discretionary purchases, negatively impacting customers and the Company's operations. As well, the Company may find it harder or impossible to find further financing opportunities due to the uncertainty in the global economy. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 pandemic and the related impact on the global economy may not be fully reflected in the Company's results of operations until future periods. To the extent that COVID-19 causes disruption to the global economy, and in turn financial markets, the Company may be prevented from obtaining additional debt or equity financing on reasonable terms, or at all.

Litigation

The Company may become subject to various legal proceedings and claims that arise from time to time in the ordinary course of the Company's business. Such litigation may arise as a consequence of contractual or other disputes or as a consequence of the Company's listing and reporting issuer status and could adversely affect its business and operations. Litigation or legal proceedings could expose the Company to significant liabilities and have a negative impact on the Company's reputation or business. Should any litigation in which the Company becomes involved be determined against it such a decision could adversely affect its ability to continue operating and the market price for the Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

The Company evaluates these claims and litigation proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, the Company may establish reserves, as appropriate. These assessments and estimates are based on the information available to the Board at the time and involve a significant amount of judgment. Actual outcomes or losses may differ materially from the Company's assessments and estimates.

As the Company will be relying on the Manufacturing Partner to create the products, the Company may be subject to litigation associated with the actions of the Manufacturing Partner. Litigation affecting the Manufacturing Partner could expose the Company to significant liabilities or indemnity costs and could affect the reputation or business of the Company. The Supply Agreement shall govern the relationship between the Manufacturing Partner and the Company.

Legal claims, government investigations and regulatory enforcement

The Company expects to operate in a highly regulated environment with constantly evolving legal and regulatory frameworks. Consequently, the Company will be subject to heightened risk of legal claims, government investigations or other regulatory enforcement actions. The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale,



transportation, storage and disposal of food products, 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 business, financial condition and results of operations of the Company. Although the Company will have implemented policies and procedures designed to ensure compliance with existing laws and regulations, there can be no assurance that its employees, temporary workers, contractors or agents will not violate its policies and procedures. Moreover, a failure to maintain effective control processes could lead to violations, unintentional or otherwise, of laws and regulations.

Legal claims, government investigations or regulatory enforcement actions arising out of the Company's failure or alleged failure to comply with applicable laws and regulations could subject it to civil and criminal penalties that could materially and adversely affect the Company's product sales, reputation, financial condition and operating results. In addition, the costs and other effects of defending potential and pending litigation and administrative actions against the Company may be difficult to determine and could adversely affect the Company's financial condition and operating results.

Regulatory risks

The Company seeks to comply with applicable regulations through a combination of employing internal experience and expert personnel to ensure quality-assurance compliance (i.e., assuring that the Company's products are not adulterated or misbranded) and ensuring compliance with nutrition labeling requirements. Failure by the Company or its co-manufacturers to comply with applicable laws and regulations or maintain permits, licenses or registrations relating to the Company's or its co-manufacturers' operations could subject the Company to civil remedies or penalties, including fines, injunctions, recalls or seizures, warning letters, restrictions on the marketing or manufacturing of products, or refusals to permit the import or export of products, as well as potential criminal sanctions, which could result in increased operating costs resulting in a material effect on the Company's operating results and business.

Changes in existing laws or regulations, or the adoption of new laws or regulations may increase the Company's costs and otherwise adversely affect the Company's business, results of operations and financial condition.

The manufacture and marketing of food products is highly regulated. The Company and its suppliers and co-manufacturers will be subject to a variety of laws and regulations. These laws and regulations apply to many aspects of the Company's business, including the manufacture, packaging, labeling, distribution, advertising, sale, quality and safety of its products, as well as the health and safety of its employees and the protection of the environment.

The regulatory environment in which the Company expects to operate could change significantly and adversely in the future. Any change in manufacturing, labeling or packaging requirements for the Company's products may lead to an increase in costs or interruptions in production, either of which could adversely affect its operations and financial condition. New or revised government laws and regulations could result in additional compliance costs and, in the event of non-compliance, civil remedies, including fines, injunctions, withdrawals, recalls or seizures and confiscations, as well as potential criminal sanctions, any of which may adversely affect the Company's business, results of operations and financial condition.

Requirement for Licenses Which Have Not Been Obtained and Licensing Risks

The Company's ability to sell products as NHPs in Canada will be dependent on the Company receiving its required licenses under the *Natural and Non-Prescription Health Products Directorate*, including the NPNs. None of the Company's planned products have received the required NPNs and there is a risk that its products may never obtain NPNs or that the Company will not obtain the NPNs on the timeline anticipated by the Company. The timing and success of an applicant under the *Natural and Non-Prescription Health Products Directorate* at the various steps in the authorization process is beyond the Company's control and is in the sole discretion of Health Canada. If the



Company is able to obtain the NPNs, failure to comply with the requirements of any of the NPNs could have a material adverse impact on the business, financial condition and operating results of the Company. If the Company is unable to obtain the NPNs, it could have a material adverse impact on the business, financial condition and operating ability of the Company in Canada.

Government Regulation

The processing, manufacturing, packaging, labeling, advertising, and distribution of the Company's planned products is subject to regulation by one or more governmental authorities, and various agencies of the federal, provincial, state and localities in which the Company's products are sold. These government authorities will regulate any of the Company's products that fall within their jurisdiction. Such governmental authorities may determine that a particular product or product ingredient presents an unacceptable health risk and may determine that a particular statement of nutritional support that the Company wants to use is an unacceptable claim. Such a determination would prevent the Company from marketing particular products or using certain statements of nutritional support on its products. The Company also may be unable to disseminate third-party literature that supports its products if the third-party literature fails to satisfy certain requirements.

In addition, government authorities could require the Company to remove a particular product from the market. Any recall or removal would result in additional costs to the Company, including lost revenues from any products that the Company is required to remove from the market, any of which could be material. Any such product recalls or removals could lead to liability, substantial costs and reduced growth prospects, all of which could be material.

Regulations and oversight by Health Canada, the FDA, or other governmental authorities may adversely affect the Company's business

Other risks within industry are related to laws and regulations enforced by governmental authorities, such as Health Canada, the FDA, the FTC, the U.S. Department of Agriculture ("USDA"), Consumer Product Safety Commission ("CPSC"), the Environmental Protection Agency ("EPA") and various other federal, state and local authorities that regulate the Company's operations. No assurances can be made that any ruling from a governmental authority, court or other entity will not ban the use of any product or ingredient, or the Company's participation in the market.

Regulations and oversight by Health Canada and the FDA or other governmental authorities may adversely affect the Company's business. The Company will be subject to regulations and oversight implemented by Health Canada and the FDA and other governmental authorities which may materially affect the Company's ability to conduct business, including, but not limited to, limiting the number or types of ingredients and products the Company is able to produce. Further, the oversight from the FDA or other governmental authorities may increase the costs associated with the Company's products, operations, and business, which would adversely affect the Company's shareholders.

Compliance with Regulations in Canada and the United States

The processing, formulation, safety, manufacturing, packaging, labeling, advertising and distribution of the Company's products and the business activities of the Company will be subject to both Canadian and U.S. federal laws and regulations by one or more agencies. The Company will also be regulated by various U.S. state and Canadian provincial laws and regulations as well as and local laws and regulations for each jurisdiction, as well as agencies of the state, provincial and local units of government in which the Company's products are sold. These laws and regulations may prevent or delay the introduction, or require the reformulation or recall, of the Company's products, which could result in lost revenues and increased costs to the Company. For instance, the FDA and Health Canada regulate, among other things, the composition, safety, manufacture, labeling and marketing of dietary ingredients and dietary supplements (including vitamins, minerals, herbs, and other dietary ingredients for human use) in the U.S. and Canada respectively. Dietary supplements and dietary ingredients that do not comply with FDA or Health Canada laws and regulations, can be deemed adulterated or misbranded. Manufacturers and distributors of dietary



supplements and dietary ingredients are prohibited from marketing products that are adulterated or misbranded, and the FDA, Health Canada or other governmental entities may take enforcement action against any adulterated or misbranded dietary supplement on the market. If the Company violates applicable regulatory requirements, the Company may face enforcement actions by the U.S or Canada regulatory bodies, which could have a material adverse effect on the Company's business, prospects, financial condition, and results of operations.

The FDA or Health Canada may determine that a particular dietary supplement or ingredient presents an unacceptable health risk based on the required submission of serious adverse events or other information, or may determine that a particular claim or statement of nutritional value that the Company proposes to use to support the marketing of a dietary supplement is an impermissible drug claim, is not substantiated, or is an unauthorized version of a health claim which the Company is not allowed to make. Any of these actions could prevent the Company from marketing particular dietary supplement products or making certain claims or statements with respect to its products. The FDA or Health Canada could also require the Company to recall, withdraw or remove a particular product from the market. Any recall, withdrawal or removal would result in additional costs to the Company, including lost revenues from any products that the Company is required to remove from the market, any of which could be material. Any product recalls, withdrawals or removals could also lead to an increased risk of litigation and liability, substantial costs, and reduced growth prospects.

Various regulatory bodies in Canada and the U.S. exercise jurisdiction over the advertising of dietary supplements and can institute numerous enforcement actions against dietary supplement companies for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. Failure by the Company to comply with applicable regulations could result in substantial monetary penalties and could have a material adverse effect on the Company's financial condition or results of operations.

All NHPs are required to have an eight-digit natural product number ("NPN") which is a license issued by Health Canada that must appear on each product's label before they can be sold in Canada. The Company's initial two product formulations do not include vitamins, adaptogens or other nutraceutical ingredients therefore will not require NPNs. Authorizations for additional product launches will be required if the Company is to make specific health claims and there is no guarantee that the Company will obtain these authorizations. The Company's products cannot be sold in Canada without an NPN.

All Canadian manufacturers, packagers, labellers, and importers of natural health products must follow Good Manufacturing Practices to obtain site licenses. Sites must ensure adherence to Good Manufacturing Practices and maintain proper distribution records, have proper procedures for product recalls and for the handling, storage and delivery of their products, and demonstrate that they meet good manufacturing practice requirements as outlined by Health Canada.

Good Manufacturing Practices ensure proper standards and practices for the testing, manufacture, storage, handling and distribution of natural health products are met. Good Manufacturing Practices for NHPs cover: product specifications, premises, equipment, personnel, sanitation program, operations, quality assurance, stability, records, sterile products, lot or batch samples, and recall reporting.

Future Regulations in Canada and the United States

From time to time, Canadian or U.S. federal, state, provincial or local legislative and governmental authorities may impose additional or more stringent laws or regulations that could apply to the Company, business and products, repeal laws or regulations that the Company considers favorable to it or impose more stringent interpretations of current laws or regulations. The Company is not able to predict the nature of such future laws, regulations, repeals or interpretations or to predict the effect that additional governmental regulation, when and if it occurs, would have on the Company's future business. Those developments could prohibit the sale and marketing of ingredients and



products or require reformulation of products to meet new standards, recalls or discontinuance of products (including products that the Company expects to sell). Further, the Company may be subject to requirements for reformulation, labeling, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling, additional scientific substantiation, quality control requirements, adverse event reporting or other requirements. Any developments of this nature could increase the Company's costs significantly and could have a material adverse effect on its business, financial condition and results of operations.

Unfavorable publicity or consumer perception of the Company's products could have a material adverse effect on its reputation, which could result in decreased sales and significant fluctuations in its business, financial condition and results of operations

The Company may depend significantly on consumer perception regarding the safety and quality of its products. Consumer perception of products can be significantly influenced by adverse publicity in the form of published scientific research, media attention, social media, or other publicity, accurate or not, that associates consumption of the Company's products or any other similar products with illness or other adverse effects, questions the benefits of the Company's or similar products, or claims that any such products are ineffective. A new product may initially be received favorably, resulting in high sales of that product, but that sales level may not be sustainable as consumer preferences change. Future scientific research or publicity could be unfavorable to the Company's industry or any of its products and may not be consistent with earlier favorable research or publicity. Unfavorable research or publicity could have a material adverse effect on the Company's ability to generate sales. Should the Company engage in the sale of dietary supplement products, the products will not be drug products and will not be able to be used to diagnose, treat, cure or prevent any disease, and the Company may be subject to legal and regulatory actions if its products are classified as drug or food products with respect to the marketing and sale of such products.

Product recalls, withdrawals or seizures, which could materially and adversely affect the Company's business, financial condition and results of operations

The Company may be subject to product recalls, withdrawals or seizures if any of the products it expects to sell are believed to cause injury or illness or if the Company is alleged to have violated governmental regulations in the manufacturing, labeling, promotion, sale or distribution of those products. A significant recall, withdrawal or seizure of any of the products the Company manufactures or sells may require significant Board attention, would likely result in substantial and unexpected costs and may materially and adversely affect the Company's business, financial condition or results of operations. Furthermore, a recall, withdrawal or seizure of any of the Company's products may adversely affect consumer confidence in its brands and thus decrease consumer demand for its products. As is common in the dietary supplement industry, the Company expects to rely on contract manufacturers and suppliers to ensure that the products they manufacture and sell to the Company comply with all applicable regulatory and legislative requirements. In general, the Company will seek representations and warranties, indemnification and/or insurance from contract manufacturers and suppliers. However, even with adequate insurance and indemnification, any claims of non-compliance could significantly damage the Company's reputation and consumer confidence in its products. In addition, the failure of those products to comply with applicable regulatory and legislative requirements could prevent the Company from marketing the products or require it to recall or remove such products from the market, which in certain cases could materially and adversely affect the Company's business, financial condition and results of operations.

Third Party Suppliers

The Company does not currently have the infrastructure or capability internally to process and manufacture its low sugar plant-based gummy products. The Company relies on third-parties to process and manufacture all products. The Company currently relies on the Manufacturing Partner to obtain all the products required for the Company's products. Any replacement of the Manufacturing Partner could require significant effort, as the Company may not be able to secure supplies from other manufacturers on a timely basis or on reasonable commercial terms. The



Manufacturing Partner may be subject to damage or interruption from, among other things, fire, natural or man-made disaster, disease outbreaks or public health pandemics, power loss, telecommunications or internet failure, unauthorized entry, computer viruses, denial-of service attacks, acts of terrorism, human error, vandalism or sabotage, financial insolvency, bankruptcy and similar events. The extent to which COVID-19 may affect the Company's ability to obtain raw ingredients is uncertain and cannot be predicted.

Success of Products is Dependent on Public Taste

The ability of the Company to earn revenues will be substantially dependent on the success of its products, which depends upon, among other matters, pronounced and rapidly changing public tastes, factors which are difficult to predict and over which the Company has little, if any, control. A significant shift in consumer demand away from the Company's products or its failure to expand its current market position will harm its business. Consumer trends change based on several possible factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is a growing movement among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, and this could result in a decrease in the demand for food products and ingredients that the Company may import from abroad. These changes could lead to, among other things, reduced demand and price decreases, which could have a material adverse effect on the Company's business.

Limited Number of Products

The Company's business is focused on the production and distribution of two low sugar plant-based gummy products. If such products do not achieve sufficient market acceptance, it will be difficult for the Company to achieve profitability. The Company's revenues are expected to derive almost exclusively from sales of these two low sugar plant-based gummy products, and the Company expects that its two low sugar plant-based gummy products will account for substantially all of its revenue for the foreseeable future.

Development of New Products

The Company's success is expected to depend, in part, on its ability to develop, introduce and market new and innovative products. If there is a shift in consumer demand, the Company must meet such demand through new and innovative products or else its business will fail. The Company's ability to develop, market and produce new products is subject to it having substantial capital. There is no assurance that the Company will be able to develop new and innovative products or have the capital necessary to develop such products.

Supply and demand risk

If the Company fails to effectively launch or develop its products and maintain an adequate supply of products supplied by the Manufacturing Partner to meet the demand for those products, its business and operating results and its brand reputation could be harmed. If the Company does not have sufficient supply to meet customers' demands and to satisfy increased demand, it will need to expand operations, supply and the capacity of its Manufacturing Partner, or establish agreements with new manufacturers. There is a risk in the Company's manufactures will not have the ability to effectively scale production processes and effectively manage supply chain requirements. The Company must accurately forecast demand for products in order to ensure it has adequate available manufacturing capacity. The Company's forecasts are based on multiple assumptions which may cause



estimates to be inaccurate and affect its ability to obtain adequate manufacturing capacity in order to meet the demand for products, which could prevent it from meeting increased customer demand and harm the Company's brand and its business and in some cases may result in fines the Company must pay customers or distributors if it is unable to fulfill orders placed by them in a timely manner or at all.

However, if the Company overestimates its demand and over contracts capacity, it may have significantly underutilized assets and may experience reduced margins. If the Company does not accurately align manufacturing capacity with demand, if it experience disruptions or delays in its supply chain, or if its manufactures cannot obtain raw materials of sufficient quantity and quality at reasonable prices and in a timely manner, the Company's business, financial condition and results of operations may be materially adversely affected.

Reliance on third-party suppliers

Because the Company currently relies on one of third-party supplier, the Manufacturing Partner for production, it may not be able to obtain finished products in sufficient quantities to meet the demand for said products due to the Manufacturing Partner being unable to obtain materials on a timely basis. The Company's financial performance depends in large part on its ability of its Manufacturing Partner to arrange for the purchase of materials in sufficient quantities at competitive prices. The Company is not assured of third-party suppliers' ability obtain a continuous supply of, or acceptable pricing for materials. The Manufacturing Partner could discontinue or seek to alter its relationship with the Company.

Should the Company engage a third-party warehouse and logistics provider the Company will not be considered financially dependent on this supplier as there are numerous providers which could be easily substituted. There may however be instances where upon transition to a new third-party warehouse and logistics provider that additional costs are incurred, and sales are delayed until the transition is complete. In these instances, the Company will seek to maintain parallel operations at two warehouses until the transition is complete so as to prevent any delays to shipments.

Events that adversely affect the Manufacturing Partner's access to materials could impair the Company's ability to obtain products in the quantities that it desires. Such events could include problems with the Manufacturing Partner's businesses, finances, labor relations, ability to import materials, costs, production, insurance and reputation, as well as natural disasters, fires or other catastrophic occurrences.

If the Company needs to replace the Manufacturing Partner, there can be no assurance that supplies of materials will be available when required on acceptable terms, or at all, or that a new supplier would allocate sufficient capacity to the Company to meet its requirements, fill its orders in a timely manner or meet its strict quality standards. If the Company is unable to manage its product supply chain effectively and ensure that its products are available to meet consumer demand, its operating costs could increase, and its profit margins could decrease. This could also have a significant impact on the Company's capacity to complete certain of its future product and development projects and, accordingly, would negatively affect its projected commercial and financial growth. Any significant increase in the price of materials that cannot be passed on to the customers could have a material adverse effect on the Company's results of operations or financial condition.

Supplier compliance with food safety regulations

Failure by the Manufacturing Partner to comply with food safety, environmental or other laws and regulations, or with the specifications and requirements of its products, may disrupt its supply of products and adversely affect its business.

If the Manufacturing Partner fails to comply with food safety, environmental or other laws and regulations, or face allegations of non-compliance, the Company's operations may be disrupted. In the event of actual or alleged non-



compliance, the Company might be forced to find an alternative supplier or partner and it may be subject to lawsuits related to such non-compliance. As a result, the Company's supply of finished inventory could be disrupted or its costs could increase, which would adversely affect its business, results of operations and financial condition. Additionally, actions the Company may take to mitigate the impact of any disruption or potential disruption in its supply of finished inventory, including increasing inventory in anticipation of a potential supply or production interruption, may adversely affect its business, results of operations and financial condition.

In accordance with the Supply agreement, the Company has been granted the right to periodically access the Manufacturing Partner's facility to review operations and ensure adherence to food safety, environmental, and other laws and regulations. The Company's internal management will periodically conduct site visits accompanied by third party accredited food safety consultants.

Food safety and food-borne illness incidents or advertising or product mislabeling may materially adversely affect the Company's business by exposing it to lawsuits, product recalls or regulatory enforcement actions, increasing its operating costs and reducing demand for its product offerings.

Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding food safety. Unexpected side effects, illness, injury or death related to allergens, food-borne illnesses or other food safety incidents caused by products the Company expects to sell, or involving its suppliers, could result in the discontinuance of sales of these products or relationships with such suppliers, or otherwise result in increased operating costs, regulatory enforcement actions or harm to the Company's reputation. Shipment of adulterated or misbranded products, even if inadvertent, can result in criminal or civil liability. Such incidents could also expose the Company to product liability, negligence or other lawsuits, including consumer class action lawsuits. Any claims brought against the Company may exceed or be outside the scope of its existing or future insurance policy coverage or limits. The Company has applied for general liability insurance coverage in Canada and does not foresee any impediments to obtaining coverage on reasonable terms. The Company will not commence the sale of product until satisfactory insurance coverage is put in place. In accordance with the Supply Agreement the Manufacturing Partner is required to have commercial general liability insurance coverage of a minimum \$1,000,000 per occurrence with and excess liability (umbrella) policy with a minimum limit of \$10,000,000. Any judgment against the Company that is more than its policy limits or not covered by its policies or not subject to insurance would have to be paid from cash reserves, which would reduce the Company's capital resources.

Logistics providers

Failure by the Company's proposed third-party logistics provider(s) to deliver products on time, or at all, could result in lost sales. The Company expects to rely upon third-party logistics providers for a significant portion of product shipments. Utilization of delivery services for shipments is subject to risks, including increases in fuel prices, which would increase its shipping costs, and employee strikes and inclement weather, which may impact the ability of providers to provide delivery services that adequately meet shipping needs. The Company expects to periodically change shipping companies and could face logistical difficulties that could adversely affect deliveries. In addition, the Company could incur costs and expend resources in connection with such change. Moreover, the Company may not be able to obtain terms as favorable as those it receives from the third-party transportation providers that it previously used, which in turn would increase costs and thereby adversely affect operating results.

The Company will depend on fast and efficient third-party logistics services to distribute its products. Any prolonged disruption of third-party logistics services could have a material adverse effect on the Company's business, financial condition and results of operations. Rising costs associated with third party transportation services used by the Company to ship products may also adversely impact the Company's business, financial condition and results of operations.



Damage to the Company's reputation

The Company's brand and reputation may be diminished due to real or perceived quality or health issues with its products, which could have an adverse effect on the business, reputation, operating results and financial condition.

Real or perceived quality or food safety concerns or failures to comply with applicable food regulations and requirements, whether or not ultimately based on fact and whether or not involving the Company (such as incidents involving competitors), could cause negative publicity and reduced confidence in the Company, brand or products, which could in turn harm the Company's reputation and sales, and could materially adversely affect its business, financial condition and operating results. Although the Company believes that it will have developed a rigorous quality control process, there can be no assurance that the Company's products will always comply with the standards set by the Company. For example, although the Company strives to keep its products free of pathogenic organisms, they may not be easily detected, and cross-contamination can occur. There is no assurance that health risks will always be pre-empted by the Company's quality control processes.

In accordance with the Supply agreement, the Company has been granted the right to periodically access the Manufacturing Partner's facility to review operations and ensure adherence to food safety, environmental, and other laws, and regulations. The Company's internal management will periodically conduct site visits accompanied by third party accredited food safety consultants.

The Company will have no control over its products once purchased by consumers. Accordingly, consumers may store products for long periods of time, which may adversely affect the quality and safety of the Company's products. If consumers do not perceive the Company's products to be safe or of high quality, then the value of the Company's brand would be diminished, and its business, results of operations and financial condition would be adversely affected.

Any loss of confidence on the part of consumers in the ingredients used in the Company's products or in the safety and quality of its products would be difficult and costly to overcome. Any such adverse effect could be exacerbated by the Company's expected position in the market as a purveyor of high-quality confectionary products and may significantly reduce its brand value. Issues regarding the safety of any of the Company's products, regardless of the cause, may have a substantial and adverse effect on its brand, reputation and operating results.

The growing use of social and digital media by the Company, its consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about the Company, its brands or its products on social or digital media could seriously damage those brands and reputation. If the Company does not maintain the favorable perception of its brands, sales and profits could be negatively impacted.

Maintaining the brand

If the Company fails to develop and maintain its brand, business could suffer. Maintaining, promoting and positioning the Company's brand and reputation will depend on, among other factors, the success of its plant-based and low-sugar product offerings, food safety, quality assurance, marketing and merchandising efforts and its ability to provide a consistent, high-quality customer experience, which the Company may not do successfully. The Company may introduce new products or services that customers do not like, which may negatively affect its brand and reputation. Any negative publicity, regardless of its accuracy, could materially adversely affect the business. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of customers, suppliers or co-



manufacturers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of the Company's brand and significantly damage its business.

Food safety and illness incidents

Food safety and food-borne illness incidents or advertising or product mislabeling may materially adversely affect the Company's business by exposing it to lawsuits, product recalls or regulatory enforcement actions, increasing its operating costs and reducing demand for its product offerings.

Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding food safety. Unexpected side effects, illness, injury or death related to allergens, food-borne illnesses or other food safety incidents caused by products the Company expects to sell, or involving its suppliers, could result in the discontinuance of sales of these products or relationships with such suppliers, or otherwise result in increased operating costs, regulatory enforcement actions or harm to the Company's reputation. Shipment of adulterated or misbranded products, even if inadvertent, can result in criminal or civil liability. Such incidents could also expose the Company to product liability, negligence, or other lawsuits, including consumer class action lawsuits. Any claims brought against the Company may exceed or be outside the scope of its existing or future insurance policy coverage or limits. The Company has applied for general liability insurance coverage in Canada and does not foresee any impediments to obtaining coverage on reasonable terms. The Company will not commence the sale of product until satisfactory insurance coverage is put in place. In accordance with the Supply Agreement the Manufacturing Partner is required to have commercial general liability insurance coverage of a minimum \$1,000,000 per occurrence with and excess liability (umbrella) policy with a minimum limit of \$10,000,000. Any judgment against the Company that is more than its policy limits or not covered by its policies or not subject to insurance would have to be paid from cash reserves, which would reduce the Company's capital resources.

The occurrence of food-borne illnesses or other food safety incidents could also adversely affect the price and availability of affected ingredients, resulting in higher costs, disruptions in supply and a reduction in sales. Furthermore, any instances of food contamination or regulatory noncompliance, whether caused by the Company's actions, could compel it, suppliers, distributors, or customers, depending on the circumstances, to conduct a recall. Food recalls could result in significant losses due to their costs, the destruction of product inventory, lost sales due to the unavailability of the product for a period and potential loss of existing distributors or customers and a potential negative impact on the Company's ability to attract new customers due to negative consumer experiences or because of an adverse impact on its brand and reputation. The costs of a recall could exceed or be outside the scope of its existing or future insurance policy coverage or limits.

Company gummies

Sales of the Company gummies are expected to contribute a significant portion of the Company's revenue. A reduction in sales of the Company gummies would have an adverse effect on the Company's financial condition.

The Company expects its gummy products to account for 90% of its gross revenue with the remaining 10% of revenue to be derived from the sale of branded apparel. Branded Gummies are the Company's flagship products and are the focal point of development and marketing efforts (See "Marketing" Section for further details on the current and future marketing activities), and its sales will constitute a significant portion of the Company's revenues, income and cash flow for the foreseeable future. The Company cannot be certain that the Manufacturing Partner will have sufficient manufacturing capacity to meet the Company's future demand requirements should the Company's products be widely adopted by customers. To the extent that the Manufacturing Partner is unable to meet the scale of manufacturing required to meet the Company's needs, the Company will seek to locate other Manufacturing Partners with available manufacturing capacity. The Company will maintain regular communication with the



Manufacturing Partner to ensure satisfactory manufacturing capacity is available to meet the Company's internal demand forecasts for a period of 12 months.

Supply disruptions that may occur due to inaccurate demand planning by the Company or capacity constraints imposed by the Manufacturing Partner may adversely affect sales of the Company's products and could have a material adverse effect on business, financial condition and results of operations.

Product innovation and development

Failure to introduce new products or successfully improve existing products may adversely affect the Company's ability to continue to grow. The success of the Company's innovation and product development efforts is affected by its ability to anticipate changes in customer and consumer preferences, the technical capability of innovation staff in developing and testing products, including complying with applicable governmental regulations, and the success of the Board and the sales and marketing teams in introducing and marketing new products and services. Failure to develop and market new products and services that appeal to customers and consumers may lead to a decrease in growth, sales and profitability. Additionally, the development and introduction of new products requires substantial research, development and marketing expenditures, which the Company may be unable to recoup if the new products do not gain widespread market acceptance. If the Company is unsuccessful in meeting its objectives with respect to new or improved products, business could be harmed. The Company will seek to engage external food science consultants to enable the execution of the Company's product innovation and development activities.

Changing consumer preferences

Consumer preferences for food and snacking products change continually. The Company's success will depend on its ability to predict, identify and interpret the tastes, dietary habits, packaging, sales channel and other preferences of consumers and to offer products that appeal to these preferences in the places and ways consumers want to shop. There may be further shifts in the relative size of shopping channels in addition to the increasing role of e-commerce for consumers. The Company's success will rely upon managing this complexity to promote and bring its products to consumers effectively. Moreover, weak economic conditions, recession, equity market volatility or other factors, such as severe or unusual weather events, can affect consumer preferences and demand. Failure to offer products that appeal to consumers or to correctly judge consumer demand for the Company's products will impact the Company's ability to meet its growth targets and sales.

The Company must distinguish between short-term fads and trends and long-term changes in consumer preferences. If the Company does not accurately predict which shifts in consumer preferences or category trends will be long-term or fail to introduce new and improved products to satisfy changing preferences, the Company's sales could be adversely affected. Failure to expand the Company's gummy product offerings successfully across product categories, rapidly develop products in faster growing and more profitable categories or reach consumers in efficient and effective ways leveraging data and analytics could cause demand for the Company's products to decrease. The Company's initial product launch included low sugar, vegan gummies which are high in fiber. Should consumer preferences change or a more popular substitute good be invented, the shift in consumer sentiment may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's business is focused on the development, manufacture, marketing and distribution of a line of low-sugar gummy bears made from plant-based and natural ingredients. Consumer demand could change based on a number of possible factors, including dietary habits and nutritional values, concerns regarding the health effects of ingredients and shifts in preference for various product attributes. If consumer demand for products decreased, the Company's business and financial condition would suffer. In addition, sales of low-sugar, plant-based and natural-ingredient products are subject to evolving consumer preferences that the Company may not be able to accurately predict or respond to. Consumer trends that the Company believes flavour sales of its products could change based on a number of possible factors, including economic factors and social trends. A significant shift in consumer demand



away from the Company's products could reduce its sales or market share and the prestige of its brand, which would harm the business and financial condition.

Ingredient risk

The Company's profitability will be dependent on, among other things, its ability to anticipate and react to raw material and food costs which may be passed on to the Company by the Manufacturing Partner. Currently, the main ingredient in the Company's products is Non-GMO Soluble Corn Fiber, Stevia Leaf Extract, Pectin, Natural Fruit Flavour, Malic Acid, Citric Acid, Fruit and Vegetable Juice, Modified Potato Starch, Chicory Root Fiber, which it sources from soluble corn/tapioca fiber - SMI, stevia - Wisdom, natural flavors - Gold Coast/Flavorchem/Phoenix Aromas, modified potato starch - Solnul, pectin - Cargill, coconut oil - Bioriginal, carnauba wax - Jedwards International, citric/malic acid - Batory, beet juice powder - PowderPure. The prices of Non-GMO Soluble Corn Fiber, Stevia Leaf Extract, Pectin, Natural Fruit Flavour, Malic Acid, Citric Acid, Fruit and Vegetable Juice, Modified Potato Starch, Chicory Root Fiber and the other ingredients the Company uses are subject to many factors beyond its control, such as the number and size of suppliers for Non-GMO Soluble Corn Fiber, Stevia Leaf Extract, Pectin, Natural Fruit Flavour, Malic Acid, Citric Acid, Fruit and Vegetable Juice, Modified Potato Starch, Chicory Root Fiber, the vagaries of these supplier businesses, including changes in national and world economic conditions. In addition, the Manufacturing Partner may purchase some ingredients and other materials outside Canada, and the price and availability of such ingredients and materials may be affected by political events or other conditions in these countries or tariffs or trade wars.

Ingredient and packaging costs

Ingredient and packaging costs are volatile and may rise significantly, which may negatively impact the profitability of the business. The Company expects to purchase large quantities of raw materials, including ingredients derived from Non-GMO Soluble Corn Fiber, Stevia Leaf Extract, Pectin, Natural Fruit Flavour, Malic Acid, Citric Acid, Fruit and Vegetable Juice, Modified Potato Starch, Chicory Root Fiber. In addition, the Company expects to purchase and use significant quantities of packaging materials for its products. Costs of ingredients and packaging are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, weather conditions, consumer demand and changes in governmental trade and agricultural programs. Volatility in the prices of raw materials and other supplies the Company purchases could increase its cost of sales and reduce its profitability. Moreover, the Company may not be able to implement price increases for its products to cover any increased costs, and any price increases it does implement may result in lower sales volumes. If the Company is not successful in managing its ingredient and packaging costs, if it is unable to increase its prices to cover increased costs or if such price increases reduce sales volumes, then such increases in costs will adversely affect its business, results of operations and financial condition.

Health concerns

The Company could be adversely affected if consumers lose confidence in the safety and quality of its supplied food products. All the Company's manufacturing partners are required to comply with applicable product safety laws and the Company is dependent upon them to ensure such compliance. Adverse publicity about these types of concerns, whether valid or not, may discourage consumers from buying the products the Company offers, or cause production and delivery disruptions. The real or perceived sale of bad food products by the Company could result in product liability claims against the Company's manufacturing partners or the Company, expose the Company or its manufacturing partners to governmental enforcement action or private litigation, or lead to costly recalls and a loss of consumer confidence, any of which could have an adverse effect on the Company's business, financial condition, and results of operations.

In accordance with the Supply agreement, the Company has been granted the right to periodically access the Manufacturing Partner's facility to review operations and ensure adherence to food safety, environmental, and



other laws and regulations. The Company's internal management will periodically conduct site visits accompanied by third party accredited food safety consultants.

Product returns or refunds

The Company expects to offer refunds or allows its customers to return products or offer refunds, subject to the Company return and refunds policy. If product returns or refunds are significant or higher than anticipated and forecasted, the Company's business, financial condition, and results of operations could be adversely affected. Further, if the Company modifies its policies relating to returns or refunds from time to time, which it may do so in the future, which may result in customer dissatisfaction and harm to the Company's reputation or brand, or an increase in the number of product returns or the amount of refunds the Company makes. The Company will adopt policies which follow industry best practices and make them available on the Company's consumer facing website, www.shopgummies.com.

The Company may enter into agreements with its trade partners that provide a right to return unsold products. Due to the limited shelf life, the Company may need to destroy the products because they cannot be sold anymore. This right will reduce the income due to the Company for the destroyed products, which will have a negative impact on its earnings.

Product approvals

The Company may require advance approval of its products from federal, provincial, state and/or local authorities. While the Company intends to follow the guidelines and regulations of each applicable federal, provincial, state and/or local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any federal, provincial, state and/or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Company's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product liability

As a 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 food products involves 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 food 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 products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

Because the Company's products are not irradiated or chemically treated, they are perishable and contain certain naturally occurring microorganisms. The Company may receive complaints from consumers regarding ill effects allegedly caused by the Company's products.

Product liability claims 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.

Claims related to product assertions



The Company's products are sold as healthy, low-sugar products containing substantial amounts of various natural ingredients. The Company will make various other assertions about its products, such as plant-based, made with natural ingredients, no artificial colours, no artificial sweeteners and no sugar alcohols. Consumers and other consumer groups often challenge these types of claims. The law in the area of what is natural and other aspects of marketing the Company's products is not settled and, in most cases, not statutory. Therefore, the Company may be subject to various claims about its advertising and its products from time to time, which may cause the Company to pay monetary damages, change the Company's advertising or change the Company's products. Any of these actions may result in adverse consequences to the Company's operations, its product placement and results of operations.

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 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 also lose a significant 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 Board attention. Although the Company will have 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 products were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products and could have a material adverse effect on the results of operations and financial condition of the Company.

In accordance with the Supply Agreement the Manufacturing Partner is responsible for conducting lab testing on each production run and will issue to the Company, a Certificate of Analysis documenting conformance with the applicable Specifications for each production run of the Company's product.

Staffing and management

Failure to attract and retain Board and key personnel may adversely affect the Company's operations. Its success is substantially dependent on the continued service of certain senior management. These executives have been primarily responsible for determining the strategic direction of the business and for executing the growth strategy and will be integral to the brand, culture and the reputation the Company enjoys with prospective suppliers, distributors, customers and consumers. The loss of the services of any of these executives could have a material adverse effect on the business and prospects, as the Company may not be able to find suitable individuals to replace them on a timely basis, if at all. In addition, any such departure could be viewed in a negative light by investors and analysts, which may cause the price of the Company's common stock to decline.

If the Company is unable to attract, train and retain employees, including key personnel, it may not be able to grow or successfully operate its business. The Company's success will depend in part upon its ability to attract, train and retain a sufficient number of employees who understand and appreciate its culture and can represent its brand effectively and establish credibility with its business partners and consumers. If the Company is unable to hire and retain employees capable of meeting its business needs and expectations, its business and brand image may be impaired. Any failure to meet the Company's staffing needs or any material increase in turnover rates of employees may adversely affect the business, results of operations and financial condition.

Conflicts of interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its directors and executive officers are engaged in a range of business activities. In addition, the Company's directors and



executive officers may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company and subject to any contractual restrictions restricting such activities. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with business interests that interfere with their ability to devote time to the Company's business and affairs, which could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

The Company's directors and officers serve as directors or officers of other company's and may have significant shareholdings in other company's and, to the extent that such other companies may participate in a venture in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. See "Directors and Officers - Conflicts of Interest" for a full discussion of potential conflicts of interests and the remedies offered to deal with such conflicts of interest.

Information technology

The Company will rely on information technology systems and any inadequacy, failure, interruption or security breaches of those systems may harm its ability to effectively operate the business. The Company is dependent on various information technology systems, including, but not limited to, networks, applications and outsourced services in connection with the operation of the business. A failure of the Company's information technology systems to perform as it anticipates could disrupt the business and result in transaction errors, processing inefficiencies and loss of sales, causing the business to suffer. In addition, the Company's information technology systems may be vulnerable to damage or interruption from circumstances beyond its control, including fire, natural disasters, systems failures, viruses and security breaches. Any such damage or interruption could have a material adverse effect on the business.

Cybersecurity incidents and technological disruptions

A cybersecurity incident or other technology disruptions could negatively impact the business and relationships with customers. The Company uses computers in substantially all aspects of business operations. It also uses mobile devices, social networking, cloud services and other online activities to connect with employees, suppliers, partners, distributors, customers and consumers. Such uses give rise to cybersecurity risks, including security breaches, espionage, system disruption, theft and inadvertent release of information.

Personal information

The Company will store personal information, debit card information, credit card information, banking information, financial information and other confidential information of its partners, customers and consumers with whom the Company has a direct relationship. The unauthorized release, unauthorized access or compromise of this information could have a material adverse effect on the Company's business, financial condition and results of operations. Even if such a data breach did not arise out of the Company's actions or inactions, or if it were to affect one or more of the Company's competitors or customers' competitors, rather than the Company itself, the Company's business, financial condition, and results of operations may be materially and adversely affected.

The Company is also subject to federal, provincial, state and foreign laws regarding cybersecurity and the protection of data. The Company's failure to comply with legal or contractual requirements around the security of personal information could lead to significant fines and penalties imposed by regulators, as well as claims by the Company's customers, their buyers, or other relevant stakeholders. These proceedings or violations could force the Company to spend money in defense or settlement of these proceedings, result in the imposition of monetary liability or injunctive relief, divert the Board's time and attention, increase the Company's costs of doing business, and materially and adversely affect the Company's reputation and the demand for its solutions.



In addition, various federal, provincial and state legislative and regulatory bodies, or self-regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection, consumer protection, and advertising. Each of these privacy, security, and data protection laws and regulations, and any other such changes or new laws or regulations, could impose significant limitations, require changes to the Company's business, or restrict the Company's use or storage of personal information, which may increase the Company's compliance expenses and make the Company's business more costly or less efficient to conduct. In addition, any such changes could compromise the Company's ability to develop an adequate marketing strategy and pursue the Company's growth strategy effectively, which, in turn, could adversely affect the Company's business, financial condition, and results of operations.

Intellectual property protection

The Company may not be able to protect its intellectual property adequately, which may harm the value of its brand. The Company believes that its intellectual property has substantial value and will contribute significantly to the success of the business. The Company believes its trademarks are valuable assets that will reinforce its brand and consumers' favorable perception of its products. The Company may rely on unpatented proprietary expertise, recipes and formulations and other trade secrets and copyright protection to develop and maintain its competitive position. The Company's success may depend to a significant degree, upon its ability to protect and preserve any intellectual property, as applicable, including its trademarks, trade secrets and copyrights. The Company may rely on confidentiality agreements and trademark, trade secret and copyright law to protect its intellectual property rights.

The Company may enter into confidentiality agreements with future employees and consultants, contract employees, suppliers and independent contractors who will use its formulations to manufacture its products and generally require that all information made known to them be kept strictly confidential. Nevertheless, trade secrets are difficult to protect. Although the Company may attempt to protect its trade secrets, its confidentiality agreements may not effectively prevent disclosure of proprietary information and may not provide an adequate remedy in the event of unauthorized disclosure of such information.

The Company cannot ensure that any steps taken to protect any intellectual property rights will be adequate, that any intellectual property rights can be successfully defended and asserted in the future or that third parties will not infringe upon or misappropriate any such rights. In addition, the Company's trademark rights, and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect trademark rights could prevent the Company in the future from challenging third parties who use names and logos similar to its trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of the brand and products. In addition, if the Company does not keep any trade secrets confidential, others may produce products with the Company's recipes or formulations. Moreover, if they arise, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for the Board and significant expense, which may not be recoverable regardless of whether it is successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject the Company to liabilities, force it to cease use of certain trademarks or other intellectual property or force it to enter into licenses with others. Any one of these occurrences may have a material adverse effect on the business, results of operations and financial condition.

Expansion efforts may not be successful

There is no guarantee that the Company's intentions to grow its business will be successful. Any such activities may require, among other things, various regulatory approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all.

In addition to being subject to general business and regulatory risks, any business that produces, distributes and/or sells a food product will need to build brand awareness in the industry and market through significant investments



in strategy, distribution channels, quality assurance and regulatory compliance. These activities may not promote the Company's brands as effectively as intended, or at all.

There is also no guarantee that the Company will be able to complete any of the foregoing activities as anticipated or at all. The failure of the Company to successfully execute any expansion strategy (including receiving required regulatory approvals and permits) could adversely affect the Company's business, financial condition and results of operations.

Liability for activity of contractors and consultants

The Company could be liable for fraudulent or illegal activity by any of its contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company will be subject certain risks, including that contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Inability to accurately forecast net sales and expenses

Net sales and results of operations will be difficult to forecast because they will generally depend on the volume, timing and type of orders the Company receives, all of which are will be uncertain. The Company will base its expense levels and investment plans on its estimates of net sales and gross margins. The Company cannot be sure these estimated growth rates, trends, and other key performance metrics will be meaningful predictors of future growth. If the Company's assumptions prove to be wrong, the Company may spend more than it anticipates acquiring and retaining customers or may generate lower net sales per active customer than anticipated, either of which could have a negative impact on the Company's business, financial condition, and results of operations.

Future acquisitions or dispositions

Material acquisitions, dispositions and other strategic transactions, involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of the Board; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Estimates of the addressable market

While the Company's market size estimate was made in good faith and is based on assumptions and estimates that the Company believes to be reasonable, this estimate may not be accurate. If the Company's estimates of the size of its addressable market are not accurate, the Company's potential for future growth may be less than the Company currently anticipates, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.



Risks related to being a public Company

If the Company fails to maintain proper and effective internal controls, its ability to produce accurate financial statements on a timely basis could be impaired, investors may lose confidence in its financial reporting and the trading price of its common stock may decline.

Ensuring that the Company has adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Any failure to maintain internal control over financial reporting could severely inhibit the Company's ability to accurately report the financial condition, results of operations or cash flows. If it is unable to conclude that the Company's internal control over financial reporting is effective, or if its independent accounting firm determines that it has a material weakness or significant deficiency in its internal control over financial reporting investors may lose confidence in the accuracy and completeness of the Company's financial reports, the market price of its common stock could decline, and it could be subject to sanctions or investigations regulatory authorities.

Costs of being a public Company

The requirements of being a public company require the Company to incur costs and may strain its resources, divert the Board's attention and affect its ability to attract and retain qualified board members.

As a public company, the Company has incurred and will continue to incur significant legal, accounting and other expenses. The Company is subject to the reporting requirements which require, among other things, that it file annual, quarterly and current reports with respect to its business and financial condition. The Company expects the rules and regulations applicable to public companies to continue to increase its legal and financial compliance costs and to make some activities more time-consuming and costly. If these requirements divert the attention of the Board and personnel from other business concerns, they could have a material adverse effect on the business, financial condition and results of operations.

Increases in share price volatility in capital markets

Volatility in the capital markets has been heightened during recent months and such volatility may continue, which may cause declines in the price of the Shares. This may have the effect of lowering confidence in the market viability of the Company which could lead to the Company being unable to find further financing if necessary.

Evaluation of disclosure controls and procedures

The Company's senior management has evaluated the effectiveness of its disclosure controls and procedures. Based on that evaluation, senior management concluded that its disclosure controls and procedures were effective to provide reasonable assurance that information it is required to disclose in reports that are filed or submitted pursuant to securities legislation is recorded, processed, summarized, and reported within the time periods specified and that such information is accumulated and communicated to senior management, as appropriate, to allow timely decisions regarding required disclosure.

Limitations on effectiveness of controls and procedures

The Board does not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls



can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Future financing

Following completion of the Change of Business, the Company may require additional financing to achieve its goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, may force it to delay, limit, reduce or terminate its product and service development, and other operations.

The Company may, from time to time, report a working capital deficit. To maintain its activities, the Company may need to seek additional funds through public or private equity or debt financings or other sources, such as strategic collaborations. Such financing may result in dilution to shareholders, imposition of debt covenants and repayment obligations, or other restrictions that may adversely affect the Company's business. In addition, the Company may seek additional capital due to favorable market conditions or strategic considerations even if it believes it has sufficient funds for its current or future operating plans.

There can be no assurance that financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs until the Company achieves positive cash flow. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. Failure to obtain additional financing could also result in delay or indefinite postponement of further research and product development.

Risks related to ownership of Company Shares

The Company Share price has been, and the Company Shares may continue to be, highly volatile, and you could lose all or part of your investment.

The market price of the Company Shares is likely to be highly volatile and could be subject to wide fluctuations in response to many factors discussed in this "Risk Factors" section, including:

- Actual or anticipated fluctuations in financial condition and operating results, including fluctuations in quarterly and annual results;
- Announcements of innovations by the Company or competitors;
- Overall conditions in the industry and the markets in which the Company operates;
- Market conditions or trends in the food industry, snacking industry, confectionary industry, gummy bear industry, retail industry, or in the economy as a whole;
- Addition or loss of significant customers or other developments with respect to significant customers;
- Adverse developments concerning manufacturers or suppliers;
- Changes in laws or regulations applicable to the Company's products;
- Ability to effectively manage growth;
- Ability to effectively research, develop and launch products;
- Actual or anticipated changes in growth rate relative to competitors;
- Announcements by the Company or competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- Additions or departures of key personnel;
- Competition from existing products or new products that may emerge;
- Issuance of new or updated research or reports about the Company or the industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- News reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry;



- Failure to meet the estimates and projections of the investment community or that the Company may otherwise provide to the public;
- Fluctuations in the valuation of companies perceived by investors to be comparable to the Company;
- Disputes or other developments related to proprietary rights, including patents, and the Company's ability to obtain intellectual property protection for its products;
- Litigation or regulatory matters;
- Announcement or expectation of additional financing efforts;
- Cash position;
- Sales of Company shares by the Company or its shareholders;
- Share price and volume fluctuations attributable to inconsistent trading volume levels of the Company shares;
- Changes in accounting practices;
- Ineffectiveness of internal controls;
- General economic, market and political conditions; and
- Other events or factors, many of which are beyond the Company's control.

Furthermore, financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies, including those fluctuations a result of the COVID-19 pandemic. Accordingly, the market price of the Company Shares may decline even if the Company's or, following the completion of the Change of Business, the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and trading volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Company Shares may be materially adversely affected.

Active trading market

An active trading market may not be sustained. You may not be able to sell your Company Shares quickly or at a recently reported market price if trading in the Company Shares does not remain active. The lack of an active market may also reduce the fair market value the Company Shares and the liquidity of a shareholder's investment may be limited. An inactive market may also impair the Company's ability to raise capital to continue to fund operations by selling Company Shares.

Public market sales

Future sales of the Company Shares in the public market could cause the Company Share price to fall. Sales of a substantial number of Company Shares in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of Company Shares intend to sell Company Shares, could reduce the market price of the Company Shares.

Price volatility of publicly traded securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Company Shares will be subject to market trends generally, notwithstanding any potential



success of the Company in creating revenues, cash flows or earnings. The value of the Company Shares will be affected by such volatility.