

Juva Life Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2020

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and notes thereto for the December 31, 2020 of Juva Life Inc. (the "Company"). Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in US dollars unless otherwise indicated.

References to EBITDA in this MD&A refer to net earnings from continuing operations before interest, taxes and tax recoveries, amortization, deferred income tax recovery, unrealized foreign exchange losses, non-cash share-based expenses (Black-Scholes option pricing model) and write-off of assets. EBITDA is not an earnings measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Management believes that EBITDA is an alternative measure in evaluating the Company's business performance. Readers are cautioned that EBITDA should not be construed as an alternative to net income as determined under IFRS; nor as an indicator of financial performance as determined by IFRS; nor a calculation of cash flow from operating activities as determined under IFRS; nor as a measure of liquidity and cash flow under IFRS. The Company's method of calculating EBITDA may differ from methods used by other issuers and, accordingly, the Company's EBITDA may not be comparable to similar measures used by any other issuer.

DATE

This MD&A is prepared as of April 28, 2021.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- (a) the regulation of the recreational cannabis industry in the State of California;
- (b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- (c) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks

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relating to regulations applicable to the production and sale of marijuana; and other factors beyond the Company's control.

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

OVERVIEW AND OUTLOOK

Juva Life Inc. (the "Company") was incorporated under the laws of British Columbia on April 3, 2019. The principal business of the Company is to, own, and operate various cannabis businesses in the state of California. From in-house research, cultivation, manufacturing, retail, and delivery services, Juva employs state of the art tools in discovery, development, and data science to identify new molecular profiles for major unmet medical needs. The Company's registered office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, BC V6E 4N.

The Company operates in the medical and recreational cannabis sectors in California, USA. While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Company will be engaging in the marijuana-related activities in the US, it assumes certain risks due to conflicting state and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized when the Company starts operations in the cannabis sector.

In 2020, The Company commenced formal operations on its non-storefront, delivery retail operations in both Redwood City and Stockton, CA.

On January 20, 2020, the Company granted 600,000 restricted stock units ("RSUs") to directors and officers of the Company. The RSUs have varying vesting terms and expiry dates between August 28, 2028 and May 13, 2029. The RSUs were valued using the fair market value of CDN \$0.68 (USD \$0.50) at the time of grant.

On February 13, 2020, the Company entered into a consulting agreement with TME Consulting, LLC ("TME"), a company controlled by a director of the Company. Pursuant to the terms of the agreement, TME will receive \$10,000 per month and receive 450,000 share purchase options that vest quarterly over 4 years and will expire on February 28, 2030.

On March 2, 2020, the Company added Model 4771, LLC as a consultant to the Company for advisory services in relation to best scientific practices for medically based research. Pursuant to the terms of the agreement, Model 4771, LLC will receive \$15,000 per month (\$7,500 in cash and \$7,500 deferred) and receive 10,000,000 share purchase warrants. The warrants will vest quarterly over 4 years and will expire March 1, 2030.

The Company extended the expiry dates of warrants expiring on April 23, 2020 and May 16, 2020. The new expiry dates are April 23, 2021, and May 16, 2021, respectively.

The Company issued 36,198,782 units at a price of \$0.50 per unit for gross proceeds of \$18,099,391 in connection with its Regulation A offering. The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at \$0.75 for a period of 18 months.

The Company issued 8,094,913 common shares upon the exercise of 8,094,913 warrants for gross proceeds of \$1,999,841.

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The Company received approval for listing its securities on the Canadian Securities Exchange (the "CSE"). The Company trade date was November 17, 2020.

On January 19, 2021, the Company received its state approved cannabis cultivation license for its Stockton, California facility. The full facility will have 8,900 sq. ft. of flowering canopy and 5,000 sq. ft. of non-flowering canopy. An additional 4,500 sq. ft. of space has been subdivided into trim, dry storage, breeding, pre-roll, packaging, and environmental system rooms (including automated controls, water reserves, fertilization, and irrigation, etc.). With licensing approval, the Company has now planted crops in the first two of what will be five flowering room. Two of the five growing spaces are ready for immediate planting, a third room will be ready in approximately another month and rooms 4 and 5 are expected to be completed by Q4, 2021. Once all five rooms are fully operational, the facility is expected to have the annual capability to produce approximately 6,000-pounds of high-quality cannabis flower. Cultivated flower production is slated for use in Juva branded products, contract production services, and clinical research targeting novel product formulations. Commercial cultivation commenced on February 19, 2021.

The Company launched its clinical registry to evaluate rationally designed cannabis formulations for clinical effect and mode of action. This is the first step towards building an integrated technology platform addressing serious and unmet medical needs. On March 9, 2021, the first human subject was enrolled in the Company's clinical registry.

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

DESCRIPTION OF BUSINESS

Juva Life is vertically integrated and consists of six divisions: Juva Cultivation, Juva Research, Juva Manufacturing, Juva Distribution, Juva Retail, and Juva Delivery. Each division plays a crucial role in their overall goal of helping people feel better.

Juva Cultivation will focus on cultivating and distributing high quality cannabis to medical and recreational cannabis users in the State of California via licensed cannabis retailers. Through its subsidiary, Precision apothecary Inc., Juva has acquired the rights to the Frosted Flowers cannabis brand. Prior to the acquisition, Frosted Flowers grew 430 pounds of cannabis in 2018, and is expected to increase production to 9,445 pounds per year once all permits are in place and facilities are operational. Frosted Flowers was not cultivating cannabis in 2019, but the Company expects Frosted Flowers to be in production in late 2020 once all permits are in place and facilities are operational. Frosted Flowers has an extensive catalogue of proprietary bred genetics and is most well-known for its three signature cannabis strains: Silver Haze, Maple Wreck and Sumatra Kush. Additionally, the company will utilise its 11,000 sf of greenhouses at its Hayward facility to increase its cultivation. Both locations are designed to allow for contract cultivation in addition to Juva's in-house use.

Juva Retail is a network of retail cannabis facilities that will serve the San Francisco Bay Area and other areas within the State of California where the business is compliant with applicable local laws. Juva Retail intends to operate as a combination of non-storefront retail delivery businesses, pending receipt of necessary delivery licenses, and a few strategic storefront brick and mortar cannabis retail facilities. The Company currently has two approved delivery permits in the State of California, one in the City of Stockton and one in the City of Redwood City, California. The Company previously had two microbusiness permit applications pending for adjacent properties in Hayward California (the "Hayward Facilities"). However, Hayward agreed to consider the two separately leased properties as one and approved them jointly under a single permit in September 2019. Once approved by the State, Juva will have a retail storefront as part of its microbusiness permit in Hayward.

Juva Research will research and develop "precision cannabis" products to deliver the right medicine to the right patient at the right time. The Company plans to develop intellectual property and secure patent protection for each of its proprietary formulations for medical cannabis products. Through Juva Research, the Company plans to engage in

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research that will help with the following: developing intellectual property, research registries and patent formulations in areas of oncology, neurology, pain management and opiate reduction; conducting human interactive investigations for intramuscular pain, neuropathic pain, cancer, post-traumatic stress disorder, multiple sclerosis, epilepsy, muscle spasticity, autism, Parkinson's disease, and sleeping disorders; developing medical cannabis products utilizing five drug delivery mechanisms, including gel capsule, transdermal patch, inhaler, oral tongue strip and suppository; conducting Institutional Review Board approved patient research investigations; and testing and verifying product integrity through a network of doctors, clinics and at its newly developed Class 5 clean room. The Company currently intends to develop and market products solely in the State of California under applicable state and local laws and regulations. The Company's planned activities do not currently involve interstate commerce, and therefore are not currently subject to prior approval requirements of the United States Food and Drug Administration (the "FDA"). If any of the Company's products and development activities become subject to federal drug approval processes and the Company decides to seek federal approval, the Company may need to comply with the drug research, approval and registration processes and requirements of the FDA and the United States Drug Enforcement Agency (the "DEA") for drugs developed and marketed on a national scale in the United States. If the Company decides to seek FDA and/or DEA approval or registration for any of its future cannabis-based products, there is no guarantee that the Company would be successful in obtaining such approvals or registrations.

Juva Manufacturing will create Juva branded and white-label products for other recreational and medical-related cannabis companies.

Juva Distribution will distribute Juva branded products and products from other licensed cannabis companies.

The Company is limited in how it can market its products, and while the research may be promising in terms of effectiveness and safety in treating these conditions, the Company will need to comply with applicable state and local laws and regulations, and the requirements of the FDA and DEA. The Company intends to leverage its brand development and marketing expertise to select products that will expand its shelf space and customer reach, as permitted under current cannabis regulations in California. Although the Company initially plans to research, develop and market products on an intrastate basis that meet state and local regulatory requirements in California, if the Company's business transitions into interstate commerce in the future, the Juva Labs business may involve development and sale of cannabis-based products that will require FDA and/or DEA approval and/or registration. If the FDA determines that a new drug approval is needed for any of the Company's products, the Company would need to proceed through the New Drug Application ("NDA") process or modify its activities to comply with FDA requirements. Even if the Company were to submit an Investigational New Drug Application ("IND") and NDA for FDA approval, there is no guarantee that the FDA would grant approval for all or even any of the cited indications.

Facilities

The Company currently has five properties under lease in the cities of Stockton, Hayward and Redwood City, California, and is in the process of continuing to build out its facilities and obtain the necessary state and local authorizations to operate its planned businesses. The leased properties are summarized below.

Stockton, California

The Company is currently operating and continuing to expand its State and locally permitted cannabis production facility on San Juan Drive in Stockton, California, totaling approximately 30,000 square feet (the "San Juan Facility"); The San Juan Facility will support cultivation, manufacturing, retail sales (non-storefront delivery only) and wholesale distribution.

San Juan Facility. The San Juan Facility has been designed as a cultivation, manufacturing, distribution and non-storefront retail delivery facility that will produce high quality flower and pre-rolls for both its branded products as well as white labeled products. This location has been granted all State and Local permits for non-storefront retail delivery and is actively delivering direct to consumers in the north San Joaquin Valley. In addition, the facility received all permits for Cultivation in January 2021 and has recently planted its first crops. The final construction for this facility is near completion, and includes fully closed and sealed rooms, climate control sensors, special wall treatments, a holding safe to store over 1,000 pounds of cannabis and a packaging room. The facility totals

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approximately 30,000 square feet, with 8,900 square feet of flowering canopy. At full capability, this canopy will result in approximately 6,000 pounds of cannabis flower. Juva Stockton occupies the San Juan Facility under a 5-year sublease, commencing August 1, 2018, and pays \$35,805 per month in rent (with annual increases).

Pursuant to Stockton Municipal Code Section 5.100.040, in order to operate legally in Stockton, the Company has obtained: (1) a proper Use Permit pursuant to Stockton Municipal Code Section 16.80.195 and 16.168; (2) an approved Operators Permit from the Chief of Police pursuant to Stockton Municipal Code Section 5.100.060; (3) a business license issued by the City pursuant to Stockton Municipal Code Section 5.04.040; and (4) State licenses for cultivation non-storefront retail. A State license is also in process for Distribution with a Manufacturing license to follow.

The Company is building this facility out in phases. The first phase required the build out of the front offices. These were completed, and all local and State authorizations and permits granted, in September 2020. This has allowed Juva to receive partial occupancy of the building and begin fully licensed delivery operations in Stockton.

The next phase was finalizing the construction of the first two of five cultivation rooms, control room, dry rooms, trim rooms, and packaging rooms. These rooms were completed, and local City of Stockton approvals and permits received, in November 2020. The cultivation license from the State of California was granted in January 2021, the first crops planted in February 2021 and harvest of these initial crops is projected in late May 2021.

The final phase is the build out of the remaining three cultivation rooms. The Company expects to begin this phase in the second quarter of 2021 and have it completed by the fourth quarter of 2021.

Hayward, California

The Company leases two properties adjacent to one another in Hayward. These two properties, the Clawiter Road Facility and the Enterprise Avenue Facility, are collectively referred to as the "Hayward Facilities." Together, they are being designed to be Juva's main corporate and operational campus for all of its divisions and will house Cultivation, Research, Manufacturing, Distribution, Retail, and Delivery operations.

The Hayward Facilities include two buildings, one with an existing Class 5 clean room as part of an 18,000 square foot building with an additional 11,000 square feet of greenhouses for cultivation. The other building (Enterprise) consists of about 6700 sf of warehouse to be used for delivery, distribution and packaging. The combined facility will also offer "white labeling" opportunities that can provide the means for new and existing out-of-state brands to introduce products in California. "White labeling" refers to entering into license agreements with third parties to manufacture and/or distribute such third parties' products.

The Hayward Facilities' other activities will include cultivation of high-quality greenhouse material for extraction, a flagship retail store, a delivery hub for the entire East San Francisco Bay area, post-process extraction of oil, CO₂ extraction, formulation, isolation and contract product development. This is where research and development, and the manufacturing of capsules, edibles, transdermal patches, topical products, inhalers, and suppository products, will take place. The Hayward campus includes a total of approximately 35,000 square feet.

Clawiter Road Facility. Precision Apothecary occupies the Clawiter Road property under a sublease with a term of 4 years and 5 months commencing August 1, 2018 and pays \$24,040 per month in rent, increasing by approximately 3% annually.

Enterprise Avenue Facility. Precision Apothecary occupies the Enterprise property under a sublease with a term of 4 years and 5 months, commencing August 1, 2018, and pays \$9,117 per month in rent, increasing annually by approximately 3%.

Pursuant to Hayward Municipal Code Chapter 6, Article 14, and Chapter 10, Article 1, in order to operate the Hayward Facilities in Hayward, California, the Company must obtain: (1) an Administrative Use Permit or a Conditional Use Permit, depending on the type of license sought; (2) a Commercial Cannabis Permit; and (3) a State license for a microbusiness facility. The Company received approval of its Conditional Use Permit in October 2020. Demolition at the Hayward Facilities is complete, and the land entitlement are complete. The Company expects

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construction of the extraction area of the Hayward Facilities to be completed, and the laboratory and extraction facilities to be licensed and operational, by approximately the end of the third quarter of 2021. The Company expects construction on the cultivation, retail store, delivery and distribution facilities at the Hayward Facilities to be completed, licensed and operational, by fourth quarter of 2021.

Redwood City, California

Convention Way Facility. The Convention Way property is being used for a non-storefront retail (delivery) cannabis facility. Delivery service is available throughout the Bay Area Peninsula from San Francisco down to San Jose. The facility complies with all applicable local and state laws and has adequate controls in place against any diversion, theft, and loss of cannabis products. The Company believes this delivery business has access to approximately 1.67 million potential customers. The Convention Way property is approximately 1,345 square feet of office space. Juva RWC occupies the property under a 5-year lease, commencing December 1, 2018, and pays \$6,421 per month in rent, increasing annually by approximately 3%. Pursuant to Article 59 of the Redwood City Municipal Code, in order to operate in Redwood City, the Company must obtain: (1) a Cannabis Business Permit; (2) a Conditional Use Permit; and (3) a State License. The Company obtained approval of its Cannabis Business Permit on or about April 22, 2019; the Conditional Use Permit was approved on or about May 31, 2019; and the State license was issued in September 2019. The Company has received all local and state licenses necessary to operate and began delivery in January 2020.

Permits

Local Permits:

To Summarize, the Company currently has the following local permits approved:

- Four (4) Conditional Use Permits for cultivation, manufacturing, delivery, and distribution at the San Juan Facility in Stockton, California.
- One fully approved non-storefront retail delivery license in Redwood City, California.
- One approved microbusiness permit for the combined operations at the Clawiter Road and Enterprise Avenue facilities in Hayward, California.

State Issued Permits:

- The Company has a state license for its delivery operations in Redwood City, California.
- The Company has a state license for its delivery operations at the San Juan facility in Stockton, California.
- The Company has a state license for its cultivation operations at the San Juan facility in Stockton, California,
- The Company has a state license pending for its distribution operations at the San Juan facility in Stockton, California,

Description of Property

Leased Real Property

Juva has four properties under lease in the State of California, which are in various stages of build-out. The leased properties are summarized below.

- (1) *San Juan Property in Stockton, California.* The San Juan property is being designed for high quality flower cultivation, non-storefront retail sales, distribution and manufacturing (including white label production of products through licensing agreements). This location's non storefront retail facility is currently delivering directly to consumers in the north San Joaquin Valley and will operate as Juva's Central Valley distribution hub.
- (2) *Clawiter Road Property in Hayward, California.* The Clawiter Road property is being designed as Juva's main operational hub, and is being built to encompass the following: house the Company's flagship retail store; act as the delivery hub for the East San Francisco Bay Area; perform post process extraction of oil; CO² extraction, formulation, isolation and contract product development; and medicinal cannabis research and development, and manufacturing of related product formulations and greenhouse cultivation.

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- (3) *Enterprise Property in Hayward, California.* The Enterprise property is the building adjacent to the Clawiter Road property, and is being designed for non storefront delivery, distribution and packaging of inhouse manufactured capsules, edibles, transdermal, inhaler & suppository products.
- (4) *Convention Way Property in Redwood City, California.* The Convention Way property is being used for non-storefront retail cannabis delivery throughout the Bay Area Peninsula from San Francisco down to San Jose.

In addition, the Company has the option to lease additional space in Redwood City, CA. This space is intended to be combined use for a future retail store and corporate office and administrative operational support for the Company. The Company will only exercise this option contingent on local approval for the recently submitted retail application.

Intellectual Property

As of the date hereof, Juva has registered the following state trademarks in the State of California:

- Frosted Flowers
- www.frostedflowers.com

As of the date hereof, Juva has the following pending applications for federal trademarks:

Trademark	Jurisdiction	App No	App Date	Reg No	Reg Date	Status
FF (design)	USA	86796677	22 Oct 2015	5237714	04 Jul 2017	Registered
FROSTED FLOWERS	USA	86796670	22 Oct 2015	5237713	04 Jul 2017	Registered
FROSTED FLOWERS	USA	88923952	19 May 2020			Pending
JUVA	Canada	A0095732	07 Apr 2020	1532209	07 Apr 2020	Registered
JUVA	EUTM	1532209	17 Nov 2020	1532209	31 Dec 2020	Registered
JUVA	United Kingdom	UK00801532209	17 Nov 2020			Brexit - to be refiled
JUVA	USA	88784312	04 Feb 2020			Pending
JUVA	USA	88863236	07 Apr 2020			Pending
JUVA	USA	88206128	26 Nov 2018			Pending
JUVA	USA	88206122	26 Nov 2018			Pending
JUVA	USA	88206119	26 Nov 2018			Pending
JUVA	USA	88206117	26 Nov 2018			Pending
JUVA	USA	88206114	26 Nov 2018			Pending
JUVA	USA	88784342	04 Feb 2020			Pending
JUVA	USA	88206130	26 Nov 2018			Pending
JUVA	WIPO	A0095732	07 Apr 2020	1532209	07 Apr 2020	Registered
JUVA LIFE	Canada	1568951	23 Sep 2020	1568951	07 Jan 2021	Registered
JUVA LIFE	EUTM	1568951	23 Sep 2020	1568951	07 Jan 2021	Registered
JUVA LIFE	United Kingdom		23 Sep 2020			Brexit - to be refiled
JUVA LIFE	USA	88923944	19 May 2020			Pending
KNOWING MORE FEELS BETTER	USA	90458851	11 Jan 2021			Pending
KNOWING MORE MAKES YOU FEEL BETTER	USA	90387271	16 Dec 2020			Pending
MYJUVA	USA	88928271	21 May 2020			Pending
MYJUVA Stylized	USA	90095812	05 Aug 2020			Pending
THE MORE YOU KNOW THE BETTER YOU FEEL	USA	90387248	16 Dec 2020			Pending

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SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2020	Year Ended December 31, 2019	The Period from Incorporation on June 29, 2018 to December 31, 2018
	(\$)	(\$)	(\$)
Revenues	967,237	-	-
Expenses including non-cash items	(12,075,154)	(6,936,146)	1,483,594
Net loss for the year	(16,236,756)	(8,980,603)	3,369,485
Number of common shares outstanding	134,673,018	89,887,379	76,103,977
Loss per share	(0.13)	(0.11)	(0.07)
Cash	2,158,694	1,276,143	2,358,086
Working capital*	68,311	47,139	2,269,428
Total assets	15,590,956	6,616,130	3,098,647
Shareholders' equity (deficit)	6,703,354	(616,962)	1,170,350
Long-term financial liabilities	1,380,968	1,795,109	-
Dividends paid per share	-	-	-

*Excludes the Company's warrant liability.

RESULTS OF OPERATIONS

During the year ended December 31, 2020, the Company reported a net loss of \$16,236,756 compared to a net loss of \$8,980,603 for the year ended December 31, 2019.

Sales during the year increased to \$967,237 compared to \$Nil for the comparative year. Gross profit increased to \$428,271 compared to \$Nil during the comparative year. The increase is a result of the Company commencing formal operations on its online delivery business.

Total operational expenses were \$12,075,154 during the year ended December 31, 2020 compared to \$6,936,146 for the year ended December 31, 2019. Overall, the increase in costs is a result of the Company's focus on becoming operational. Other reasons include professional fees incurred with the Company's Regulation A offering and the execution of the Company's marketing program. Notable increases include marketing and promotion of \$3,083,711 (2019 - \$223,139), salaries and benefits of \$1,913,272 (2019 - \$1,154,771), and non-cash share-based payments of \$3,318,136 (2019 - \$3,159,444).

EBITDA for the year ended December 31, 2020 and 2019 has been calculated as follows:

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	<u>Year ended December 31,</u> <u>2020</u>	<u>Year Ended December 31,</u> <u>2019</u>
Net loss for the year	\$ (16,236,756)	\$ (8,980,603)
Interest expense on lease liabilities	381,514	435,103
Depreciation	775,314	730,103
Share-based payments	3,318,136	3,159,444
Change in fair value of warrant liability	4,538,511	1,987,836
Impairment of intangibles	83,541	-
Abandoned construction	7,222	-
Foreign exchange gain (loss)	(99,401)	56,621
Current income taxes	60,000	-
EBITDA (loss)	<u>\$ (7,171,919)</u>	<u>\$ (2,611,496)</u>

SUMMARY OF QUARTERLY RESULTS

The Company financial results of the Company's last 8 quarters are detailed below:

	<u>Quarter Ended December</u> <u>31, 2020</u>	<u>Quarter Ended September</u> <u>30, 2020</u>	<u>Quarter Ended June</u> <u>30, 2020</u>	<u>Quarter Ended March</u> <u>31, 2020</u>
	(\$)	(\$)	(\$)	(\$)
Sales	456,113	281,909	187,609	41,606
Cost of goods sold	263,850	144,385	110,830	19,901
Gross profit	192,263	137,524	76,779	21,705
Net expenses including non-cash items	(19,682,692)	3,361,650	2,392,715	1,853,173
Loss for the quarter	(8,515,882)	(2,898,478)	(3,268,056)	(1,554,340)
Basic and diluted loss per share	(0.06)	(0.02)	0.03	0.01
Common shares outstanding	134,673,018	126,086,181	120,110,251	120,110,251

	<u>Quarter Ended December</u> <u>31, 2019</u>	<u>Quarter Ended September</u> <u>30, 2019</u>	<u>Quarter Ended June</u> <u>30, 2019</u>	<u>Quarter Ended March</u> <u>31, 2019</u>
	(\$)	(\$)	(\$)	(\$)
Sales	-	-	-	-
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Net expenses including non-cash items	2,034,920	2,578,509	1,408,874	913,843
Loss for the quarter	(3,410,079)	(3,358,314)	(1,378,072)	(834,138)
Basic and diluted loss per share	(0.05)	(0.01)	(0.01)	(0.01)
Common shares outstanding	89,887,379	90,298,808	86,046,844	79,721,844

There was a significant decrease in net loss during the quarter ended March 31, 2020 as the Company recognized a fair value loss on the valuation of the warrant liability during the previous period.

Sales increased during the quarter ended December 31, 2020 due to the Company's online retail delivery service commencing formal operations. The overall net loss for the quarter ended December 31, 2020 increased as a result of share-based payment expense being recognized on the granting of warrants, RSUs, and stock options to directors, officers, and consultants as well as costs incurred in conjunction with the Company's marketing plan.

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LIQUIDITY & CAPITAL RESOURCES

The Company does not generate sufficient cash from operations. The Company finances its activities by raising equity capital from private placements. The Company may encounter difficulty sourcing future financing.

The Company had cash of \$2,158,694 at December 31, 2020 (2019 - \$1,276,143) and the Company had working capital of \$68,311 at December 31, 2020 (2019 – \$47,139) (not including warrant liability of \$4,771,841 (2019 – \$3,951,028)).

The Company defines the capital that it manages as its shareholders’ equity.

The Company’s objective when managing capital is to maintain corporate and administrative functions necessary to support the Company’s operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

If additional funds are required, the Company plans to raise additional capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company’s continued working capital requirements.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Relationships	Nature of the relationship
Key management	Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, Doug Chloupek, Chief Financial Officer, Mathew Lee, Chief Operating Officer, Neil Ruditsky, and VP Finance, Kari Gothie. Directors are also included in key management.

During the period ended December 31, 2020, key management compensation included the following:

Name	Title	Salary	Share-based payments	Total
Douglas Chloupek	CEO, director	210,000	-	210,000
Mathew Lee	CFO	50,000	246,567	296,567
Kari Gothie	VP Finance, director	200,000	6,192	206,192
Neil Ruditsky	COO	185,000	-	185,000
Thomas Leschak	VP Cultivation	150,000	-	150,000
Norton Singhavon	Director	-	62,154	62,154
Rakesh Patel	Director	-	134,019	134,019
		795,000	448,932	1,243,932

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During the year ended December 31, 2020, the Company had the following related party transactions:

- a) The Company paid \$891,044 (2019 - \$602,281) in lease payments to Best Leasing Services, Inc., a company 100% owned by the CEO and a shareholder of the Company; and
- b) The Company entered into a consulting agreement with TME Consulting, LLC ("TME"), a company minority owned by a director of the Company. Pursuant to the terms of the agreement, TME will receive \$10,000 per month and receive 450,000 options with an exercise price of \$0.50 per option. TME was paid \$80,000 during the year (2019 - \$Nil).

Included in accounts payable and accrued liabilities as at December 31, 2020 is \$53,541 (2019 - \$31,750) owed to officers and directors of the Company.

Included in deposits as at December 31, 2020 is \$24,000 (2019 - \$24,000) with Best Leasing Services, Inc.

PROPOSED TRANSACTIONS

There are no proposed transactions at this time.

SUBSEQUENT EVENTS

Events subsequent to December 31, 2020 include the following:

- The Company received \$5,417,838 on the exercise of 9,043,610 warrants;
- On February 18, 2021, the Company closed a private placement by issuing 9,528,578 Special Warrants at CAD\$1.05 per Special Warrant for gross proceeds of CAD\$10,005,007. Each Special Warrant is automatically exercisable, for no additional consideration, into one unit of the Company (each, a "Unit") on the date (the "Automatic Exercise Date") that is the earlier of: (i) as soon as reasonably practical, but in any event, no later than the date that is the third business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities (the "Securities Commissions") for a (final) prospectus qualifying distribution of the Units (the "Qualifying Prospectus"), and (ii) the date that is four months and one day after the closing of the Offering (the "Qualification Date"). Each Unit shall consist of one common share of the Company (a "Unit Share") and one-half of one common share purchase warrant (each full warrant, a "Warrant"). Each Warrant is exercisable at \$1.35 and expires 24 months from the closing date. In connection with the private placement, the Company paid a cash commission of CAD\$681,975, issued 666,999 broker warrants, and incurred CAD\$133,644 in transaction costs; and
- On March 31, 2021, the Company sold its wholly-owned subsidiary, VG. The sale transaction was effected pursuant to an Agreement for Purchase of LLC Interest dated March 31, 2021, by and between the Company and Baja Investment Partners, LLC, a California limited liability company ("Baja"), as buyer (the "Purchase Agreement"). Pursuant to the Purchase Agreement, the Company sold its 100% limited liability company membership interest in VG to Baja for a purchase price of \$1,100,000 USD.

Upon the closing of the Purchase Agreement, Baja delivered cash in the amount of \$275,000 and an Equity Secured Promissory Note in the principal amount of \$825,000 (the "Promissory Note") to the Company as consideration. The Promissory Note will be due and payable in three equal installments of \$275,000 each, with the first installment due within 90 days following the closing date, the second installment due within 180 days following the closing date, and the third installment due within 270 days following the closing statement. The entire balance of principal under the Promissory Note will be due and payable on or before the date that is 270 days following the closing date. Any amount payable under the Promissory Note that is not paid when due will accrue interest until paid in full at the rate of 10% per annum. Baja's obligations under the Promissory Note are secured by a first-priority security interest in VG owned by Baja, as set forth in a separate Security Agreement dated March 31, 2021 between the Company and Baja. Baja may prepay the amount due under the Promissory Note in whole or in part at any time without penalty.

In connection with the sale, the Company entered into a Finder's Fee Agreement dated March 31, 2021 with Drivon Consulting, Inc., pursuant to which the Company agreed to pay to Drivon Consulting, Inc. a one-time finder's fee in an amount equal to three percent (3%) of the consideration received by the Company in connection with the transaction, or \$33,000.

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CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Revenue recognition

In accordance with IFRS 15, the Company recognizes revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services based on the following five step approach:

- Step 1: Identify the contracts with customers;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company typically satisfies its performance obligations upon shipment of the goods, or upon delivery as the services are rendered or upon completion of services depending on whether the performance obligations are satisfied over time or at a point in time.

For performance obligations that the Company satisfies over time, the Company typically uses time-based measures of progress because the Company is providing a series of distinct services that are substantially the same and have the same pattern of transfer.

For performance obligations that the Company satisfies at a point in time, the Company typically uses shipment or delivery of goods and/or services in evaluating when a customer obtains control of promised goods or services.

A significant financing component exists and is accounted for if the timing of payments agreed to by the parties to the contract provides the customer or the Company with a significant benefit of financing the transfer of goods and services to the customer. As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract are recognized as an asset (hereinafter, "assets arising from contract costs") if those costs are expected to be recoverable, which are included in other long-term assets in the consolidated statements of financial position. The incremental costs of obtaining contracts are those costs that the Company incurs to obtain a contract with a customer that they would not have incurred if the contract had not been obtained. As a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Assets arising from contract costs are amortized using the straight-line method over their estimated contract periods.

The Company exercises judgments in determining the amount of the costs incurred to obtain or fulfill a contract with a customer, which includes, but is not limited to (a) the likelihood of obtaining the contract, (b) the estimate of the profitability of the contract, and (c) the credit risk of the customer. An impairment loss will be recognized in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates, less (b) the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

Inventory

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Inventory consists of finished goods and consumables. The Company periodically reviews its consumables for obsolete and potentially impaired items. The Company values finished goods at the lower of average cost, which is net of vendor rebates, and net realizable value. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less any estimated selling costs. Cost of inventory includes expenditures in acquiring the inventories, production costs and other cost incurred in bringing them to their existing location. As of December 31, 2020, inventory comprised solely merchandise and cannabis-derived products for sale.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments consist of cash, receivables, and accounts payable and accrued liabilities, and the lease liabilities. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

The Company’s authorized share capital consists of an unlimited of number common shares without par value. As of April 28, 2021, the Company had 154,159,009 common shares issued and outstanding, 37,780,667 warrants outstanding, and 3,490,000 stock options outstanding.

OVERVIEW OF UNITED STATES REGULATION OF CANNABIS

On February 8, 2018 the Canadian Standards Association (“CSA”) published a staff notice setting out the CSA’s disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States (“Staff Notice 51-352”). Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views Staff Notice 51-352 favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company’s ability to pursue further investment and opportunities in the United States.

As of December 31, 2020, \$15,590,956 of the Company’s assets are exposed to U.S. marijuana related activities. In this respect, all of the Company’s assets and operations are currently related to U.S. marijuana related activities. The following chart is a summary of the Company’s material assets and investments. References to “Direct”, “Indirect” or “Ancillary” classifications of each asset or investment have the meanings ascribed thereto in the Staff Notice 51-352. All of the Company’s investments that give the Company “Direct”, “Indirect” and “Ancillary” involvement in the U.S. marijuana industry are included in the chart:

Asset Name	Description	Type of Relationship	Jurisdiction	Classification
Precision Apothecary Inc.	Precision obtained its Conditional Use Permit for its Microbusiness from the city of Hayward that will allow it to cultivate, manufacture distribute and deliver cannabis.	Wholly owned subsidiary	California	Direct

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VG Enterprises LLC ("VG") ¹	VG received a CUP and holds 4 local approvals from the city of Stockton, CA to cultivate, distribute, deliver, and perform non-volatile manufacturing of cannabis in the state of California for the medical and recreational markets.	Wholly owned subsidiary	California	Direct
Juva RWC, Inc ("RWC")	RWC has local and State approval to provide retail non-storefront delivery in the State of California.	Wholly owned subsidiary	California	Direct
Juva Stockton, Inc ("San Juan")	San Juan has a CUP and holds 4 local licenses from the city of Stockton, CA that allows it to cultivate, distribute, deliver, and perform non-volatile manufacturing of cannabis in the state of California for the medical and recreational markets. It also has State licenses for Delivery and Cultivation. The State license for Distribution is pending.	Wholly owned subsidiary	California	Direct

¹See “*Subsequent Events*”

Compliance of United States Operations

The Company, directly and via its subsidiaries, is compliant with all applicable licensing tenets and the regulatory framework that is in place within California. The Company is currently licensed as a cultivator and product manufacturer at its production facilities in California. The Company has not experienced any compliance issues or instances of non-compliance on any of the above-mentioned licenses. The Company has likewise not been served any notices of non-compliance by any state regulatory body. The Company maintains multiple banking relationships in California. These relationships provide the Company the ability to safely and lawfully pay for any and all expenses that should arise from the day to day operations of its licenses, including maintaining underlying permits and approvals to keep the licenses compliant.

The Company intends to implement a Compliance Department at its operating headquarters in California. The Compliance Department will be responsible for monitoring all licensed activities and performing local site visits in order to validate compliance with local statutes. This monitoring will include but is not limited to: seed-to-sale records and accuracy, standard operating procedures, required signage and public health warnings, local permitting and

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zoning, license approvals and renewals, and all communication with regulatory bodies. The Compliance Department will conduct random audits of all licensed activities, as well as conducting training, process validation, and problem resolution when compliance questions arise.

Each employee will be instructed on the most recent standard operating procedures. All sites where cannabis will be cultivated, produced, stored or sold will have 24-hour video surveillance of every square inch. This footage will be maintained for a minimum of 90 days. The Company also plans to utilize the state mandated seed-to-sale system in all jurisdictions that it operates within.

RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

Regulation of Marijuana in the United States

Unlike in Canada which has proposed to have federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the State level. To the Company's knowledge, there are to date a total of 33 States, plus the District of Columbia, that have legalized cannabis in some form. The State of California is among those States.

Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, remains illegal under federal law in the United States.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

As a result of the conflicting views between State legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorney acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US States had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of

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Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, the newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, on January 4, 2018, Mr. Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "**Sessions Memorandum**"). The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The inconsistency between federal and state laws and regulations is a major risk factor.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from Attorney General Jeff Sessions by referencing federal law enforcement priorities set by the Attorney General Jeff Sessions. If the Department of Justice policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of budget bills) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes. The Ninth Circuit Court of Appeals, which governs California federal courts, has ruled that this federal law means that the Department of Justice cannot spend any federal funds to shut down state-law compliant medical cannabis operators. In the event Congress fails to renew this federal law in its next budget bill, the foregoing protection for medical cannabis operators will be void.

Now that the Cole Memorandum has been repealed by Attorney General Jeff Session, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Proceeds of Crime Statutes

The Company will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's license agreements, or any proceeds thereof, in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

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Regulatory Scrutiny of the Company's Interests in the United States

For the reasons set forth above, the Company's interests in the United States cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to carry on its business in the United States.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of holders of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Our business is dependent on laws pertaining to the marijuana industry

Continued development of the marijuana industry is dependent upon continued legislative authorization of the use and cultivation of marijuana at the State level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of marijuana, which would negatively impact our proposed business.

Currently, twenty-nine states and the District of Columbia allow its citizens to use medical marijuana. Additionally, nine states have legalized cannabis for adult use, including the State of California. The state laws are in conflict with the federal CSA, which makes marijuana use and possession illegal on the federal level. The Obama administration, pursuant to the Cole Memorandum, previously effectively stated that it is not an efficient use of resources to direct law federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, the Sessions Memorandum under the Trump administration has reversed this position which creates a risk of prosecution by a number of federal agencies. Additionally, there can be no assurance as to the position any new administration may take on cannabis and could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders.

Marijuana remains illegal under Federal law

Marijuana is a Schedule I controlled substance and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Company's business, prospects, results of operation, and financial condition.

Unfavorable Tax Treatment of Cannabis Businesses

Under Section 280E of the U.S. Internal Revenue Code ("**Section 280E**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the

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meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the IRS to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its income tax expenses.

State Regulatory Uncertainty

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. The Company's legal team will provide guidance in regards to any rulemaking processes and resulting regulatory changes. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under California state law, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Company's business.

Restricted Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Limited Trademark Protection

The Company will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the State of California by one or more other persons could have a material adverse effect on the value of such trademarks.

Potential FDA Regulation

Should the federal government legalize cannabis, it is possible that the U.S. Food and Drug Administration (the "FDA"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including certified good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be

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enforced. If Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results and financial condition.

Legality of Contracts

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

The Company has limited operating history

The Company has limited operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. For example, the adult use marijuana industry is a relatively new industry which, as a whole may not succeed, particularly should the federal government of the United States decide to prosecute various parties under federal law.

The Company's products

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company.

Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, and they may result in material delays in the operation of The Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company Shares to the point investors may lose their entire investment.

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that the Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

Unfavourable Publicity or Consumer Perception

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material

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adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

BOARD APPROVAL

The board of directors of the Company has approved this MD&A.