# Juva Life Inc.
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## For the nine months ended September 30, 2023

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements and notes thereto for the nine months ended September 30, 2023 of Juva Life Inc. (the "Company"). Such condensed consolidated interim 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. References to adjusted gross profit in this MD&A refer to gross profit net of non-cash items allocated to cost of goods sold such as direct and indirect depreciation and fair market value adjustments to inventory.

EBITDA and adjusted gross profit are not an earnings measure recognized by IFRS and do not have a standardized meaning prescribed by IFRS. Management believes that these are alternative measures in evaluating the Company's business performance. Readers are cautioned that these measures 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 these measures may differ from methods used by other issuers and, accordingly, the Company's EBITDA and adjusted gross profit may not be comparable to similar measures used by any other issuer.

**DATE**

This MD&A is prepared as of November 28, 2023

**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 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 acquire, own, and operate various cannabis business in the state of California. The Company's registered office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, BC V6E 4N7. The Company's common shares are listed on the Canadian Securities Exchange under the trading symbol JUVA.

The Company operates in the medical and recreational cannabis sectors in California, USA. As at September 30, 2023, and December 31, 2023, the Company operates in two reportable segments i) the resale of merchandise and cannabis-derived products, and ii) cultivation and sale of trim and flowers. All non-current assets of the Company are located in the 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 is engaged in 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.

## DESCRIPTION OF BUSINESS

Juva Life is vertically integrated and consists of five divisions: Juva Cultivation, Juva Research, Juva Manufacturing, Juva Distribution, and Juva Retail. Each division plays a crucial role in their overall goal of helping people feel better. Juva Cultivation focuses 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. 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. The Company reintroduced its own brand under the Frosted Flower umbrella in Q4 2022.

Juva Retail is a network of retail cannabis facilities that serves 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, and strategic storefront brick and mortar cannabis retail stores. The Company currently has one approved delivery permit in the State of California, in the City of Redwood City, California. A retail storefront has recently been approved by the City of Redwood City, CA along with the State issued permit to operate.

Juva Research researches and develops "precision cannabis" products to deliver the right medicine to the right patient at the right time. The Company is developing intellectual property and securing patent protection for each of its proprietary discoveries. Through Juva Research, the Company is engaging in research that will help with patent formulations in areas of chronic pain, sleeplessness, poor appetite, anxiety, menopausal symptoms, neuropathic pain, and nausea and inflammation; Under a study approved by the WIRB and overseen by a network of doctors and clinics, Juva is conducting a study, the JuLi Registry, where the Company collects real world data from patients seeking relief from the symptoms listed above. 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 both Juva branded as well as white-label products for other recreational and medical-related cannabis companies.

Juva Distribution distributes Juva cultivated bulk cannabis, Juva branded products and may distribute products from other licensed cannabis companies in the future.

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 Manufacturing 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 event any of the cited indications.

***Facilities***

The Company currently has one property under lease in   Redwood City, California. In June 2022, through a newly formed subsidiary, it formally acquired its Stockton, CA facility which had been previously leased. In addition, the Company is leasing a retail storefront building in Redwood City, California.   The  properties are summarized below.

Stockton, California

The Company is currently operating its State and locally permitted cannabis production facility on San Juan Ave in Stockton, California. totaling approximately 30,000 square feet (the "San Juan Facility"); The San Juan Facility supports cultivation, manufacturing, 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, cultivation & distribution. The facility includes fully closed and sealed rooms, climate control sensors, special wall treatments, a holding safe to store over 3,000 pounds of cannabis and a packaging room. The facility totals approximately 30,000 square feet, with 9,708 square feet of flowering canopy. At full capability, this canopy will result in approximately 6,000 pounds of cannabis flower.  Juva Stockton is 100% owned by the Company.

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, distribution and non-storefront retail.

The Company was 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 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 three of six 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 and the first crops planted in February 2021.

The final phase was the build out of the remaining three cultivation rooms. The Company completed construction of Rooms 4, 5, and 6 and planted its first crop in room 4 in late February 2022. The Company is now on a full growing rotation in all 6 rooms.

Redwood City, California

*Convention Way Facility.* The Convention Way property was being used for a non-storefront retail (delivery) cannabis facility. 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. In June 2023, delivery was moved from this facility into the new retail storefront location and is operating under that license. The Company surrendered its license at Convention Way and will not renew the lease for this facility when it expires in November 2023.

*Broadway & Hamilton Facility*. The Company has begun operating a retail store at the intersection of Broadway and Hamilton streets in Redwood City, CA. 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 has received all local and state licenses necessary to operate and began operations in June 2023. The Company is also offering delivery services from this location (previously operating from the Convention Way facility). Delivery service is available throughout the Bay Area Peninsula from San Francisco down to San Jose.

**Permits**

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

- One Conditional Use Permit authorizing 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.(surrendered)
- One fully approved retail storefront permit in Redwood City, CA. This permit also allows for non-storefront retail delivery.

*State Issued Permits:*
- The Company has a state license for its delivery operations in Redwood City, California. (surrendered)
- The Company has a state license for a retail store in Redwood City, CA. This permit also allows for non-storefront retail delivery.
- The Company has a state license for its cultivation operations at the San Juan facility in Stockton, California.
- The Company has a state license for its distribution operations at the San Juan facility in Stockton, California.

***Description of Property***

*Owned Real Property*

*(1)* *San Juan Property in Stockton, California*. The San Juan property was designed for high quality flower cultivation, non-storefront retail sales, distribution and manufacturing (including white label production of products through licensing agreements). This location is currently growing at full capacity in all 6 of its cultivation rooms.

*Leased Real Property*

*(1)* *Convention Way Property in Redwood City, California*. The Convention Way property was being used for non-storefront retail cannabis delivery throughout the Bay Area.

Furthermore, the Company has leased additional space in Redwood City, CA. This space is being used for both the retail store and corporate office and administrative operational support for the Company.

***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** | USA | 86796677 | 22 Oct 2015 | 5237714 | 04 Jul 2017 | Registered |
| **FROSTED FLOWERS** | USA | 86796670 | 22 Oct 2015 | 5237713 | 04 Jul 2017 | Registered |
| **FROSTED FLOWERS** | California | 02019558 | 07 Apr 2022 | 02021605 | 13 Jun 2022 | Registered |
| **FROSTED FLOWERS** | USA | 88923952 | 19 May 2020 | | | Pending |
| **JUVA** | California | 02019560 | ` | 02019560 | 24 Mar 2022 | Registered |
| **JUVA** | Canada | A0095732 | 07 Apr 2020 | 1532209 | 07 Apr 2020 | Pending |
| **JUVA** | EUTM | 1532209 | 17 Nov 2020 | 1532209 | 31 Dec 2020 | Registered |
| **JUVA** | United Kingdom | UK00003704099 | 29 Sep 2021 | UK00003704099 | | Pending |
| **JUVA** | USA | 97391549 | 02 May 2022 | | | Pending |
| **JUVA** | USA | 97291832 | 02 Mar 2022 | | | Pending |
| **JUVA** | USA | 88784312 | 04 Feb 2020 | 6604793 | 04 Jan 2022 | Registered |
| **JUVA** | USA | 88206128 | 26 Nov 2018 | 6789869 | 12 Jul 2022 | Registered |
| **JUVA** | USA | 88206122 | 26 Nov 2018 | 6789868 | 12 Jul 2022 | Registered |
| **JUVA** | USA | 88206119 | 26 Nov 2018 | 6789867 | 12 Jul 2022 | Registered |
| **JUVA** | USA | 88206117 | 26 Nov 2018 | 6789866 | 12 Jul 2022 | Registered |
| **JUVA** | USA | 88206114 | 26 Nov 2018 | | | Pending |
| **JUVA** | USA | 97380078 | 25 Apr 2022 | | | 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 | 3704114 | 29 Sep 2021 | 3704114 | 25 Mar 2022 | Registered |
| **JUVA LIFE** | USA | 88923944 | 19 May 2020 | 6480035 | 07 Sep 2021 | Registered |
| **KNOWING MORE FEELS** | USA | 97382725 | 26 Apr 2022 | | | Pending |
| **KNOWING MORE MAKES** | USA | 90387271 | 16 Dec 2020 | | | Pending |
| **THE MORE YOU KNOW** | USA | 90387248 | 16 Dec 2020 | | | Pending |

## SELECTED ANNUAL INFORMATION

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | Year Ended December 31, 2020 |
|---|---|---|---|
| | ($) | ($) | ($) |
| Sales | 5,763,800 | 3,867,610 | 967,237 |
| Cost of goods sold | (5,282,164) | (2,616,867) | (538,966) |
| Gross profit before unrealized items | 481,636 | 1,250,743 | 428,271 |
| Gross profit | 533,934 | 996,829 | 428,271 |
| Expenses including non-cash items | (10,126,783) | (12,037,400) | (12,075,154) |
| Net loss for the year | (10,482,820) | (11,358,290) | (16,236,756) |
| Number of common shares outstanding | 164,070,767 | 164,016,223 | 134,673,018 |
| Loss per share | (0.06) | (0.07) | (0.13) |
| Cash | 641,038 | 2,681,269 | 2,158,694 |
| Working capital* | 312,291 | 1,789,480 | 68,311 |
| Total assets | 20,374,685 | 20,686,588 | 15,590,956 |
| Shareholders' equity | 9,805,094 | 14,334,152 | 6,703,354 |
| Long-term financial liabilities | 7,896,979 | 3,977,032 | 1,380,968 |
| Dividends paid per share | - | - | - |

*Excludes the Company's warrant liability.

## RESULTS OF OPERATIONS

***Key financial and operational metrics***

| | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|
| Financial results | | |
| Sales - delivery and retail | $ 3,060,890 | $ 2,702,592 |
| Sales - harvest | 3,296,199 | 1,485,188 |
| Cost of sales | 4,394,461 | 3,741,393 |
| Operating expenses | 6,259,980 | 8,995,453 |
| EBITDA (loss) | (1,447,385) | (4,970,964) |
| Net loss | (4,227,795) | (4,990,766) |
| Net cash used in operating activities | (1,876,512) | (4,794,864) |
| Adjusted gross profit | 1,401,458 | 840,374 |
| Working capital deficiency | $ (1,155,324) | $ 2,432,290 |
| Operating results | | |
| Pounds harvested | 4,725 | 1,421 |
| Pounds sold | 3,400 | 883 |

***For the three months ended September 30, 2023***

During the three months ended September 30, 2023 ("Q3 2023"), the Company reported a net loss of $781,870 compared to a net loss of $2,905,700 for the three months ended September 30, 2022 ("Q3 2022").

Sales during the quarter increased to $3,173,349 compared to $1,248,054 for the comparative quarter. Gross profit increased to $1,478,951 during Q3 2023 compared to $124,769 during Q3 2022. Adjusted gross profit increased from $377,173 to $1,401,458 in the current quarter. The increase to gross profit is a result of higher sales during the quarter. The following table is a reconciliation of gross profit to adjusted gross profit:

| | | Three Months Ended September 30, 2023 | | Three Months Ended September 30, 2022 |
|---|---|---|---|---|
| Gross profit | $ | 1,478,951 | $ | 124,769 |
| Depreciation included in cost of goods sold | | 109,721 | | 97,853 |
| Net fair market value adjustment due to biological assets transformation | | (187,214) | | 154,551 |
| Adjusted gross profit | $ | 1,401,458 | $ | 377,173 |

Total operational expenses were $2,506,231 in Q3 2023 compared to $2,565,385 for Q3 2022.

Material expense items include the following:

- Salaries and benefits decreased to $753,918 (Q3 2022 - $805,370) as a result of fewer personnel.
- Share-based payments increased to $365,368 (Q3 2022 - $192,044) due to stock options being granted in the quarter.
- Accretion expense increased to $257,747 (Q3 2022 - $Nil) due to the addition of the notes payable.
- Office and administration decreased to $253,828 (Q3 2022 - $443,153) due to cost savings measures initiated by management.
- Depreciation decreased to $266,200 (Q3 2022 - $755,897) due to the write-off of certain assets.

EBITDA for Q3 2023 and Q3 2022 has been calculated as follows:

| | | Three Months Ended September 30, 2023 | | Three Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net loss for the period | $ | (781,870) | $ | (2,905,700) |
| Unrealized fair value change on biological assets | | (187,214) | | (243,733) |
| Accretion expense | | 257,747 | | - |
| Interest expense | | 633,498 | | 430,199 |
| Depreciation | | 266,200 | | 755,897 |
| Share-based payments | | 365,368 | | 192,044 |
| Change in fair value of warrant liability | | - | | (311) |
| Gain on lease expiry | | (20,579) | | - |
| Write-off of assets | | 3 | | 6,356 |
| Foreign exchange loss | | (762,983) | | 50 |
| Taxes | | 88,898 | | 41,502 |
| EBITDA (loss) | $ | (140,932) | $ | (1,723,696) |

***For the nine months ended September 30, 2023***

During the nine months ended September 30, 2023 ("YTD 2023"), the Company reported a net loss of $4,227,795 compared to a net loss of $7,896,466 for the nine months ended September 30, 2022 ("YTD 2022").

Sales during the period increased to $6,357,089 compared to $4,187,780 for the comparative period. Gross profit increased to $2,115,204 during YTD 2023 compared to $563,545 during YTD 2022. Adjusted gross profit increased from $868,350 to $2,384,269 in the current period. The increase to gross profit is a result of higher sales during the quarter. The following table is a reconciliation of gross profit to adjusted gross profit:

| | | Nine Months Ended September 30, 2023 | | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Gross profit | $ | 2,115,204 | $ | 563,545 |
| Depreciation included in cost of goods sold | | 421,641 | | 393,987 |
| Net fair market value adjustment due to biological assets transformation | | (152,576) | | (89,182) |
| Adjusted gross profit | $ | 2,384,269 | $ | 868,350 |

Total operational expenses were $6,259,980 in YTD 2023 compared to $8,167,246 for YTD 2022.

Material expense items include the following:

- Salaries and benefits decreased to $2,249,296 (YTD 2022 - $2,601,853) as a result of fewer personnel.
- Share-based payments decreased to $591,202 (YTD 2022 - $1,603,401) due to fewer stock options being granted in the quarter.
- Accretion expense increased to $819,808 (YTD 2022 - $Nil) due to the addition of the notes payable.
- Office and administration decreased to $860,137 (YTD 2022 - $1,291,492) due to cost savings measures initiated by management.

EBITDA for YTD 2023 and YTD 2022 has been calculated as follows:

| | | Nine Months Ended September 30, 2023 | | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net loss for the period | $ | (4,227,795) | $ | (7,896,466) |
| Unrealized fair value change on biological assets | | (152,576) | | (117,158) |
| Accretion expense | | 819,808 | | - |
| Interest expense on lease liabilities | | 1,660,847 | | 828,207 |
| Depreciation | | 570,806 | | 1,146,494 |
| Share-based payments | | 591,202 | | 1,603,401 |
| Change in fair value of warrant liability | | - | | (65,445) |
| Gain on lease expiry | | (20,579) | | - |
| Write-off of assets/gain on disposition | | 610,705 | | (727,692) |
| Foreign exchange | | (1,494,648) | | 152,330 |
| Taxes | | 194,845 | | 105,365 |
| EBITDA (loss) | $ | (1,447,385) | $ | (4,970,964) |

## SUMMARY OF QUARTERLY RESULTS

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

| | Quarter Ended September 30, 2023 | Quarter Ended June 30, 2023 | Quarter Ended March 31, 2023 | Quarter Ended December 31, 2022 |
|---|---|---|---|---|
| | ($) | ($) | ($) | ($) |
| Sales | 3,173,349 | 1,458,417 | 1,725,323 | 1,576,020 |
| Cost of goods sold | 1,881,612 | 1,154,355 | 1,358,494 | 1,540,861 |
| Gross profit before unrealized items | 1,291,737 | 304,062 | 366,829 | 35,249 |
| Gross profit | 1,478,951 | 266,305 | 369,948 | (29,611) |
| Net expenses including non-cash items | 2,506,231 | 1,635,211 | 2,046,537 | 1,131,330 |
| Loss for the quarter | (781,870) | (1,907,419) | (1,466,505) | (2,586,354) |
| Basic and diluted loss per share | (0.00) | (0.01) | (0.01) | (0.06) |
| Common shares outstanding | 164,070,767 | 164,070,767 | 164,070,767 | 164,070,767 |

| | Quarter Ended September 30, 2022 | Quarter Ended June 30, 2022 | Quarter Ended March 31, 2022 | Quarter Ended December 31, 2021 |
|---|---|---|---|---|
| | ($) | ($) | ($) | ($) |
| Sales | 1,248,054 | 1,782,961 | 1,156,765 | 1,360,612 |
| Cost of goods sold | 1,367,018 | 1,426,501 | 947,784 | 1,106,939 |
| Gross profit before unrealized items | (118,964) | 356,460 | 208,891 | 253,673 |
| Gross profit | 124,769 | 153,236 | 285,540 | 536,546 |
| Net expenses including non-cash items | 2,995,584 | 2,736,073 | 3,263,796 | 2,640,200 |
| Loss for the quarter | (2,905,700) | (1,925,256) | (3,065,510) | (1,532,640) |
| Basic and diluted loss per share | (0.02) | (0.01) | (0.02) | (0.01) |
| Common shares outstanding | 164,016,223 | 164,016,223 | 164,016,223 | 164,016,223 |

Sales were increasing steadily over previous quarters which is in line with expectations. However, the quarter ended September 30, 2022 saw a decline due to faulty HVAC equipment which yielded poor harvests. Sales rebounded during the quarter ended March 31, 2023. Sales increased substantially for the quarter ended September 30, 2023. This is due to successful harvests and the continued growth of the Company's retail operations.

The net loss by quarter has seen a steady downward trend, with the exception of the quarter ended March 31, 2022, as management continues to stream-line operations. There was an increase in the net loss for the quarter ended March 31, 2022 due to the recognition of higher-than-normal share-based compensation. The Company's net loss increased again in the quarter ended September 30, 2022 due to an increase in depreciation with the acquisition of San Juan as well as an increase in interest expense on lease liabilities. The Company's net loss decreased from year-end as management continues to implement cost-saving measures. The Company's net loss for the quarter ended September 30, 2023 saw a substantial decreased due to an increase in sales and cost savings measures implemented by management.

## LIQUIDITY & CAPITAL RESOURCES

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

The Company had cash of $952,373 at September 30, 2023 (December 31, 2022 - $641,038) and the Company had a working capital deficit of $1,155,324 at September 30, 2023 (December 31, 2022 – surplus of $312,291) (excluding warrant liability). The Company defines the capital that it manages as its shareholders' equity.

On June 21, 2023, the Company issued convertible unsecured notes for CAD$2,230,400 (US$1,640,000) bearing interest at 30% per annum due and payable on December 1, 2024 (the "Note"). In the event of default or nonpayment, the Note is convertible into common shares of the Company by dividing (i) the Converted Amount and (ii) the Conversion Price then in effect, rounded down to the nearest whole number of shares. The Company also issued a total of 2,186,666 warrants in connection with the transaction, each convertible into one share of the Company, exercisable at $0.054 per warrant until June 1, 2028.

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.

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, and VP Finance, Kari Gothie. Directors are also included in key management. |

During the nine months ended September 30, 2023, key management compensation included the following:

| Name | Title | Salary | Share-based payments | Total |
|---|---|---|---|---|
| Douglas Chloupek | CEO, director | 232,500 | - | 232,500 |
| Mathew Lee | CFO | 55,221 | - | 55,221 |
| Kari Gothie | VP Finance, director | 225,000 | 58,316 | 283,316 |
| Thomas Leschak | VP Cultivation | 112,500 | - | 112,500 |
| Peter Beitsch | Director | - | 12,360 | 12,360 |
| | | 625,221 | 58,316 | 683,537 |

During the nine months ended September 30, 2023, the Company had the following related party transactions:

a) The Company paid $Nil (2022 - $615,748) in lease payments to Best Leasing Services, Inc., a company 100% owned by the CEO and a shareholder of the Company. Included in accounts payable and accrued liabilities is $232,121 (December 31, 2022 - $Nil) owed to Best Leasing Services, Inc.

b) Douglas Chloupek, CEO, and Kari Gothie, VP Finance, loaned the Company $250,000 with interest at 10%.

Included in accounts payable and accrued liabilities as of September 30, 2023 is $777,866 (December 31, 2022 - $920,568) owed to officers of the Company.

Included in deposits as of September 30, 2023 and December 31, 2022 is $24,000 with Best Leasing Services, Inc.

## PROPOSED TRANSACTIONS

There are no proposed transactions at this time.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no changes to the Company's accounting policies during the period.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, the lease liabilities, and note payable. 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 November 28, 2023, the Company had 164,070,767 common shares issued and outstanding, 4,686,666 warrants outstanding, and 19,250,000 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 September 30, 2023, $19,027,973 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") | Precision is a non-active subsidiary. | 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. These licenses have been surrendered and this subsidiary has ceased operations. | Wholly owned subsidiary | California | Direct |
| Juva Stockton, Inc ("Stockton") | Stockton 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 forCultivation & Distribution. | Wholly owned subsidiary | California | Direct |
| Juva Retail RWC, Inc ("RWC Retail") | Retail RWC has local and State approval to operate a retail store and non-storefront delivery in the city of Redwood City, CA. | Wholly owned subsidiary | California | Direct |

| | | | | |
|---|---|---|---|---|
| San Juan Building LLC ("San Juan) | San Juan is a Real Estate Holding Company. It holds the recently purchased building and all leasehold improvements. | Wholly owned subsidiary | California | Direct |

**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 has implemented a Compliance Department at its operating headquarters in California. The Compliance Department is responsible for monitoring all licensed activities and performing local site visits in order to validate compliance with local statutes. This monitoring includes but is not limited to: seed-to-sale records and accuracy, standard operating procedures, required signage and public health warnings, local permitting and zoning, license approvals and renewals, and all communication with regulatory bodies. The Compliance Department conducts random audits of all licensed activities, as well as conducting training, process validation, and problem resolution when compliance questions arise.

Each employee is 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 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.

**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 1 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 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 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 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.