



New Leaf Ventures, Inc.

Management's Discussion and Analysis

For the Three and Nine Month Periods Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") of the financial condition and results of New Leaf Ventures Inc. (formerly known as "1166858 B.C. Ltd.") (the "Company") is provided to assist our readers to assess our financial condition, material changes in our financial condition and our financial performance, including our liquidity and capital resources, for the three and nine month periods ended September 30, 2021 compared with the three and nine month periods ended September 30, 2020. The information in this MD&A is current as of November 29, 2021 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2021, and 2020. All dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

FORWARD-LOOKING STATEMENTS

This discussion contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Such forward-looking statements include, among others, statements relating to the provision of consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder (as defined below) and completion of additional financings.

This MD&A contains forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. For a description of the assumptions upon which the forward-looking statements are based, along with a description of the risk factors that could cause such forward-looking statements to vary, refer to the MD&A for the year ended December 31, 2020, as well as the risk factors described under the heading "Risks and Uncertainties".

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. Except as required by applicable law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on June 4, 2018. During the period ended December 31, 2020, New Leaf successfully closed transactions that included public listing on the Canadian Securities Exchange under the symbol "NLV" and concluded two offerings that raised aggregate gross proceeds of approximately \$1.9M. Concurrently, the Company completed an acquisition transaction on April 30, 2020 for 100% of the shares of New Leaf USA Inc. (and its subsidiaries) which provides certain administrative services and back-office functions, marketing, physical and intellectual property, production equipment and related services to a Washington-based Tier 3 Producer/Processor focused on industrial-scale agronomy, processing, packaging, and distributing cannabis and cannabis related products.

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

HIGHLIGHTS OF OPERATIONS

New Leaf Ventures, through its subsidiaries in the US, has continued many efforts to develop new products, enhance existing products, equipment upgrades and process efficiencies. Through the nine months ended September 30, 2021, these efforts have included:

Product Brand Updates

- Developed the Goodies brand intended as umbrella branding for the company's edibles product lines.
- Developed and introduced a caramels product line, including hard and soft caramels.
- Developed and introduced four new flavors of hard candies.
- Developed and bringing to market a new edible called "Space Balls" a chewy candy with a crunchy shell in several flavors including strawberry margarita and passion orange guava (POG).
- We are in the final phase of development and branding of a new beverage line. This will be a low dose THC and CBD craft beverage. This product line will be sold in the legal THC markets and also has the ability to be sold nationally as a CBD only product.
- Launched new marketing efforts alongside brand upgrade and new "Goodies" brand which includes advertising efforts, apparel, and brand promotions.
- Launch of the "DAMA Hemp" brand. CBD only products slotted for distribution through e-commerce site. Products included Tinctures, Capsules, Topicals, and Gummies.
- Completion of formulations and branding for THC and CBD infused beverages "Astara".
- Updates to the edible Goodies product packaging reflective of a top selling caramel's product brand.
- Update and integrate branding across flower products lineup (Dama and Weed).
- Introduce a Dama brand variation for high end greenhouse flower "DAMA Select".
- Introduce a Weed brand variation for mid-range outdoor flower.
- Finalize and produce full spectrum marketing and merchandising collateral to support brand visibility and market penetration initiatives.
- Developed a new "Tasty Tokes" brand for a line of premium infused flavored pre-rolls. The brand represents products with highest potency, best flavor and smoking experience in Washington's infused flavored pre-roll market segment.
 - Introduced three flavors of infused pre-rolls under the Tasty Tokes brand.
- Introduced new packaging featuring updated branding across all Dama-branded product lines.
- Developed a new "Green State" brand targeting outdoor and greenhouse value flower. The brand showcases the company's relationships with the top outdoor and green house producers in Washington.
- Introduced new marketing collateral across all product lines, including budtender and consumer-facing strain educational material, store displays, and Dama-branded merchandise.
- Subsequent to September 30, 2021:
 - Engaged James Zachodni, the chief branding and marketing executive of Farechild Events and DOPE Magazine to create a suite of brands and marketing initiatives targeting national expansion of the company's product lines. James brings a deep level of expertise in creating and marketing cannabis brands and products in a multi-state environment.
 - Engaged Chef Allen Abramovitz, who brings extensive experience in creating successful cannabis edible products. Allen is tasked with developing and moving to production a full range of edibles, including gummies, chocolates, and other products over the next six months.

Cultivation Facility Upgrades

- Higher efficiency lighting with increased light output. The operator expects a 25-35% increase in production volume of usable material based on initial tests of the new lighting configuration. Installed a trellis system to improve light utilization for increased flower yields and quality.

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

- Installed dehumidification and environmental control systems resulting in increase in quality of produced biomass and reduction of loss due to plant pathogens.
- Upgraded environmental controls in the company's greenhouse to increase utilization during winter.
- Upgraded air circulation and temperature controls.
- Upgraded IT infrastructure throughout the facility
- Recruited and hired a new Cultivation Manager (Kevin Joswick)
- Upgraded irrigation systems to improve efficiency.
- Built out a drying and curing facility with environmental controls to improve efficiency and quality of flower
- Realized a 15% in total material output, resulting from improvements in lighting, environmental, and irrigation systems. The company expects additional 5-10% increase from existing improvements as the production pipeline is converted into ready material.
- Initiated transition to a new cultivation protocol, doubling plant counts and shortening total plant lifecycle by 10%. The new protocol is expected to increase material output by 20% when fully implemented.

Processing Upgrades

- The Company has also advanced changes to the drying and curing process that will result in increases in quality of flower production.
- Purchased automated trimmer and sorter, increasing processing capacity to 500 lbs of flower per week.
- Purchased automated pre-roll tamper and sifter which is increasing production capabilities by approximately 100%
- Purchased and deployed sifting equipment to improve manufacturing efficiency and quality of pre-rolls.
- Continuing upgrades to drying and curing facility will result in increase of quality of flower output.

Commercial Kitchen Upgrades

- Purchased a large set of commercial kitchen equipment and supplies at a highly favorable liquidation cost.
- Purchased a depositor and a batch cooker to increase product output capacity of the caramels and hard candy lines.
- Completing construction build out of commercial kitchen. Installed floor drains, epoxy coated floors, insulated ceilings, new paint, and needed sinks and clean areas.
- Completed buildout and permitting of the commercial kitchen.
- Transferred edibles operations into the commercial kitchen.
- Completed buildout of a specialized climate-controlled area for hard candy manufacturing and storage.
- Purchased a large panner, enabling manufacturing of Space Balls, coated candy, and other products.
- Implemented a new process for hard candy manufacturing, lowering production labor cost by 20%.

Process Improvements

- Development of newly branded, structured, and responsive marketing approach across Dama and Weed brand variations allowing for consumer feedback to aid faster time-to-market development of new product lines aligned to market trend data.
- Introduction of dynamic supply processes and an ability to react to market forces within a coherent pricing structure ensures scalable efficiency and effective product COGS to support expansion.
- New Leaf USA has authorized the implementation of an integrated software system for scheduling, managing, and tracking cultivation operations. This system has increased efficiencies in the cultivation cycle, improve the ability to identify issues, implement corrective measures and improvements (such as

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

the introduction of new strains), and facilitate inter-departmental communication in support of lean manufacturing processes.

Sales Enhancements

- Expansion of sales team to include dedicated field representatives to support relationship building, sample distribution and merchandising.
- Aggressive distribution of samples to retailers, with structured follow-up and incentive closing protocols.
- Introduction and training to introduce sales team to impact of new dynamic supply processes and the need to capture timely market and trend data in order to effectively respond to, achieve or grow category leadership.
- Engaged Fire Creative Marketing Co. and founder Jessica Ivey to lead the Marketing efforts for the company. Jessica worked for the licensed company New Leaf Enterprises as marketing director from 2014 – 2016 and played an integral role in the success of the DAMA brand in the early days of the company's birth.
- Recruited and hired a Director of Sales (David Weston)
- Continued rollout of sales, marketing and merchandising collateral to support brand visibility and market penetration initiatives.
- Tiered performance-based provisioning of retailers with high visibility sales aids including toppers, banners, hangers, pop-ups, print, fashion, and digital marketing/merchandising collateral.
- Rollout of enhanced budtender education programs.

On December 22, 2020 New Leaf Ventures announced the execution of a letter agreement with Zen Asset Management LLC ("ZAM") and its parent company, Artizen Asset Management LLC ("Artizan"). ZAM is a diversified asset management company that was founded to acquire, develop, and support companies and technologies in the emerging cannabis industry. The Letter Agreement outlines the general terms and conditions pursuant to which New Leaf and ZAM would potentially undertake a business combination. The Proposed Transaction is subject to a number of conditions, including due diligence and the negotiation of a definitive agreement. The due diligence process was on-going throughout the first quarter of fiscal 2021. Subsequently, in June 2021, after careful consideration and having particular regard to the timing of other opportunities available to the Company, management decided not to proceed forward with the Proposed Transaction involving ZAM and Artizen. As of the date of this MD&A report the Company is actively assessing other investment opportunities.

During fiscal 2021 New Leaf Ventures continued its engagement of Promethean Marketing to create and conduct an investor awareness campaign in an effort to increase the Company's shareholder base. On June 16, 2021 the Company signed a contract to continue its campaign with Promethean on an ongoing basis.

On July 26, 2021, the Company filed and obtained a Receipt for a final short form base shelf prospectus from the securities regulatory authorities in each of the provinces and territories of Canada. The final base shelf prospectus is valid for a 25-month period, during which New Leaf may offer: Common Shares, Debt securities, Subscription receipts, Warrants, Units, or any combination thereof, including securities comprised of one or more of the foregoing, having an aggregate offering price of up to \$50,000,000.

On August 10, 2021, the Company announced its flagship "Dama" brand has been revamped to include CBD formulated products and are now available online at <https://damalife.com/> for national distribution.

On September 8, 2021, announced it has entered into an exclusive Washington State commercial packaging, licensing and distribution agreement with Long Play Inc., a Colorado Corporation and licensors of renowned cannabis brand "WILLIE'S RESERVE™".

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

On September 23, 2021, announced that its auditor, Davidson & Company LLP, Chartered Professional Accountants, has resigned at the request of the Company. Smythe LLP, Chartered Professional Accountants, has been appointed as the replacement auditor for the Company. The Successor Auditor will be completing the Company's audit for its year ended December 31, 2021.

On September 23, 2021, announced the hiring of two Business Development and M&A industry experts from Washington state based Goldfingers Group. In their new roles, Mr. Brad Songhurst will serve as Chief Operating Officer and Mr. David Tran will serve as Chief Strategy Officer of New Leaf USA.

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, ability to raise funds and the completion of the proposed transactions discussed below.

ACQUISITION TRANSACTION

On April 30, 2020, the Company completed their previously announced acquisition of New Leaf USA, Inc. and all of its wholly-owned subsidiaries (the "Acquisition Transaction"). The acquisition provides the Company with immediate strategic access and footprint to the US cannabis market, specifically in the state of Washington. With the acquisition, the Company now has the ability to provide turnkey solutions to other licensed cannabis operators in the state of Washington. This is the first step in realizing management's vision for the Company to manage and invest in advanced stage operations in the North American Cannabis sector. In consideration for the acquisition, the Company issued the following:

- Issued 9,000,000 shares; and
- Issued 4,000,000 performance warrants ("Performance Warrants").

Each Performance Warrant entitles the holder to purchase one common share of the Company at the price of \$0.02 per common share for a period of three years, and will vest and become exercisable as follows:

- 2,000,000 Performance Warrants will vest and become exercisable if the Company or New Leaf Enterprises, Inc. (the "License Holder") achieves at least \$5,000,000 in annual gross revenue; and
- 2,000,000 Performance Warrants will vest and become exercisable the Company or License Holder achieves at least \$7,500,000 in annual gross revenue.

In addition, New Leaf USA entered into employment agreements, pursuant to which Robert Colwell is appointed to act as Chief Executive Officer of New Leaf USA, and Boris Gorodnitsky is appointed to act as President of New Leaf USA, in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the Company issued 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

The following table shows the final allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of the identifiable classes of consideration transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

		Final
Consideration transferred:		
Fair value of 9,000,000 common shares issued(ii)	\$	2,250,000
Fair value of contingent consideration(iii)		352,800
	\$	2,602,800

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

Fair value of assets and liabilities recognized:	
Cash	\$ 3
Related party receivable (note 10)	584,555
Lease receivable	3,695,586
Equipment	896,289
Intangible assets	345,948
Lease deposits	28,179
Accounts payable	(420,334)
Capital lease obligations	(3,752,996)
Notes payable	(2,555,321)
Fair value of net assets acquired	\$ (1,178,091)
Goodwill	\$ 3,780,891

- (i) The warrants were valued using the Black-Scholes Option Pricing model and adjusted for the probability that revenue targets would be met over the vesting period. The Performance Warrants were accounted for under IFRS 9 Financial Instruments as a derivative financial liability as the instrument had an option to convert the Performance Warrants into shares of the Company for no consideration and which would result in a variable number of the Company's shares being issued on exercise (see note 12). The Performance Warrants are subsequently re-measured at each reporting date. As at September 30, 2021, the Performance Warrants were re-measured with a resulting gain on re-measurement of \$299,313 for the three months period ended September 30, 2021 recognized in profit and loss. For the nine months period ended September 30, 2021 a cumulative gain on re-measurement of \$10,222 has been recognized in profit and loss.
- (ii) There were no deferred tax liabilities identified as part of the Acquisition Transaction. Deferred tax assets were identified but were not recognized as its recoverability was not considered probable.

SELECTED ANNUAL INFORMATION

	As at	For the years ended		
		December 31, 2020	December 31, 2019	December 31, 2018
		\$	\$	\$
Revenues		2,050,990	-	-
Operating expenses		4,672,272	1,168,699	36,250
Net loss for the period		6,600,105	1,171,103	36,250
Comprehensive loss for the period		6,495,366	1,171,103	36,250
Basic and diluted loss per share:		0.24	0.11	N/A

	As at	For the years ended		
		December 31, 2020	December 31, 2019	December 31, 2018
		\$	\$	\$
Working capital (deficiency)		(1,276,846)	(396,764)	(36,249)
Total assets		6,487,140	191,034	1
Total liabilities		6,926,442	587,798	36,250
Share capital		7,087,003	736,251	1
Deficit		7,807,458	1,207,353	36,250

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

	Three-month periods ended			
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
	\$	\$	\$	\$
Total revenue	621,131	605,404	624,138	774,061
Net loss	(894,827)	(799,728)	(1,742,427)	(4,220,872)
Comprehensive loss	(871,666)	(809,355)	(1,739,547)	(3,900,497)
Basic and diluted loss per share	(0.02)	(0.02)	(0.04)	(0.24)

	Three-month periods ended			
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	\$	\$	\$	\$
Total revenue	759,029	517,900	-	-
Net loss	(628,842)	(1,546,174)	(204,217)	(415,837)
Comprehensive loss	(773,797)	(1,616,855)	(204,217)	(415,837)
Basic and diluted loss per share	(0.02)	(0.06)	(0.02)	(0.03)

Revenues in Q3 2021 were consistent with the Q2 2021 and in-line with management's expectation. Notably, revenues denominated in USD arising from intellectual property licensing, equipment leasing, and management services, were the same between Q3 2021 and Q2 2021. Therefore, the slightly higher revenues observed in Q3 2021 was due entirely to the strengthening of US currency to the Canadian dollar during Q3 2021. The net loss in Q3 2021 was higher than Q2 2021 due primarily to higher share-based compensation expense recognized in Q3'21.

RESULTS OF OPERATIONS

	Three months ended		
	September 30, 2021	September 30, 2020	\$ Movement
Revenue	621,131	759,029	(137,898)
Operating Expenses			
Communication	40,070	2,430	37,640
Consulting	45,975	35,988	9,987
Depreciation & amortization	55,701	79,599	(23,898)
Director fees	6,000	6,000	-
Marketing	746,448	514,980	231,468
General office & administration	46,914	118,175	(71,261)
Utilities and property tax	87,979	-	87,979
Professional fees	62,078	114,244	(52,166)
Regulatory and filing fees	20,144	5,899	14,245
Share-based compensation	160,108	-	160,108
Wages and salaries	473,201	446,035	27,166
Total Operating Expenses	1,744,618	1,323,350	
Other expenses			
Interest Income	105,043	107,703	(2,660)
Accretion Expense	(36,310)	(84,023)	47,713
Foreign exchange	(133,897)	(4,467)	(129,430)
Amortization of deferred gain	-	23,971	(23,971)

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

	September 30, 2021	September 30, 2020	\$ Movement
Other income	67,323	-	67,323
Gain on re-measurement of derivative	299,313	-	299,313
Interest Expense	(72,812)	(107,705)	34,893
Net loss for the period	(894,827)	(628,842)	

The notable changes in operations between the three months period ended September 30, 2021, and three months period ended September 30, 2020, are as follows:

- Revenues in Q3'21 was less than comparative period in Q3'20 due to decrease in management service fees charged by the Company to the related party License Holder. This was due to a renegotiated management service contract which effectively reduced the monthly management service fees charged to the License Holder starting in 2021.
- Depreciation and amortization expense was higher for the three months period ended September 30, 2020 due to the existence of intangible assets. Intangibles were fully amortized as of December 31, 2020, and no amortization expense was observed in Q3 2021.
- Utilities and property tax relates to operating lease expenses arising from the property leases acquired as part of the Acquisition Transaction. For the three months period ended September 30, 2020, utilities and property tax expense was approximately \$80,000 but was presented as part of Office expense. In contrast, utilities and property tax expense for the three months September 30, 2021 was approx. \$88,000 and has been presented separately. Overall the expenses are consistent between the three months ended September 31, 2021 and 2020.
- During the three months period ended September 30, 2021, the Company spent \$746,448 on marketing to help increase exposure of the Company to potential financial investors and bring attention to its numerous initiatives as outlined in the Company Overview section of this MD&A. This is an increase in comparison to marketing spend for the three months period ended September 30, 2020 and is due solely to the Company's expanded investor relation efforts throughout fiscal 2021.
- During the three months period ended September 30, 2021, the Company incurred \$168,108 in share based compensation primarily related to options granted to employees of the Company in the month of September 2021. These options were fully vested on grant date and had a total fair-value of approx. \$124,000. There was no similar share-based compensation expense incurred during the three months period ended September 30, 2020.
- A realized foreign exchange loss of \$133,897 was recognized during the three months period ended September 30, 2021. This was due to a cumulative mark-to-market revaluation of USD denominated cash balances that was recorded as at September 30, 2021. The Company had nominal USD denominated cash balances as at September 30, 2020 and the impacts of mark-to-market revaluation were limited in 2020.
- Other income of \$67,323 was recognized for the three months period ended September 30, 2021 in relation to sub-lease operating expenses (utilities, property tax, insurance) that were paid for by the Company and which are reimbursable by the License Holder.
- Included in the net loss for the three months period ended September 30, 2021, was a non-cash gain on re-measurement of derivative liability equal to \$299,313. The derivative liability arose from the issuance of Performance Warrants as part of the Acquisition Transaction in 2020. The Company is required to re-measure

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

the derivative liability at each reporting date with any gain or loss recorded directly to profit and loss for the relevant reporting period.

Nine months ended

	September 30, 2021	September 30, 2020	\$ Movement
Revenue	1,850,673	1,276,929	573,744
Operating Expenses			
Communication	88,617	21,879	66,738
Consulting	134,452	94,456	39,996
Depreciation & amortization	139,596	133,517	6,079
Director fees	18,000	18,000	-
Marketing	2,607,552	948,275	1,659,277
General office & administration	150,932	186,584	(35,652)
Utilities and property tax	283,631	-	283,631
Professional fees	282,703	396,166	(113,463)
Regulatory and filing fees	43,851	27,972	15,879
Share-based compensation	499,557	69,009	430,548
Wages and salaries	1,341,307	1,638,288	(296,981)
Total Operating Expenses	5,590,198	3,534,146	
Other expenses			
Interest Income	268,687	182,534	86,153
Accretion Expense	(130,696)	(145,354)	14,658
Foreign exchange	(92,207)	(17,126)	(75,081)
Amortization of deferred gain	-	40,466	(40,466)
Other income	467,829	-	467,829
Loss on re-measurement of derivative	10,222	-	10,222
Interest Expense	(221,292)	(182,536)	(38,756)
Net loss for the period	(3,436,982)	(2,379,233)	

The notable changes in operations between the nine months period ended September 30, 2021, and nine months period ended September 30, 2020, are as follows:

- The acquisition of the New Leaf USA Group completed on April 30, 2020; therefore, revenues for the nine months period ended September 30, 2020 included only five months as compared to nine months period ended September 30, 2021 which included revenues for nine months.
- During the nine months period ended September 30, 2021, the Company spent approximately \$2,607,552 on marketing to help increase exposure of the Company to potential financial investors and bring attention to its numerous initiatives as outlined in the Company Overview section of this MD&A. This is an increase in comparison to marketing spend for the nine months period ended September 30, 2020 and is due solely to the Company's expanded and focused efforts to increase investor awareness throughout fiscal 2021.
- Utilities and property tax relates to operating lease expenses arising from the property leases acquired as part of the Acquisition Transaction. For the nine months period ended September 30, 2020, utilities and property tax expense was approximately \$115,000 but was presented as part of Office expense. In contrast, utilities and property tax expense for the nine months September 30, 2021 has been presented separately. Overall, utilities and property tax expense is higher for the nine months period ended September 30, 2021 as the Acquisition Transaction closed on April 30, 2020. Therefore, utilities and property tax expense for the nine months period

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

ended September 30, 2020 would only include only five months of expense compared to nine months for the same period in fiscal 2021.

- Professional fees for the nine months period ended September 30, 2020 was higher in comparison to the nine months period ended September 30, 2021. This was due to more legal work incurred in relation to the Company's IPO and the acquisition of New Leaf USA in 2020.
- During the nine months period ended September 30, 2021, the Company incurred \$499,557 in share based compensation primarily related to options granted to employees of the Company in the month in January and September 2021. These options were fully vested on grant date and had a total fair-value of approx. \$330,000. The remaining portion is due to share based compensation on options granted to employees which began vesting in December 2020. Therefore, no similar share-based compensation expense was observed during the nine months period ended September 30, 2020.
- Wages and salaries expense is solely attributed to the Company's US operations. Total wages and salaries expense of \$1,341,307, including \$219,458 in executive salaries, was recognized for the nine months period ended September 30, 2021. This is compared to \$1,638,288, including approximately \$125,000 in executive salaries for the nine months period ended September 30, 2020. Overall, this represents a decrease from the period year period and is due to the recognition of a one-time signing bonus of \$914,669, payable through the issuance of common shares, to two executives of the Company. This is offset by the fact that the nine months period ended September 30, 2020 had only five months of salaries to recognize (post-acquisition), while the same period in fiscal 2021 includes nine months of expenses.
- Other income of \$467,829 was recognized for the nine months period ended September 30, 2021 in relation to sub-lease operating expenses (utilities, property tax, insurance) that were incurred for by the Company and which are reimbursable by the License Holder.
- A realized foreign exchange loss of \$92,207 was recognized during the nine months period ended September 30, 2021. This was due to a cumulative mark-to-market revaluation of USD denominated cash balances that was recorded as at September 30, 2021. The Company had nominal USD denominated cash balances as at September 30, 2020 and the impacts of mark-to-market revaluation were limited for the nine months period ended September 30, 2020.

Use of Proceeds from Initial Public Offering

Principal Purpose	Estimated Amount to be Expended (Maximum Offering) – per long form prospectus	Approximate Actual Amount Expended as of the date of MD&A
Payments under IP Promissory Note	\$783,504	\$734,765
Payments under Equipment Promissory Note	\$463,998	\$592,786
Facility expansion	\$815,000	\$194,518
National hemp roll-out	\$350,000	\$67,075
Marketing plan	\$230,000	\$0
General and administrative costs	\$250,000	\$350,673
Unallocated working capital	\$1,275,998	\$0
Total	\$4,168,500	\$1,939,817

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

The long form prospectus, dated February 10, 2020, initially contemplated the full amount (\$5,000,000 CAD) being raised and a use of proceeds based on the net to the Company after fees and commissions are taken into consideration. The Company ended up completing two tranches of the IPO for total gross proceeds of only \$1,939,817 CAD. Funds were allocated to the buckets identified in the prospectus as outlined in the table above as of the date of this management discussion and analysis.

OUTSTANDING SHARE DATA

As of the date of this MD&A the Company has a total of 57,629,584 common shares outstanding, 16,949,740 common share purchase warrants outstanding, 4,000,000 performance warrants outstanding, and 2,475,000 common share options outstanding.

Authorized share capital

The Company's authorized to issue an unlimited number of preferred shares and common shares without par value.

As at September 30, 2021, 7,895,206 (December 31, 2020 – 12,126,755) total common shares outstanding were held in escrow.

Issued share capital

During the nine-months period ended September 30, 2021:

During the Nine-months period ended September 30, 2021, the Company collected \$3,787,349 and \$163,750 in gross proceeds from the exercise of 11,774,097 share purchase warrants and 625,000 share options respectively. The warrant and option exercises resulted in the issuance of 12,399,097 common shares of the Company.

During the nine-months period ended September 30, 2021, the Company collected \$33,330 in gross process from the exercise of 133,320 Agent Warrants ("IPO Agent Warrants") which resulted in the issuance of 133,320 common shares and 66,660 share purchase warrants of the Company. Each share purchase warrant ("Additional Warrants") is exercisable into one common share of the Company at an exercise price of \$0.40 and expires on April 30, 2022. The exercise of the Agent Warrants also resulted in the reclassification of \$21,295 from warrant reserve to share capital.

During the period ended December 31, 2020:

On April 30, 2020, the Company completed the first tranche of its initial public offering (the "Offering") of 4,768,871 units (the "Units") at a price of \$0.25 per Unit (the "Offering Price"), for aggregate gross proceeds of approximately \$1,192,217. Each Unit is comprised of one common share in the Company (a "Common Share") and one-half common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable at a price of \$0.40 for a period of 24 months from the listing of the Common Shares on the Canadian Securities Exchange (the "CSE"), subject to early expiry (the "Early Expiry Event") if the closing price of the Common Shares on the CSE (or any equivalent exchange) is equal to or greater than \$0.60 per Common Share for a period of ten consecutive trading days.

In connection with the Offering, the Company paid cash commissions and corporate finance fees of \$128,355. The Company also granted 136,280 non-transferrable share purchase warrants (the "Agent Warrants"). Each Agent Warrant may be exercised into one unit (the "Agent Unit") at a price of \$0.25 until April 30, 2022, subject to an early expiry date upon the occurrence of the Early Expiry Event. Each Agent Unit consists of one common share and one-half of a common share purchase warrant (each whole warrant a "Warrant"). The fair value of the Agent Warrants was \$21,840, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

On April 30, 2020, the Company issued 9,000,000 common shares with assessed fair-value of \$2,250,000 in connection with the Acquisition Transaction (Note 5) that made up a portion of the purchase price. In addition, as part of the Acquisition Transaction, the Company issued a total of 3,658,676 common shares, with assessed fair-value of 914,669, to Boris Gorodnitsky and Robert Colwell as a signing bonus to become executives of New Leaf USA, Inc.

On June 2, 2020, the Company completed a second tranche of its initial public offering of 2,990,400 units at a price of \$0.25 per Unit, for aggregate gross proceeds of approximately \$747,600 (the "Second Tranche"). Each Unit is comprised of one common share in the Company and one-half common share purchase warrant. Each Warrant will be exercisable at a price of \$0.40 until April 30, 2022 subject to early expiry on the Early Expiry Event.

In connection with the Second Tranche the Company paid a cash commission in the amount of \$9,600 as well reimbursement of expenses totalling \$4,012. In addition, the Company incurred \$105,507 of legal expense in connection with the Offering which was charged to share capital as share issuance costs.

The Company also granted 76,000 Agent Warrants. Each Agent Warrant may be exercised into one unit at a price of \$0.25 until April 30, 2022, subject to an early expiry date upon the occurrence of the Early Expiry Event. Each Agent Unit consists of one common share and one-half of a common share purchase warrant. The fair value of the Agent Warrants was \$20,233, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

During the twelve months ended December 31, 2020, the Company raised \$1,531,815 in gross proceeds from the exercise of 6,005,000 warrants and 29,220 Agent Warrants. Upon exercise of the Agent Warrants, the Company transferred \$3,997 from warrant reserve to share capital, representing the fair value of the Agent Warrants. In addition, the Company issued 14,610 warrants with an exercise price of \$0.40, expiring on April 30, 2022 as a result of the exercise of the Agent Warrants.

Warrants

The changes in warrants during the nine months period ended September 30, 2021 and the year ended December 31, 2020 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2019	12,000,000	\$ 0.25
Granted (i)(ii)(iii)	20,106,526	0.32
Exercised	(6,034,220)	0.25
Balance, December 31, 2020	26,072,306	\$ 0.31
Granted (iv)	66,660	0.40
Exercised	(11,907,418)	0.32
Expired (v)	(701,808)	0.40
Balance, September 30, 2021	13,529,740	\$ 0.30

- (i) On June 19, 2020, the Company decided to amend the terms (the "Amendment") of an aggregate of 12,000,000 outstanding common share purchase warrants previously issued by the Company. The 12,000,000 warrants were previously exercisable to acquire common shares of the Company at a price of \$0.05 until February 26, 2021. Under the Amendment, the exercise price of the Warrants was increased to \$0.25. There was no increase to the incremental fair value of the warrants as a result of these modifications. As compensation to allow for the repricing of the share purchase warrants, the Company issued 12,000,000 additional share purchase warrants with expiry date of June 19, 2022 and an exercise price of \$0.40. There was no increase to the value of the warrant reserve for the compensatory warrants as it was offset by a corresponding increase to warrant issuance costs resulting in a \$nil impact on the Company's equity position.

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

- (ii) As part of the acquisition transaction (note 5), the Company issued 4,000,000 Performance Warrants. The Performance Warrants are subject to vesting conditions based on revenue targets for either the Company or the License Holder. Each Performance Warrant entitles the holder to purchase one Class A common share of the Company at an exercise price of \$0.02. Assuming vesting conditions are met, the holder can elect to exercise the Performance Warrants, on a net settlement basis based on the fair market value of the shares on the exercise date

The Performance Warrants were assessed to be a derivative liability in accordance with IFRS 9 and were initially measured at fair value of \$352,800 using the Black Scholes option pricing model. Subsequent to initial recognition, the Performance Warrants were re-measured at fair value using the following input assumptions:

	Nine-month period ended September 30, 2021	Year ended December 31, 2020
Share price at grant date (\$)	\$ 0.25	\$ 0.25
Exercise Price	\$ 0.02	\$ 0.02
Expected annual volatility	158%	116.33%
Expected life (in years)	1.58	3.0
Expected dividend yield	0%	0%
Risk-free interest rate	0.53%	0.28%
Fair value per warrant	\$0.24	\$0.24

A cumulative gain on re-measurement of \$10,223 (year ended December 31, 2020 – loss of \$9,958) was recognized in profit and loss for the nine-months period ended September 30, 2021.

- (iii) As part of the initial public offering closed during the year ended December 31, 2020, the Company issued 212,281 agent warrants which were fair-valued using the Black-Scholes option pricing model and the following weighted average input assumptions:

	Year ended December 31, 2020
Share price at grant date (\$)	\$ 0.30
Exercise Price	\$ 0.25
Expected annual volatility	106%
Expected life (in years)	1.97
Expected dividend yield	0%
Risk-free interest rate	0.29%
Fair value per warrant	\$0.17

On March 2, 2021, the Company accelerated the expiry of share purchase warrants (“IPO warrants”) originally granted as part the Company’s initial public offering on April 30, 2020. The IPO warrants were subject to early expiry (the “Early Expiry Event”) if the closing price of the Common Shares on the CSE (or any equivalent exchange) was equal to or greater than \$0.60 per Common Share for a period of ten consecutive trading days. The Company determined that as of start of day March 2, 2021 (the “Assessment Date”), that the Company’s Common Share price had been trading at, or greater than, \$0.60 for the last 10 consecutive trading days. As a result, the warrants were accelerated to expire within 30 days from and including the Assessment Date. The accelerated expiry date was March 31, 2021.

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

As at September 30, 2021, warrants outstanding are as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date	Weighted Average Contractual Life in Years
49,740	49,740	0.25	April 30, 2022	0.58
9,480,000	9,480,000	0.40	September 19, 2022	0.72
4,000,000	-	0.02	April 30, 2023	1.58
13,529,740	9,529,740	\$ 0.29		0.97

Equity incentive plan

The Company implemented an Equity Incentive Plan (the "EIP") which provides for the grant to eligible directors and employees (including officers) of share options and Restricted Share Rights ("RSR"). The EIP also provides for the grant to eligible directors of Deferred Share Units ("DSU") which the directors are entitled to redeem for 90 days following retirement or termination from the Board of the Company (the "Board"). The aggregate number of Common Shares that may be subject to issuance under the Equity Incentive Plan, together with any other securities-based compensation arrangements of the Corporation, shall not exceed 15% of the Corporation's issued and outstanding share capital from time to time.

Options are exercisable for a period of five years from the date the Option is granted or such greater or lesser period as determined by the Board. Options may be earlier terminated in the event of death or termination of employment or appointment. Vesting of Options is determined by the Board. Failing a specific vesting determination by the Board, Options automatically become exercisable incrementally over a period of eighteen months from the date of grant, as to: (i) 25% of the total number of shares under Option immediately upon the date of grant; and (ii) at each nine-month interval thereafter, an additional 25% of the total number of shares under Option such that after the 18th month of the Option period, 100% of the Option will be exercisable. The right to exercise an Option may be accelerated in the event a takeover bid in respect of the Common Shares is made.

Concurrent with the granting of the RSR, the Board shall determine the period of time during which the RSR is not vested and the holder of such RSR remains ineligible to receive Common Shares. Such period of time may be reduced or eliminated from time to time for any reason as determined by the Board. Once the RSR vests, the RSR is automatically settled through the issuance of an equivalent number of underlying Common Shares as RSRs held.

DSUs are redeemable during the period commencing on the business day immediately following the date such director ceases to hold any directorship and ending on the 90th day following such date by providing written notice of redemption to the Corporation. Upon redemption, the director shall be entitled to receive the number of Common Shares equal to the number of DSUs in the director's account. If the director ceases to hold office during a year where DSUs have been granted in advance of being earned and they have not held office for the entire year, the director will only be entitled to a pro-rated issuance of shares.

The Company's recorded share-based compensation for the three-month periods ended March 31, 2021 and 2020 comprised the following:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Stock Options (a)	\$ 160,108	\$ -	\$ 499,557	\$ 69,009

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

(a) Share options

The EIP authorizes the Board to grant options to eligible directors and employees (including officers). The number of options, the exercise price per option, the vesting period and any other terms and conditions of options granted from time to time pursuant to the EIP, are determined by the Board at the time of the grant, subject to the defined parameters of the EIP. Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2019	500,000	\$ 0.25
Granted	1,225,000	0.34
Balance, December 31, 2020	1,725,000	\$ 0.31
Granted	1,375,000	0.28
Exercised	(625,000)	0.26
Balance, September 30, 2021	2,475,000	\$ 0.31

The exercise of stock options in the period resulted in a transfer from stock option reserve to share capital of \$129,706 for the nine months ended September 30, 2021.

The Company fair valued the options using the Black-Scholes option pricing model with the following inputs:

	Nine month period ended September 30, 2021	Year ended December 31, 2020
Share price at grant date (\$)	\$ 0.28	\$ 0.34
Exercise Price	\$ 0.28	\$ 0.34
Expected annual volatility	129% - 133%	138%
Expected life (in years)	5	5
Expected dividend yield	0%	0%
Risk-free interest rate	0.42% - 0.92%	0.27%
Fair value per option	\$0.24	\$0.30

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the options from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period immediately preceding the option grant. The Company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model.

Total fair value of stock options granted during the nine-months period ended September 30, 2021 was \$330,625 (nine-months period ended September 30, 2020 - \$Nil).

Stock options outstanding and exercisable at September 30, 2021 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
125,000	125,000	0.25	November 14, 2024	3.13
625,000	625,000	0.28	January 15, 2026	4.30

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
500,000	500,000	0.28	September 22, 2026	4.98
1,225,000	230,000	0.34	November 10, 2031	10.12
2,475,000	1,480,000	\$ 0.31		7.26

(b) Restricted Share Rights (“RSR”)

The EIP authorizes the Board to grant RSRs, in its sole and absolute discretion, to any eligible employee or director. Each RSR provides the recipient with the right to receive common shares of the Company as a discretionary payment in consideration of past services or as an incentive for future services. The terms including the vesting period of the RSRs are determined at the sole discretion of the Board.

During the nine-month period ended September 30, 2021 and year-ended December 31, 2020, the Company did not issue any RSRs and there are no RSRs outstanding. .

(c) Deferred Share Units (“DSU”)

The EIP authorizes the Board to grant DSUs, in its sole and absolute discretion in a lump sum amount or on regular intervals to eligible directors of the Company.

During the nine-month period ended September 30, 2021 and year-ended December 31, 2020, the Company did not issue any DSUs and there are no DSUs outstanding.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions consist of monthly transactions with the License Holder, who is considered a related party due to sharing common executives and key management with the Company. Key management include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole.

(i) Transactions with the License Holder

During the three and nine months period ended September 30, 2021 and 2020, the Company recognized the following revenues from the License Holder:

Transactions with License Holder	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Equipment lease revenue	\$ 18,000	\$ 23,978	\$ 54,000	\$ 40,478
Service fee revenue	300,000	599,445	900,000	1,011,945
Variable IP licensing revenue	198,322	135,606	555,634	224,506
Total revenues from License Holder	\$ 516,322	\$ 759,029	\$ 1,509,634	\$ 1,276,929

In addition, the Company also incurred the following transactions with the License Holder during the nine-month period ended September 30, 2021:

- Interest income on outstanding receivables relating to IP licensing revenues of \$38,332 (\$nil – nine-months period September 30, 2020)
- Interest income on lease receivables of \$230,371 (\$182,534 – nine-months period September 30, 2020) – see Note 11

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

- c) Accretion expense on notes payables of \$130,696 (\$145,354 – nine-months period September 30, 2020) – see Note 10(i)
- d) Other income of \$467,829 (\$nil – nine-months period September 30, 2020) relating to sub-lease operating expenses (utilities, property tax, insurance) that were incurred for by the Company and which are reimbursable by the License Holder

As at September 30, 2021 there was a balance of \$1,780,290 (December 31, 2020 - \$1,868,318) due from the License Holder to the Company related to the provision of services during nine-month period ended September 30, 2021 and for services previously rendered during the year ended December 31, 2020. In addition, there was a balance of \$53,861 (December 31, 2020 - \$195,673) due from the Company to the License Holder for reimbursable lease operating costs.

As at September 30, 2021, there was a balance of \$3,066,187 (December 31, 2020 - \$3,241,823) due from the License Holder to the Company related to the lease receivable. In addition, at September 30, 2021, there was a balance of \$15,289 (December 31, 2020 - \$15,278) due from the Company to the License Holder for a refundable security deposit.

As at September 30, 2021, there was a notes payable balance of \$1,296,389 (December 31, 2020 - \$2,415,991) due to the License Holder. The notes were recorded at fair value at initial recognition by measuring the present-value of future note payments discounted at 12%. The notes are unsecured and bear a coupon interest rate of 2.72% per annum for a period of 27 months with a maturity date of August 1, 2022. The notes are to be repaid in nine, equal, quarterly instalments of US\$236,269. The notes payables were considered in default during the nine-months period ended September 30, 2021 due to missing of instalment payments. However, on May 10, 2021, the License Holder granted a waiver of default to EquipmentCo and IPCo in relation to missed payments. The License Holder waived its rights to demand immediate repayment for the entire principal and accrued interest outstanding on the notes. In addition, the License Holder waives its right to increase the interest rate as permitted due to the occurrence of a default event. The waiver is effective for an indefinite period of time subject to the License Holder's discretion.

A continuity of notes payable for the nine month period ended September 30, 2021 and year ended December 31, 2020 is as follows:

	Nine-month period ended September 30, 2021		December 31, 2020	
Balance, beginning of period	\$	2,415,991	\$	-
Acquisition transaction		-		2,555,321
Accretion expense		130,696		180,547
Payment		(1,231,941)		(99,908)
Currency translation adjustment		(18,357)		(219,969)
Balance, end of period	\$	1,296,389	\$	2,415,991
Current	\$	996,319	\$	2,415,991
Non-current	\$	300,070	\$	-

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

Repayments due on notes payable, including interest, for the next five years and thereafter are as follows:

2021	\$	258,724
2022		735,569
2023		-
2024		-
2025		-
Thereafter		-
Total	\$	994,293

(i) Transactions with other related parties

During the nine-months period ended September 30, 2021, the Company had the following transactions with a company controlled by a director of the Company:

- (i) Interest expense on lease obligations of \$152,317

As at September 30, 2021, there was a balance of \$25,811 (December 31, 2020 - \$25,792) due from the related party to the Company related to the prepaid rent. In addition, as at September 30, 2021 there was a balance of \$2,138,366 (December 31, 2020 - \$2,256,571) due from the Company to the related party related to the lease obligations.

(ii) Key Personnel Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company defines key management personnel as being the directors and key officers. The compensation awarded to key management personnel is as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Directors' fees	\$ 6,000	\$ 6,000	\$ 18,000	\$ 18,000
Consulting fees ⁽¹⁾	33,000	27,000	99,000	61,000
Share-based payments ⁽²⁾	9,701	-	244,704	69,009
Wages and salaries ⁽³⁾	81,328	79,926	219,458	1,049,595
Total	\$ 130,029	\$ 112,926	\$ 581,162	\$ 1,197,604

⁽¹⁾ During the nine-months ended September 30, 2021, the Company incurred consulting fees of \$54,000 (nine-months ended September 30, 2020 - \$36,000) to a company controlled by the CEO and consulting fees of \$45,000 (September 30, 2020 - \$25,000) to a company controlled by the CFO.

⁽²⁾ Share-based payments relates to expenses accrued for options vested during the nine-month periods ended September 30, 2021 and 2020. These options were issued to directors and officers of the Company in 2021, 2020 and 2019.

⁽³⁾ Wages and salaries consist of salaries to key executives for the nine-month periods ended September 30, 2021 and 2020

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2021 Company had a working capital deficiency of \$290,440 (December 31, 2020 – Working capital deficiency of \$1,276,856).

The Company has relied on equity financings to fund its operations and growth, including the Acquisition Transaction, which was made possible through the two tranches of the initial public offering. As the Company progresses and expands operations in the US, through its subsidiaries, the Company will use a combination of equity financings, funds from the exercise of share purchase warrants and revenues from the leasing, licensing and service revenues of its subsidiaries. There can be no assurances the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

ANALYSIS OF CASH FLOWS

	Nine month ended September 30, 2021		Nine month ended September 30, 2020
Cash provided by (used in):			
Operating activities	\$ (2,210,651)	\$	(2,472,175)
Investing activities	(205,655)		(61,141)
Financing activities	2,561,267		2,871,326
Increase (decrease) in cash, before effect of exchange rate fluctuation	\$ 144,961	\$	338,010

Operating Activities

Cash flows from operating activities can vary significantly from period to period as a result of the Company's working capital requirements which are dependent on operations and increased spending to grow the Company and expand its presence in the market.

Investing Activities

Cash flows used in investing activities can vary depending on the nature of the transactions occurring during a period. During the nine month period ended September 30, 2021, most of the cash used was for the acquisition of equipment assets and payment of lease obligations. The Company had less investing related activities observed for the nine month period ending September 30, 2020.

Financing Activities

Cash flows provided by financing activities for the nine month period ended September 30, 2021 mainly result from exercise of stock warrants and options, offset by repayment of notes payables. Cash flows provided by financing activities for the nine month period ended September 30, 2020 were solely due to share subscription proceeds received for private placements that closed during this period.

SUBSEQUENT EVENTS

On November 2, 2021, pursuant to its base shelf prospectus dated July 26, 2021 and the prospectus supplement dated October 27 2021, the Company completed a public offering consisting of 6,000,000 units of the Company (the "Units") at a price of \$0.25 per Unit (the "Offering Price"), for aggregate gross proceeds of \$1,500,000. Each Unit is comprised of one (1) common share of the Company (a "Common Share") and one half (1/2) common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable at a price of \$0.40 until November 1, 2023 (the "Expiry Date") subject to acceleration. If, during the life of the Warrants, the closing price of the Common Shares as quoted on the Canadian Securities Exchange is equal to or exceeds \$0.60 per Common Share

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

for any 10 consecutive trading days, the Company may provide notice to the holders of the Warrants by issuance of a news release that the expiry date of the Warrants will be accelerated to the 30th day after the date on which the Company issues such news release.

In connection with the public offering and pursuant to an agency agreement dated October 27, 2021, between the Company and Research Capital Corporation (the "Agent"), the Agent acted as agent for the offering, and received a cash commission in the amount of \$105,000 in connection with the offering from certain purchasers of the Units (the "Purchasers"). The Company also issued 420,000 non-transferrable share purchase warrants (the "Agent Warrants") to the Agent and members of its selling group. Each Agent Warrant will entitle the holder thereof to purchase one Unit (an "Agent Unit") at an exercise price of \$0.25 until the Expiry Date. Each Agent Unit consists of one Common Share and one-half of one warrant (each whole warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant will entitle the holder thereof to purchase one Common Share on the same terms and conditions as the Warrants.

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

These financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. Refer to Note 2 of the audited consolidated annual financial statements for the year ended December 31, 2020 for details on critical accounting estimates and judgments.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in Note 14 of the unaudited condensed consolidated interim financial statements for the three and nine month period ended September 30, 2021. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to Note 2 of the audited consolidated annual financial statements for the year ended December 31, 2020.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risk factors due to the nature of its business. These risks and uncertainties may impact the Company's ability to successfully execute its key strategies and may affect future events, performance or results. Some of these risks and uncertainties are described in this MD&A. However, the risks and uncertainties set out in this MD&A are not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business performance, condition, operations or strategies and plans.

Ongoing Need for Financing

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Company's shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favorable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Business plan is new and contains inherent risks

Our business plan is innovative and non-traditional. As such, we cannot be certain of commercial or any other kind of success for us and cannot guarantee same.

Limited operating history

The Company has a very limited operating history upon which an evaluation of its prospects can be based. The prospects must be evaluated with a view to the risks encountered by a business in an early stage of operations. The Company has not been profitable and has incurred net operating losses during its recent operating history. The Company cannot guarantee it will ever be profitable, have a positive cash flow, or be able to continue in business.

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Reliance on Others and Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Litigation

All industries are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

Dividends

To date, the Company has not paid any dividends on its outstanding securities and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on Company's shares will be made by the Board of Directors.

New Leaf Ventures Inc.

Management Discussion and Analysis

For the three and nine month periods ended September 30, 2021

(Expressed in Canadian Dollars)

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Speculative investment

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment.