New Leaf Ventures, Inc.

Management Discussion and Analysis

For the three-month periods ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANLAYSIS

This management discussion and analysis ("MD&A") of the financial condition and results of New Leaf Ventures Inc. (the "Company" or "New Leaf") 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-month period ended March 31, 2022 compared with the three months ended March 31, 2021. The information in this MD&A is current as of May 30, 2022 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three-month periods ended March 31, 2022, and 2021. All dollar figures included therein and in the following amended 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, 2021, 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 year ended December 31, 2020, New Leaf successfully closed transactions that included its public listing on the Canadian Securities Exchange under the symbol "NLV" and two offerings that raised aggregate gross proceeds of approximately $1.9M. Concurrently, the Company completed an acquisition transaction 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 (the "License Holder") focused on industrial-scale agronomy, processing, packaging, and distributing cannabis and cannabis related products.

During the year ended December 31, 2021, New Leaf, through its subsidiaries in the US (collectively referred to as "NL USA"), continued normal course operations and provided services to the License Holder as mentioned previously. Throughout the fiscal year the Company commenced several programs to develop new IP, formulations, equipment upgrades and process efficiencies. To date these efforts have included:

Product Brand Updates

- Continued development of the Goodies brand intended as umbrella branding for the license holder's edible product lines.
- Developed and licensed a caramels product line, including hard and soft caramels.
- Developed and licensed four new flavors of hard candies.
- Developed a new edible formulation called "Space Balls" a chewy candy with a crunchy shell in several flavors including strawberry margarita and passion orange guava (POG).
- The Company is in 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. The package design and formulation are ready to go and is licensed to the license holder for entry into the market once funds are available to commence an initial patch and market the products.
- Finalizing brand upgrades of the DAMA and WEED brands with new logo designs and packaging for the Washington market.
- Launched limited marketing efforts alongside brand upgrade and new "Goodies" brand which includes advertising efforts, apparel, and brand promotions.
- Developed the "DAMA Hemp" brand product line containing CBD only products including tinctures, capsules, topicals and Gummies within New Leaf Hemp Company. Distribution was setup through an e-commerce platform; however due to limited funding the marketing efforts have not been initiated.
- Developed hard candy formulations and branding.
- Update and integrate branding across flower products lineup (Dama and Weed).
- Licensed an additional Dama brand variation for high end greenhouse flower "DAMA Select".
- Finalize and produce full spectrum marketing and merchandising collateral to support brand visibility and market penetration initiatives.

Cultivation Facility Upgrades

- Carried out departmental maintenance and upgrades to streamline future capabilities in anticipation of regional biomass inventories draw down.
- Continued development of in-house cannabis strains, expected to launch in 2022.
- Higher efficiency lighting with increased light output. The license holder 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.
- Installed dehumidification and environmental control systems. The License Holder should realize increased 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
- Upgraded irrigation systems to improve efficiency.
- Built out a drying and curing facility with environmental controls to improve efficiency and quality of flower
- The License Holder realized a 15% increase in total material output, resulting from improvements in lighting, environmental, and irrigation systems complete by New Leaf Equipment Co. The license holder expects additional 5-10% increase from existing improvements as the production pipeline is converted into ready material.
- The cultivation department requires further upgrades to maximize efficiency and output however the Company does not have the necessary funding at this time.

Processing Upgrades

- The Company has also advanced changes to the drying and curing standard operating procedures that will result in increases in quality of flower production for the license holder.
- 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, allowing the license holder to transfer edible operations in the new completed kitchen.
- Completed buildout of a specialized climate-controlled area in the license holder's operation for hard candy manufacturing and storage.
- Purchased a large panner for license holder, enabling the manufacturing of Space Balls, coated candy and other products.
- Implemented a new standard operating procedure provided to the license holder for hard candy manufacturing, which should lower NLE's production labor cost by 20%
- Initiated the expansion of the commercial kitchen designed for high volume manufacturing of edible products including THC Beverage.

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

Sales Enhancements

- New Leaf Services hired and expanded the sales team to include dedicated field representatives to support relationship building, sample distribution and merchandising within the license holder. The Director of Sales hire ultimately did not work out and New Leaf Services has not currently found a replacement. Consequently, this department has contracted.
- Aided in marketing strategies including 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.
- Developed performance-based marketing for retailers with high visibility sales aids including toppers, banners, hangers, pop-ups, print, fashion, and digital marketing/merchandising collateral.

After some stabilization in biomass pricing and supply in 2019 and 2020, the 2021-2022 harvest season saw an oversupply of cannabis biomass resulting in increased competition and overall drop in wholesale biomass prices. Oversupply was the result of many factors including COVD-19 and producers increasing their output in response to price stabilization from the previous two seasons. Subsequently, due to the oversupply, retail prices for packaged flower and pre-rolls dropped significantly over the course of Q3/Q4 2021. This had cascading impact to the margins and revenues of wholesalers and producers such as the License Holder.

In response to the adverse market conditions impacting the sector as a whole, New Leaf USA has put a greater focus on development and formulation of value-added products, as well as marketing efforts to update, reposition, and expand awareness of its branding, including the Company's flagship DAMA brand. New Leaf USA, through its subsidiaries, continues formulations for products such as infused edibles, beverages, topicals, vape cartridges, and other concentrates. Other initiatives aimed towards stabilizing revenues is continued development of intellectual property over cannabis production methods and other management processes. In turn, this will further support and enhance the operations of the License Holder. This should have positive impacts to sales of licensed products for which the Company earns royalty revenues. These are ongoing initiatives and will be ramped up as cash flow improves.

Looking forward, New Leaf believes that the cannabis market in Washington is evolving in the direction of ever greater commodification of biomass production, leading to downward price pressure in the mid to low-level biomass market. As a response the License Holder is shifting towards biomass procurement as opposed to in-house cultivation. In response, New Leaf Services Co. has reduced its workforce by ~50% to maximize margins for leaner operations. In addition, New Leaf USA is developing relationships with other processors and retailers to leverage partnership opportunities and further expand the reach of the Company's brands and value-added formulations throughout the State of Washington.

Additional events include:

The company's US operations have continued to report an oversupply of raw material in the Washington State market during the quarter ended March 31, 2022. There have been no additional layoffs; however, there are no plans of rehiring those individuals previously laid off. Ongoing maintenance activities have been conducted in the cultivation department; however, upgrades have been slower due to cash constraints. As discussed in the Companies January news release, the license holder is procuring biomass from local cultivation partners to fill the gap. The Company has been unable to secure equipment financing and therefore has not procured any automated machinery at this time.

Two directors, Lee White and Donald Currie, resigned from the board of directors in the month of March. Subsequent to month-end, on April 1st, current President and CEO Mike Stier and Daryn Gordon joined the board of directors and audit committee.

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 was accounted for as a business combination and the purchase price on the acquisition was allocated to net assets acquired in accordance with IFRS 3. The acquisition provides the

(Expressed in Canadian Dollars)

Company with immediate strategic access and footprint to the US cannabis market, specifically in the state of Washington. 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 based on the following performance criteria as follows:

i. 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

ii. 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.

The Performance 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.

SELECTED INFORMATION ANNUAL INFORMATION

	For the years ended		
	December 31, 2021 $	December 31, 2020 $	December 31, 2019 $
Revenues	2,471,902	2,050,990	-
Operating expenses	7,227,282	4,672,272	1,168,699
Net loss for the period	3,962,287	6,600,105	1,171,103
Comprehensive loss for the period	3,935,265	6,495,366	1,171,103
Basic and diluted loss per share:	0.08	0.24	0.11

	December 31, 2021 $	December 31, 2020 $	December 31, 2019 $
Working capital (deficiency)	429,910	(1,276,856)	(396,764)
Total assets	5,954,596	6,487,140	191,034
Total liabilities	4,647,780	6,926,442	587,798
Share capital	12,170,886	7,087,003	736,251
Deficit	11,769,745	7,807,458	1,207,353

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	March 31, 2022 $	December 31, 2021 $	September 30, 2021 $	June 30, 2021 $
Total revenue	624,237	621,229	621,131	605,404
Net loss	209,736	(525,305)	(894,827)	(799,728)

(Expressed in Canadian Dollars)

Comprehensive loss	184,407	(514,697)	(871,666)	(809,355)
Basic and diluted loss per share	0.00	(0.01)	(0.02)	(0.02)

	Three months ended			
	March 31, 2021	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
	$	**$**	**$**	**$**
Total revenue	624,138	774,061	759,029	517,900
Net loss	(1,742,427)	(4,220,872)	(628,842)	(1,546,174)
Comprehensive loss	(1,739,547)	(3,900,497)	(773,797)	(1,616,855)
Basic and diluted loss per share	(0.04)	(0.24)	(0.02)	(0.06)

Revenues in the first quarter of fiscal 2022 were consistent with the fourth quarter of fiscal 2021 due to static revenues generated from intellectual property licensing. The other revenue streams consisting of equipment leasing and management services, are based on contractual fixed monthly fees and therefore revenues from those streams are expected to be the same quarter-to-quarter. Net income in the first quarter was primarily the result of lower operating expenses compared to prior fiscal quarters. There was significant reduction to overall marketing and share-based compensation expenses. In addition there was no gain or loss on re-valuation of derivative liability as there was no change in its fair-value from last reporting date as at December 31, 2021.

RESULTS OF OPERATIONS

For the three months ended	**March 31, 2022**	**March 31, 2021**	**Variance $**	**Variance %**
Revenue	**$ 624,237**	**$ 624,138**		
Operating Expenses				
Communication	4,743	25,178	(20,435)	-81%
Consulting	38,245	32,469	5,776	18%
Depreciation	53,657	41,049	12,608	31%
Directors fees	6,000	6,000	-	0%
Marketing	-	861,423	(861,423)	-100%
General office & administration	30,075	39,706	(9,631)	-24%
Utilities and property tax	71,107	99,164	(28,057)	-28%
Professional fees	15,577	76,774	(61,197)	-80%
Regulatory and filing fees	7,356	10,576	(3,220)	-30%
Share-based compensation	20,076	298,250	(278,174)	-93%
Wages and salaries	311,241	425,173	(113,932)	-27%
Total Operating Expenses	**$ 558,077**	**$ 1,915,762**		
Other expenses				
Interest income	109,057	86,500	22,557	26%
Accretion expense	(20,209)	(51,671)	31,462	-61%
Foreign exchange	(1)	(69)	68	-99%
Gain on write-off of accrued liabilities	30,000	-	30,000	100%
Gain / (loss) on re-measurement of derivative	-	(409,485)	409,485	-100%
Other income	94,808	-	94,808	100%
Interest expense	(70,079)	(76,078)	5,999	-8%
Net loss for the period	**$ 209,736**	**$ (1,742,427)**		

The notable changes in operations between the three months period ended March 31, 2022, and three months ended March 31, 2021, are as follows:

1. There was no marketing spend during the three-month period ended March 31, 2022 as the Company believes there has been sufficient marketing spend from prior year. The Company has prioritized cashflows for activities tied to other operating activities instead.

2. Share based compensation was higher during the three-month period ended March 31, 2021 as stock options were granted to executive management during this period. There were no option grants during the three-month period ended March 31, 2022.

3. The Company has reduced its workforce beginning in the fourth quarter of fiscal 2021 and through to the first quarter of fiscal 2022. Consequently, a lower salary expense is observed compared to the three month period ended March 31, 2021.

4. There was no gain or loss on re-valuation of derivative liability as there was no change in its fair value from last reporting date as at December 31, 2021. In comparison, there was a loss on remeasurement of $0.409M recognized during the three-month period ended March 31, 2021.

5. Other income of $0.094M in Q1'22 relates to sub-lease operating expenses (utilities, property tax, insurance) that were incurred by the Company and which are reimbursable by the License Holder. There were no similar amounts that were recognized during the three months ended March 31, 2021.

OUTSTANDING SHARE DATA

As of the date of this MD&A the Company has a total of 59,615,584 common shares outstanding, 12,900,000 common share purchase warrants outstanding, 4,000,000 performance warrants outstanding, and 2,475,000 common share options outstanding.

Authorized share capital

As at March 31, 2022 and December 31, 2021, the Company is authorized to issue an unlimited number of preferred shares and Class A common shares without par value. The Company has no other classes of common shares that are authorized, issued, or outstanding as at March 31, 2022.

As at March 31, 2022, 5,898,904 (December 31, 2021 – 5,898,904) total common shares outstanding were held in escrow subject to the following escrow release schedule:

- 10% - on the date the Company's securities are listed on a Canadian Exchange (May 4, 2020 - the "Listing Date")
- 15% - 6 months after the Listing Date
- 15% - 12 months after the Listing Date
- 15% - 18 months after the Listing Date
- 15% - 24 months after the Listing Date
- 15% - 30 months after the Listing Date
- 15% - 36 months after the Listing Date

(Expressed in Canadian Dollars)

At-the-Market Distributions

On November 15, 2021, the Company established an at-the-market equity program (the "ATM Program") that allows the Company to issue and sell up to $10,000,000 of common shares from treasury to the public, from time to time, and at the Company's discretion. The ATM Program is managed by a broker agent, pursuant to an Equity Distribution Agreement (the "Distribution Agreement"). The agent will be compensated with cash commissions equal to 2% of total gross proceeds raised from any ATM placement. All common shares sold under the ATM Program will be made through sales that are deemed to be "at-the-market distributions" as defined in National Instrument 44-102 – Shelf Distributions, including sales made through the CSE, or any other trading market for the Common Shares in Canada

Issued share capital

During the three-month period ended March 31, 2022:

At-the-Market Distributions
During the three-month period ended March 31, 2022 the Company completed a number of ATM placements. An aggregate of 1,282,000 common shares were issued for total proceeds of $111,904. During the three-month period ended March 31, 2022, the Company incurred total cash commissions of $1,844 from the ATM placements. As at March 31, 2022, $4,296 of the overall net proceeds from the ATM placements had not been transferred to the Company by the agent. The proceeds receivable have been recognized as a share subscription receivable as at March 31, 2022.

During the three-month period ended March 31, 2021:

During the three-month period ended March 31, 2021, the Company collected $2,730,147 and $128,751 in gross proceeds from the exercise of 9,254,097 share purchase warrants and 500,000 share options respectively. The warrant and option exercises resulted in the issuance of 9,754,097 common shares of the Company.

During the three-month period ended March 31, 2021, the Company collected $33,330 in gross proceeds 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.

Warrants

The changes in warrants during the three-month periods ended March 31, 2022 and December 31, 2021 are as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, January 1, 2021	**26,072,306**	**$**	**0.31**
Issued (i)	3,486,660		0.40
Exercised	(11,907,417)		0.32
Expired (ii)	(751,549)		0.39
Balance, December 31, 2021, and March 31, 2022	**16,900,000**	**$**	**0.32**

There was no issuance, exercise, or expiration of warrants during the three months period ended March 31, 2022.

(Expressed in Canadian Dollars)

(i) The Company issued 420,000 November Agent Warrants in connection with the November Public Offering. The November Agent Warrants were exercisable into Units which were further comprised of a common share of the Company and one-half of one common share purchase warrant. The November Agent Warrants were fair-valued using the Black Scholes option pricing model and the Geske compound option pricing model with the following weighted average input assumptions:

	Black-scholes option model inputs
Share price at grant date ($)	$ 0.23
Exercise Price	$ 0.25
Expected annual volatility	152.7%
Expected life (in years)	2.00
Expected dividend yield	0%
Risk-free interest rate	1.04%
Fair value per warrant	$0.16

	Geske compound option model inputs
Share price at grant date ($)	$ 0.23
Exercise price of compound warrant ($)	$ 0.001
Exercise price of underlying warrant	$ 0.250
Expected annual volatility	152.7%
Expected life compound warrant (in years)	1.99
Expected life underlying warrant (in years)	2.00
Expected dividend yield	0%
Risk-free interest rate	1.04%
Fair value per warrant	$0.163

(ii) On March 2, 2021, the Company accelerated the expiry of 751,549 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.

Subsequent Measurement of Performance Warrants

As part of the Acquisition Transaction (note 4), the Company previously issued 4,000,000 Performance Warrants which 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 measured at fair value on acquisition date using the Black Scholes option pricing model at initial recognition. Subsequently, the Performance Warrants are re-measured to fair-value at each reporting period end date.

The Performance Warrants were re-measured as at March 31, 2022 with a resulting fair-value of $nil determined (December 31, 2021 - $nil). Consequently, no gain or loss on re-measurement was recognized in profit and loss for the three-month period ended March 31, 2022 (March 31, 2021 – loss on re-measurement of $409,485).

(Expressed in Canadian Dollars)

As at March 31, 2022, warrants outstanding are as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
9,480,000	9,480,000	0.40	June 19,2022	0.22
4,000,000	-	0.02	April 30, 2023	1.08
3,000,000	3,000,000	0.40	November 1, 2023	1.59
420,000	420,000	0.25	November 1, 2023	1.59
16,900,000	**12,900,000**	**$ 0.31**		**0.70**

SHARE-BASED COMPENSATION

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 Company, shall not exceed 15% of the Company’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 six-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 Company. 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.

(Expressed in Canadian Dollars)

The Company's recorded share-based compensation for the three-month periods ended March 31, 2022 and 2021 comprised the following:

	March 31, 2022	March 31, 2021
Stock Options (a)	**$ 20,076**	**$ 298,250**

(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. The changes in share options during the three-month periods ended March 31, 2022 and December 31, 2021 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2020	**1,725,000**	**$ 0.31**
Granted	1,375,000	0.28
Exercised (i)	(625,000)	0.26
Balance, December 31, 2021 and March 31, 2022	**2,475,000**	**$ 0.31**

There was no issuance, exercise, or expiration of stock options observed during the three months period ended March 31, 2022.

(i) The weighted average share price at the date of exercise of options exercised during the year ended December 31, 2021 was $0.64.

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

	Year ended December 31, 2021
Share price at grant date ($)	$ 0.28
Exercise Price	$ 0.28
Expected annual volatility	129% - 133%
Expected life (in years)	5.00
Expected dividend yield	0%
Risk-free interest rate	0.42% - 0.92%
Fair value per option	$ 0.24

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.

There were no stock options granted during the three-month period ended March 31, 2022. The total fair value of stock options granted during the three-month periods ended March 31, 2021 was $209,125.

Stock options outstanding and exercisable at March 31, 2022 are as follows:

(Expressed in Canadian Dollars)

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 15, 2024	2.63
625,000	625,000	$ 0.28	January 15, 2026	3.80
500,000	500,000	$ 0.28	September 22, 2026	4.48
1,225,000	478,750	$ 0.34	November 10, 2031	9.62
2,475,000	**1,728,750**	**$ 0.31**		**6.76**

(b) 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 three-month periods ended March 31, 2022 and 2021, the Company did not issue any RSRs and there are no RSRs outstanding.

(c) 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 three-month periods ended March 31, 2022 and 2021, the Company did not issue any DSUs and there were 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-month periods ended March 31, 2022 and 2021 the Company recognized the following revenues from the License Holder:

Revenue type		March 31, 2022		March 31, 2021
Equipment leasing revenue	$	22,792	$	22,788
Service fee revenues		379,860		379,800
Intellectual property licensing revenues		221,585		221,550
Total revenues from License Holder	**$**	**624,237**	**$**	**624,138**

In addition, the Company also incurred the following transactions with the License Holder during the three-month periods ended March 31, 2022:

(i) Accrued interest income on outstanding receivables due from License Holder of $36,072 (March 31, 2021 - $7,353);
(ii) Interest income on lease receivables of $72,993 - Note 8 (March 31, 2021 - $79,147);
(iii) Accretion expense on notes payables of $20,209 (March 31, 2021 - $51,671); and

(Expressed in Canadian Dollars)

(iv) Other income of $94,808 (March 31, 2021 - $nil) relating to sub-lease operating expenses (utilities, property tax, insurance) that were incurred by the Company and which are reimbursable by the License Holder (note 8 - sub-tenant)

As at March 31, 2022, there was a balance of $2,474,994 (December 31, 2021 - $1,888,672) due from the License Holder to the Company related to equipment leasing, service fees, and IP licensing during the three-month periods ended March 31, 2022. In addition, there was a balance of $nil (December 31, 2021 - $11,122) due from the Company to the License Holder for reimbursable lease operating costs.

As at March 31, 2022, there was a balance of $2,878,314 (December 31, 2021 - $2,986,444) due from the License Holder to the Company related to the lease receivable. In addition, there was a balance of $14,995 (December 31, 2021 - $15,214) due from the Company to the License Holder for a refundable security deposit.

As at March 31, 2022, there were two note payables with aggregate balance of $871,998 (December 31, 2021 - $864,465) due from the Company 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 eight, equal, quarterly instalments totaling US$236,269.

A continuity of notes payable for the period ended March 31, 2022 and December 31, 2021 is as follows:

Balance, January 1, 2021	**$**	**2,415,991**
Accretion expense		159,073
Payment		(1,682,968)
Currency translation adjustment		(27,631)
Balance, December 31, 2021	**$**	**864,465**
Accretion expense		20,209
Currency translation adjustment		(12,676)
Balance, March 31, 2022	**$**	**871,998**

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

Year		**Amount**
2022	$	871,998
2023		-
2024		-
2025		-
2026		-
Thereafter		-
Total	**$**	**871,998**

(ii) Transactions with other related parties

During the three-month periods ended March 31, 2022 the Company had the following transactions with a company controlled by a director of the Company:

(i) Interest expense on lease obligations of $48,326 (March 31, 2021 - $52,292);
(ii) Due to related party balance of $179,223 relating to accrued rent (December 31, 2021 - $nil)

As at March 31, 2022, there was a balance of $25,315 (December 31, 2021 - $25,684) due from the related party to the Company related to the prepaid rent. In addition, there was a balance of $2,009,052 (December 31, 2021

(Expressed in Canadian Dollars)

- $2,083,582) due from the Company to the related party related to a lease obligation between RealEstateCo and a Washington based company which is controlled by a director of the Company.

(iii) Key Personnel Compensation

		Three-month period ended March 31, 2022		Three-month period ended March 31, 2021
Directors' fees	$	6,000	$	6,000
Consulting fees		33,000		33,000
Share-based payments		5,044		222,712
Wages and salaries		70,128		70,116
Total	**$**	**114,172**	**$**	**331,828**

During the three-months ended March 31, 2022, the Company incurred consulting fees of $18,000 (March 31, 2021 - $18,000) to a company controlled by the CEO and consulting fees of $15,000 (March 31, 2021 - $15,000) to a company controlled by the CFO.

As at March 31, 2022, due to related party balances include $6,138 (December 31, 2021 - $5,072) $and $3,964 (December 31, 2021 - $4,022), due to directors of the Company and the License Holder respectively. The amounts relate to reimbursable expenses.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2022 Company had a working capital of $807,076 (December 31, 2021 – working capital of $429,910).

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.

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 11 of the unaudited condensed consolidated interim financial statements for the period ended March 31, 2022. 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, 2021.

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 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.

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.