New Leaf Ventures, Inc.

Management Discussion and Analysis

For the Years Ended December 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 year ended December 31, 2022 compared with the year ended December 31, 2021. The information in this MD&A is current as of May 1, 2023 and should be read in conjunction with the consolidated financial statements as at December 31, 2022 and December 31, 2021, and the 2021 Annual MD&A. All dollar figures included therein and in the following M&DA 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, see 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 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 period ended December 31, 2022, New Leaf Ventures, 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.
- 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.
- Finalized brand upgrades of the DAMA Premium brand with new logo designs and packaging for the Washington market. Including custom Jars and Mylar bags with catchy colors and a fresh new look.
- Launched limited marketing efforts alongside brand upgrade and new "Goodies" brand which includes advertising efforts, apparel, and brand promotions.
- Updated and integrated branding across flower products lineup for Dama Cannabis.

Cultivation Facility Upgrades

- Due to evolving conditions in the Washington state cannabis market, the License Holder has made a strategic decision to pivot away from cannabis production, instead focusing on cannabis processing. In efforts to align and streamline our own operations, and to better support the License Holder, NL USA terminated its property lease which housed the production facility in June 2022. See additional commentary further below in the 'Other Updates' section of this MD&A.

- Update on the strategic move away from cultivation. The license holder reports that its new procurement model has been going well and is establishing good relationships with growers producing quality flower. The license holder's sale of the production license is still pending Washington State Liquor Cannabis Board approval. Upon approval the deal will close, and NL USA's subsidiaries will complete the sale of specific cultivation equipment.

Process Improvements

- Have created new Co-Packing division to maximize the capabilities of the processing facility. This includes several relationships with WA licenses to build white label products for distribution, Co-Packing services, and processing services. This is allowing us to find new customers that have needs that they are having trouble fulfilling on their own.

Sales Enhancements

- Developed and implemented capability of printing product labels in-house on an Afinia L801 label printer. This has allowed NL USA to better support the License Holder's cannabis material sourcing program by allowing production of strain- and flavor-specific labels without incurring lead time and minimum order costs.

Other Updates

Cannabis Market in State of Washington

The cannabis market in Washington state continues to evolve and the Company observes and believes it is moving in the direction of ever greater commodification of biomass production. The result is continual downward price pressure in the mid to low-level biomass market. This in turn has lowered the price of THC, the active ingredient in cannabis derived products (ie. oils, edibles and beverages, concentrates, etc.). Under current market conditions, it has become more cost effective to purchase cannabis biomass from third-party producers as opposed to producing in-house. As a response, the License Holder has pivoted away from cannabis production and consequently NL USA announced on June 28, 2022 that it would be relinquishing control over the property lease housing the current cultivation facility. This decision will streamline operations and reduce operating costs within NL USA. It will also align the Company to better service the License Holder going forward and solidify the shift towards biomass procurement as opposed to in-house cultivation.

In response to current market conditions, 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, continues development of formulations for products such as infused edibles, beverages, topicals, vape cartridges, and other concentrates. New Leaf USA is also 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.

Other initiatives aimed towards stabilizing revenues is continued development of intellectual property over cannabis production methods and other management processes. New Leaf IP Co. is looking to expand its catalogue of brands as the license holder focuses on processing, packaging, and distribution. 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.

Change of Directors

Two directors, Lee White and Donald Currie, resigned from the board of directors in the month of March. 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 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 1,800,000 shares; and
- Issued 800,000 performance warrants ("Performance Warrants")

Each Performance Warrant entitles the holder to purchase one common share of the Company at the price of $0.10 per common share for a period of three years, and will vest and become exercisable based on the following performance criteria as follows:

i. 400,000 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. 400,000 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.

(Expressed in Canadian Dollars)

SELECTED INFORMATION ANNUAL INFORMATION

	For the years ended		
	December 31, 2022 $	December 31, 2021 $	December 31, 2020 $
Revenues	1,980,274	2,471,902	2,050,990
Operating expenses	5,907,483	7,227,282	4,672,272
Net loss for the period	3,518,382	3,962,287	6,600,105
Comprehensive income (loss) for the period	(3,543,895)	(3,935,265)	6,495,366
Basic and diluted income / (loss) per share:	(0.29)	0.24	0.24

	December 31, 2022 $	December 31, 2021 $	December 31, 2020 $
Working capital (deficiency)	(24,300)	429,910	(1,276,856)
Total assets	2,289,844	5,954,596	6,487,140
Total liabilities	3,644,136	4,647,780	6,926,442
Share capital	13,005,159	12,170,886	7,087,003
Deficit	15,288,127	11,769,745	7,807,458

SUMMARY OF QUARTERLT RESULTS

	Three months ended			
	December 31, 2022 $	September 30, 2022 $	June 30, 2022 $	March 31, 2022 $
Total revenue	339,573	387,002	629,462	624,237
Net income / (loss)	(3,774,670)	(53,326)	99,878	209,736
Comprehensive income / (loss)	(3,966,392)	81,446	156,644	184,407
Basic and diluted income / (loss) per share	(0.29)	0.01	0.00	0.00

	Three months ended			
	December 31, 2021 $	September 30, 2021 $	June 30, 2021 $	March 31, 2021 $
Total revenue	621,229	621,131	605,404	624,138
Net income / (loss)	(525,305)	(894,827)	(799,728)	(1,742,427)
Comprehensive income / (loss)	(514,697)	(871,666)	(809,355)	(1,739,547)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.04)

Revenues in Q1 and Q2 of fiscal 2022 were consistent with the last four quarters of fiscal 2021. The Company did not recognize any intellectual property licensing revenues ("IP revenues") during the third and fourth quarters of fiscal 2022 which resulted in an overall decrease in total revenues for the year. The Company further amended its leasing and services contract with the related party License Holder, which also contributed to lower total revenues in fiscal 2022. The net loss and comprehensive loss observed in the fourth quarter was primarily the result of an loss allowance expense related to the Company's due from related party balances and its lease receivable. The net loss and comprehensive losses recognized during the fiscal quarters in 2021 were impacted by losses from remeasurement of derivative warrants, greater share-based compensation expense, and greater marketing expenses.

(Expressed in Canadian Dollars)

RESULTS OF OPERATIONS

The notable changes in operations between the year ended December 31, 2022 and December 31, 2021 are as follows:

		December 31, 2022		December 31, 2021	Variance $	Variance %
Revenues	$	**1,980,274**	$	**2,471,902**	(491,628)	-20%
Operating Expenses						
Loss allowance expense		3,630,404		-	3,630,404	100%
Communication		14,094		99,874	(85,780)	-86%
Consulting		132,000		182,228	(50,228)	-28%
Depreciation & Amortization		186,369		192,635	(6,266)	-3%
Director fees		46,500		24,000	22,500	94%
Marketing		-		3,475,083	(3,475,083)	-100%
General office & administration		544,575		235,612	308,963	131%
Utilities and property tax		155,140		345,163	(190,023)	-55%
Professional fees		122,616		326,339	(203,723)	-62%
Regulatory and filing fees		54,621		60,122	(5,501)	-9%
Share-based payment		75,050		525,811	(450,761)	-86%
Wages and salaries		946,114		1,760,416	(814,302)	-46%
Total Operating Expenses	$	**5,907,483**	$	**7,227,283**		
Other expenses						
Interest income		231,919		372,497	(140,578)	-38%
Accretion expense		(35,059)		(159,073)	124,014	-78%
Foreign exchange gain / (loss)		-		(29,730)	29,730	-100%
Gain / (loss) on remeasurement of derivative		-		362,758	(362,758)	-100%
Reversal of share-based payments		28,584		-	28,584	100%
Gain on lease termination		9,393		-	9,393	100%
Gain on settlement of accounts payable		71,117		-	71,117	100%
Impairment of property and equipment		(16,116)		-	(16,116)	100%
Other income		350,561		539,378	(188,817)	-35%
Interest expense		(231,572)		(292,736)	61,164	-21%
Net loss for the period	$	**(3,518,382)**	$	**(3,962,287)**		

1. During the year-ended December 31, 2022 the Company earned revenues of $1.98M and incurred a net loss of $3.5M. This was compared to $2.4M in revenues and net loss of $3.96M during the year ended December 31, 2021. The Company did not recognize IP revenues in Q3 and Q4 of fiscal 2022 as certain accounting recognition criteria were not met in those periods. In recognition of the economic conditions of the cannabis market in Washington state, the Company amended its equipment leasing and service contract to better support the related party License Holder. The amendments resulted in lower revenues being recognized during fiscal 2022.

   The net loss in fiscal 2022 was lower than fiscal 2021 but was caused by different factors. Net loss in fiscal 2022 is primarily due to the loss allowance expense recognized in connection with the Company's due from related party balance and its lease receivable. Net loss in fiscal 2021 was driven primarily by higher operating expenses incurred, including marketing, wages and salaries, and share-based compensation.

2. During the fiscal year ended December 31, 2021, the Company spent $3.4M on marketing services to increase exposure of the Company to potential financial investors and the wider capital market. There was no marketing spend observed in fiscal 2022.

3. Interest income and expense relate to the Company's lease receivable and corresponding lease obligation. New Leaf USA leases a warehouse property and simultaneously subleases the same property to the License Holder. The Company did not recognize interest income in Q3 and Q4 of fiscal 2022 as certain accounting recognition criteria were not met in those periods.

4. G&A expense was higher in fiscal 2022 due to accrued interest and penalties arising from outstanding rent payable balances.

5. Due to various optimization efforts and cost reduction strategies in fiscal 2022, the Company had overall lower operating expenses as it pertains to professional fees, share-based compensation, and wages and salaries.

6. Utilities and property tax relates were lower in fiscal 2022 as the Company terminated one of its property leases during the year.

7. Due to a change in estimates, the Company fair-valued derivative warrants at $Nil and there were no resulting gains or losses on derivative remeasurement observed during fiscal 2022.

8. Other income is comprised of sub-lease operating expenses (utilities, property tax, insurance) that are incurred for by the Company and reimbursable by the License Holder. The Company terminated one of the subleases during fiscal 2022 resulting in lower reimbursable sub-lease operating expenses.

OUTSTANDING SHARE DATA

On September 12, 2022, the Company completed a 5-to-1 consolidation of the Company's issued and outstanding common shares which took effect at market opening on September 12, 2022. This share consolidation was approved by the Company's Board of Directors. The Company's issued and outstanding stock options and share purchase warrants were also subject to this share consolidation. The par value of the common shares was not adjusted as a result of the share consolidation. Accordingly, all share and per share amounts for the periods presented in these consolidated financial statements and notes thereto have been adjusted retrospectively to reflect this share consolidation.

As of the date of this MD&A the Company has a total of 28,636,765 common shares outstanding, - common share purchase warrants outstanding, - performance warrants outstanding, and - common share options outstanding.

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

As at December 31, 2022 and 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 December 31, 2022.

As at December 31, 2022, 393,260 common shares outstanding were held in escrow (December 31, 2021 – 1,179,780) subject to the following escrow release schedule:

- 10% - on the date the Company's securities are listed on a Canadian Exchange (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

Issued Share Capital

During the year ended December 31, 2022:

At-the-Market Distributions
During the year ended December 31, 2022 the Company completed a number of ATM placements. An aggregate of 435,000 common shares (2021 – 91,600) were issued for total proceeds of $160,972 (2021 - $74,553). During the year ended December 31, 2022, the Company incurred total cash commissions of $2,848 (2021 - $1,356) from the ATM placements. As at December 31, 2022, $nil (2021 - $74,553) of the overall net proceeds from the ATM placements were receivable by the Company from the broker agent.

Shares for Debt Settlement
During the year ended December 31, 2022, the Company issued 571,506 common shares (2021 – nil) of the Company as settlement for outstanding accounts payable balances. As a result of this shares for debt settlement, a gain on settlement of $71,117 was recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2022 (2021 - $nil).

Non-Brokered Private Placement Financing
On December 22, 2022, the Company completed a non-brokered private placement financing and issued a total of 5,084,950 units of the Company (the "Units") at a price of $0.10 per Unit, for aggregate gross proceeds of $508,495. Each Unit is comprised of one common share of the Company (a "Common Share") and one common share purchase warrant ("Warrant"). Each Warrant will be exercisable at a price of $0.20 until December 22, 2024 (the "Expiry Date"). The Warrants were valued using a residual fair-value approach resulting in a fair-value of $nil per Warrant.

The Company incurred total cash commission costs of $1,750 and in connection with the non-brokered private placement financing. The Company also granted 17,500 Finder Warrants. Each Finder Warrant may be exercised into one common share of the Company at an exercise price of $0.10 until December 22, 2024. The fair value of the Finders Warrants was $2,048, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

During the year ended December 31, 2021:

Exercise of Stock Options and Share Purchase Warrants

During the year ended December 31, 2021, the Company collected $3,787,349 and $163,750 in gross proceeds from the exercise of 2,354,818 share purchase warrants and 125,000 share options respectively. The warrant and option exercises resulted in the issuance of 2,479,818 common shares of the Company.

During the year ended December 31, 2021, the Company collected $33,330 in gross proceeds from the exercise of 26,664 agent warrants ("IPO Agent Warrants") which resulted in the issuance of 26,664 common shares and 13,332 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 $2.00 and expires on April 30, 2022. The exercise of the IPO Agent Warrants also resulted in the reclassification of $21,295 from warrant reserve to share capital.

Public Offering

On November 2, 2021 the Company closed a public offering (the "November Offering") and issued a total of 1,200,000 units of the Company (the "Units") at a price of $1.25 per Unit, 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 common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable at a price of $2.00 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 $3.00 per Common Share 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. The half-warrants were valued using a residual fair-value approach resulting in a fair-value of $0.10 per half-warrant. Total fair-value of all Warrants issued on the November Offering was $120,000 with the amount recognized in warrant reserve.

In connection with the November Offering, the Company paid a cash commission of $105,000 to an agent connected with the financing transaction. The Company also issued 84,000 share purchase warrants (the "November Agent Warrants") to the agent and members of its selling group. Each November Agent Warrant would entitle the holder to purchase one Unit (an "Agent Unit") at an exercise price of $1.25. Each Agent Unit consists of one common share and one-half of one common share purchase warrant (each whole warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant would entitle the holder thereof to purchase one common share of the Company on the same terms and conditions as the Warrants issued on the November Offering. The fair value of the November Agent Warrants was $102,690, calculated using the Black-Scholes option pricing model and the Geske compound option pricing model. This amount was charged to share capital as a non-cash share issuance cost. The Company also incurred $297,054 of issuance cost relating to legal and agent work fees in connection with the November Offering.

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.

(Expressed in Canadian Dollars)

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.

The Company's recorded share-based compensation for the year ended December 31, 2022 and 2021 comprised the following:

		December 31, 2022		**December 31, 2021**
Stock Options (a)	$	53,800	$	525,811
RSRs (b)		21,250		-
Total share based compensation	**$**	**75,050**	**$**	**525,811**

(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 years ended December 31, 2022 and December 31, 2021 are as follows:

	Number of Options		**Weighted Average Exercise Price**
Balance, December 31, 2020	**345,000**	**$**	**1.55**
Granted	275,000		1.40
Exercised	(125,000)		1.31
Balance, December 31, 2021	**495,000**	**$**	**1.55**
Forfeited (i)	(43,500)		1.70
Balance, December 31, 2022	**451,500**	**$**	**1.53**

There was no grants, exercises, or expiration of stock options observed during the year ended December 31, 2022. The total fair value of stock options granted during the year ended December 31, 2021 was $330,625.

(Expressed in Canadian Dollars)

(i) During the year ended December 31, 2022, 43,500 options were forfeited resulting in a gain on the reversal of previously recognized share-based payment expenses totaling $28,584. The gain on reversal was recognized in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022.

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

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
25,000	25,000	$1.25	November 15, 2024	1.88
125,000	125,000	$1.40	January 15, 2026	3.04
100,000	100,000	$1.40	September 22, 2026	3.73
201,500	131,000	$1.70	November 10, 2031	8.87
451,500	**381,000**	**$1.53**		**5.73**

(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.

The changes in RSRs during the years ended December 31, 2022 and December 31, 2021 are as follows:

	Number of RSR
Balance, December 31, 2020 and 2021	**-**
Granted	500,000
Balance, December 31, 2022	**500,000**

(i) On November 29, 2022, the Company granted the CEO of the Company 500,000 RSRs. The fair-value of each RSR was determined to be $0.17, equal to the closing share price of the Company's common shares for the day immediately preceding the date of the grant. The RSRs are subject to vesting terms as follows: 50% of the RSRs will vest three months from the date of grant; 50% of the RSRs will vest six months from the date of grant.

(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 year ended December 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.

(Expressed in Canadian Dollars)

(i) Transactions with the License Holder

During the year ended December 31, 2022 and 2021 the Company recognized the following revenues from the License Holder:

Revenue type		December 31, 2022		December 31, 2021
Equipment leasing revenue	$	93,679	$	90,252
Service fee revenues		1,431,210		1,504,200
Intellectual property licensing revenues		455,385		877,450
Total revenues from License Holder	**$**	**1,980,274**	**$**	**2,471,902**

In addition, the Company also incurred the following transactions with the License Holder during the year ended December 31, 2022:

(i) Accrued interest income on outstanding receivables due from License Holder of $81,951 (2021 - $67,795);
(ii) Interest income on lease receivables of $143,123 - Note 9 (2021 - $304,649);
(iii) Accretion expense on notes payables of $35,059 (2021 - $159,073); and
(iv) Other income of $202,230 (2021 - $539,378) 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 9 - sub-tenant); and
(v) A loss allowance expense of $1,604,285 (2021 - $Nil) was recognized in relation to receivables due from a related party
(vi) A loss allowance expense of $2,026,119 (2021 - $Nil) was recognized in relation to lease receivable due from a related party

On September 30, 2022, the Company executed a settlement agreement (the "Settlement Agreement") with the License Holder to settle balances owed between the Company and the License Holder. Per the terms of the Settlement Agreement, the Company applied a total of $971,563 equaling to the total outstanding balance of two note payables (the "Notes"), owed from the Company to the License Holder, against the total outstanding receivable owed from the License Holder to the Company. The receivable due from the License Holder is related to revenues on the provision of equipment leasing, management services, and IP licensing from the Company to the License Holder. As a result of the Settlement Agreement, the due from related party receivable was reduced by $971,563 during the year ended December 31, 2022. With consideration for the Settlement Agreement and the loss allowance expense recognized during the year ended December 31, 2022, the carrying value of due from related party balance is $1,070,962 as at December 31, 2022 (2021 - $1,888,672).

A continuity of notes payable for the period ended December 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		35,059
Settlement of note payable		(971,563)
Currency translation adjustment		72,039
Balance, December 31, 2022	**$**	**-**

(Expressed in Canadian Dollars)

As at December 31, 2022, there was a balance of $Nil (December 31, 2021 - $2,986,444) due from the License Holder to the Company upon recognition of a loss allowance expense of $2,026,119 (2021 - $Nil) for the year then ended, in relation to the lease receivable (note 9). In addition, there was a balance of $16,253 (December 31, 2021 - $15,214) due from the Company to the License Holder for a refundable security deposit.

(ii) Transactions with other related parties

During the year ended December 31, 2022 the Company had the following transactions with a company controlled by a former director of the Company (note 9):

(i) Interest expense on lease obligations of $48,326 (2021 - $201,473)

(iii) Key Personnel Compensation

		December 31, 2022		December 31, 2021
Directors' fees	$	46,500	$	24,000
Consulting fees		132,000		141,500
Share-based payments (1)		26,294		251,300
Wages and salaries		270,228		300,840
Total	**$**	**475,022**	**$**	**717,640**

(1) Share-based payments related to RSRs issued to the CEO of the Company (note 11) during the year ended December 31, 2022. During the year ended December 31, 2021, directors of the Company were granted stock options.

During the year ended December 31, 2022, the Company incurred consulting fees of $72,000 (2021- $70,000) to a company controlled by the CEO and consulting fees of $60,000 (2021 - $45,000) to a company controlled by the CFO.

As at December 31, 2022, due to related party balances includes $Nil (2021 -$Nil) and $5,271 (2021 - $Nil) of unpaid consulting fees to Company controlled by CEO and CFO respectively. In addition, the due to related party balance also includes $76,864 (December 31, 2021 - $2,100) due to directors of the Company for accrued and outstanding director fees and wages. All due to related party balances are unsecured, non-interest bearing and payable on demand.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2022 Company had a working capital deficiency of $24,300 (2021 – working capital of $131,486).

The Company has relied on equity financing 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.

SUBSEQUENT EVENTS

On January 12, 2023 (the "Acquisition Date"), the Company completed a three-cornered amalgamation (the "Transaction") pursuant to an amalgamation agreement dated December 20, 2022 (the "Agreement") and which was subsequently amended on January 10, 2023. The Agreement was between the Company, its wholly owned subsidiary 1392162 B.C. Ltd ("Subco"), and an arms length entity, High Profile Holdings Corp. ("HPH"). Pursuant to the Agreement, immediately preceding the completion of the Transaction, and among other things, 100% of the outstanding common shares of HPH were exchanged for common shares of the Company at an exchange ratio 0.052826527. Consequently, the Company issued an aggregate of 9,999,796 common shares in the Company with a total fair value of $1,449,970 on Acquisition Date. In addition, subject to the exchange ratio 0.052826527, the Company assumed 197,835 common share purchase warrants ("Warrant") of HPH, each whole Warrant exercisable into one common share of the Company at an exercise price of $3.79 per Warrant with an expiry date of June 24, 2024. The total fair value of Warrants assumed is $4,550 on Acquisition Date. The Transaction has been accounted for as an asset acquisition as HPH did not meet the definition of a 'business' as defined under IFRS 3. The significant assets acquired include intangible assets related to cannabis genetics rights, investment shares of a private arms-length retail cannabis company, and a fixed asset related to a parcel of land located in Alberta, Canada. The significant liabilities assumed include unsettled trade payables, mortgage payables, and non-convertible debentures.

On February 15, 2023 (the "Grant Date"), and in connection with the Transaction, the Company granted 1,400,000 and 600,000 RSRs respectively to the Chief Operating Officer ("COO") and Chief Strategy Officer ("CSO") of the Company. The fair-value of each RSR is equal to the closing share price of the Company's common shares for the day immediately preceding the date of the grant. The RSRs are subject to vesting terms as follows:

- 20% immediately vested on Grant Date;
- 20% on the date which is 6 months from the Acquisition Date;
- 20% on the date which is 12 months from the Acquisition Date;
- 20% on the date which is 18 months from the Acquisition Date;
- 20% on the date which is 24 months from the Acquisition Date

During the period subsequent to December 31, 2022, a total of 250,000, 280,000, and 120,000 commons shares of the Company were issued on exercise of RSRs previously granted to the CEO, COO and CSO of the Company.

On March 6, 2023 the Company received regulatory approval from the WSLCB over the sale of specified production equipment and leasehold improvements associated with the Company's terminated building property lease.

On April 11, 2023, the Company issued 278,000 common shares of the Company as settlement for outstanding trade payables.

On April 30, 2023, 800,000 Performance Warrants in connection with the Company's acquisition of New Leaf USA expired unvested and unexercised.

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, 2022 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 13 of the audited consolidated annual financial statements for the year ended December 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, 2022.

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.