



Vejii Holdings Ltd.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

Vejii Holdings Ltd.
507 – 460 Doyle Ave, Unit 106
Kelowna, British Columbia V1Y 0C2



VEJII HOLDINGS LTD. MANAGEMENT DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”) AS OF MAY 2, 2022 TO ACCOMPANY THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF VEJII HOLDINGS LTD. (THE “COMPANY” OR “VEJII”) FOR THE YEAR ENDED DECEMBER 31, 2021

This MD&A is dated May 2, 2022

The following MD&A should be read in conjunction with the audited financial statements for the years ended December 31, 2021 and December 31, 2020, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and the notes thereto. All financial amounts are stated in Canadian currency unless stated otherwise. On March 28, 2022, the Company completed a one-for-four share consolidation of all outstanding common shares. Shares reserved under the Company’s equity and incentive plans were adjusted to reflect the share consolidation. All share and per share data presented have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

Additional information relating to the Company and its operations is available under the Company’s profile on SEDAR at www.sedar.com.

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

This MD&A contains certain forward-looking statements based on the opinions, estimates, beliefs, and assumptions of the management of the Company. These statements are subject to many known and unknown risks and uncertainties. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. (See "Risks and Uncertainties" in this MD&A for more information).

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions (or variations of such words). These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking



statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

DESCRIPTION OF THE BUSINESS AND OVERVIEW

Vejii is headquartered in Kelowna, BC, and owns and operates its online marketplace at ShopVejii.com, as well as its subsidiary companies, Veg Essentials LLC (“Veg Essentials”), an award-winning online vegan grocery store at VeganEssentials.com, and the Company’s business-to-business (“B2B”) division, VEDGEco USA Inc. (“VEDGEco”) at VEDGEco.com. The Company is publicly listed and trades on the Canadian Securities Exchange (“CSE”) under trading symbol “VEJI” and on the OTCQB Market (the “OTCQB”) under trading symbol, “VEJIF”. The Company’s mission is to provide consumers with convenient access to local and national plant-based and sustainable brands through its platform. Vejii is a unified digital marketplace and fulfillment platform featuring thousands of plant-based and sustainable-living products from a growing list of hundreds of brands. The platform offers an easy-to-use, omnichannel experience for both vendors and buyers, leveraging big data and artificial intelligence to elegantly connect brands with a targeted consumer base, both organically and through specialized marketing programs. The Company also sells marketing services to its vendors including targeted paid ad spend, social media and influencer marketing, product features on its website, and tradeshow. In addition, the Company also offers direct-to-consumer (“D2C”) order fulfillment services to its brand partners, which includes handling, storage, pick, pack, ship, and sample distribution through the Vejii Fulfillment Services (“VFS”) program. Dynamic fulfillment services empower brands to offer tier-one service, with ongoing engagement being driven through features like smart lists, subscription programs, reordering functions, sampling programs, and more.

The Company’s wholly-owned subsidiary, Veg Essentials is a US-based corporation that owns and operates VeganEssentials.com. Veg Essentials, a staple of the plant-based community, is an online grocery store for plant-based products that has been in business since 1997. VeganEssentials.com was awarded best online vegan store from 2005-2018, as well as best online vegan grocery from 2018-2021 by VegNews Magazine.

The Company also owns and operates VEDGEco. Headquartered in Kailua, Hawaii and launched in 2020, VEDGEco.com is the first nationwide plant-based foodservice distributor, providing restaurants with high-quality plant-based options. With the goal of bringing the freedom of food choice to all restaurants and businesses, VEDGEco distributes plant-based products in bulk to the restaurant and wholesale food industry, as well as to consumers across the US.



The Company currently serves its customers through facilities in Hawaii, California, Georgia, Wisconsin, Texas, and British Columbia. With these facilities located across the United States and Canada, Vejii is able to provide fast, reliable and timely deliveries to all states and provinces except Alaska.

Vejii's revenue is diversified, generated from a mix of marketplace activities and other optional services provided to vendors. Marketplace revenue is comprised of product sales and fees that vendors pay for marketplace activities. Marketplace activities primarily include listing items for sale and completing transactions between a buyer and a vendor. Services revenue is comprised of the fees a vendor pays for marketing and fulfillment services. Services primarily include targeted ads, social media marketing, influencer marketing, product features on the website, tradeshow, handling, storage, pick, pack, ship, and sample distribution.

The Company's strategy involves investing in customer acquisition and building our distribution and logistics infrastructure to generate long-term shareholder value creation. Through this investment, we plan to drive more new wholesale and retail consumers to our marketplaces, give existing consumers reasons to come back more often, encourage consumers to spend more per order, and help support the success of our vendors. To this end, the Company intends to expand its product offering into new and innovative categories including but not limited to sustainable and plant-based fashion, furniture, and cell-cultured meat offerings as they become available. The marketplace currently offers more than three thousand plant-based and sustainable living products available to consumers throughout the continental United States and Canada on its platform. The Company also intends to pursue additional strategic acquisitions and expand its operations into the United Kingdom, Europe and Australia in the future, and other geographies as opportunities present themselves. As Vejii continues to grow its customer base, the Company expects to achieve economies of scale and additional operating efficiencies.

The Company plans to use the data and insights gathered through its D2C and B2B marketplaces to inform its mergers and acquisitions, growth, and investment strategies. The Company will have the ability to leverage data driven insights into new, growing, and trending categories, products, and brands. The Company has launched same day delivery in the Lower Mainland region in British Columbia with plans on launching additional same day delivery service in select regions around its distribution centres to help get deeper penetration in key markets. The Company will be expanding its product offering into ready-made meal delivery through its partners and vendors interested in listing on its marketplace. Vejii intends to apply a strategic approach to become the consolidator within the plant-based and sustainable living space. Vejii plans to invest in or acquire brands in high performing segments to further repatriate revenue and profits back into its marketplace. Vejii will also be able to help accelerate brands on its D2C marketplace through its B2B channels and its established relationships with wholesalers and distributors, allowing Vejii to be a strategic growth partner.



The Company was formed on July 30th, 2019 and changed its name from 1217691 BC Ltd. to Vejii Holdings Ltd. on September 14th, 2020. The Company launched ShopVejii.com in November of 2020.

GUIDANCE AND FINANCIAL OUTLOOK

The marketplace for sustainable and plant-based products is among the fastest growing industries in the world. Vejii believes there are significant opportunities and advantages to rapidly growing our customer base by continuing to invest in highly targeted marketing campaigns, investments in our technology, increasing our product offering, expanding the Company's distribution locations and capacities, and in continuing to expand its platform in strategic markets globally. The Company believes that consumers will continue to become more aware of their environmental impact, and that they will choose to purchase from companies that are best aligned with their own ethics and values.

Management has identified a strong need for a national cold-chain logistics program, as the top-selling products within the plant-based foods category require frozen storage, pick, pack and delivery to achieve direct-to-consumer shipping from online channels. Vejii's fulfillment program opens the door for the many innovative brands coming to market to reach a new audience. In 2022, the Company expects to make additional investments in fulfillment centres to be closer to customers and to expand capacity to support growth in sales and reduce shipping and packaging costs. The Company has started the process of optimizing the operations of the fulfillment centres that were acquired as part of the purchases of Veg Essentials and VEDGEco to drive cost efficiencies. The acquisition of additional fulfillment centres enabled Vejii to launch the Vejii Fulfillment Services platform in March, 2022. With Vejii Fulfillment Services, the Company can provide consignment, handling storage, pick, pack, and shipping services as well as undertaking sample distribution. Hence, adding a new revenue stream while deepening relationships with our brand partners.

The Company will continue to explore strategic acquisitions and partnerships to offer additional distribution channels for its vendors, to offer new plant-based and sustainable products and product categories to its customers, and to expand into new geographic locations.

On January 26, 2022, the Company provided revenue and gross margin guidance in a press release, which can be found Sedar and our website at <https://vejiiholdings.com/vejii-provides-corporate-update-and-2022-guidance>. This guidance reflects Vejii's expectations as of January 26, 2022, and are subject to substantial uncertainty and the Company's ability to raise sufficient capital to support its growth. Our results are inherently unpredictable and may be materially affected by many factors, such as uncertainty regarding the impacts of the COVID-19 pandemic,



fluctuations in foreign exchange rates, changes in global economic conditions and customer demand and spending, inflation, labor market and global supply chain constraints, world events such as wars and political conflicts, the rate of growth of the Internet, online commerce, Vejii obtaining sufficient access to capital to pursue its business plan, as well as those outlined in “Risks and Uncertainties.” These risks and uncertainties could cause actual results to differ materially from objectives. See the “Forward-Looking Statements” and “Risks and Uncertainties” sections of this MD&A.

2022 Guidance

- Net sales are expected to be between \$10.0 million and \$12.0 million. This guidance includes full year of sales from Veg Essentials and VEDGEco.
- Gross margins for the consolidated business are expected to be between 35-40%.

COMPANY HIGHLIGHTS

On January 19, 2021 the Company announced that the Company had signed an agreement to offer a curated selection of vegan wines on its digital marketplace, in partnership with VeganWines.com.

On January 21, 2021 the Company announced that it was now distributing the No Evil Foods brand of unique plant-based meat products.

On February 2, 2021 - the Company announced the launch of Vejii Express. Vejii Express offers guaranteed shipping within two business days across the U.S. on select products.

On February 10, 2021 the Company announced that it had been selected as the exclusive launch platform for HEAL products. HEAL is a unique plant-based complete meal replacement.

On February 17, 2021 the Company announced that it had partnered with Barbecue, a plant-based barbeque brand of unique meat alternative products. Barbecue's line of plant-based meats is available now on ShopVejii.com.

On March 18, 2021, Vejii announced that it signed a digital marketing agreement with an industry-leading marketing agency, Strawhouse Inc.

On March 30, 2021, Vejii announced launching with Before the Butcher, a plant-based brand of delicious, affordably priced, plant-based meat products on ShopVejii.com.

On April 8, 2021, Vejii announced the Canadian launch of its online marketplace for vegan and plant-based products at ca.shopvejii.com.



On July 29, 2021, Vejii announced an agreement with United Natural Foods, Inc. (UNFI), the largest publicly traded grocery distributor in the United States and Canada.

On August 16, 2021, Vejii announced it had launched same-day delivery across the Lower Mainland in British Columbia.

On October 27, 2021, the Company received a receipt for its Long Form Prospectus and, as a result, became a reporting issuer in Canada.

On October 28, 2021, the Company completed its acquisition of Veg Essentials LLC.

On November 10, 2021, the common shares of the Company commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "VEJI".

On December 31, 2021, Vejii completed the acquisition of VEDGEco for a total purchase price of US\$6,250,000. On closing of the acquisition, , Vejii issued an aggregate of 3,216,250 common shares with a deemed value of US\$3,500,000. The remainder of the purchase price is payable in earn-out payments up to a maximum of US\$2,750,000, payable in common shares, priced in the context of the market, to be issued to the vendors upon VEDGEco meeting certain milestones.

On January 21, 2022, the common shares of the Company commenced trading on the OTCQB market (the "OTCQB") under the symbol "VEJIF".

On March 7, 2022 the Company announced that Blender Bites Ltd. will be joining Vejii's fulfillment and distribution platform, Vejii Fulfillment Services, to be merchandised alongside the Company's top-selling products in Canada, through its Vejii Express platform.

On March 15th, 2022, the Company announced it had signed a consignment and fulfillment services agreement with Unreal Deli Inc., whereby Unreal Deli Inc. will provide inventory into Vejii Fulfillment Services for sale on Vejii Express, and through its own direct-to-consumer channel. Under the terms of the Agreement, Vejii will pick, pack and ship orders for ShopVejii.com and for Unreal Deli's own e-commerce platform, unrealdeli.com, further expanding the services the Company can offer its partners.

On March 16, 2022, the Company announced that it had received approval from the Depository Trust Company to make the Company's common shares eligible to be electronically cleared and settled.

MANAGEMENT CHANGES

Vejii Holdings Ltd.
507 – 460 Doyle Ave, Unit 106
Kelowna, British Columbia V1Y 0C2



On May 17, 2021, the Company appointed Mr. Rick Mah to act as Chief Financial Officer.

SELECTED ANNUAL INFORMATION

The table below presents selected annual financial information for the years ended December 31, 2021, December 31, 2020, and December 31, 2019:

	Year ended December 31, 2021	Year ended December 31, 2020	Period from July 30, 2019 (date of incorporation) to December 31, 2019
Revenue	\$ 1,721,640	\$ 25,441	\$ -
Cost of goods sold	1,199,786	42,829	-
Gross profit	521,854	(17,388)	-
Gross margin %	30.3%	(68.3)%	-
Selling and distribution	3,740,081	143,374	-
General and administrative	5,849,720	270,101	-
Other operating expenses	3,154,162	-	-
Total operating expenses	12,743,963	413,475	-
Operating loss	(12,222,109)	(430,863)	-
Net loss	(12,251,671)	(432,575)	-
Basic and diluted net loss per share	(0.61)	(0.18)	-
Total assets	8,565,104	213,874	1
Total non-current financial liabilities	1,989,154	-	-
Dividends	-	-	-
Key Performance Indicators:			
Active accounts ⁽¹⁾	29,715	402	-
Number of orders ⁽²⁾	21,428	452	-
Average order value ⁽³⁾	\$ 68.22	\$ 52.83	-
Customer acquisition cost ⁽⁴⁾	\$ 73.80	\$ 247.49	-
Return on ad spend ⁽⁵⁾	2.21x	0.33x	-

(1) The number of active accounts represents the total number of individual accounts who have purchased at least once directly from our sites during the preceding twelve-month period. The change in active customers in a reported period captures both the inflow of new customers as well as the outflow of existing customers who have not made a purchase in the last twelve months. The change in active customers also includes the activity from sites acquired along with organic sites. While the active accounts metric is not an IFRS or non-IFRS financial



measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view the number of active customers as a key indicator of our growth.

(2) Number of orders represents the total orders placed in any period, inclusive of orders that may eventually be returned. Number of orders together with average order value, is an indicator of the net revenue we expect to recognize in a given period. While the number of orders metric is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view number of orders as a key indicator of our growth.

(3) Average order value ("AOV") is defined as total revenue excluding shipping costs in a given period divided by the number of orders. While average order value is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view average order value as a key indicator of the mix of products on our sites and the purchasing behavior of our accounts.

(4) Customer acquisition cost ("CAC") is defined as total advertising spend during the given period divided by the number of new accounts. While customer acquisition cost is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view customer acquisition cost as a key indicator of the efficiency of acquiring new accounts.

(5) Return on ad spend ("ROAS") is defined as gross product revenue in a given period divided by advertising spend during the given period, which is principally the cost of paid search and digital advertising. While return on ad spend is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we view return on ad spend as a key indicator of the effectiveness of our advertising efforts in connecting with customers and driving favorable purchasing behaviors.

RESULTS OF OPERATIONS FOR YEAR ENDED DECEMBER 31, 2021

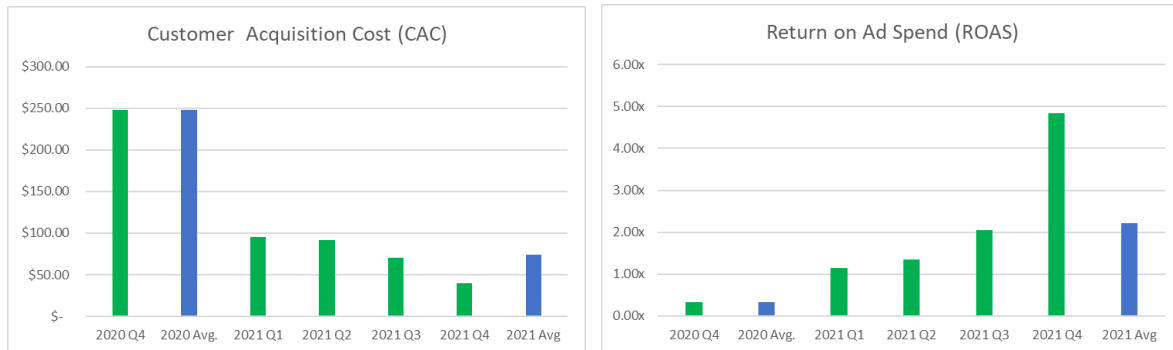
During the year, the Company continued to focus on its growth strategy to become the leading marketplace for plant-based and sustainable products and brands. Along the way, we achieved a number of milestones that we set out to accomplish. We were able to obtain our listing on the CSE, thereby, allowing us to gain better access to the capital markets. Operationally, we were able to complete the acquisitions of Veg Essentials and VEDGEco, which enabled us to expand our distribution centre footprint to span across the United States. As a result, we are now able to service our customers faster, including same-day delivery, and at a lower shipping cost. The acquisitions combined with organic growth has led to an increase in our active accounts to 29,715 in the current year versus 402 in the prior year, an increase of 7,292%. In addition, with the acquisitions, Vejii now has in excess of 250,000 emails that we can focus on engaging and retargeting.

Throughout the year, we were able to showcase our unique value proposition to brands and have been able to expand the product selection to include more than 100 new brands with over 500 products across our digital assets. We also have a backlog of 101 brands that are waiting to be onboarded.

As we gained more insights about our target audience, we were better able optimize our advertising and marketing campaigns to reduce our customer acquisition costs to \$39.81 for



the fourth quarter and \$73.80 for the current year ended versus \$247.49 for the prior quarter and year ended, a reduction of 84% and 70% respectively. We have increased our return on ad spend from 0.33x for the fourth quarter and year ended 2020 to 4.83x for the fourth quarter ended 2021, an improvement of 1364% and 2.21x for year ended 2021, an improvement of 570% year over year.



Improvements in product selection, brand awareness, brand loyalty, and customer insights all played a key role in driving an increase in the average order value in the current year to \$68.22 from the prior year of \$52.83, an increase of 29%. We expect these positive trends to continue into 2022 as we realize additional synergies from our acquisitions, build upon our customer base, and onboard more vendors.

The Company reported revenue of \$1,721,640 for the year ended December 31, 2021 as compared to \$25,441 for the year ended December 31, 2020. The increase was due to the current period benefitting from a full period of operations for our marketplace ShopVejii.com in the United States and Canada along with the acquisition of the veganessentials.com marketplace on October 28, 2021, which contributed \$606,249 in revenue. In the prior period, the Company had commenced operations ShopVejii.com on November 19, 2020. In addition, on December 31, 2021, Vejii completed the acquisition of VEDGEco. Revenue from VEDGEco will be included in consolidated results beginning in January 2022. (See "Acquisitions" in this MD&A for more information). On a proforma basis, the unaudited annual revenues from the combined companies, if the acquisitions of Veg Essentials and VEDGEco took place on January 1, 2021, would have been approximately \$7,000,000.

For the year ended December 31, 2021, the Company recorded a net loss of \$12,251,671 and net loss per share of \$0.61 as compared to net loss of \$432,575 and net loss per share of \$0.18 for the year ended December 31, 2020. The net loss during the period was mainly attributable to a full period of operating expenses whereas we had commenced commercial operations in November 2020 of the prior period. During the current year, the Company was focused on building and scaling the Company and incurred a number of one-time startup costs for technology development, brand awareness, market development and costs associated with the



Company's listing on the CSE. In addition, the Company incurred a non-cash loss on remeasurement of warrant liability during the year.

The Company's operating expenses for the current period included the following:

- Cost of goods sold of \$1,199,786 (2020 - \$42,829) consisted of costs of products sold to customers. The increase is due to greater sales as the Company ramped up operations.
- Selling and distribution of \$3,740,081 (2020 - \$143,374) consisted of marketing and advertising expenses of \$1,473,444 (2020 - \$117,103), freight, packaging, and warehousing of \$1,877,274 (2020 - \$nil), contract services of \$324,925 (2020 - \$13,776) and other costs of \$64,438 (2020 - \$12,495). During the year, the Company initiated several marketing and advertising campaigns to acquire customers to drive revenue growth. As a result of the revenue growth, we incurred third party costs to warehouse inventory and to ship orders to customers.
- General and administrative of \$5,849,720 (2020 - \$270,101) consisted of compensation and contract services of \$2,888,040 (2020 - \$171,133), professional services of \$2,129,761 (2020 - \$72,214), shared based compensation of \$236,935 (2020 - \$nil), software and information technology expenses of \$230,470 (2020 - \$17,701), supplies expenses of \$52,060 (2020 - \$1,960), loyalty program expense of \$45,488 (2020 - \$nil), rent and lease expenses of \$45,921 (2020 - \$nil), depreciation and amortization of \$54,491 (2020 - \$1,588) and other expenses of \$166,553 (2020 - \$5,504). During the year, the Company ramped up its operations by increasing headcount, engaging with professional services firms such as legal, investor relations, and accounting, developing its technology infrastructure, completing its listing on the CSE, and closing the acquisitions of Veg Essentials and VEDGEco.
- Realized and unrealized foreign exchange loss of \$37,877 (2020 - \$nil)
- Loss on disposal of asset of \$1,155 (2020 - \$nil)
- Loss on remeasurement of warrant liability of \$3,117,856 (2020 - \$nil). At the point of completing a listing in November 2021, the exercise price of the warrants issued on September 2, 2020 increased to \$0.60 from \$0.004 and the exercise price of the warrants issued September 11, 2020 increased to \$1.00 from \$0.04. Company remeasured the fair value of these warrants to be \$3,117,856 which was recorded as a loss on remeasurement of warrant liability.
- Gain on remeasurement of lease obligation of \$2,726 (2020 - \$nil). Subsequent to the acquisition of Veg Essentials, the Company entered into a new lease agreement for our facility in Wisconsin.



SUMMARY OF QUARTERLY RESULTS

The table below presents selected quarter financial information for the last eight fiscal quarters:

	Quarter ended Dec. 31, 2021	Quarter ended Sep. 30, 2021	Quarter ended Jun. 30, 2021	Quarter ended Mar. 31, 2021
Revenue	\$ 938,404	\$ 226,252	\$ 315,680	\$ 241,305
Cost of goods sold	525,603	173,804	285,867	214,512
Gross profit	412,802	52,448	29,813	26,793
Gross margin %	44.0%	23.2%	9.4%	11.1%
Selling and distribution	990,359	687,089	1,318,625	744,007
General and administrative	1,364,144	1,657,363	1,585,072	1,243,141
Other operating expenses	3,126,303	12,003	9,295	6,560
Total operating expenses	5,480,806	2,356,456	2,912,992	1,993,708
Operating loss	\$ (5,068,004)	\$ (2,304,008)	\$ (2,883,179)	\$ (1,966,915)
Net loss	\$ (5,091,896)	\$ (2,308,682)	\$ (2,884,044)	\$ (1,967,045)
Basic and diluted net loss per share	\$ (0.21)	\$ (0.11)	\$ (0.14)	\$ (0.14)
Total assets	\$ 8,565,104	\$ 1,309,637	\$ 1,659,978	\$ 2,418,093
Total non-current financial liabilities	1,958,552	\$ 500,000	-	-
Dividends	-	-	-	-
Key Performance Indicators				
Active accounts	29,715	8,217	6,800	3,561
Number of orders	9,503	2,883	5,179	3,863
Average order value	\$ 77.19	\$ 72.18	\$ 57.78	\$ 57.17
Customer acquisition cost	\$ 39.81	\$ 70.07	\$ 91.32	\$ 95.44
Return on ad spend	4.83x	2.05x	1.35x	1.13x

	Quarter ended Dec. 31, 2020	Quarter ended Sep. 30, 2020	Quarter ended Jun. 30, 2020	Quarter ended Mar. 31, 2020
Revenue	\$ 25,441	\$ -	\$ -	\$ -
Cost of goods sold	42,829	-	-	-
Gross profit	(17,388)	-	-	-
Gross margin %	(68.3)%	-	-	-
Selling and distribution	142,839	535	-	-
General and administrative	270,885	928	-	-
Other operating expenses	-	-	-	-

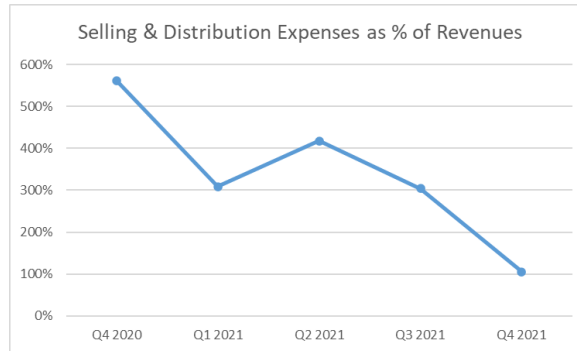


Total operating expenses	413,724	1,463	-	-
Operating loss	\$ (431,112)	\$ (1,463)	-	-
Net loss	\$ (431,112)	\$ (1,463)	-	-
Basic and diluted net loss per share	\$ (0.06)	\$ (0.00)	-	-
Total assets	\$ 213,874	\$ 121,088	\$ 1	\$ 1
Total non-current financial liabilities	-	-	-	-
Dividends	-	-	-	-
Key Performance Indicators				
Active accounts	402	-	-	-
Number of orders	452	-	-	-
Average order value	\$ 52.83	-	-	-
Customer acquisition cost	\$ 247.49	-	-	-
Return on ad spend	0.33x	-	-	-

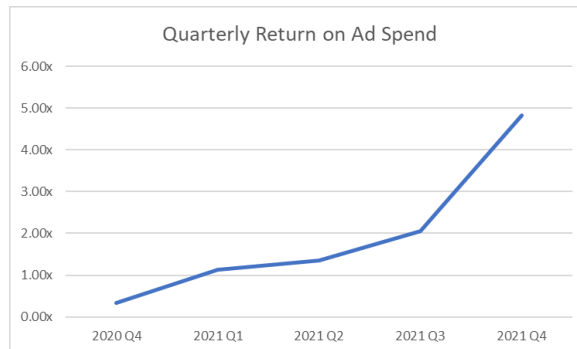
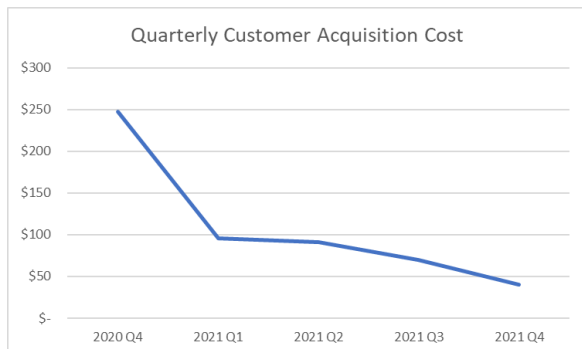
RESULTS OF OPERATIONS FOR QUARTER ENDED DECEMBER 31, 2021

The quarter ended December 31, 2021 was a transformational period for the Company as we concluded a number of key milestones that were integral to the long-term strategy of the Company. We obtained our listing on a public stock exchange, we garnered significant attention from brands who were seeking a value-added partner, we grew our customer base, and we closed the acquisitions of Veg Essentials and VEDGEco. More importantly, we achieved significant and continued improvement in our operations.

Our gross margin percentage for the quarter ended December 31, 2021 was 44.0% compared to (68.3)% for quarter ended December 31, 2020. Our sales and distribution expenses as a percentage of revenues was 106% for the current quarter compared to 561% in the prior year quarter. These improvements in gross margin and sales and distribution over the quarters illustrate our ability to improve the unit economics of our business model as we strive toward profitability. In the fourth quarter of 2021, Vejii was able to improve the use of ground delivery following the acquisition of Veg Essentials, significantly cutting our sales distribution costs. With our acquisition of VEDGEco completed, Vejii now has five warehouses across the United States. Over the upcoming quarters, management is focused on integrating our platforms to ship from whichever warehouse is closest to the end customer and expects this action to have the largest impact on reducing shipping costs, as we can move to Zone 1-2 delivery across most of our key markets.



During the quarter ended December 31, 2021, we also improved our efficiency in acquiring and retaining customers. Our customer acquisition cost for the quarter was \$39.81 compared to \$247.49 in the prior year quarter, an improvement of 84%. Our return on ad spend was 4.83x in the current quarter, an improvement of 1364%, versus 0.33x times in the quarter ended December 31, 2020. The improvements in CAC and ROAS are a reflection of our ability to better target our customers with a wide and unique product selection as we expand our partnerships with brands and vendors.



The Company reported revenue of \$938,404 for the quarter ended December 31, 2021 as compared to \$25,441 for the quarter ended December 31, 2020. The increase was due to the current period benefitting from a full period of operations for our marketplace ShopVejii.com in the United States and Canada along with the acquisition of the veganessentials.com marketplace on October 28, 2021, which provided \$606,249 in revenue. In the prior period, the Company had commenced operations of ShopVejii.com on November 19, 2020.

For the quarter ended December 31, 2021, the Company recorded a net loss of \$5,091,896 and net loss per share of \$0.21 as compared to net loss of \$431,112 and net loss per share of \$0.06 for the quarter ended December 31, 2020. The net loss during the period was mainly attributable to the operating expenses incurred during the current period as we ramped up operations and integrated the acquisition of Veg Essentials. In the prior period, the Company



had commenced operations of ShopVejii.com on November 19, 2020. The Company's operating expenses for the quarter ended December 31, 2021 included the following:

- Cost of goods sold of \$525,603 (2020 - \$42,829) consisted of costs of products sold to customers. The increase is due to greater sales as the Company was fully ramped up in its operations and the addition of Veg Essentials during the current quarter.
- Selling and distribution of \$990,359 (2020 - \$142,839) consisted of marketing and advertising expenses of \$287,514 (2020 - \$116,568), freight, packaging, and warehousing of \$579,223 (2020 - \$20,290), contract services of \$93,987 (2020 - \$13,776) and other costs of \$29,635 (2020 - \$(7,794)). During the quarter, the Company fully implemented and optimized its marketing and advertising campaigns to acquire customers at a lower cost and drive revenue growth. As a result of the revenue growth, we incurred third party costs to warehouse inventory and to ship orders to customers along with the addition of Veg Essentials.
- General and administrative of \$1,364,144 (2020 - \$270,885) consisted of compensation and contract services of \$759,046 (2020 - \$171,133), professional services of \$1,173,886 (2020 - \$71,461), shared based compensation reduction of \$814,522 (2020 - \$nil), software and information technology expenses of \$62,422 (2020 - \$29,031), supplies expense of \$50,447 (2020 - \$nil) loyalty program expense of \$5,601 (2020 - \$nil), rent and lease expenses of \$24,652 (2020 - \$nil), depreciation and amortization of \$40,256 (2020 - \$1,588) and other expenses of \$62,355 (2020 - \$(2,328)). During the quarter, the Company had ramped up its operations by increasing headcount, engaging with professional services firms such as legal, investor relations, and accounting, developing its technology infrastructure, completing its listing on the CSE, and closing the acquisitions of Veg Essentials and VEDGEco.
- Loss on remeasurement of warrant liability of \$3,117,856 (2020 - \$nil). At the point of completing a listing in November 2021, the exercise price of the warrants issued on September 2, 2020 increased to \$0.60 from \$0.004 and the exercise price of the warrants issued September 11, 2020 increased to \$1.00 from \$0.04. Company remeasured the fair value of these warrants to be \$3,117,856 which was recorded as a loss on remeasurement of warrant liability.

There were 29,715 active accounts at December 31, 2021 as compared to 402 at December 31, 2020. The number of orders was 9,503, and average order value was \$77.19, for the quarter ended December 31, 2021 compared to 452 number of orders and \$52.83 average order value for the quarter ended December 31, 2020. The increase in active accounts, number of orders and average order value was due to the ramp up of operations during the current period, acquisition of Veg Essentials and optimization of our marketing and advertising programs. In the prior period, the Company had just commenced commercial operation of the ShopVejii marketplace.



Quarterly revenues and net loss have increased since our commercial launch in November 2020 to the quarter period ended June 30, 2021 as the Company commenced a number of marketing and advertising campaigns to build company awareness, perform market testing, and acquire customers to become the leading marketplace for sustainable local and national plant-based brands. However, for the quarter ended September 30, 2021, revenues decreased by \$89,428 or 28% to \$226,252 from the prior quarter ended June 30, 2021 of \$315,680. The decrease in revenues was mainly due to the Company scaling back its marketing and advertising expenditures as the Company sought to better optimize its funnel conversion. The reduction in marketing and advertising expenditures caused a slowdown in the growth of active accounts during the quarter as active accounts grew by 21% to 8,217 versus the prior quarter growth of 91%. In addition, total orders during the quarter ended September 30, 2021 fell by 44% versus a growth of 34% in the prior quarter. However, with the optimization of marketing and advertising campaigns, the Company achieved better operational improvements with the average order value during the third quarter of 2021 increasing by 25% to \$72.18, customer acquisition costs reducing by 23% to \$70.07 and return on ad spend increasing by 52% to 2.05.

During the quarter ended December 31, 2021, revenues increased by \$712,152 or 315% over the quarter ended September 30, 2021, principally as the result of the acquisition of Veg Essentials and the performance of marketing services. In addition, the optimization of marketing and advertising campaigns combined with the integration of Veg Essentials helped lead to continued operational improvements with average order value increasing by 7% to \$77.19, customer acquisition costs reducing by 43% to \$39.81 and return on ad spend increasing by 136% to 4.83 quarter over quarter.

Net loss for the quarter ended December 31, 2021 increased by \$2,783,214 to \$5,091,896 from the prior quarter net loss of \$2,308,682. This was due mainly to increase in operating expenses from the prior quarter as the Company incurred a non-cash loss on remeasurement of warrant liability of \$3,117,856, higher professional fees related to the ramp up of investor relations programs, the Company's listing on the CSE, and the acquisition of Veg Essentials and VEDGEco of \$926,617 and higher compensation and contract services cost of \$61,683 due to the addition



of headcount from the acquisition of Veg Essentials offset by reduction in share based compensation of \$1,388,610.

After launching its marketplace platform and setting up its operations in prior quarters, the Company optimized its organization for sustainable future growth during the quarter through initiatives such as headcount reductions, scaling back marketing and advertising to optimize funnel conversion, and launching same-day local shipping and other shipping alternatives to reduce freight costs. With improved operational performance and an optimized team along with the acquisitions of Veg Essentials and VEDGEco, management believes that the Company is better positioned to realize greater capital efficiencies to scale our strategy as a consolidator of plant-based and sustainable products and brands.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing its capital structure is to ensure sufficient liquidity to finance its operations and growth opportunities. To date, the Company has relied upon the issuance of equity securities and long-term debt to fund its activities. The Company will continue to need access to equity and debt capital to pursue its business plan. The Company expects to experience operating losses in the short-term and to make investments in operations, logistics, and technology as it realizes its goals as outlined in the "Guidance and Financial Outlook" section of this MD&A. There is no guarantee that equity and debt may be available, and if available, they may not be on terms that management finds are in the interest of the Company.

The following table summarizes the Company's cash flow, cash on hand and working capital:

	Year ended December 31, 2021	Year ended December 31, 2020
Net cash used in operating activities	\$ (6,825,353)	\$ (383,161)
Net cash used in investing activities	\$ (554,314)	\$ (63,650)
Net cash provided by financing activities	\$ 7,429,183	\$ 544,003
Net change in cash	\$ 49,516	\$ 97,162
Effect of exchange rate changes on cash	\$ (3,688)	\$ -
Cash, beginning of period	\$ 97,193	\$ 1
Cash, end of period	\$ 143,021	\$ 97,193
Working Capital	\$ (2,796,195)	\$ (175,136)

For the year ended December 31, 2021, the net cash used in operating activities was \$6,825,353 compared to prior period net cash used in operating activities of \$383,161. The



increase in cash usage of \$6,442,192 was mainly due to increase in net loss as the Company ramped up operations after commencing commercial operations in November 2020 offset by non-cash share based compensation, non-cash loss on remeasurement of warrant liability and increase in accounts payable and accrued liabilities.

For the year ended December 31, 2021, the net cash used in investing activities was \$554,314 compared to the prior period net cash used in investing activities of \$63,650. The increase in cash usage of \$490,664 was mainly attributable to a purchase of short-term investments, purchase of equipment, capitalized website and mobile application development costs and payment of deposit for the acquisition of Veg Essentials net of cash received from acquisitions.

For the year ended December 31, 2021, the net cash provided by financing activities was \$7,429,183 compared to the prior period net cash provided by financing activities of \$544,003. The increase of \$6,885,180 was mainly attributable to proceeds from loan from related party, private placement financings and proceeds from the offering of Special Warrants and Subscription receipts as outlined in the “Capital Stock” section of this MD&A.

As at December 31, 2021, the Company had no commitments for capital expenditures.

As at December 31, 2021, the Company had working capital deficiency of \$2,796,195, inclusive of cash and cash equivalents of \$143,021 as compared to working capital deficiency of \$175,136, inclusive of cash of \$97,193, as at December 31, 2020. The Company expects to remedy its working capital deficiency through the issuance of equity or long-term debt.

	Quarter ended December 31, 2021	Quarter ended December 31, 2020
Net cash used in operating activities	\$ (2,056,287)	\$ (384,187)
Net cash used in investing activities	\$ (67,393)	\$ (63,650)
Net cash provided by financing activities	\$ 1,930,953	\$ 544,003
Net change in cash	\$ (192,727)	\$ 96,166
Effect of exchange rate changes on cash	\$ (3,688)	\$ -
Cash, beginning of period	\$ 339,436	\$ 1,027
Cash, end of period	\$ 143,021	\$ 97,193
Working Capital	\$ (2,796,195)	\$ (175,136)

For the quarter ended December 31, 2021, the net cash used in operating activities was \$2,056,287 compared to the net cash used in operating activities of \$384,187 in the prior quarter ended December 31, 2020. The increase in cash usage of \$1,672,100 was mainly due to an increase in net loss as the operations of the Company were fully operational during the



quarter after commencing commercial operations in November 2020 in the prior quarter offset by non-cash share based compensation and increase in accounts payable and accrued liabilities.

For the quarter ended December 31, 2021, the net cash used in investing activities was \$67,393 compared to the prior quarter net cash used in investing activities of \$63,650. The increase in cash usage of \$3,743 was mainly attributable to purchase of equipment and capitalized website development costs offset by net of cash received from acquisitions.

For the quarter ended December 31, 2021, the net cash provided by financing activities was \$1,930,953 compared to the prior period net cash provided by financing activities of \$544,003. The increase of \$1,386,950 was mainly attributable to proceeds from the offering of Special Warrants and Subscription receipts as outlined in the "Capital Stock" section of this MD&A.

Long-term Debt

On September 8, 2021, Kory Zelickson agreed to loan the Corporation \$500,000 (the "Shareholder Loan") pursuant to a loan agreement between the Company and Mr. Zelickson dated September 8, 2021. The Shareholder Loan bears interest at a rate of 10% per annum (payable quarterly) and matures on December 8, 2022 with the first interest payment due and payable on December 31, 2021. Notwithstanding the foregoing, in the event the Company completes one or more debt or equity financings to raise aggregate net proceeds of at least \$7,000,000, Mr. Zelickson has the option to accelerate the maturity date to the date which is ten business days following the date Mr. Zelickson provides the Company notice of the accelerated expiry date.

Capital Stock

The authorized capital of the Company consists of an unlimited number of common shares without par value of which 28,584,608 are outstanding as of December 31, 2021. Holders of the Company's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate ratably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Company. On March 28, 2022, the Company effected a share consolidation of 1 new share for 4 old shares. All share and per share data presented below have been retroactively adjusted to reflect the share consolidation unless otherwise noted.



On February 4, 2021, the Company closed a private placement financing pursuant to which a total of 3,510,000 common shares were issued at a price of \$0.20 per share, for gross proceeds of \$702,000.

On February 12, 2021, the Company settled debt with third parties of \$462,500 through the issuance of common shares. The Company issued a total of 2,312,500 common shares at an issue price of \$0.20 per share.

On February 24, 2021, the Company closed a private placement financing pursuant to which a total of 6,536,188 shares were issued at a price of \$0.40 per share, for gross aggregate proceeds of \$2,614,475 and 25,000 shares were issued at a price of \$0.40 per share for settlement of debt with related party of \$10,000.

On March 23, 2021, the Company closed a private placement financing pursuant to which a total of 520,000 common shares were issued at a price of \$0.40 per share for total proceeds of \$208,000.

On March 23, 2021, the Company settled debt with related and third parties of \$302,144 through the issuance of common shares. The Company issued a total of 755,360 common shares at an issue price of \$0.40 per share.

On March 30, 2021, the founders transferred a total 837,500 warrants to key members of the board, partners, and vendors subject to an undertaking that no warrants shall be exercisable until the reprice trigger event takes place.

On April 9, 2021, the Company adopted its stock option plan and issued 342,500 stock options at \$0.40 to employees, consultants, officers, and directors. These options vest in tranches, some vesting immediately, others vesting quarterly over a period of two years.

On April 19, 2021, the Company issued 2,416,250 stock options at \$1.40 to various employees, consultants, officers, and directors. The options vest quarterly over a period of 2 years.

On July 6, 2021, the Company issued an aggregate of 1,675,036 Subscription Receipts and 1,252,435 Special Warrants for aggregate gross proceeds of \$4,098,459. The Subscription Receipts were exercisable into 1,675,036 Common Shares and 837,518 Warrants. The Special Warrants were exercisable into up to 1,377,679 Common Shares and up to 688,840 Warrants. The Company also issued 120,115 compensation warrants and 35,375 advisor options in connection with this offering. Each compensation warrant and advisor option is exercisable for one common share at a price \$1.40 until July 6, 2023. The proceeds from the sale of the Subscription Receipts were placed into escrow and were not released until the satisfaction of certain conditions, including the Company obtaining a listing on the CSE (the "Escrow Release



Conditions"). The terms of the Special Warrants included a "penalty provision" which provided that, in the event the Escrow Release Conditions were not satisfied by October 3, 2021, the Units underlying the Special Warrants would thereafter be comprised of 1.1 common shares and 0.55 Warrants (as opposed to one common share and half of a Warrant).

On July 12, 2021, the Company issued 193,750 stock options at \$1.40 to various employees, consultants, officers, and directors. The options vest quarterly over a period of 2 years.

On July 26, 2021, the Company issued 14,571 common shares for the settlement of debt with a consultant.

On July 26, 2021, the Company issued 107,143 common shares for the settlement of debt with a consultant.

On September 9, 2021, the Company issued 37,500 stock option at \$1.40 to a consultant. The options vest quarterly over a period of 2 years.

On October 28, 2021, the Company completed the acquisition of Veg Essentials for a total aggregate deemed purchase price payable of US\$1,200,000 consisting of a cash deposit of US\$200,000 and the issuance of 882,714 common shares with a deemed value of US\$1,000,000.

On November 1, 2021, the Company satisfied the Escrow Release Conditions for the offering and the Subscription Receipts and Special Warrants were converted into an aggregate of 3,052,714 common shares and 1,526,357 Warrants, with each Warrant being exercisable for one additional Common Share at a price of \$2.00 until November 1, 2023.

On November 1, 2021, the Company issued 125,000 common shares to the CEO and COO of the Company for achievement of CSE listing.

On November 1, 2021, the Company issued 14,637 common shares for the settlement of corporate finance fees of \$20,492.

On December 22, 2021, 12,500 common shares were issued for proceeds of \$5,000 upon exercise of stock options.

On December 31, 2021, Vejii completed the acquisition of VEDGEco and issued to the vendors on the closing date an aggregate of 3,216,250 common shares with a deemed value of US\$3,500,000.



Long-term Incentive Plan

An employee stock option plan (the “Stock Option Plan”) was established by the Company to attract and retain employees, consultants, directors and officers. The plan provides for the granting of stock options to purchase common shares where at any given time the number of stock options reserved for issuance shall not exceed 15% of the Company’s issued and outstanding common shares, less any shares reserved for issuance under the restricted share unit plan. Under the plan, stock options generally vest over a period of two years and expire five years from the grant date.

A restricted share unit plan (the “RSU Plan”) was established by the Company to attract and retain employees, officers and directors. The RSU Plan provides for a maximum number of common shares available and reserved for issuance shall not exceed 15% of the Company’s issued and outstanding common shares, less any shares reserved for issuance under the Stock Option Plan. No RSUs have been granted to date.

Outstanding Share Data

As at	May 2, 2022	December 31, 2021 ⁽¹⁾	December 31, 2020 ⁽¹⁾
Common shares outstanding	28,584,608	28,584,608	7,500,030
Warrants outstanding	9,026,357	9,026,357	7,500,000
Stock options outstanding	2,790,000	2,790,000	-
Stock options exercisable	1,622,750	1,342,500	-
Advisory options	35,375	35,375	-
Compensation warrants	120,115	120,115	-

Note:

(1) Reflecting the Share Consolidation of one (1) new common share without par value for every four (4) existing common shares without par value effective March 28, 2022.

DIVIDEND POLICY

Since its incorporation, the Company has not paid any dividend on its common shares. The Company’s current policy is to retain future earnings to finance its growth. Any future determination to pay dividends is at the discretion of the Company’s Board of Directors and will depend on the Company’s financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

Vejii Holdings Ltd.
507 – 460 Doyle Ave, Unit 106
Kelowna, British Columbia V1Y 0C2



USE OF PROCEEDS FROM PUBLIC OFFERINGS

On November 1, 2021, the Company completed the offering of Subscription Receipts and Special Warrants which were converted into an aggregate of 3,052,714 Common Shares and 1,526,357 common share purchase warrants (the “Warrants”), with each Warrant being exercisable for one additional Common Share at a price of \$2.00 until November 1, 2023. Net Escrowed Proceeds of \$1,937,629 were released to the Company upon satisfaction of the Escrow Release Conditions.

	Actual use of proceeds	Estimated use of proceeds	Variance
General and administrative costs	\$ 1,271,922	\$ 1,913,917	\$ (641,995)
Investor relations and corporate communications	\$ 285,420	\$ 250,000	\$ 35,420
Sales growth, customer acquisition and marketing	\$ 372,566	\$ 579,000	\$ (206,434)
Expenses related to the Prospectus and the acquisition of Veg Essentials	\$ 183,274	\$ 148,900	\$ 34,374
Total	\$ 2,113,181	\$ 2,891,817	\$ (778,636)

Item	Funds Available
Working Capital (including net proceeds from the sale of Special Warrants) at September 30, 2021	\$ 454,189
Shareholder Loan	\$ 500,000
Net Escrowed Funds	\$ 1,937,629
Total Available Funds	\$ 2,891,817



OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangement such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions are summarized below and include transactions with the following individuals or entities:

Key Management Personnel

Key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee. Remuneration attributed to key management personnel is summarized as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Wages, management, and directors' fees	\$559,566	\$60,000
Share based compensation	\$168,021	

During the year ended December 31, 2021, the Company incurred salaries and wages of \$94,583 (2020 - \$nil) with an individual related to the President and Chief Operating Officer of the Company.

As at December 31, 2021, the Company owed Kory Zelickson, CEO and director \$500,000 (December 31, 2020 - \$nil) for loans advanced by Mr. Zelickson.

ACQUISITIONS

The Company entered into a purchase agreement dated April 14, 2021, as amended September 24, 2021 (the "Veg Essentials Purchase Agreement") with Veg Essentials LLC ("Veg Essentials"), Ryan J. Wilson and Mary Courtney Ernster (together, the "Vendors"), neither of whom is a



related party to the Company, pursuant to which the Company agreed to purchase from the Vendors, and the Vendors agreed to sell to the Company, all of the issued and outstanding membership interests in Veg Essentials. The Company closed the purchase of Veg Essentials on October 28, 2021. The total aggregate deemed purchase price payable was US\$1,200,000, as follows:

- (a) upon execution of the Veg Essentials Purchase Agreement, a deposit, in cash, of US\$200,000; and
- (b) on the closing date, 882,714 Common Shares with a deemed value of US\$1,000,000.

Veg Essentials operates the online e-commerce platform www.veganessentials.com. The Company believes that the Veg Essentials transaction will provide the Company with additional marketing and reach and will also provide a second warehouse for improved logistics and distribution. The Company feels that the combined business will have the advantage of scale of economy over others in the space, potentially attracting new brands, exclusive partnerships, favorable pricing through enhanced buying power, and consolidation of leadership and talent.

On December 31, 2021, Vejii completed the acquisition of VEDGEco USA, Inc. Pursuant to a purchase agreement (the "Purchase Agreement") dated December 22, 2021 among Vejii, VEDGEco and the Vendors, Vejii has acquired all of the issued and outstanding shares of VEDGEco (the "Purchased Shares"), for a total deemed purchase price of US\$6,250,000 (the "Purchase Price"). Pursuant to the Purchase Agreement, Vejii issued to the Vendors on the closing date of the Acquisition an aggregate of 3,216,250 Common shares of Vejii with a deemed value of US\$3,500,000 (the "Consideration Shares"). The remainder of the Purchase Price is payable in earn-out payments up to a maximum of US\$2,750,000, payable in Common shares, priced in the context of the market, to be issued to the Vendors upon VEDGEco meeting certain milestones as more particularly set out in the Purchase Agreement.

The Company expects the acquisition to drive synergies across purchasing, customer service, technology, and logistics for Vejii and VEDGEco. Vejii will also be able to leverage VEDGEco's existing facilities in Hawaii, California and Georgia, while providing VEDGEco with access to its facilities in Texas and Wisconsin. The expanded network will help the Company to reduce shipping costs and grow the Company's offering of regionalized same-day delivery. In addition to providing VEDGEco's existing offering of wholesale plant-based products, Vejii will now have the ability to significantly expand VEDGEco's product selection by leveraging its existing case-lot purchasing and expanding the range of products on its platform through VEDGEco.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgment and estimates that affect the amounts reported and disclosed in the



consolidated financial statements and related notes. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. Information about such judgements and estimation is contained in the accounting policies and notes to the consolidated financial. See "Critical accounting estimates and judgments" in the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2021 for a full discussion of the applicable critical accounting policies and estimates of the Company.

CHANGES IN ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 3 of the audited annual consolidated financial statements for the year ended December 31, 2021.

As of July 2021, the Company began offering optional marketing services to third party marketplace vendors. These services include targeted ads, social media marketing, influencer marketing and product features on our website. In March 2022, the Company began to offer fulfillment services through Vejii Fulfillment Services "VFS" to marketplace vendors.

Services revenue from strategic partnerships with customers are recognized as the service milestones are performed and is measured at the agreed upon transaction price based on the underlying arrangement which defines the consideration expected to be received.

Future accounting pronouncements

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that are expected to have a material impact on the Company's financial statements.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. Financial instruments that potentially subject the Company to credit risk consist of cash, accounts receivables, and due from related party. The carrying amount of the Company's financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk. At December 31,



2021, the Company had cash of \$143,021, short term investments of \$140,000, accounts receivable of \$187,833 comprised of trade receivables of \$65,474 and government remittances receivable of \$122,359. The Company manages credit risk by placing cash and short term investments with major Canadian financial institutions. The Company manages credit risk of its accounts receivable by only extending credit to creditworthy customers. Management believes the credit risk is low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. Furthermore, the Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments. At December 31, 2021, the Company had net working capital deficiency of \$2,796,195. The Company expects to remedy its working capital deficiency through the issuance of equity or long-term debt.

Interest rate risk

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short term nature, changes in interest rates will have a corresponding impact on interest income realized on such assets.

The Company's financial liabilities are not exposed to significant interest rate risk because they are either non-interest bearing or carry a fixed interest rate. Changes in interest rates will not have a corresponding impact on interest expense incurred on such liabilities. As at December 31, 2021, the Company is not exposed to any interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company operates in Canada and the United States and therefore, currently, has limited exposure to foreign exchange risk arising from transactions denominated in foreign currencies. Other than Canadian dollar balances, the Company holds balances in cash, accounts receivable and due to related parties and accounts payable that are denominated in US\$. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk. As at December 31, 2021, a 10% appreciation of the Canadian dollar relative to the US dollar would have resulted in a decrease in the net loss for the year ended December 31, 2021 of approximately \$257,700

**Fair value**

The carrying amounts of cash, accounts receivable, amounts due from and due to related parties, accounts payable and accrued liabilities do not materially differ from their fair values given their short-term period to maturity.

RISKS AND UNCERTAINTIES

An investment in the Company involves a high degree of risk and should be considered speculative. An investment in the Company should only be undertaken by those persons who can afford the total loss of their investment. The risks and uncertainties below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. The occurrence of any such risks could harm the Company's business, results of operations, financial condition and/or growth prospects or cause the Company's actual results to differ materially from those contained in forward-looking statements it has made in this report.

Forward-looking statements may prove to be inaccurate

The forward-looking information and statements included in this MD&A relating to, among other things, the Company's future results, performance, achievements, prospects, targets, plans, objectives, goals, milestones, intentions or opportunities or the markets in which we operate is based on opinions, assumptions and estimates made by the Company's management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. The Company's actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that its actual results in the future will be the same, in whole or in part, as those included in this MD&A.

The following is a description of the principal risk and uncertainties that will affect the Company:

Limited Operating History

The Company was incorporated on July 30, 2019. As a result, the Company has a limited operating history in e commerce upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet its future operating requirements, the Company will need to be successful in growing its marketing and sales efforts. Additionally, where the Company experiences increased sales, the Company's current operational infrastructure may require



changes to scale the Company's business efficiently and effectively to keep pace with demand, and achieve long term profitability. If the Company's products are not accepted by new partners, the Company's operating results may be materially and adversely affected.

Managing Growth

In order to manage growth and changes in strategy effectively, the Company must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, the Company expects to invest its earnings and capital to support its growth, but may incur additional unexpected costs. If the Company incurs unexpected costs it may not be able to expand quickly enough to capitalize on potential market opportunities.

Access to Capital

The Company makes, and will continue to make, substantial investments and other expenditures related to acquisitions, technology development and marketing initiatives. Since its incorporation, the Company has financed these expenditures through offerings of equity and debt securities. The Company will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. The Company may incur major unanticipated liabilities or expenses. The Company can provide no assurance that it will be able to obtain financing on reasonable terms or at all to meet the growth needs of its operations.

Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Additional Financing

The Company will require equity and/or debt financing to support on going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund on going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.



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 Common 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.

Profitability of the Company

The Company may experience difficulties in its technology development process, such as capacity constraints, quality control problems or other disruptions, which would make it more difficult to generate profits. A failure by the Company to achieve a low cost structure through economies of scale or improvements in processes could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

Ongoing Costs and Obligations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Acquisition Risks

As part of the Company's growth strategy, the Company has acquired Veg Essentials and VedgeCo and may complete other strategic acquisitions in the future. The ability to realize the benefits of such acquisitions depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the Company's ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating these businesses. These integrations require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during the process. The integration process may result in the loss of key employees and the disruption of ongoing business and employee relationships that may adversely affect the Company. In addition, achievement of synergies and the realization of growth opportunities depend on many factors, many of which are beyond the Company's control.



Retention and Acquisition of Skilled Personnel

The loss of any member of the Company's management team, could have a material adverse effect on its business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. The expansion of marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and in many cases, take a significant amount of time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Company moves into new jurisdictions, it will need to attract and recruit skilled employees in those new areas.

Consumer Trends

The Company's business is focused on the marketing and distribution of branded plant based products as alternatives to meat based protein products. Consumer demand could change based on a number of possible factors, including dietary habits and nutritional values, concerns regarding the health effects of ingredients and shifts in preference for various product attributes. If consumer demand for the Company's products decreases, its business and financial condition would suffer. In addition, sales of plant based protein or meat alternative products are subject to evolving consumer preferences that the Company may not be able to accurately predict or respond to. Consumer trends could change based on a number of possible factors, including economic factors and social trends. A significant shift in consumer demand away from the Company's products could reduce sales, which would harm its business and financial condition.

Legal and Regulatory Proceedings

From time to time, the Company may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Company will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Company's financial results.



The Company's connection with the food delivery industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against the Company. Litigation, complaints, and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Additional Risks Relating to Doing Business Internationally

The Company may be subject to risks generally associated with doing business in international markets when it expands into the international markets. Several factors, including legal and regulatory compliance and weakened economic conditions in any of the international jurisdictions in which the Company may do business could adversely affect such expansion and growth.

Additionally, if the Company enters into new international jurisdictions, such entries would require management attention and financial resources that would otherwise be spent on other parts of the business.

International business operations expose the Company to risks and expenses inherent in operating or selling products in foreign jurisdictions. In addition to the risks mentioned elsewhere, these risks and expenses could have a material adverse effect on the Company's business, results of operations or financial condition and include without limitation:

- adverse currency rate fluctuations;
- risks associated with complying with laws and regulations in the countries in which the Company operates, and requirements to apply for and obtain licenses, permits or other approvals and the delays associated with obtaining such licenses, permits or other approvals;
- multiple, changing and often inconsistent enforcement of laws, rules and regulations;
- the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non tariff barriers to trade, or restrictions on the activities of foreign agents, and distributors;
- increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements;
- the imposition of restrictions on trade, currency conversion or the transfer of funds;
- the imposition of Canadian and/or other international sanctions against a country, company, person or entity with whom the Company may do business that would restrict or prohibit the Company's business with the sanctioned country, company, person or entity;



- laws and business practices favoring local companies;
- political, social or economic unrest or instability;
- expropriation and nationalization and/ or renegotiation or nullification of necessary licenses, approvals, permits and contracts;
- greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and
- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on doing business, price controls, import controls, currency remittance, income and other taxes, royalties, the repatriation of profits, foreign investment, licenses and approvals and permits.

The Company's international efforts may not produce desired levels of sales. Furthermore, the Company's experience with selling products in Canada may not be relevant or may not necessarily translate into favorable results if it sells in other international markets. If and when the Company enters into new markets in the future, it may experience different competitive conditions, less familiarity by customers with the Company's brand and/or different customer requirements. As a result, the Company may be less successful than expected in expanding sales to new international markets. Sales into new international markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting the Company's overall growth and profitability. To build brand awareness in these new markets, the Company may need to make greater investments in legal compliance, advertising and promotional activity than originally planned, which could negatively impact the expected profitability of sales in those markets.

Competition

It is likely that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

The Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require technology development, logistics, marketing, sales and support. The Company may not have sufficient resources to maintain technology and



development, logistics, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

If the number of consumers of plant based products increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in technology, logistics, marketing, sales and client support. The Company may not have sufficient resources to maintain technology, logistics, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Foreign Sales and Currency Fluctuations

The Company's functional currency is denominated in Canadian dollars. The Company's sales are currently expected to be mainly dominated in United States dollars and may, in the future, have sales denominated in the currencies of additional countries in which it establishes operations or distribution. In addition, the Company incurs a significant portion of its operating expenses in Canadian dollars. In the future, the proportion of the Company's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. The Company has not previously engaged in foreign currency hedging. If the Company decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Company from foreign currency fluctuations and can themselves result in losses.

Disease Outbreaks may negatively Impact the Company

A local, regional, national or international outbreak of a contagious disease, including the novel coronavirus COVID 19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could cause staff shortages, supply shortages and increased government regulation all of which may negatively impact the business, financial condition and results of operations of the Company. A pandemic could cause temporary or long term disruptions in the Company's supply chains and/or delays in the delivery of the Company's inventory. Further, such risks could also adversely affect the Company's customers' financial condition, resulting in reduced spending for the products the Company sells. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID 19, could cause employees to avoid the Company's properties, which could adversely affect the Company's ability to adequately staff and manage its businesses. "Shelter in place" or other such orders by governmental entities could also disrupt the Company's operations, if



employees who cannot perform their responsibilities from home, are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID 19, could also lead to the complete or partial closure of one or more of the Company's facilities or operations of its sourcing partners. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID 19, could therefore materially and adversely affect the Company's business, financial condition and results of operations.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Company's annual financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non financial assets, fair value of biological assets, as well as revenue and cost recognition.

Transactions Engaged in by our Largest Shareholders, our Directors or Officers

Our officers, directors and principal shareholders (greater than 10% shareholders) collectively control approximately 24% of the Company. Subsequent sales of our Common Shares by these shareholders could have the effect of lowering the market price of our Common Shares. The perceived risk associated with the possible sale of a large number of Common Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of our shareholders to sell their Common Shares, thus causing the market price of our Common Shares to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of Common Shares by our directors or officers could cause other institutions or individuals to engage in short sales of the Common Shares, which may further cause the market price of our Common Shares to decline.



From time to time our directors and executive officers may sell Common Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, our directors and executive officers may sell a significant number of Common Shares for a variety of reasons unrelated to the performance of our business. Our shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Common Shares. These sales could cause the market price of our Common Shares to drop.

Going Concern Risk

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt or other financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Negative Operating Cash Flow

The Company has negative operating cash flow. The failure of the Company to achieve profitability and positive operating cash flows could have material adverse effect on the Company's financial conditions and results of operations. To the extent that the Company has a negative cash flow in future periods, the Company may need to deploy a portion of its cash reserves to fund such negative cash flow. The Company expects to continue to sustain operating losses in the future until it generates sufficient revenues from the sale of products on its marketplace. There is no guarantee that the Company will ever be profitable.

Transportation Providers

Failure by the Company's transportation providers to deliver products on time, or at all, could result in lost sales. The Company currently relies upon third-party transportation providers for a significant portion of product shipments. Utilization of delivery services for shipments is subject to risks, including increases in fuel prices, which would increase its shipping costs, and employee strikes and inclement weather, which may impact the ability of providers to provide delivery services that adequately meet shipping needs. The Company periodically changes shipping companies, and could face logistical difficulties that could adversely affect deliveries. In addition, the Company could incur costs and expend resources in connection with such change. Moreover, the Company may not be able to obtain terms as favorable as those it receives from the third-party transportation providers that it currently uses, which in turn would increase costs and thereby adversely affect operating results.



Maintaining the Brand

If the Company fails to develop and maintain its brand, business could suffer. Maintaining, promoting and positioning the Company's brand and reputation will depend on, among other factors, the success of its plant-based product offerings, quality assurance, marketing and merchandising efforts and its ability to provide a consistent, high-quality customer experience, which the Company may not do successfully. The Company may introduce new products or services that customers do not like, which may negatively affect its brand and reputation. Any negative publicity, regardless of its accuracy, could materially adversely affect the business. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of customers, suppliers or co-manufacturers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of the Company's brand and significantly damage its business.

Acquiring and Retaining Customers

The Company's success, and its ability to increase revenue and operate profitably, depends in part on its ability to cost-effectively acquire new customers, to retain existing customers, and to keep existing customers engaged so that they continue to purchase products. If the Company is unable to cost-effectively acquire new customers, retain existing customers or keep existing customers engaged, the business, financial condition and operating results would be materially adversely affected. Further, if customers do not perceive the Company's product offerings to be of sufficient value and quality, the Company may not be able to attract or retain customers or engage existing customers so that they continue to purchase products. The Company may lose loyal customers to competitors if it is unable to meet customers' orders in a timely manner.

If the Company fails to manage its future growth effectively, the business could be materially adversely affected.

Information Technology

The Company relies on information technology systems and any inadequacy, failure, interruption or security breaches of those systems may harm its ability to effectively operate the business. The Company is dependent on various information technology systems, including, but not limited to, networks, applications and outsourced services in connection with the operation of the business. A failure of the Company's information technology systems to perform as it anticipates could disrupt the business and result in transaction errors, processing inefficiencies and loss of sales, causing the business to suffer. In addition, the Company's information technology systems may be vulnerable to damage or interruption from circumstances beyond its control, including fire, natural disasters, systems failures, viruses and security breaches. Any such damage or interruption could have a material adverse effect on the business.



Cybersecurity Incidents and Technological Disruptions

A cybersecurity incident or other technology disruptions could negatively impact the business and relationships with customers. The Company uses computers in substantially all aspects of business operations. It also uses mobile devices, social networking and other online activities to connect with employees, suppliers, co-manufacturers, distributors, customers and consumers. Such uses give rise to cybersecurity risks, including security breaches, espionage, system disruption, theft and inadvertent release of information.

The Company's business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' information, private information about employees and financial and strategic information about it and its business partners. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with the Company's information technology systems or the technology systems of third parties on which it relies, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage all of which could have a material adverse effect on the business, financial condition or results of operations.

Intellectual Property Protection

The Company may not be able to protect its intellectual property adequately, which may harm the value of its brand. The Company believes that its intellectual property has substantial value and has contributed significantly to the success of the business. The Company's trademarks are valuable assets that reinforce its brand and consumers' favorable perception of its products. The Company's continued success depends, to a significant degree, upon its ability to protect and preserve its intellectual property, including its trademarks, trade secrets and copyrights. The Company relies on confidentiality agreements and trademark, trade secret and copyright law to protect its intellectual property rights. The Company's confidentiality agreements with its employees and certain of its consultants, contract employees, suppliers and independent contractors generally require that all information made known to them be kept strictly confidential. Nevertheless, trade secrets are difficult to protect. Although the Company attempts to protect its trade secrets, its confidentiality agreements may not effectively prevent disclosure of proprietary information and may not provide an adequate remedy in the event of unauthorized disclosure of such information.

The Company cannot assure you that the steps taken to protect its intellectual property rights are adequate, that its intellectual property rights can be successfully defended and asserted in the future or that third parties will not infringe upon or misappropriate any such rights. In addition, the Company's trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect trademark rights could prevent



the Company in the future from challenging third parties who use names and logos similar to its trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of the brand and products. In addition, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for management and significant expense, which may not be recoverable regardless of whether it is successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject the Company to liabilities, force it to cease use of certain trademarks or other intellectual property or force it to enter into licenses with others. Any one of these occurrences may have a material adverse effect on the business, results of operations and financial condition.