# Veji Holdings Ltd.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2023

Veji Holdings Ltd.
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veji

VEJI HOLDINGS LTD. MANAGEMENT DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”) AS OF AUGUST 23, 2023 TO ACCOMPANY THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF VEJI HOLDINGS LTD. (THE “COMPANY” OR “VEJI”) FOR THE THREE MONTHS ENDED MARCH 31, 2023.

This MD&A is dated August 23, 2023.

The following MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 and the audited financial statements for the years ended December 31, 2022 and December 31, 2021, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and the notes thereto. The Company’s unaudited condensed consolidated interim financial statements for the three months March 31, 2023 include a ‘‘Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements’’ disclosure. 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 SEDAR profile at www.SEDARplus.ca.

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 consolidated 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.

**GOING CONCERN**

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and settle its liabilities in the normal course of business. The nature of the Company's commencement of operations resulted in significant expenditures for setting up the operations to scale for a large volume of transactions. The eventual generation of profit was dependent upon several factors including expanding into various markets, the ability of the Company to obtain financing to support growth and scale of operations, and to continue to meet working capital and operating cash flows.

To date, the Company has not generated positive cash flows from operations. For the year ended December 31, 2022, the Company incurred a net loss of $205,684 and as at March 31, 2023 the Company had an accumulated deficit of $22,714,479 and a working capital deficit of $7,772,862. These conditions give rise to a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings provided by the Company's existing shareholders and/or new shareholders or through other arrangements. While the Company raised additional capital in the first and second quarter of 2022 through advances and loans from an existing shareholder and working capital loans, the Company has not been able to secure additional funding since the second quarter of 2022 and there is no assurance that the Company will be successful in obtaining additional funding. In addition, due to macroeconomic factors such as rising interest rates and political unrest, the current market conditions are not conducive for raising capital. These events and conditions indicate a material uncertainty that may cast a significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

**STRATEGIC REVIEW PROCESS**

On July 29, 2022, the Company's board of directors, in light of current market conditions and the cash needs of the Company, approved management to initiate a process to identify, examine and pursue strategic alternatives to the Company's current business (the "Strategic Review Process"). Through the Strategic Review Process, management focused on evaluating options which it believed were in the best interest of the Company and in charting the most accretive path forward to maximize shareholder value.

As part of the Strategic Review Process, management pursued opportunities, including, but not limited to, equity/debt investment from a strategic partner, the potential sale of all or a material portion of the Company's assets, operating businesses and wholly-owned subsidiaries, as well as pursuing M&A opportunities, with the goal of identifying the best opportunity and entering into a definitive agreement to complete a transaction.

As a result of the Strategic Review Process, the Company consolidated its direct-to-consumer ("D2C") business to operate under a single domain at VeganEssentials.com and ceased operations of ShopVejii.com. On September 18, 2022, the Company signed an Asset Purchase Agreement ("Agreement"), to sell its domain, VeganEssentials.com and certain associated intellectual property and assets to PlantX Life Inc. ("PlantX") and its wholly owned subsidiary, PlantX Lifestyle USA Inc. On October 17, 2022, the Company completed the sale and received an aggregate purchase price of $893,000. The purchase price consisted of a cash payment of $143,000 and 1,071,428 common shares of PlantX issued at a deemed price of $0.70 per common share. The common shares of PlantX issued as part of the purchase price were subject to a statutory hold period expiring February 15, 2023.

On November 9, 2022, the Company announced plans to wind-down the remainder of its US operations including Veg Essentials LLC, and VEDGEco USA Inc., the Company's business-to-business ("B2B") division. Given current market conditions and lack of access to external capital, the Company could not continue to fund its commercial operations. As a result of the sale of its domain, VeganEssentials.com and certain associated intellectual property and assets combined with the decision to wind down the remainder of its US operations, the Company ceased to have any active commercial operations in the plant-based sales and distribution space.

On January 30, 2023, Veji announced that the Company received approval from the Supreme Court of British Columbia (Vernon Registry) for its Division I proposal pursuant to the Bankruptcy and Insolvency Act (Canada).

On March 16, 2023, Veji entered into a non-binding letter of intent to purchase certain bakery-related assets (the “Bakery Assets”) from Keto Caveman Café Ltd. The Bakery Assets would leverage Veji’s existing expertise in direct-to-consumer and direct-to-business sales and allow the brand to expand across Canada and into the United States. The Company is continuing to work to close this transaction as management believes that this transaction will be in the best interest of the Company.

On April 21, 2023, Veji announced that, having received approval from the Supreme Court of British Columbia (Vernon Registry) for its Division I proposal pursuant to the Bankruptcy and Insolvency Act (Canada), the Company intends to issue 25,726,146 common shares to its creditors to settle outstanding debt in the approximate amount of $4,000,000.

## DESCRIPTION OF THE BUSINESS AND OVERVIEW

Veji, headquartered in Kelowna, BC, is publicly listed and trades on the Canadian Securities Exchange (“CSE”) under trading symbol “VEJI”.

The Company was formed on July 30, 2019 and changed its name from 1217691 BC Ltd. to Vejii Holdings Ltd. on September 14, 2020. On August 19, 2022, the Company, as a part of a rebranding initiative, changed its corporate entity name to "Veji Holdings Ltd."

The Company currently has no significant assets other than cash. The Company has signed a non-binding letter of intent to purchase certain bakery-related assets from Keto Caveman Café Ltd. The Bakery Assets would leverage Veji’s existing expertise in direct-to-consumer and direct-to-business sales and allow the brand to expand across Canada and into the United States.

## COMPANY HIGHLIGHTS

On January 30, 2023, Veji announced that the Company received approval from the Supreme Court of British Columbia (Vernon Registry) for its Division I proposal pursuant to the Bankruptcy and Insolvency Act (Canada).

On March 16, 2023, Veji entered into a non-binding letter of intent to purchase certain bakery-related assets (the “Bakery Assets”) from Keto Caveman Café Ltd. The Bakery Assets would leverage Veji’s existing expertise in direct-to-consumer and direct-to-business sales and allow the brand to expand across Canada and into the United States. The Company is still continuing to work towards closing this transaction.

On April 21, 2023, Veji announced that, having received approval from the Supreme Court of British Columbia (Vernon Registry) for its Division I proposal pursuant to the Bankruptcy and Insolvency Act (Canada), the Company intends to issue 25,726,146 common shares to its creditors to settle outstanding debt in the approximate amount of $4,000,000.

**SELECTED QUARTERLY INFORMATION**

The table below presents selected quarterly financial information for the three months ended March 31, 2023 and March 31, 2022:

| | Three Months ended March 31, 2023 | Three Months ended March 31, 2022 |
|---|---|---|
| Revenue | $ - | $ 1,547,795 |
| Cost of goods sold | $ - | $ 959,758 |
| Gross profit | $ - | $ 588,037 |
| Gross margin % | - | 38.0% |
| Selling and distribution | $ - | $ 1,015,784 |
| General and administrative | $ 29,596 | $ 1,987,713 |
| Other operating expenses | $ 172,704 | $ 503 |
| Total operating expenses | $ 202,300 | $ 3,004,000 |
| Operating loss | $ (202,300) | $ (2,415,963) |
| Net loss | $ (205,684) | $ (2,488,276) |
| Basic and diluted net loss per share | $ (0.01) | $ (0.09) |
| Total assets | $ 59,367 | $ 8,190,052 |
| Total non-current financial liabilities | $ - | $ 1,967,017 |
| Dividends | $ - | $ - |

**RESULTS OF OPERATIONS FOR THREE MONTHS ENDED MARCH 31, 2023**

During the third quarter of the prior year, the Company's board of directors, in light of current market conditions and the cash needs of the Company, approved management to initiate a Strategic Review Process. Through the Strategic Review Process, management focused on evaluating options which it believed were in the best interest of the Company and in charting the most accretive path forward to maximize shareholder value. As a result of the Strategic Review Process, the Company ceased all commercial operations in the plant-based sales and distribution space in the prior year. On March 16, 2023, the Company entered into a non-binding letter of intent to acquire certain Bakery Assets from Keto Caveman Café Ltd (the "Transaction"). The Bakery Assets would leverage Veji's existing expertise in direct-to-consumer and direct-to-business sales and allow the brand to expand across Canada and into the United States. The Company continues working on closing this transaction. Management believes that this transaction will be in the best interest of shareholders.

In addition, in an effort to restructure the Company's liabilities, Veji filed a Division I proposal (the "Proposal") pursuant to the Bankruptcy and Insolvency Act (Canada) (the "BIA") with G. Moroso & Associates Inc. assigned as proposal trustee (the "Proposal Trustee") on December 21, 2022. The Company and its Board of Directors chose to take this action under the BIA as the most expeditious and economical manner of addressing the interests of its creditors, further to its Strategic Review process announced by the Company on July 29, 2022.

On January 30, 2023, the Company received approval from the Supreme Court of British Columbia (Vernon Registry) for its Proposal pursuant to the Bankruptcy and Insolvency Act (Canada). Subsequent to the end of the quarter, the Company issued 25,726,146 common shares to its creditors to settle outstanding debt in the approximate amount of $4,000,000.

The following financial results are the result of the Company that has been ceased and pursuing the acquisition of certain Bakery Assets from Keto Caveman Café Ltd.

The Company reported revenue of $nil, operating expenses of $202,300 and net loss of $205,864 for the quarter ended March 31, 2203 as compared to revenue of $1,547,795, operating expenses of $3,004,000 and net loss of $2,488,276 for the quarter ended March 31, 2022. The reduction in revenues, operating expense and net loss is attributable to the Company ceasing commercial operations in the plant-based sales and distribution space. During the three months ended March 31, 2023, the Company incurred expenses related to the maintenance of the Company and expenses related to the Proposal and closing the Transaction. In addition, the Company incurred a loss on the sale of common shares of PlantX, which were received from the sale of its domain, VeganEssentials.com and certain associated intellectual property, of $172,704.

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## SUMMARY OF QUARTERLY RESULTS

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

| | Quarter ended Mar. 31, 2023 | Quarter ended Dec. 31, 2022 | Quarter ended Sep. 30, 2022 | Quarter ended Jun. 30, 2022 |
|---|---|---|---|---|
| Revenue | $ - | $ 27,739 | $ 535,843 | $ 1,223,540 |
| Cost of goods sold | $ - | $ 57,726 | $ 593,288 | $ 670,605 |
| Gross profit/(loss) | $ - | $ ( 29,986) | $ (57,445) | $ 552,935 |
| Gross margin % | - | (108.1%) | (10.7%) | 45.2% |
| Selling and distribution | $ - | $ (9,184) | $ 196,663 | $ 599,939 |
| General and administrative | $ 29,596 | $ 90,763 | $ 623,932 | $ 1,706,099 |
| Other operating expenses | $ 172,704 | $ 74,896 | $ 4,407,610 | $ 25,204 |
| Total operating expenses | $ 202,300 | $ 156,475 | $ 5,228,205 | $ 2,331,242 |
| Operating gain/(loss) | $ (202,300) | $ (186,461) | $ (5,285,649) | $ (1,778,307) |
| Net loss | $ (205,684) | $ (174,811) | $ (5,310,714) | $ (1,861,462) |
| Basic and diluted net income/(loss) per share | $ (0.01) | $ (0.01) | $ (0.19) | $ (0.07) |
| Total assets | $ 59,367 | $ 267,992 | $ 494,335 | $ 7,770,237 |
| Total non-current financial liabilities | $ - | $ - | $ 1,646,000 | $ 2,034,880 |
| Dividends | $ - | - | - | - |

| | Quarter ended Mar. 31, 2022 | Quarter ended Dec. 31, 2021 | Quarter ended Sep. 30, 2021 | Quarter ended Jun. 30, 2021 |
|---|---|---|---|---|
| Revenue | $ 1,547,795 | $ 938,404 | $ 226,252 | $ 315,680 |
| Cost of goods sold | $ 959,758 | $ 525,603 | $ 173,804 | $ 285,867 |
| Gross profit | $ 588,037 | $ 412,802 | $ 52,448 | $ 29,813 |
| Gross margin % | 38.0% | 44.0% | 23.2% | 9.4% |
| Selling and distribution | $ 1,015,784 | $ 990,359 | $ 687,089 | $ 1,318,625 |
| General and administrative | $ 1,987,713 | $ 1,364,144 | $ 1,657,363 | $ 1,586,180 |
| Other operating expenses | $ 503 | $ 3,126,303 | $ 12,003 | $ 8,140 |
| Total operating expenses | $ 3,004,000 | $ 5,480,806 | $ 2,356,456 | $ 2,912,945 |
| Operating loss | $ (2,415,963) | $ (5,068,004) | $ (2,304,008) | $ (2,883,132) |
| Net loss | $ (2,488,276) | $ (5,091,896) | $ (2,308,682) | $ (2,884,044) |
| Basic and diluted net loss per share | $ (0.09) | $ (0.21) | $ (0.11) | $ (0.14) |
| Total assets | $ 8,190,052 | $ 8,565,104 | $ 1,309,637 | $ 1,659,978 |

| | | | | |
|---|---|---|---|---|
| Total non-current financial liabilities | $ 1,967,017 | $ 1,989,154 | $ 500,000 | $ - |
| Dividends | - | - | - | - |

Quarterly revenues have generally increased since our commercial launch in November 2020 as the Company built brand awareness around the ShopVejii marketplace along with its acquisition strategy to become the leading marketplace for sustainable local and national plant-based brands. In addition, with growth in revenues, the Company has been able to achieve greater economies of scale, which has led to improvement in gross margins.

However, revenues for the quarter ended June 30, 2022 decreased from the quarter ended March 31, 2022 as a result of the Company focusing on sales to customers with more favorable unit economics as part of its integration plan. Revenues further decreased in the quarter ended September 30, 2022 as a result of the company reducing operations due to a lack of working capital. During the quarter ended December 31, 2022, the completed its exit from the plant-based sales and distribution business.

Net loss for the quarter ended December 31, 2021 included a non-cash loss on remeasurement of warranty liability of $3,117,856. Excluding the loss on remeasurement of warranty liability in the fourth quarter of 2021, the Company's net loss has generally improved since the second quarter of 2021. This is the result of the Company optimizing its organization for sustainable future growth 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 after launching its marketplace platform in November 2020 and setting up its operations through the second quarter of 2021. Despite the improved operational performance and greater economies of scale with the acquisitions of Veg Essentials and VEDGEco, the Company was not able to secure sufficient funding to support the growth of the business. Hence, the company recorded an impairment of intangibles and goodwill during the quarter ended September 30, 2022 as the Company scaled down operations during the quarter. During the quarter ended December 31, 2022, the Company completed the wind down of operations and exited the plant-based sales and distribution business. In addition, the Company filed with the Supreme Court of British Columbia (Vernon Registry) a Division I proposal pursuant to the Bankruptcy and Insolvency Act (Canada). Subsequent to year end, the Company received approval of the Division I proposal from the Supreme Court of British Columbia (Vernon Registry). The Company currently has no commercial operations and is continuing to work on closing the Transaction.

## 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. While the Company raised additional capital in the first and second quarter of 2022 through advances and loans from an existing shareholder and working capital loans, the Company has not been able to secure additional funding since the second quarter of 2022. 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:

| | Quarter ended March 31, 2023 | Quarter ended March 31, 2022 |
|---|---|---|
| Net cash used in operating activities | $ (11,793) | $ (1,587,029) |
| Net cash provided by (used in) investing activities | $ 52,292 | $ (61,951) |
| Net cash provided by financing activities | $ 4,349 | $ 1,594,968 |
| Net change in cash | $ 44,848 | $ (54,012) |
| Effect of exchange rate changes on cash | $ 2,376 | $ 1,286 |
| Cash, beginning of period | $ 11,569 | $ 143,021 |
| Cash, end of period | $ 58,793 | $ 90,295 |
| Working capital deficit | $ (7,772,862) | $ (5,136,182) |

For the three months ended March 31, 2023, the net cash used in operating activities was $11,793 compared to prior period net cash used in operating activities of $1,587,029. The decrease in cash usage was due to the Company ceasing commercial operations in the plant-based sales and distribution space.

For the quarter ended March 31, 2023, the net cash provided by investing activities was $52,292 compared to the prior period net cash used in investing activities of $61,951. The increase in cash was due to the sale of PlantX common shares and the ceasing of commercial operations.

For the quarter ended March 31, 2023, the net cash provided by financing activities was $4,349 compared to the prior period net cash provided by financing activities of $1,594,968. The decrease was mainly attributable to the Company receiving proceeds from loans and borrowings in the prior period. See "Loans and Borrowings" section of this MD&A.

As at March 31, 2023, the Company had no commitments for capital expenditures.

As at March 31, 2023, the Company had working capital deficit of $7,772,862, inclusive of cash and cash equivalents of $58,793 as compared to a working capital deficit of $5,136,182, inclusive of cash of $90,295, as at March 31, 2022.

**Loans and Borrowings**

The Company had the following loans and borrowings outstanding:

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Short-term debt: | | |
| Working capital loans | $ 182,996 | $ 183,115 |
| Unsecured loan | $ 736,104 | $ 736,104 |
| Revolving grid note | $ 679,426 | $ 679,426 |
| Due to related party | $ 191,320 | $ 185,674 |
| Current portion of long-term debt | $ 2,146,000 | $ 2,146,000 |
| Total short-term debt | $ 3,934,668 | $ 3,930,319 |
| | | |
| Long-term debt | $ 2,146,000 | $ 2,146,000 |
| Less: Current portion | $ (2,146,000) | $ (2,146,000) |
| Total long-term debt | $ - | $ - |
| Total loans and borrowings | $ 3,934,668 | $ 3,930,319 |

**Short-term Debt**

Working capital loans related to short term funding advances from financial institutions, whereby in exchange for funding advances, the Company was required to remit to the financial institutions, periodic payments determined on the basis of a percentage of the Company's collections from customers during the same period (the Remittance Rate between 5% to 20%), such that the total amounts remitted by the Company in excess of the advanced amounts, represent an effective financing fee of between 6% to 13% over the remittance period. The working capital loans were secured against the Company's accounts receivable balances underlying the Remittance Rate requirement, together with any cash balance held by the Company in a designed bank account used by the Company with its platform for customers.

Unsecured loan represents various amounts advanced by a former directors of VEDGEco. The unsecured loan was interest free and repayable on demand.

The Revolving Grid Note facility was closed with a former related party of VEDGEco, with the total facility amounting to US$500,000, available to VEDGEco in five equal monthly advances starting September 15, 2021, priced at an interest rate of 10% per annum and maturity on September 14, 2022. This note has matured and a demand letter for repayment of principal and interest was received by the Company. The Company is currently in default of this grid note.

The Company was advanced amounts totaling $191,320 by a director of the Company with interest at 10% per annum, payable quarterly and repayable on demand.

**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.
On July 27, 2022, the Company entered into an agreement with a director to convert advances of $1,646,000 into a senior secured loan with a maturity date of May 24, 2024 and an interest rate of 10% per annum, payable quarterly.

**Capital Stock**

The authorized capital of the Company consists of an unlimited number of common shares without par value of which 28,584,626 are outstanding as of March 31, 2023. 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 have been retroactively adjusted to reflect the share consolidation unless otherwise noted.

On April 21, 2023, Veji announced that, having received approval from the Supreme Court of British Columbia (Vernon Registry) for its Division I proposal pursuant to the Bankruptcy and Insolvency Act (Canada), the Company intends to issue 25,726,146 common shares to its creditors to settle outstanding debt in the approximate amount of $4,000,000. As a result of the issuance of the additional common shares, there are 54,310,772 common shares outstanding as of August 23, 2023.

**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 | August 23, 2023 | March 31, 2023 | December 31, 2022 |
|---|---:|---:|---:|
| Common shares outstanding | 54,310,772 | 28,584,626 | 28,584,626 |
| Warrants outstanding | 9,026,357 | 9,026,357 | 9,026,357 |
| Stock options outstanding | 2,468,750 | 2,468,750 | 2,468,750 |
| Stock options exercisable | 2,446,250 | 2,423,750 | 2,175,625 |
| Advisory options | 35,375 | 35,375 | 35,375 |
| Compensation warrants | 120,115 | 120,115 | 120,115 |

Note:

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.

## 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.

Remuneration attributed to key management personnel is summarized as follows:

| | Quarter ended March 31, 2023 | Quarter ended March 31, 2022 |
|---|---|---|
| Management wages | $ - | $ 155,000 |
| Directors' fees | $ - | $ - |
| Share based compensation | $ 6,529 | $ 23,702 |

As at March 31, 2023, the Company owed Kory Zelickson, Chief Executive Officer and director a total of $2,337,320 (2022 – $1,751,561) for funds and loans advanced by Mr. Zelickson.

## ACQUISITIONS

On March 16, 2023, Veji entered into a non-binding letter of intent to purchase Bakery Assets from Keto Caveman Café Ltd. The Bakery Assets would leverage Veji's existing expertise in direct-to-consumer and direct-to-business sales and allow the brand to expand across Canada and into the United States.

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the unaudited consolidated interim 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. The Company's significant judgements and estimates for the three months ended March 31, 2023 are the same as those that were applied to the Company's audited annual consolidated financial statements for the year ended December 31, 2022. See "Critical accounting estimates and judgments" in the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2022 for a full discussion of the applicable critical accounting estimates and judgments 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, 2022.

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 and accounts receivables. 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 March 31, 2023, the Company had cash of $58,793 and accounts receivable of $574 comprised of government remittances receivable. The Company manages credit risk by placing cash 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 March 31, 2023, the Company had net working capital deficit of $7,772,862. The Company expects to improve its working capital through the issuance of equity or debt or the sale of assets. Though there are no assurances that the Company will be able to improve its working capital.

**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.

**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 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 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 March 31, 2023, a 10% appreciation of the Canadian dollar relative to the US dollar would have resulted in a decrease in the net loss for the quarter ended March 31, 2023 of approximately $445,070.

**Fair value**
The carrying amounts of cash, accounts receivable, short term investment, 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:

**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. There is no guarantee that the Company will ever be profitable.

**Limited Operating History**

The Company was incorporated on July 30, 2019. As a result, the Company has a limited operating history 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.

**Access to Capital**

Since its incorporation, the Company has financed its 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 ongoing 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 ongoing 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 does not have a history of profitability. 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 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**
The Company has entered into a non-binding letter of intent to purchase Bakery Assets from Keto Caveman Café Ltd. The ability to realize the benefits of such acquisition 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.

**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.

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.

**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 35% 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.

**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.