INTRODUCTION

The following is management's discussion and analysis ("MD&A") of the results of operations and financial condition of Idle Lifestyle, Inc. (formerly Poda Holdings, Inc, or the "Company") and should be read in conjunction with the accompanying condensed interim financial statements for the three months ended May 31, 2022, and related notes therein.

All financial information in this MD&A for the three months ended May 31, 2022, has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting.

The effective date of this MD&A is August 1, 2022.

MANAGEMENT'S RESPONSIBILITY

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that this MD&A and related filings do not contain any untrue statements of material fact, or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by this MD&A and related filings. The Board of Directors' approved the MD&A, together with the condensed interim financial statements for the three months ended May 31, 2022 and ensure that management has discharged its financial responsibilities.

FORWARD-LOOKING INFORMATION AND CAUTIONARY RISKS NOTICE

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "plans", "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors.

For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include: uncertainties involved in disputes and litigation; fluctuations in commodity prices and currency exchange rates; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies; the need to obtain additional financing and uncertainty as to the availability and terms of future financing; uncertainty related to the completion of a transaction or amalgamation.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as August 1, 2022, and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations regarding the ability to raise additional funds and complete a transaction or amalgamation.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to fluctuation of the stock market; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

COMPANY OVERVIEW

Idle Lifestyle, Inc. (formerly Poda Holdings, Inc, or the “Company”) was incorporated in the Province of British Columbia on July 6, 2018, under the Business Corporations Act of British Columbia (“BCBCA”) under the name Gamora Capital Corp. On March 11, 2021, the Company changed its name to PODA Lifestyle & Wellness Ltd. On September 27, 2021, the Company changed its name to PODA Holdings, Inc. On June 24, 2022, the Company changed its name to Idle Lifestyle, Inc. The Company’s principal business activity is the design, development and production of a new and improved heat-not-burn technology for the consumption of tobacco and other materials.

The Company’s head office is located at 666 Burrard St, Vancouver, BC V6C 2Z7.

The accompanying consolidated interim financial statements comprise the financial statements of the Company. On March 1, 2022, the Company completed an amalgamation with Poda Technologies Ltd. (“Poda”) under the name of the Company.

The Company and Poda Technologies Ltd. (“Poda”) entered into an Arrangement Agreement (Note 8) on February 8, 2021, pursuant to which the Company, by way of a court approved plan of arrangement under the provisions of Division 5 of Part 9 of the BCBCA acquired all of the issued and outstanding common and preferred shares of Poda in exchange for Preferred Shares to be issued as consideration pursuant to the Plan of Arrangement (the “Arrangement”).

The Arrangement resulted in the shareholders of Poda acquiring control of the Company (the “Transaction”). The Transaction has been accounted for as a reverse take-over (“RTO”). Therefore, the Transaction, has been accounted for as an acquisition of the Company by Poda. As the Company does not meet the definition of a business as defined by International Financial Reporting Standards (“IFRS”) 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

The Company’s subordinate voting shares were approved for listing on the Canadian Securities Exchange and commenced trading at market open on May 4, 2021, under the symbol ‘**PODA**’. In January 2022, the Company began trading on the OTCQB exchange. Through the OTCQB listing, United States investors may more easily trade PODAF stock, in addition to Poda’s listing on the CSE [PODA] in Canada and the FSE [99L] in Germany.

Pursuant to the Asset Purchase Agreement described below, PODA chanted its name to Idle Lifestyle Inc. and its trading symbol to **IDLE** on the CSE and **IDLSF** on the OTCQB exchange. The Company expects to trade as an inactive issuer under the policies of the Canadian Stock Exchange.

Poda is a heat-not-burn system designed to provide consumers with a convenient and effective method for the inhalation of aerosols generated from the heating of tobacco and other substances. The Poda design involves two main components: the heating device and the consumable stick (or Pod). The heating device is designed to heat the contents of the Pods to the desired temperature in order to aerosolize substances contained within the Pod contents. The Pods are designed with an innovative and novel airflow path, which completely isolates the substance to be heated inside each Pod (and any aerosols produced) from the heating device. The Pods are designed to be low-cost and disposable (compostable options are available) and are primarily intended to be sold pre-filled. The intended use case for consumers is that they purchase a pack of Poda Pods (much like a pack of cigarettes) and then insert one of the Pods into the heating device, which then heats the substance in the Pod to the desired temperature and maintains that temperature for 5 minutes or until the aerosol-generating substance has been consumed by the user. The Pod can then be removed from the heating device and be disposed of. Due to the isolated airflow inside the Pod, the heating process can be repeated again and again without any deterioration of the heating device due to contamination from the substances and / or aerosols contained within each Pod.

BUSINESS DEVELOPMENTS

On March 11, 2022, the Company announced that it has signed a purchase agreement with its Chinese manufacturing partner to acquire Poda Pod manufacturing equipment, 15 patent applications related to Poda Pod technology, and three Chinese trademarks for approximately CDN $3.45M payable in cash.

The manufacturing equipment is comprised of all proprietary custom-built equipment for Poda Pods production capable of producing an estimated 5 million Poda Pods per annum. All manufacturing equipment will be shipped to Vancouver, BC. The 15 patent applications were filed in China and represent unique product design and manufacturing methods applicable to the development and large-scale production of Poda Pods.

On May 13, 2022, the Company announced announce that, together with Ryan Selby and Ryan Karkairan (the "Owners"), it has entered into a definitive agreement dated May 13, 2022 (the "Asset Purchase Agreement") with a subsidiary of Altria Group, Inc. ("Altria") (NYSE:MO), Altria Client Services LLC ("ALCS"), pursuant to which the Company and the Owners have each agreed to sell to ALCS substantially all of the assets and properties used in the Company's business (the "Purchased Assets") of developing, manufacturing and marketing multi-substrate heated capsule technology, including, without limitation, the Owners' patents related to such technology and the Company's exclusive, perpetual license of certain of those patents pursuant to an amended and restated royalties agreement dated April 12, 2019 (the "Royalties Agreement"), for a total purchase price of US$100.5 million ("Purchase Price"), subject to certain adjustments and holdbacks (the "Transaction"). The Company carries on its business pursuant to the Royalties Agreement and the Company and the Owners have agreed to allocate US$55,275,000 of the Purchase Price to the Company (being 55% of the Purchase Price), with the balance to the Owners. This sale was completed on June 24, 2022.

As a result of the completion of the Transaction, the Company no longer has any material property or assets other than cash-on-hand plus the cash proceeds of the Transaction, which are expected to amount to approximately CDN$69.65 million after satisfying the Company's obligations and liabilities. PODA anticipates it will make a cash distribution to holders of PODA's shares (the "**Shareholders**") equal to approximately CDN$0.40 per subordinate voting share and CDN$400 per multiple voting share (the "**Distribution**"), representing a 167% premium to the closing share price of PODA as of May 12, 2022, the day prior to announcement of the transaction.

The Company expects to retain approximately CDN$1 million in cash to explore new business opportunities for the economic benefit of its Shareholders, subject to the terms of the Asset Purchase Agreement.

On July 26, 2022, the Company's Board of Directors declared the payment of a special dividend, and approved the return of capital, on its Subordinate Voting Shares ("**SVS**") and Multiple Voting Shares ("**MVS**") together amounting to a distribution of CDN$0.41 per SVS, and CDN$0.41 per MVS on an as-converted to SVS basis (the "**Distribution**"). The Distribution is expected to be paid on or about August 10, 2022 (the "**Payment Date**") to holders of record of SVS and MVS on August 3, 2022 (the "**Record Date**").

The Distribution will be of an aggregate amount of approximately CDN$68.2 million and comprised of a return of capital of approximately CDN$28 million and dividends of approximately CDN$40.2 million. The Shareholders will receive CAD$0.41 per each SVS held, being $0.215 in connection with the return of capital, and $0.195 in connection with the dividend payment and CAD$410 per each MVS held, being $56.00 in connection with the return of capital, and $354.00 in connection with the dividend payment.

CASH USED IN OPERATING ACTIVITIES

For the three months ended May 31, 2022, cash flows used by operating activities amounted to $1,746,940. Cash flows resulted from a net loss of $2,374,081, changes in non-cash items of $44,632 and changes in working capital balances of $582,509. In the comparative period, cash flows used by operating activities amounted to $1,655,203. Cash flows resulted from a net loss of $1,021,203, changes in non-cash items of $30,437 and changes in working capital balances of $603,743.

CASH USED IN INVESTING ACTIVITIES

For the three months ended May 31, 2022, cash flows used in investing activities resulted from the purchase of manufacturing equipment, patent applications, and trademarks for $3,466,317.

CASH PROVIDED BY FINANCING ACTIVITIES

For the three months ended May 31, 2022, cash flows provided by financing activities amounted to $2,423,750. Cash proceeds from the exercise of warrants of 1,801,243 and proceeds from the exercise of stock options of $622,507 were the primary drivers of the balance. In the comparative period, cash flows provided by financing activities amounted to $2,680,253.

FIRST QUARTER RESULTS OF OPERATIONS

During the three months ended May 31, 2022, the Company recorded a net and comprehensive loss of $2,374,081 (2021: 1,021,023).

The drivers of the expense increase on a year over year were as follows:

Legal and professional fees of $1,140,552 (2021: $118,117), which include legal, accounting and consulting fees incurred in connection with the definitive agreement with Altria Client Services, LLC.

SELECTED ANNUAL INFORMATION

The below table provides a summary of selected annual financial data, prepared in accordance with IFRS.

	May 31, 2022 **$**	**February 28, 2022** **$**	**January 31, 2021** **$**
Revenue	-	-	-
Assets	14,146,380	13,911,651	19,484
Non-current liabilities	-	604,507	633,877
Net and comprehensive loss	2,374,081	11,047,210	4,024,693
Basic and diluted loss per common share	0.04	0.21	0.09

FOURTH QUARTER RESULTS OF OPERATIONS

During the four-quarter ended February 28, 2022, the Company recorded a net and comprehensive loss of $4,995,420 as compared to a loss of $24,555 in the fourth quarter ended February 28, 2021. The variance between the comparative periods is mainly due to the ramp of marketing, professional fees, and research & development expenses following the Company's listing on the CSE as funds were raised to drive operational expansion.

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SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
	$	$	$	$
Total revenue	-	-	-	-
Net loss	(2,374,081)	(4,995,420)	(1,877,438)	(3,020,137)
Basic and diluted loss per share	(0.04)	(0.21)	(0.05)	(0.12)

	May 31, 2021	February 28, 2021	November 30, 2020	August 31, 2020
	$	$	$	$
Total revenue	-	-	-	-
Net loss	(1,021,023)	(24,555)	-	-
Basic and diluted loss per share	(0.07)	(0.00)	-	-

RELATED PARTY TRANSACTIONS

All related party transactions have occurred in the normal course of operations. Related party transactions occur and are recorded at the amounts agreed between the parties.

Poda had amounts payable to Invictus MD Strategies Corp. ("Invictus") of $2,086,106. Concurrent with the Transaction, Poda completed an assignment agreement (Note 8) with the Company. Pursuant to the Assignment Agreement, Poda assigned $2,086,106 amounts payable to the Company. The Company issued 20,862 preferred shares to settle the amounts payable of $2,086,106. Each preferred share entitles the holder to a restricted right to convert one preferred share into 1,000 common shares upon certain events or automatically on the following terms: [i] 10% after 12 months from the Effective Date of the Arrangement and [ii] 15% every 3 months thereafter.

On April 12, 2019, the Company acquired the rights to additional vaporizer-related intellectual property from the original founders of the Company (the "Inventors") on the terms and conditions set forth in an amended and restated royalties' agreement (the "Amended Agreement"). The Inventors and the Company previously entered into a royalties agreement dated April 19, 2015 (the "Original Agreement"), pursuant to which the Company agreed to pay royalties to the Inventors in the amount of 3% of the Company's gross revenues in relation to the commercialization of certain inventions (the "Original Inventions"). Since that time, the Inventors have developed certain additional vaporizer-related inventions (the "New Inventions") and in accordance with the terms and conditions of the Amended Agreement, the Company is granted a royalty-bearing exclusive license to commercialize, use, and sublicense the Original Inventions and the New Inventions. In exchange for the additional rights granted to the Company under the Amended Agreement, the Company has assigned the ownership of certain patents back to the Inventors and the royalty payable by the Company has been increased from 3% to 4.5%. The fair value of the patents assigned back to the Inventors was $146,583.

Key management compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation during the periods ended May 31, 2022 and May 31, 2021:

	2022	2021
	$	$
Consulting and management fees	**769,929**	74,467
Share-based compensation	**-**	5,065
	769,929	79,532

As at May 31, 2022, accounts payable includes $nil (May 31, 2021 - $23,100) due to the directors of the Company. As at February 28, 2022, the Company advanced $225,000 (May 31, 2021 - $Nil) to a director. The amount was repaid during Q1 of 2022.

OUTSTANDING SHARE DATA

Authorized Share Capital

The Company has an unlimited number of common shares and preferred shares without par value authorized for issuance.

Share Transactions

The Company issued the following shares during the period ended May 31, 2022:

(i) Pursuant to the Transaction described in Note 8, the Company issued 10,974,885 common shares of the Company after the conversion of 10,975 preferred shares to the former Poda Shareholders.

(ii) Certain holders of convertible notes converted their convertible notes and interest accrued to date totaling $604,507 into 15,590,140 common shares of the Company.

(iii) The Company issued 18,050,00 and 4,050,044 common shares for gross proceeds of $1,801,243 and $615,007 pursuant to the exercise of share purchase warrants and stock options, respectively.

Warrants

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	Number of warrants	Weighted average exercise price $
Outstanding, February 28, 2021	-	-
Deemed granted upon reverse take-over	27,000,000	0.10
Granted	12,390,321	1.88
Exercised	(1,250,000)	(0.10)
Outstanding, February 28, 2022	38,140,321	0.70
Exercised	(18,050,000)	(0.10)
Outstanding, May 31, 2022	20,090,321	0.70

Warrants outstanding and exercisable as at May 31, 2022 are as follows:

Number of Warrants				Contractual Life of
Outstanding	Exercisable	Exercise Price	Expiry Date	Warrants Remaining
8,950,000	8,950,000	$0.10	December 9, 2023	1.53 years
3,288,472	3,288,472	$1.00	June 24, 2021	1.07 years
351,849	351,849	$1.00	June 24, 2021	1.07 years
7,500,000	7,500,000	$2.50	August 4, 2021	2.16 years
20,090,321	20,090,321	$1.00		1.59 years

As at May 31, 2022, 20,090,321 warrants are outstanding with a weighed average exercise price of $1.00 and a weighted average remaining contractual life of 1.59 years.

The fair values of the finders' warrants were estimated as at the date of the grant using the Black-Scholes option pricing model, with the following assumptions and resulting fair values:

	June 24, 2021	August 4, 2021
Risk-free interest rate	0.44%	0.39%
Expected life of the warrants	2 years	3 years
Annualized volatility	125%	125%
Dividend Rate	0.00%	0.00%
Grant date common share fair value	$0.92	$1.67

Stock option plan

The Company has adopted a rolling incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to Directors, officers, employees or consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options and RSU's granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price $
Outstanding, February 28, 2021	4,912,178	0.14
Granted	1,500,000	0.22
Exercised	(60,000)	(0.16)
Forfeitures and cancellations	(987,134)	(0.18)
Outstanding, February 28, 2022	5,365,044	0.18
Exercised	(4,050,044)	(0.16)
Outstanding, May 31, 2022	1,315,000	0.08

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

Number of Stock Options				
Outstanding	Exercisable	Exercise Price	Expiry Date	Contractual Life of Warrants Remaining
140,000	140,000	$0.16	March 15, 2024	1.79 years
50,000	50,000	$0.16	October 31, 2025	3.42 years
300,000	300,000	$0.10	January 15, 2026	3.63 years
425,000	425,000	$0.10	March 30, 2026	3.82 years
400,000	400,000	$0.56	November 1, 2026	4.42 years
1,315,000	1,315,000			

As at May 31, 2022, 1,315,000 stock options are outstanding with a weighed average exercise price of $0.20 and a weighted average remaining contractual life of 3.1 years.

Restricted Share Units ("RSUs")

On June 28, 2021, the Company granted an aggregate of 485,000 restricted share units to a consultant. The RSUs vest as follows: (a) 240,000 six months following the date of grant, and (b) 245,000 twelve months following the date of grant.

On July 6, 2021, the Company granted an aggregate of 435,000 restricted share units to an advisor. The RSUs vest as follows: (a) 215,000 six months following the date of grant, and (b) 220,000 twelve months following the date of grant.

On July 14, 2021, the Company granted an aggregate of 50,000 restricted share units to an advisor. The RSUs vest as follows: (a) 25,000 six months following the date of grant, and (b) 25,000 twelve months following the date of grant.

On August 9, 2021, the Company granted an aggregate of 40,000 restricted share units to an advisor. The RSUs vest as follows: (a) 20,000 six months following the date of grant, and (b) 20,000 twelve months following the date of grant.

The RSUs granted entitle the holder to receive a payout with respect to the vested RSUs within 60 days of vesting. As at and for the period ended May 31, 2022, the Company has recorded a liability of $289,800 on the statement of financial position, and a corresponding share-based compensation expense on the statement of comprehensive loss which represents the fair value of the RSUs based on the market price as of the date of vesting or period-end.

FINANCIAL INSTRUMENTS AND RISKS

Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at May 31, 2022 and February 28, 2022, as follows:

		May 31, 2022		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	10,445,696	10,445,696	-	-

		February 28, 2022		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	13,235,203	13,235,203	-	-

The fair values of other financial instruments, which include accounts receivable, accounts payable, RSU liability, convertible note and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on outstanding GST and taxes recoverable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. GST and taxes recoverable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The Company has minimal financial assets and liabilities held in foreign currencies.

Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's amounts due to related parties are non-interest bearing.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders equity.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended February 28, 2022.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company has no off-balance sheet arrangements or proposed transactions.

SIGNIFICANT ACCOUNTING POLICIES

The Company follows the accounting policies described in Note 3 the Company's unaudited interim consolidated financial statements for the three months ended May 31, 2022, with the exception of the new accounting standards adopted in the current year, as described below.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements. The critical accounting estimates and judgments used by the Company are described in Note 3 of the Company's unaudited interim consolidated financial statements for the three months ended May 31, 2022.

ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

RISK FACTORS

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations

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. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this MD&A, and unforeseen expenses, difficulties, complications and delays, and other unknown events.

The heat-not-burn industry and market are relatively new, and this industry and market may not continue to exist or grow as anticipated, or the Company may be ultimately unable to succeed in this new industry and market

In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the heat-not-burn industry and market could have a material adverse effect on the Company's business, financial conditions and results of operations.

The Company may not be able to manage its growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of tobacco and other substance, but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company endeavors to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this MD&A.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

There is no assurance that the Company will turn a profit or generate immediate revenues

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business

An increase in the companies competing in the heat-not-burn industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

If the Company is unable to develop and market new products, it may not be able to keep pace with market developments

The heat-not-burn industry is in its early stages, and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from new products. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the court of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the heat-not-burn market

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts, management team and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of its employees.

The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data

Because the heat-not-burn industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition

The heat-not-burn industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including the loss of strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

As the Company operates within the heat-not-burn industry, there are additional difficulties and complexities associated with insurance coverage

As the Company is engaged in and operates within the heat-not-burn industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to fully utilize such insurance coverage, if necessary.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company is dependent on access to skilled labor, equipment and parts

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labor, equipment, parts and components. It is also possible that the expansion plans contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing the expansion plans. This could have a material adverse effect on the financial results and operations of the Company.

The expansion of the heat-not-burn industry may require new clinical research into heat-not-burn technologies, when such research may be restricted in the U.S. and is new to Canada

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of heat-not-burn technology remains in early stages. There have been relatively few clinical trials on the benefits of heat-not-burn technologies compared to ordinary smoking Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of heat-not-burn technologies, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to heat-not-burn technologies. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this MD&A or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to heat-not-burn technologies, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.
The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time-to-time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

In certain circumstances, the Company's reputation could be damaged

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Negative operating cash flow

Our overall business has incurred losses since its inception. Although we expect to become profitable, there is no guarantee that will happen, and we may never become profitable. We currently have a negative operating cash flow and may continue to have that for the foreseeable future. To date, a large portion of our expenses are fixed, including expenses related to equipment, contractual commitments and personnel. As a result, we expect our net losses from operations to improve. Our ability to generate additional revenues and potential to become profitable will depend largely on our ability, to manufacture and market our products. There can be no assurance that any such events will occur or that we will ever become profitable. Even if we do achieve profitability, we cannot predict the level of such profitability. If we sustain losses over an extended period of time, we may be unable to continue our business.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Publicity or consumer perception

The Company believes the heat-not-burn industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the heat-not-burn consumables produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of heat-not-burn products.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the heat-not-burn market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of heat-not-burn products in general, or the Company's products specifically, or associating the consumption of heat-not-burn products with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Difficulties with forecasts

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the heat-not-burn industry in Canada and the United States. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks of foreign operations

The Company's strategy includes exporting its expertise and technologies to foreign countries. Working outside of Canada gives rise to the risk of dealing with business and political systems that are different than what the Company is accustomed to in Canada. The potential risks include expropriation or nationalization; civil insurrection; labor unrest; strikes and other political risks; fluctuations in foreign currency and exchange controls; increases in duties and taxes; and changes in laws and policies governing operations of foreign based companies. Restrictions on repatriation of capital or distributions of earnings could adversely affect the Company in the future.

Anti-bribery and anti-corruption laws

The Company is subject to anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada) and the U.S. Foreign Corrupt Practices Act. Failure to comply with these laws could subject the Company to, among other things, reputational damage, civil or criminal penalties, other remedial measures and legal expenses which could adversely affect the Company's business, results of operations and financial condition. It may not be possible for the Company to ensure compliance with anti-bribery and anti-corruption laws in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located or may be located in the future.

Market risks for securities

The market price of common shares, should the Company become listed on a securities exchange, may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control.

Dividends

The Company has not paid any dividends on its issued and outstanding common shares to date and may not pay dividends in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Company (the "Board") and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their common shares of the Company for a price greater than that which such investors paid for them.

Financing risk

The Company will be dependent upon the capital markets to raise additional financing in the future. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. These and other factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. The Company may not be able to raise capital on favorable terms or at all, which could have an adverse impact on the Company's operations and the trading price of the common shares, should the Company become listed on a securities exchange. Additionally, future financing may substantially dilute the interests of the Company's shareholders.