

HEMPFUSION WELLNESS INC.

**Management's Discussion and Analysis
(MD&A)**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021
AND
SEPTEMBER 30, 2020**

(Expressed in United States Dollars)

NOVEMBER 15, 2021

HempFusion Wellness Inc.

Management's Discussion & Analysis

Introduction

References in this document to the “**Company**”, “**HempFusion**”, “we”, “us” or “our” are intended to mean HempFusion Wellness, Inc.

The following management's discussion and analysis (“**MD&A**”) of performance, financial condition and future prospects should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 and 2020, as well as our audited financial statements and notes thereto for the years ended December 31, 2020 and 2019. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the IFRS Interpretations Committee. All dollar amounts in this MD&A are expressed in United States dollars (“\$”) unless otherwise specified. This MD&A is provided as of November 15, 2021.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors of the Company (the “**Board**”), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares (the “**Common Shares**”); (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Additional information regarding the Company is available on our websites, www.hempfusion.com, www.probulin.com, www.sagelynaturals.com, www.apothecanna.com or through the Company's SEDAR profile available at www.sedar.com.

Cautionary Statement on Forward Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. 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 “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “indicate”, “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its consolidated financial condition, results of operations, business strategy and financial needs.

These forward-looking statements include, among other things, statements relating to:

- the Company's expectations regarding its revenue, expenses and operations;
- industry trends and overall market growth;
- the development of the Company's products;
- the Company's growth strategies;
- expectations relating to director and executive officer compensation levels;
- the Company's anticipated cash needs and its needs for additional financing;
- the Company's intention to grow the business and its operations;
- expectations with respect to future production costs and capacity;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's operations in the United States, the characterization and consequences of those operations under federal United States law and applicable State law, and the framework for the enforcement of applicable laws in the United States;
- the Company's expected business objectives for the next 12 months;
- the Company's ability to obtain additional funds through the sale of equity or debt commitments;
- the medical benefits, safety, efficacy, dosing and social acceptance of Cannabidiol ("**CBD**");
- the effect of the novel coronavirus disease 2019 ("**COVID-19**") outbreak on the ability of the Company to carry on business; and
- beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the design, production, marketing, distribution and sale of our products.

Although the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, and no such assurance is hereby offered, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except where required by applicable securities laws.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. In making the forward looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to: (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (ix) that the Company's current good relationships with its service providers and other third parties will be maintained.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include:

- the Company is a development stage company with a short operating history, a history of losses and the Company cannot assure profitability;
- the Company's interpretation of and changes to federal and state laws pertaining to Hemp and Hemp products, including the 2018 Farm Bill;
- the Company is subject to new dietary ingredient objection by the United States Food and Drug Administration (the "FDA") and interpretation of the Prior Drug Exclusion;
- Hemp plant specific agricultural risks;
- the Company has undergone numerous corporate restructurings containing provisions that could disadvantage the Company;
- uncertainty about the Company's ability to continue as a going concern;
- the Company's ability to obtain future financing through debt or equity;
- the Company's actual financial position and results of operations may differ materially from the expectations of management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company is subject to changes in Canadian laws, regulations and guidelines, which could adversely affect the Company's future business, financial condition and results of operations;
- the Company is subject to changes in federal, state and local of the United States and to changes in federal, state and local enforcement activities, which could adversely affect the Company's future business, financial condition and results of operations;
- there is no assurance that the Company will turn a profit or generate revenue growth;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;

- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the Hemp market;
- the Company's directors, officers, employees and its investors may face challenges entering the United States;
- there is no assurance that the Company will obtain and retain any relevant licenses;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- 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;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company currently has insurance coverage; however, because the Company operates within the hemp industry, there may be additional difficulties and complexities associated with such insurance coverage;
- the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company and its suppliers are reliant on key inputs, such as utilities, and any interruption of these services, or failure for these services to keep pace with the Company's expected growth, could have a material adverse effect on the Company's finances and operation results;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyberattacks;
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- the Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control;
- the Company is subject to uncertainty regarding Canadian and U.S. legal and regulatory status and changes;
- the Company does not anticipate paying cash dividends;
- the Company and holders of Common Shares may be subject to certain risks as a result of United States tax classification of the Company;
- future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares;

- no guarantee on the use of available funds by the Company;
- prospective retailers may delay or cancel planned or future launches of the Company’s products due to legal or regulatory issues raised by FDA or other regulatory entities regarding Hemp derived cannabinoids like CBD;
- the potential for future restrictions or licensing requirements related to Hemp farming in the U.S. or changes in importation laws for imported Hemp;
- the impact of COVID-19 on the Company is unknown at this time and the financial consequences of this situation cause uncertainty as to the future and its effects on the economy and the Company;
- FDA regulations, enforcement, and intervention in the operations of CBD operating companies and selling products across U.S. state lines, including increased involvement by the FDA regarding marketing CBD products;
- shareholders could be subject to future dilution as a result of financings;
- the Company could experience significant fluctuations in quarterly results, which could fall below the expectation of analysts;
- changes to accounting standards may be implemented; and
- the Company is subject to changes to federal, state, provincial, municipal and local laws.

These factors should not be considered exhaustive. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. Information contained in forward-looking statements in this MD&A is provided as of the date of this MD&A, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

All of the forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statements.

Company Overview

The Company was incorporated under the *Business Corporations Act* (British Columbia) on July 18, 2019. On January 1, 2020, the Company effected a share exchange whereby HempFusion, Inc. (“**HempFusion USA**”) became a wholly-owned subsidiary of the Company. On July 31, 2019, HempFusion USA completed the acquisition of Probulin Probiotics, LLC (“**Probulin**”) and, as result, Probulin became a wholly-owned subsidiary of HempFusion USA.

The Company’s registered office is located at Suite 1500, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, Canada, V6E 4N7. HempFusion USA has a registered address located at 1550 Larimer Street #224 Denver, CO 80202, United States.

The Company completed its initial public offering (the “**IPO**”) on January 6, 2021 and its Common Shares, common share purchase warrants issued in 2019 (the “**2019 Warrants**”) and IPO Warrants (as defined below) commenced trading on the Toronto Stock Exchange (the “**TSX**”) under the trading symbols “CBD-U”, “CBD.WT.U” and “CBD.WT.V”, respectively. The Company is a reporting issuer in all Canadian provinces, except Quebec.

As at the date of the MD&A, the Company has four wholly-owned subsidiaries, being HempFusion USA, Probulin, Sagely Enterprises Inc. and APCNA Holdings LLC. The corporate structure of the Company is current as at the date of filing of this MD&A.

Subsidiaries

HempFusion, Inc.

The Company owns 100% of the issued and outstanding shares of common stock of HempFusion USA (“**HempFusion USA Shares**”). HempFusion USA was incorporated under Chapter 78 of the Nevada Revised Statutes (United States) in the State of Nevada on October 13, 2015 under the name MetaCan, Inc. (“**MetaCan**”). On May 28, 2019, MetaCan changed its name to “HempFusion, Inc.” and restated its authorized capital to one billion shares of common stock with a par value of \$0.0001 per HempFusion USA Share. The registered address of HempFusion USA is 1550 Larimer Street #224 Denver, CO 80202, United States.

Probulin Probiotics LLC

HempFusion USA owns 100% of the issued and outstanding common stock of Probulin Probiotics LLC (“**Probulin**”). Probulin was formed on May 30, 2019 as “Probulin Acquisition LLC” and changed its name to “Probulin Probiotics LLC” on August 14, 2019, in connection with the acquisition of the Probulin Net Assets. The address of Probulin’s registered agent for service is Corporation Service Company, MC-CSC1 300 Deschutes Way SW, Suite 208, Tumwater, WA 98501, United States.

Sagely Enterprises Inc.

On May 24, 2021, the Company incorporated a wholly owned subsidiary, HF Merger Sub 2021, Inc for the sole purpose of facilitating a potential acquisition transaction. There was no transaction in the HF Merger Sub 2021, Inc. during the period ended September 30, 2021 from the date of incorporation. Consequent to the merger of HF Merger Sub 2021, Inc, on July 6, 2021 with Sagely Enterprises Inc., the latter was the surviving corporation which became the wholly owned subsidiary of the Company. The Company by virtue of a Contribution agreement dated July 30, 2021 (the “**Contribution Agreement**”), transferred 100% of its ownership interest in each Sagely Enterprises Inc. (“**Sagely Naturals**” or “**Sagely**”) and APCNA Holdings LLC (“**Apothecanna**”) to HempFusion USA. HempFusion USA owns 100% of the issued and outstanding common stock of Sagely Enterprises Inc.

APCNA Holdings LLC.

On July 30, 2021, the Company completed the acquisition of APCNA Holdings LLC, a Delaware limited liability company. This transaction was completed pursuant to the terms of the Purchase Agreement and the Company acquired 100% of the interests in Apothecanna. The Company by virtue of a Contribution agreement dated July 30, 2021, transferred 100% of its ownership interest in each Sagely Naturals and Apothecanna to HempFusion USA. HempFusion USA owns 100% of the issued and outstanding common stock of Apothecanna.

Corporate Highlights

Initial Public Offering and TSX Listing

On January 6, 2021, the Company completed its IPO of 7,000,000 Common Shares at the price of \$1.00 per Common Share and 10,000,000 units of the Company (the “**IPO Units**”) at the issue price of \$1.00 per IPO Unit for total gross proceeds of \$17,000,000. The IPO was completed through a syndicate of agents led by Canaccord Genuity Corp., as sole bookrunner, and including Haywood Securities Inc. and PI Financial Corp. Each IPO Unit is comprised of one Common Share and one-half of one Common Share warrant (each whole warrant being an “**IPO Warrant**”), with each IPO Warrant entitling the holder to purchase one Common Share at a price of \$1.20 per Common Share at any time until January 6, 2026. The Common Shares comprising the IPO Units are subject to a contractual hold period and may not be sold, transferred, pledged, hypothecated or otherwise assigned or traded until May 6, 2021. The Common Shares issuable upon exercise of the IPO Warrants are subject to a contractual hold period and may not be sold, transferred, pledged, hypothecated or otherwise assigned or traded until July 6, 2022.

Private Placement

In September and October 2021, the Company issued 11,770,000 units (the “**2021 Units**”) at the issue price of \$0.25 per 2021 Unit by way of private placement for gross proceeds \$2,942,500. The Company issued 11,030,000 2021 Units in September, and 740,000 2021 Units were issued subsequent to the period ended September 30, 2021. Proceeds for 100,000 2021 Units were received after the period end. Each 2021 Unit is comprised one Common Share and one Common Share purchase warrant. Each warrant is exercisable at a fixed price of \$0.50 per warrant for a period of four years from the date of issuance. The Company also issued 121,100 broker unit warrants (“**Broker Warrants**”). Each Broker Warrant is exercisable to acquire one 2021 Unit at an exercise price of \$0.25 per 2021 Unit for a period of four years from the date of issuance.

Cash balance of approximately \$5 million.

As at September 30, 2021, the Company had a cash balance of approximately \$5 million.

Acquisition of Sagely Enterprises Inc.

On July 6, 2021, the Company completed the acquisition of Sagely Enterprises Inc. (“**Sagely Naturals**”) that resulted in Sagely Naturals becoming a wholly-owned subsidiary of the Company.

The acquisition was completed pursuant to the terms of the agreement and plan of merger dated May 24, 2021, as amended, (the “**Merger Agreement**”) among the Company, HF Merger Sub 2021, Inc., a wholly-owned Delaware subsidiary of the Company, Sagely Naturals and KBKN Equityholder Representative LLC, in its capacity as representative of the holders of equity interests in Sagely Naturals (the “**Sellers**”), that resulted in Sagely Naturals becoming a wholly-owned subsidiary of the Company, for initial consideration of \$25,000,000 (the “**Initial Consideration**”), of which \$2,000,000 was paid in cash (subject to adjustment for Sagely Naturals’ cash and working capital) and \$23,000,000 was satisfied by the issuance of 22,531,348 Common Shares at a deemed issuance price of \$1.0208 per Common Share, being the volume weighted average trading price (the “**VWAP**”) of the Common Shares on the TSX for the 30 trading days immediately prior to the date of the Merger Agreement.

In addition, the Sellers may be entitled to receive an earnout payment of up to \$5,000,000 (“**Earnout Payment**”) subject to Sagely Naturals achieving certain revenue targets (with a minimum revenue threshold of \$6,020,000) within twelve months of the closing date of the acquisition, with 40% of any Earnout Payment to be paid in Common Shares and the balance paid in cash.

Pursuant to the Merger Agreement, the Company also assumed unvested outstanding stock options of Sagely Naturals which are exercisable for up to an aggregate of 279,432 Common Shares, and outstanding restricted shares of Sagely Naturals which will result in the issuance of an additional 263,179 Common Shares.

All Common Shares issued in connection with the Merger Agreement in respect of the Initial Consideration are subject to contractual resale restrictions to be released over a period of 12 months from the closing date of the acquisition as follows: (i) 33% were released on November 6, 2021, (ii) 33% will be released on March 6, 2022 and (iii) the remaining balance on July 6, 2022.

Acquisition of Apothecanna

On July 30, 2021, the Company completed the acquisition of Apothecanna (the “**Transaction**”). The Transaction was completed pursuant to the terms of the unit purchase agreement (the “**Purchase Agreement**”) dated May 14, 2021 among the Company, Apothecanna, the owners (collectively the “**APCNA Sellers**”) of all of the issued and outstanding limited liability company interests in Apothecanna and Jeff Henretig, as the representative of the APCNA Sellers. Under the Purchase Agreement, the Company has acquired 100% of the interests in Apothecanna for an initial consideration of \$15 million (the “**APCNA Initial Consideration**”), of which (i) \$13,875,000 was satisfied by the issuance of 11,633,622 Common Shares (subject to U.S. withholding taxes) issued at the deemed value of approximately \$1.19 per Common Share, being the VWAP of the Common Shares on the TSX for the 30 trading days immediately prior to the date of the Purchase Agreement, and (ii) \$1.125 million (943,267 Common Shares) is subject to a holdback to be released on the 18-month anniversary of the closing date of the Transaction, subject to certain post-closing adjustments and indemnification claims, if any. In addition, the Company will pay the APCNA Sellers up to the aggregate amount of \$10,000,000 (the “**Milestone Payment**”) in cash, Common Shares or a combination of both (at the election of the Company), subject to Apothecanna achieving certain revenue targets (with a minimum revenue threshold of \$6 million) within 12 months of the closing date of the Transaction.

The number of Common Shares to be issued under the Milestone Payment, if any, will be calculated based on a deemed price which is the greater of (i) the VWAP of Common Shares on the TSX for the 30 trading days immediately prior to the 12-month anniversary of the closing date of the Transaction, or (ii) \$1.00 per Common Share.

All Common Shares issued in connection with the Purchase Agreement will be subject to contractual resale restrictions to be released over a period of 12 months from the issuance date as follows: (i) 34% will be released on November 30, 2021 (being four months after issuance), (ii) 33% will be released on March 30, 2022 (being eight months after issuance) and (iii) the remaining balance of 33% were released on July 30, 2022 (being twelve months after issuance).

OVERVIEW OF BUSINESS

Overview of Business and Products

HempFusion is a U.S. based health and wellness CBD and probiotics company. The Company has endeavored to build a foundation of industry-leading regulatory compliance and human safety, and has a diversified brand portfolio including: HempFusion, Probulin Probiotics, Biome Research and HF Labs. With the closing of the Sagely and Apothecanna acquisitions, the Company now has over 15,000 points of distribution in retail locations making us one of the most widely distributed CBD companies in the industry if not perhaps the widest. The Company also sells its wellness products online at its websites www.hempfusion.com, www.probulin.com, www.sagelynaturals.com and www.apothecanna.com.

Products

The market for CBD products is growing rapidly. According to the Brightfield Group, it is expected that the U.S. Hemp-derived CBD products industry could reach a market size of \$16.8 billion by 2025¹. The Company believes this anticipated growth will reward industry participants able to react quickly to marketplace changes and be adept at planning for such anticipated future growth. Management of HempFusion believes that focusing on the following pillars of product development will increase the Company's relevance in the current CBD product marketplace and allow HempFusion to secure ownership of future innovation in an effort to be a leader in the global CBD market.

Main Tenets of the Company's Product Development

1. All Hemp used in the Company's products is certified organic in order to serve consumers' demand and desire for products that do not contain potentially harmful substances such as Glyphosates.
2. All seed stock is currently derived from heirloom, DNA verified, European Union Commission registered European industrial Hemp that has a history of agricultural use in a variety of products such as textiles and consumer packaged goods (foods and beverages).
3. All extraction is currently being completed using a CO² extraction process proprietary to the Company's Hemp extract supplier and that the Company refers to as the "Organic Panoramic Hemp Extract". The process has been designed to yield a wider array of constituents from Hemp. The Company believes this process yields an extract closer to the naturally occurring mix of cannabinoids and other important constituents such as omega fatty acids, cannaflavins and terpenes that occur in the Hemp plant.
4. All formulations are created with what the Company refers to as "Whole Food Hemp Complex" which includes cannabinoids, terpenes and omegas (3-6-9).
5. The Company's products are generally formulated by fusing together panoramic Hemp extracts with other nutrients, herbs, botanicals as well as scientifically-studied constituents to help support consumers' needs.
6. The Company never uses isolates, instead using only broad-spectrum, DNA-verified Hemp; truly broad-spectrum CBD designed to deliver CBD along with a wide array of critical compounds.

¹ Brightfield Group, "Navigating Seismic Shifts" July 2020 U.S. CBD Report.

7. Strive to be an industry leader in respect of regulatory compliance and safety. This was the driving force behind the Company's line of OTC "drug listed" (with NDC numbers) topical products, produced in an effort to better explain the intended application of the products to customers with legally-allowed drug claims.
8. Establish the Company as a trusted supplier of wellness products. For example, all documentation and third-party testing validation information on the Company's products is made available to the public on the Company's website ("Trust and Safety" page) by link or lot code entry, by link for sample testing results if not associated with a specific product, and by on-product label quick response code/smart phone access.



The Company's product development is driven to address why and how people are using products that contain CBD. According to a recent poll from SingleCare², 33% of American adults have used CBD once or more, primarily to better cope with issues related to pain relief (64%), anxiety and stress (49%), and sleep or insomnia (42%).

Current Products - HempFusion

The following outlines current product offerings, all of which generate revenue for the Company:

² [Singlecare.com/blog/cbd-survey/](https://singlecare.com/blog/cbd-survey/), April, 20 2020.

Product	Description	
<p>CBD Capsules:</p> <ul style="list-style-type: none"> • Sleep CBD • Stress CBD • Energy CBD • 5 mg, 10 mg and 20 mg CBD 	<p>The Company’s CBD Capsules come in multiple strengths and formulas in an effort to target specific use cases, such as sleep, stress and energy. The Company’s specific use case formulation use synergistic ingredients such as Sensoril ashwagandha for stress support, guayusa for smooth energy and gamma aminobutyric acid (GABA) to promote relaxation and sleep.</p>	
<p>CBD Liquid Hemp Extract</p>	<p>The Company’s CBD Liquid Hemp Extract features “Whole Food Hemp Complex”, containing a broad range of terpenes and omegas and are infused with black cumin seed oil. Available in 5mg, 10mg, 20mg, 30mg and 50mg strength options to allow for more customized dosing for those who prefer not to swallow pills. During Q3 2021, the Company introduced its highest strength CBD in a delicious Citrus flavor as well as unflavored organic oil tinctures.</p>	
<p>Over-the-Counter Topicals:</p> <ul style="list-style-type: none"> • Pain Relief Gel • Sports Pain Relief Cream • Eczema Relief Cream • Pain Relief Cream • Acne Relief Cream • Antibiotic Wound Ointment • Pain Relief Balm • Sports Pain Relief Balm 	<p>The Company’s line of OTC topical products incorporates the panoramic broad-spectrum Hemp Extract CBD into a skin nourishing base designed to harness the benefits of, and the greater diversity of, naturally-occurring cannabinoids and other compounds.</p>	

<p>CBD Topicals and Creams:</p> <ul style="list-style-type: none"> • CBD Anti-Aging Cream • CBD Balm • CBD Cream 	<p>The Company’s topicals and creams contain broad-spectrum CBD for use on specific body areas. The Company’s cooling and mentholated topical cream contains aloe vera, multiple cannabinoids and terpenes and other skin moisturizing and soothing ingredients and is available in a 30 ml size. The Company’s CBD Balm is available in a 1.44 oz size. The Company’s CBD Anti-Aging Cream is available in a 30 ml size.</p>	
<p>CBD Gummies</p>	<p>The Company’s new CBD-infused gummy supplements use primary native bacteria species that are resident in the human gut microbiome rather than spore forming bacteria and feature our signature broad-spectrum CBD from organic hemp extract in delicious summer cherry or elderberry flavors.</p>	

Products Under Development - HempFusion



HempFusion is developing new products to meet market demands, none of which yet generate revenue for the Company. As of the date of this MD&A, the Company has the following products in development:


- **Topical Products.** The Company intends to expand its topical products offerings to include targeted OTC products focused on areas related to pain and inflammation with unique delivery methods and applications. The Company anticipates launching these products during the first half of 2022;
- **Pet Products.** The Company commenced the development of its first two pet products, a tincture product and chew product, to expand its brand into the pet market. The Company intends to seek the endorsement and certification of an independent third-party veterinary certification organization in connection with the launch of these products. Initial research and development of these pet products is nearing completion; however, due to supply chain challenges, the Company expects to review the pet products during the first half of 2022.
- **OTC Products for Pain relief in a Roll-On and Balm Stick.** The Company anticipate these products will be ready for distribution in 2022.

Current Products – Probulin

The Company’s Probulin products are scientifically formulated, multi-strain products designed for total gut health support. All products are shelf stable, backed by two year real-time stability testing, and ship cold and insulated to avoid degradation due to heat exposure during the shipping process. The Company’s Probulin products leverage several trademarked methods and scientifically validated formulations, including TrimSynergy®, ProbuSkin® and the MAKTrek® 3-D Delivery System, in an effort to create a unique product line. The Company’s probiotics also use ingredients like seaweed extract, electrolyte minerals, bifidobacteria and prebiotics. Management of the Company believes the Company’s probiotic skin line uses the proven benefits of probiotics to improve overall skin health, while leaving skin looking brighter.

The following outlines current product offerings, all of which generate revenue for the Company:

Product	Description	
<p>Probulin Enzymes:</p> <ul style="list-style-type: none"> Daily Digestive Enzymes 	<p>Daily Digestive Enzyme is a broad spectrum plant and probiotic based digestive enzyme designed to support overall digestion. Probulin enzymes are designed to support healthy digestion of potentially difficult foods such as dairy, grains, beans, certain vegetables like broccoli and cabbage and more. Offered in 60 and 90 capsule bottles.</p>	
<p>Probulin Digestive Probiotics:</p> <ul style="list-style-type: none"> Original Formula Daily Care Total Care Probiotic My Little Bugs OG Women’s Health Women’s UT Colon Support PPAK TrimSynergy 	<p>Probulin’s Digestive Probiotics are specially designed for support and maintenance of digestive health. Each product uses the Company’s MAKTrek® 3-D Probiotic delivery system to protect and nourish probiotics. All products are shipped cold and insulated to avoid degradation due to heat exposure during the shipping process and are shelf stable. Probulin’s Probiotics have no GMOs, gluten, wheat, dairy, soy or magnesium stearate. The Digestive Probiotics line contain between 5 and 20 billion cfu per capsule, 10-15 probiotic strains and postbiotics.</p> <p>The Company’s Women’s UT product contains a combination of broad-spectrum digestive support designed specifically to support a women’s urinary tract system. The Company’s My Little Bugs product is specifically designed for children, with a broad spectrum formulation.</p>	

	<p>The P-PAK™ and Colon Support products are highly concentrated with bifidobacterial. The Company’s TrimSynergy® product contains a combination of clinically-researched herbal extracts for weight management (African Mango Seed Extract) and energy (Ashwagandha).</p> <p>The Company’s Daily Care, Women’s Health and Colon Support products are available in 30 and 60 capsule packages. The Company’s Total Care, Women’s UT and My Little Bugs products are available in 30 capsule packages. The Company’s P-PAK product is available in 10 capsule packages, TrimSynergy product is available in 60 capsule packages and The Daily Formula product is available in 45 and 90 capsule bottles.</p>	
<p>Probulin Probiotic Skin Care:</p> <ul style="list-style-type: none"> • Facial Serum • Marula Eye Cream • Day Cream • Night Cream • Facial Cleansing Gel • Blemish 3 Step Kit 	<p>The Company’s Probulin’s Probiotic Skin line contains six products designed to cleanse and exfoliate skin, while supporting brighter and healthier looking skin. The skin line uses the Company’s ProbuSkin® technology with beneficial probiotic lysate which provides moisturization and helps to protect the lipid barrier. The Blemish 3-Step Kit combines the Cleansing Gel, Facial Serum and Facial Cream. The Facial Cleansing Gel is available in a 100 ml bottle. The Marula Eye Cream and Facial Serum are offered in a 29.9 ml bottle. The Night Cream and Day Cream are available in a 50 ml bottle.</p>	

As of the date of this MD&A, the Company has the following Probulin products in development, none of which generate revenue for the Company (other than the Total Care immune product as referenced in “Probiotic Capsules” below):

- **Prebiotics and Postbiotics.** The Company is in the initial phase of vetting prebiotics and postbiotics products, such as capsules and, potentially, gummies, with a plan to launch such products in the first half of 2022;




- **Total Care Soothe Probiotic with Ginger and Menthol.** The Company is developing a new product addition for Probulin to hit shelves in first quarter 2022 with slotting already approved for national distribution in Sprouts Farmers Markets nationwide. This product aims its focus at supporting those dealing with occasional digestive discomfort, irregularity, and bowel irritations.
- **Probiotic Gummies.** The Company is developing a new probiotic gummy without the use of spore forming bacteria. The Company is in the research phase of developing new probiotic gummy supplements and is developing a manufacturing process for gummies using primary native bacteria species that are resident in the human gut microbiome rather than spore forming bacteria.


Current Products – Sagely Naturals

The Company's Sagely Naturals products are formulated at certified facilities that adhere to the highest quality control standards industry wide, then quadruple lab tested so the purchaser knows he or she is getting exactly what he or she sees on the label. Potent botanicals like organic turmeric, ashwagandha, and lavender are used to amplify the benefits of CBD to ensure maximum benefits.

Sagely has launched, during Q3 2021 four new non-CBD OTC Pain Relief products for initial exclusive distribution into Target stores. This is a part of a broader strategy to develop clean and natural pain relief products (adhering to their 95% natural ingredients focus) to compete alongside other large commonly known CPG brands (Such as BioFreeze, Icy Hot and so on) in this section. Additional OTC non-CBD products are under development. Because of the proprietary technology developed by HempFusion Wellness, Sagely will be launching new ingestible USDA Certified Organic tinctures and structure function based capsules.

The following outlines current product offerings, all of which generate revenue for the Company:




Product	Description	
<p>Relief & Recovery:</p> <ul style="list-style-type: none"> • Cream • Extra Strength Cream • Softgels • Extra Strength Spray • Active Roll-on • Essential Oil Roll-ons • Long-Wear Patch • Relief & Recovery Bundle 	<p>The Company’s Relief & Recovery collection was created to help support individuals throughout their day. Each product in this collection includes the highest quality broad-spectrum CBD and botanicals specifically chosen to help one’s body feel and function at its best.</p>	
<p>Calm & Centered:</p> <ul style="list-style-type: none"> • Cream • Softgels • Roll-on • Gummies • Calm & Centered Bundle 	<p>The Company created the Calm & Centered collection to help individuals live serenely while feeling focused and centered, whether at work or at play. Each product in our Calm & Centered collection is like a deep breath for one’s mind, with highest-quality broad-spectrum CBD and botanicals specifically chosen to support a state of wakeful calm.</p>	
<p>Drift & Dream:</p> <ul style="list-style-type: none"> • Gummies 	<p>The Company created the Drift & Dream collection so individuals can get the rest that one’s busy life demands to unwind and calm the mind before bed so sleep comes gently and naturally. Each product in our Drift & Dream collection includes the highest-quality broad-spectrum CBD and botanicals specifically chosen to help promote relaxation.</p>	


<p>Rewind & Renew:</p> <ul style="list-style-type: none"> • Eye Cream • Face Cream • Face Serum • Rewind & Renew Bundle 	<p>The Company created the Rewind & Renew CBD Skincare collection to help reveal the users very best skin. Our formulas contain thoughtfully sourced and extracted broad spectrum CBD from Hemp. Hyaluronic Acid, Vitamin C, and Peptides help reduce the appearance of fine lines, deeply hydrate, and promote the appearance of firmness.</p>	 <p>The image shows three Sageely CBD skincare products. From left to right: a white spray bottle of 'CBD FACE CREAM', a white spray bottle of 'CBD FACE SERUM', and a white tube of 'CBD EYE CREAM'. All products feature the Sageely logo and 'NATURALLY' branding.</p>
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Current Products – Apothecanna

The Company’s Apothecanna products are formulated with natural, nutritious ingredients to help balance the body and the senses. We thoughtfully source organic and wildcrafted essential oils from their native regions of the world. Every ingredient we use is an 'active' ingredient for a specific therapeutic purpose. We do not use artificial ingredients, fillers, parabens or GMO ingredients. All of our formulations are original and tested on us. We believe that natural treatments are the best treatments, and strive to create products with uncompromised purity, quality, and functionality.

The following outlines current product offerings, all of which generate revenue for the Company:

Product	Description	
<p>Muscle & Joint:</p> <ul style="list-style-type: none"> • Extra Strength Body Cream • Extra Strength Body Spray • Extra Strength Bath Soap 	<p>The Company created the muscle and joint products to provide powerful relief from chronic conditions like arthritis, migraines, and carpal tunnel as well as short-term setbacks like strains, sprains, cramps, bruises, and sun and wind burn. Cooling and invigorating, perfect for use on sore muscles, swollen joints, and weather-exposed skin</p>	
<p>Nerve:</p> <ul style="list-style-type: none"> • Circulating Leg & Foot Crème • Circulating Leg & Foot Oil 	<p>The Company created the circulating leg and foot cream and oil to help revive tired limbs and improve mobility to ease stiffness in muscles and joints with our intensely warming solution.</p>	
<p>Skin Care:</p> <ul style="list-style-type: none"> • Everyday Deodorant Spray • Everyday Face & Body Oil • Calming Mind Body Cream 	<p>The Company created the everyday deodorant spray as a refreshing, all-natural alternative to chemically based deodorants and antiperspirants. The everyday face and body oil is a blend of organic essential oils that work in harmony to eliminate dryness, prevent premature aging, and clarify imperfections with notes of citrus to engage the senses</p>	

<p>Intimacy:</p> <ul style="list-style-type: none"> • Sexy Time Massage Oil 	<p>The Company created this product for topical use only. It is a lightweight massage oil made with skin-nourishing all-natural botanicals, infused with hemp CBD and designed to arouse sexual desire and enhance pleasure.</p>	
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Products Under Development - Apothecanna

Apothecanna will be launching by the end of the year a complete offering of ingestible products developed from the proprietary technology of HempFusion Wellness that will include USDA Certified Organic Tinctures, CBD capsules, Structure function Capsules and gummies designed for Sleep and Stress.

COVID-19 Response

As disclosed in Note 3(m) to the Company’s Consolidated Financial Statements for the years ended December 31, 2020 and 2019, the COVID-19 pandemic continues to give rise to heightened uncertainty as it relates to accounting estimates and assumptions and increases the need to apply judgments when evaluating the economic environment and its impact on significant estimates.

There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on Company’s operations. The extent to which the impacts of COVID-19 pandemic affects the judgments and estimates described in Note 3(m) to the Company’s Consolidated Financial Statements for the years ended December 31, 2020 and 2019, depend on future developments. COVID-19 may impact assumptions relating to the impairment analysis of the Company’s right-of-use assets, property and equipment and the information used in determining the estimate of allowances on trade receivables. COVID-19 could have a factor on the Company’s estimates of impairment related to intangible assets and goodwill.

The changes in assumptions and inputs during the period ended September 30, 2021 did not impact the Company’s unaudited condensed interim consolidated financial statements. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in the Company’s unaudited condensed interim consolidated interim financial statements.

Regulation

The Company is subject to the local, state, and federal laws in the jurisdictions in which it operates. Outside of the United States, the Company's products may be subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and the retail sale of hemp-derived products. The 2018 Farm Bill became law on December 20, 2018. The 2018 Farm Bill removed hemp from the list of controlled substances under the Controlled Substances Act. The 2018 Farm Bill also redefined hemp to include its "derivatives, extracts, and cannabinoids", and accordingly removed popular hemp products, such as hemp-derived CBD from the purview of the U.S. Drug Enforcement Agency (the "DEA").

Although the DEA no longer regulates hemp, the UFDA retains its authority to regulate ingestible and topical products, including those that contain hemp and hemp extracts such as CBD. FDA regulations govern manufacturing and marketing of food and dietary supplements. These include regulations for food facility registration; current good manufacturing practice regulations; nutrition and allergen labeling and label claim regulations; rules for submission of received serious adverse event reports; and safety requirements, including, as applicable, new dietary ingredient ("NDI") and generally recognized as safe regulations.

Shortly after the 2018 Farm Bill was signed into law, the FDA issued a statement by former Commissioner Dr. Scott Gottlieb on the agency's regulation of products containing cannabis and cannabis-derived compounds, in which the FDA confirmed its authority to regulate ingestible and topical products, including those that contain hemp and hemp extracts such as CBD. The FDA has also stated its concerns over drug claims being made about products that contain CBD, as well as the agency's position that under the federal Food, Drug and Cosmetic Act ("FD&C Act") CBD cannot be marketed in a dietary supplement because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, and therefore dietary supplements or food are precluded from containing this ingredient (the "IND Preclusion"). The Company believes there are significant arguments against this position in that all conditions of the applicable statute must be met before the IND Preclusion applies. The FDA has maintained this stance.

Over the intervening years, the FDA has sent warning letters to dozens of companies marketing CBD products with disease claims. The letters also reiterate the agency's position that CBD cannot be added to food and dietary supplements. This matter is still in active discussion with the FDA and is unresolved as of the date of this MD&A. While the Company disagrees with the position of the FDA, there is risk that this agency, or the Federal Trade Commission, could take law enforcement or regulatory actions against the Company.

The FDA has acknowledged that there are pathways through which certain Cannabis-derived compounds, such as CBD, might be permitted in a food or dietary supplement. FDA officials have publicly stated that the FDA has authority to issue a regulation that would allow the use of CBD in a food or dietary supplement. The FDA has also confirmed that it is now evaluating whether to pursue such a process, and clarified that the agency would consider doing so if it determines that all other requirements in the FD&C Act are met, including those required for food additives or new dietary ingredients.

On February 4, 2021, Rep. Kurt Schrader (D-OR-5) introduced H.R. 841, which would ensure that Hemp-derived CBD, and other non-intoxicating Hemp-derived compounds, could be lawfully marketed as dietary supplements. The bill would require CBD and Hemp extract product manufacturers to comply with the existing regulatory framework for dietary supplements, to help assure that such products are safe, properly labeled, and manufactured in accordance with current Good Manufacturing Practices.

Passage would also help stabilize the Hemp markets, open up a promising economic opportunity for U.S. agriculture, and fulfill the commitments made to Hemp farmers pursuant to the 2018 Farm Bill. Prospects for such passage are improved by the fact that the prior version of H.R. 842, introduced during the 116th Congress (2019-2020), won the bipartisan support of 30 co-sponsors and was referred to the House Committee on Energy and Commerce. However, the bill failed to win passage prior to the congressional session ending. Prospects for passage of H.R. 841 would be further improved by the introduction of companion legislation in the U.S. Senate, although continuing congressional focus on the nation's response to COVID-19 may delay any action.

BUSINESS HIGHLIGHTS

Third quarter of fiscal year 2021

HempFusion completed both of the previously announced acquisitions of Sagely Enterprises Inc. (Sagely Naturals) and APCNA Holdings LLC (Apothecanna). These acquisitions greatly expand the distribution footprint of the Company to over 15,000 locations providing the opportunity to expand with ingestible products in the future. The complementary product lines also provide the combined entity with a broader coverage of demographics.

The Company launched its highly anticipated CBD Gummy line in early August 2021, utilizing HempFusion's proprietary broad-spectrum hemp extract. The gummies feature natural functional ingredients and premium flavors, two popular consumer driven trends. According to Brightfield Group, the CBD gummy market is set to achieve \$500 million in sales in 2021, up 44% from 2020, and is expected to reach \$1.8 billion in 2026.

In June 2021, HempFusion launched its new EU compliant Probulin Probiotics products in Boots Pharmacies in Ireland, establishing a foundation for further opportunities and expansion in retailers across Ireland, the United Kingdom and Europe. Boots Ireland is part of the Retail Pharmacy International Division of one of the world's largest purchasers of prescription drugs and many other health and well-being products, with one of the largest retail footprints in the world.

In early June 2021, HempFusion launched its sixth distribution channel, Private Label. The Company secured a 10 SKU private label deal with a leading national publicly traded grocery retailer. The initial order for approximately \$250,000 was shipped in July 2021. The Company anticipates this account to generate in excess of \$500,000 for 2021 and approximately \$1 million or more in 2022.

HempFusion's eCommerce business is growing. New customer acquisition increased online by 69.7% over Q1, 2021. Not only did online increase for both Probulin and HempFusion but traffic also increased by 46.1% over Q1, 2021. Probulin's average conversion rate has remained very strong and consistent at 3.2%, and HempFusion has demonstrated a strong 4.4% increase.

In May 2021, HempFusion announced an exclusive partnership with two-time Olympic Gold Medalist and five-time World Champion, Kaillie Humphries. HempFusion CBD and Probulin Probiotics will be Ms. Humphries' exclusive sponsors in their respective categories through February's Olympic Games in Beijing 2022 where she is the front-runner for gold for Team USA in both the Two-woman Bobsled and the newly introduced Women's Monobob.

Subsequent to the period

Launched ingestible and topical CBD products into another top 15 US supermarket chain in the Southeast United States. HempFusion's OTC Pain Relief Cream will be added to approximately 400 stores and HempFusion's Ingestible and Topical CBD products will now be available in 75 targeted stores.

Launched ingestible and topical CBD products into nearly 50 locations of a major Arizona grocer.

Subsidiary Sagely Naturals launched four SKUs of OTC topical pain relief products exclusively into a Top 10 US publicly listed Food, Drug & Mass ("FDM") retailer in over 1,100 stores to start.

Appointed Maria Leal as Chief Financial Officer.

Overall Performance

Selected Financial Information

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
(Expressed in United States Dollars)	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	5,447,577	11,370,824	17,074,030	9,262,517	13,048,013	18,293,350
Other current assets	6,964,711	4,895,774	5,669,154	4,564,770	3,811,379	3,653,839
Non-current assets	19,429,855	734,144	780,975	528,751	7,937,833	8,082,215
Total assets	31,842,143	17,000,742	23,524,159	14,356,038	24,797,225	30,029,404
Current liabilities	9,218,469	3,181,247	3,077,627	17,727,426	15,234,431	5,417,894
Non-current liabilities	444,934	132,956	149,408	165,310	180,870	1,828,048
Total liabilities	9,663,403	3,314,203	3,227,035	17,892,736	15,415,301	7,245,942
Shareholders' equity (deficit)	22,178,740	13,686,539	20,297,124	(3,536,698)	9,381,924	22,783,462

DISCUSSION OF PERIOD-TO-PERIOD VARIANCES

Total cash decreased by \$5,923,247 to \$5,447,577 during the three months ended September 30, 2021 from \$11,370,824 at the end of June 30, 2021. The decrease in cash was due to utilization of \$4,791,686 for operating activities, payments towards business acquisitions (net of cash) amounting to \$3,974,054 offset by proceeds from issuance of 2021 Units (net of cash issuance cost) of \$2,887,225.

Total cash decreased by \$3,814,940 to \$5,447,577 during the nine months ended September 30, 2021 from \$9,262,517 at the end of December 31, 2020. The proceeds from issuance of Common Shares and units amounting to \$18,319,808 and from exercise of warrants amounting to \$301,205 were offset by utilization of \$18,352,708 for operating activities and payments towards business acquisitions (net of cash) of \$3,974,054 which resulted in decrease in cash balance during the nine months ended September 30, 2021.

Total cash decreased by \$7,600,436 to \$5,447,577 during the twelve months ended September 30, 2021 from \$13,048,013 at the end of September 30, 2020. The decrease in cash was primarily due to cash used in operating activities amounting to \$22,091,446 and payment towards purchase consideration of \$3,974,054 offset by proceeds of \$18,352,708 from issuance of Common Shares and units and from exercise of warrants.

Other current assets increased by \$2,068,937 during the three months ended September 30, 2021 when compared with June 30, 2021 due to increase in inventory of \$1,687,642, increase in trade and other receivables of \$556,215 offset by decrease in prepayments of \$174,920.

Other current assets increased by \$2,399,941 during the nine months ended September 30, 2021 when compared with December 31, 2020 due to the increase in inventory of \$1,942,714, an increase in trade and other receivables of \$566,814 offset by decrease in prepayments of \$109,587.

Other current assets increased by \$3,153,332 during the twelve months ended September 30, 2021 when compared with September 30, 2020 due to the increase in inventory of \$1,973,542, an increase in trade and other receivables of \$520,962 and an increase in prepayments of \$658,828.

Non-current assets increased by \$18,695,711 during the three months ended September 30, 2021 when compared with June 30, 2021 due to market related intangible assets and Goodwill recognized on acquisition of Sagely Naturals and Apothecanna.

Non-current assets increased by \$18,901,104 during the nine months ended September 30, 2021 when compared with December 31, 2020 primarily due to due to market related intangible assets and Goodwill recognized on acquisition of Sagely Naturals and Apothecanna amounting to \$18,585,701, increase in non-current prepayments of \$225,444 and increase of \$81,622 in ROU assets acquired on acquisition of Apothecanna.

Non-current assets increased by \$11,492,022 during the twelve months ended September 30, 2021 when compared with September 30, 2020 primarily due to increase in good will and market related intangible assets of \$11,249,856 on acquisitions and an increase in non-current prepayments of \$225,444.

Current liabilities increased by \$6,037,222 during the three months ended September 30, 2021 when compared with June 30, 2021. The increase was mainly attributable to an increase in the current portion of purchase consideration payable of \$3,818,512 and an increase in trade payables and accrued liabilities of \$1,934,545.

Current liabilities decreased by \$8,508,957 during the nine months ended September 30, 2021 when compared with December 31, 2020. The decrease was mainly attributable to de-recognition of derivative liabilities associated with warrants and reclassification to equity of \$13,975,514 offset by an increase in purchase consideration payable of \$3,985,880 and increase in trade payables and accrued liabilities of \$1,193,647.

Current liabilities decreased by \$6,015,962 during the twelve months ended September 30, 2021 when compared with September 30, 2020. The decrease was mainly attributable to de-recognition of derivative liabilities associated with warrants and reclassification to equity of \$12,184,332 offset by an increase in purchase consideration payable of \$3,346,565 and an increase in trade payables and accrued liabilities of \$2,570,851.

Non-current liabilities increased by \$311,978 during the three months ended September 30, 2021 when compared with June 30, 2021 due to the increase in loan payable of \$285,032 and lease obligations of \$26,946 on acquisition of Apothecanna.

Non-current liabilities increased by \$279,624 during the nine months ended September 30, 2021 when compared with December 31, 2020 primarily due to the increase in loan payable of \$285,032 on acquisition of Apothecanna offset by a reduction in lease obligations of \$5,408.

Non-current liabilities increased by \$264,064 during the twelve months ended September 30, 2021 when compared with September 30, 2020 primarily due to the increase in loan payable of \$285,032 on acquisition of Apothecanna offset by a reduction in lease obligations of \$20,968.

Shareholders' Equity

Shareholders' equity increased by \$8,492,201 during the three months ended September 30, 2021 when compared with June 30, 2021 due to an increase in share capital and reserves amounting to \$14,456,267 on the issuance of shares from acquisitions and private placements offset by an increase in net loss and comprehensive loss incurred by the Company during the three months ended September 30, 2021 of \$5,964,066.

Shareholders' equity increased by \$25,715,438 during the nine months ended September 30, 2021 when compared with December 31, 2020 directly attributable to increase in share capital of \$25,810,569, an increase in warrant reserve of \$16,768,362 primarily due to reclassification of warrants from derivative liability to equity, increase in contributed surplus of \$1,671,485 offset by net loss and comprehensive loss incurred by the Company during the nine months ended September 30, 2021 of \$18,534,978.

Shareholders' equity increased by \$12,796,816 during the twelve months ended September 30, 2021 when compared with September 30, 2020 directly attributable to increase in share capital of \$25,810,569, an increase in warrant reserve of \$16,768,362 primarily due to reclassification of warrants from derivative liability to equity, increase in contributed surplus of \$1,922,542 offset by net loss and comprehensive loss incurred by the Company of \$31,704,657.

Results of Operations

	For the three months ended September 30, 2021 \$	For the three months ended September 30, 2020 \$	For the nine months ended September 30, 2021 \$	For the nine months ended September 30, 2020 \$
Revenue, net of discounts	3,131,097	1,228,689	5,347,535	2,909,992
Cost of goods sold	1,781,323	827,841	3,700,736	2,552,323
Gross profit	1,349,774	400,848	1,646,799	357,669
Expenses				
General and administrative	3,563,103	5,351,583	9,112,960	9,418,573
Sales and marketing	3,934,809	1,677,940	11,260,158	5,438,533
Total expenses	7,497,912	7,029,523	20,373,118	14,857,106
Net loss from operations	(6,148,138)	(6,628,675)	(18,726,319)	(14,499,437)
Other (income) expenses				
Other (income)	(1,124)	(2,366)	(114,199)	(74,134)
Interest expense	12,093	8,611	21,340	32,907
Change in fair value of derivative liabilities	—	9,637,511	—	9,673,403
Gain on derecognition of derivative liabilities	—	—	(70,809)	—
Change in fair value of purchase consideration	(195,041)	402,391	(27,673)	656,946
Total other (income) expenses	(184,072)	10,046,147	(191,341)	10,289,122
Net loss and comprehensive loss	(5,964,066)	(16,674,822)	(18,534,978)	(24,788,559)
Loss per common share - basic and diluted	(0.04)	(0.17)	(0.15)	(0.25)
Weighted average number of common shares - basic and diluted	147,709,926	99,699,196	127,178,178	99,699,196

Revenue and cost of goods sold

Revenue during the three and nine months ended September 30, 2021 increased by \$1,902,408 and \$2,437,543 respectively, compared to the three and nine months ended September 30, 2020 due to revenue contribution from newly acquired entities and growth in business due to recovery from the COVID-19 pandemic.

Cost of goods sold during the three and nine months ended September 30, 2021 increased by \$953,482 and \$1,148,413 respectively, compared to the three and nine months ended September 30, 2020, and was attributable to growth in business and acquisitions.

Gross margin during the three and nine months ended September 30, 2021 was 43% and 31% respectively, compared to 33% and 12% for the three and nine months ended September 30, 2020. The improved margins are a result of more effective inventory management, impact of new acquisitions and improvements in managing production costs.

General and administrative expenses

General and administrative expenses during the three and nine months ended September 30, 2021 decreased by \$1,788,480 and \$305,613 respectively compared to the three and nine months ended September 30, 2020.

The decrease during the three months ended September 30, 2021 was primarily attributable to a decrease in stock based compensation of \$3,174,622, a reduction in other expenses of \$150,686, a reduction in professional and consulting fee of \$98,556 and a decrease in rent expense of \$35,059 offset by an increase in salaries and benefits of \$780,453, an increase in insurance of \$284,081, an increase in amortization expense of \$144,742, an increase in printing and filing fee of \$115,293, an increase in allowance for expected credit losses of \$156,518, an increase in dues and subscriptions of \$74,100, an increase in office expenses of \$34,093 and an increase in travel expense of \$34,093.

General and administrative expenses during the nine months ended September 30, 2021 decreased by \$305,613 compared to the nine months ended September 30, 2020. The decrease was primarily attributable a decrease in stock based compensation of \$3,018,966, a decrease in rent expense of \$170,762, a reduction in research and development expense of \$137,705, a decrease in other expenses of \$128,310, a reduction in amortization expense of \$104,258 and a reduction in travel expenses of \$29,711 offset by an increase in salaries and benefits of \$738,383, an increase in professional and consulting fee of \$820,337, increase in insurance of \$771,827, an increase in printing and filing fee of \$393,082, an increase in allowance for expected credit losses of \$195,190, an increase in dues and subscriptions of \$220,956, an increase in office expenses of \$111,007 and an increase in bank service charges of \$27,423.

Sales and Marketing expenses

Sales and marketing expenses during the three and nine months ended September 30, 2021 increased by \$2,256,869 and \$5,821,625 respectively compared to the three and nine months ended September 30, 2020.

The increase during the three months was primarily attributable to increase in advertising expenses of \$1,914,453, increase in commissions of \$36,158, increase in salaries and benefits of \$266,155, increase in travel of \$24,202, increase in other sales expenses of \$44,686 offset by a reduction in training and education expense of \$21,082 and a decrease in sales support expenses of \$7,703.

The increase in sales and marketing expenses during the nine months ended September 30, 2021 of \$5,821,625 was due to increase in advertising expense of \$5,524,805, increase in commissions of \$137,264, increase in salaries and benefits of \$126,862, increase in sales support expenses of \$41,103 and increase in other sales related expenses of \$50,766 offset by a decrease in training and education expense of \$5,174 and a reduction in travel expense of \$54,000.

Other (Income) expenses

During the three and nine months ended September 30, 2021 other (income) expenses decreased by \$10,230,219 and \$10,480,463 respectively compared to the three and nine months ended September 30, 2020. The decrease during the three months ended September 30, 2021 was driven by decrease in change in the fair value of derivative liabilities of \$9,637,511 and decrease in change in fair value of purchase consideration of \$597,432,

During the nine months ended September 30, 2021, other (income) expenses decreased by \$10,480,463 when compared to the nine months ended September 30, 2020. The decrease is attributable to decrease in the fair value of purchase consideration of \$684,619, a decrease in fair value of derivative liabilities of \$9,673,403, a gain on de-recognition of derivative liabilities of \$70,809, an increase in other income of \$40,065, and a reduction in interest expense of \$11,567.

Liquidity and Capital Resources

The Company defines capital to include its shareholders' equity, which was in a deficiency of \$3,536,698 as at December 31, 2020. On January 6, 2021, the Company completed the IPO of 7,000,000 Common Shares at the price of \$1.00 per Common Share and 10,000,000 IPO Units at the issue price of \$1.00 per IPO Unit for total gross proceeds of \$17,000,000. The issuance costs amounted to \$1,567,417 and the Company received net proceeds of \$15,432,583.

In September 2021, the Company initiated issuance of 11,770,000 units through private placement and received gross proceeds for 11,670,000 units at a price of \$0.25 per unit. The Company issued 11,030,000 units and 740,000 units were issued subsequent to the period end. Proceeds for 240,000 units were received after the period end. Each unit comprises one common share and one common share purchase warrant. The warrant is exercisable at a fixed price of \$0.50 per warrant for a period of four years from the date of issuance. The Company received proceeds of \$2,852,090 (net of cash issuance costs) as at September 30, 2021.

The Company's principal objectives in managing capital are: (i) to ensure there is sufficient liquidity to fund its operations and capital projects; (ii) to be flexible to take advantage of opportunities that are expected to provide satisfactory returns; (iii) to maintain a strong capital base to ensure access to debt and capital markets on an as-needed basis; and (iv) to provide an adequate rate of return to its shareholders.

The Company has not committed to any significant capital expenditures as of the date of this MD&A. See "Risk Factors" below and "Caution Regarding Forward-Looking Statements" above.

Going Concern

The unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions, such as those described below and herein, that may cast significant doubt upon the Company's ability to continue as a going concern.

During the nine months ended September 30, 2021, the Company has incurred net loss of \$18,534,978 (September 30, 2020 - \$24,788,559) and as at September 30, 2021, the Company has an accumulated deficit of \$72,452,976 (December 31, 2020: \$53,917,998). In addition, the Company has incurred operating cash-outflow as at September 30, 2021 of \$18,352,708 (September 30, 2020: \$11,121,822). These circumstances would generally create a significant doubt about the Company's ability to meet its obligations as they become due and, accordingly, the appropriateness of the use of the going concern assumption. However, the Company has previously successfully raised \$17,000,000 through IPO and has raised approximately \$3,000,000 through private placements and has plans to raise additional funds to meet operational requirements. Under these circumstances the Company maintains the position that the application of going concern assumption is still appropriate.

The unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from financing and operating activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to the unaudited condensed interim consolidated financial statements should such events impair the Company's ability to continue as a going concern.

Selected Cash Flow Information

(Expressed in United States Dollars)	For the nine months ended September 30, 2021 \$	For the nine months ended September 30, 2020 \$
Cash used in operating activities	(18,352,708)	(11,121,822)
Cash used in investing activities	(4,003,421)	(2,000,680)
Cash provided by (used in) financing activities	18,541,189	(87,985)
Net decrease in cash	(3,814,940)	(13,210,487)
Cash, beginning of period	9,262,517	26,258,500
Cash, end of period	5,447,577	13,048,013

Operating Activities

Cash used in operating activities during the nine months ended September 30, 2021 and 2020 was \$18,352,708 and \$11,121,822, respectively. Cash used in operating activities was driven by general and administrative and sales and marketing expenses during the nine months of 2021 and 2020.

Investing Activities

Cash used in investing activities during the nine months ended September 30, 2021 and 2020 was \$4,003,421 and \$2,000,680 respectively. Cash was used primarily for settling purchase consideration on acquisitions.

Financing Activities

Cash provided by (used in) financing activities during the nine months ended September 30, 2021 and 2020 was \$18,541,189 and (\$87,985) respectively. Cash was raised through the IPO in January 2021 and through private placements in September 2021.

Risk Factors

Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development, the Company is subject to significant risks. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business and operations. Factors that could cause actual results to differ materially from those set forth in forward-looking information include, but are not limited to: financial risks; inflationary risks; foreign exchange risks; international taxation risks; risks typical of an early stage entity; the Company's ability to obtain or maintain insurance at reasonable rates; product development, facility and technological risks; changes to applicable laws or regulations; ability to obtain or maintain licenses or certifications; product recall and product liability risks; import, export and transportation risks; and the ability to access financing on commercially attractive terms.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at the date of this MD&A.

Related Party Transactions

“**Related parties**” are defined as management, directors, and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive. Consulting fees amounting to \$30,000 and \$90,000 were paid to Nick Grafton, Vice President, Corporate Development, and Corporate Development Officer of RADD Capital Corp, who also served as a director of the Company during the three and nine months ended September 30, 2021 respectively (\$30,000 and \$90,000 during the three and nine months ended September 30, 2020).

Critical Accounting Estimates, Assumptions and Judgements

The critical judgment and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements include judgement and estimated applied in determining the following:

- Going Concern;
- Inventory;
- Estimated useful lives and depreciation of property and equipment;
- Income taxes;
- Impairment of non-financial assets;
- Expected credit losses;
- Derivative liabilities;
- Equity-settled share based payments;
- Contingencies;
- Leases;
- Purchase consideration payable;
- Valuation and impairment of intangible assets and goodwill;
- Business combinations.

New accounting pronouncements not yet effective

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 31, 2021 and, accordingly, have not been applied in preparing the unaudited condensed interim consolidated financial statements for the period ended September 30, 2021.

Improving accounting policy disclosures and clarifying distinction between accounting policies and accounting estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

Internal controls over financial reporting:

The Company's Chief Executive Officer and Chief Financial Officer are responsible for designing and maintaining internal controls over financial reporting as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. At September 30, 2021, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its internal controls over financial reporting during the period ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting. No such changes were identified through their evaluation.

Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Company mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and trade receivables. The cash consists mainly of checking and operating accounts, cash and security deposits. As at September 30, 2021 and December 31, 2020, the maximum amount exposed to credit risks was \$6,471,449 and \$9,719,575, respectively.

The Company believes that its trade receivables are fully collectable. The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The Company actively monitors its trade receivables by managing and monitoring the underlying business relationships and assesses credit risk on a case-by-case basis and a provision is recorded where required

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Currency Risk

The operating results and financial position of the Company are reported in United States dollars. The results of the Company's operations are subject to currency transaction and translation risks.

The Company has no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bears interest at market rates. The Company does not have significant exposure to interest rate risk.

Outstanding Share Information

As of September 30, 2021 the Company had the following Common Shares, stock options and warrants outstanding:

Common shares	161,902,707
Stock options (vested and unvested)	4,819,432
Warrants	40,903,553
Broker Warrants	753,357

Other MD&A Requirements

Additional information relating to the Company, including the Company's 2020 Annual Information Form, is available under the Company's profile on SEDAR at www.sedar.com.