

## SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("**MD&A**") is presented as at May 28, 2021 and discusses the activities and financial position of Rritual for the nine month period ended March 31, 2021. The MD&A should be read in conjunction with the audited consolidated financial statements of the Company from incorporation on May 6, 2019 to June 30, 2019 and the year ended June 30, 2020 (the "**2020 Annual Financial Statements**") and the unaudited condensed consolidated interim financial statements for the nine months ended March 31, 2021 (the "**Q3 Financial Statements**") and the related notes contained therein which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information in this MD&A is not intended to be a comprehensive review of all matters and developments concerning the Company.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are expressed in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Forward Looking Statements

This MD&A contains "forward-looking statements" that involve numerous risks and uncertainties. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, use of proceeds, corporate vision, proposed acquisitions, partnerships, joint-ventures and strategic alliances and cooperation's, budgets, cost and plans and objectives of or involving the Company. Such forward- looking information reflects management's current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "predicts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to differ materially from any future results or performance expressed or implied by the forward-looking information. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company including, but not limited to, the impact of general economic conditions, industry conditions and dependence upon regulatory approvals. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by securities laws.

Some specific forward-looking statements in this MD&A include, but are not limited to: assumptions about the Company's ability to continue the development of new products and its business operations; the commercial viability of the Company's products being developed and distributed; the continued availability of key leadership personnel and the ability to attract qualified personnel in the future; the ability of the Company to raise additional capital as the Company continues to develop its products; anticipated trends and challenges in the Company's business and the markets in which the Company intend to operate; possible impact of the novel coronavirus (COVID-19) pandemic on the Company's personnel and business, supplies, operations, financial conditions and future sales; the Company's ability to source mushrooms for the Company's mushroom powder products at expected prices; the Company's reliance on third parties to plan, conduct, develop, supply and sell the Company's products; the Company's competitive position and expectations regarding competition; anticipated regulatory environment, including anticipated changes to government regulation which are out of the Company's control; the Company's requirement to obtain NPN licences to sell its products in Canada; the Company's ability to generate

product revenues to maintain the Company's operations without additional funding; sales in the US and such sales being made through the Company's US subsidiary; consequences of non-compliance with applicable laws and regulations affecting the Company's business; and plans regarding the Company's revenue, expenses, operations, expansion of infrastructure and growth.

Although the Company believes that the expectations reflected in the forward-looking information contained in this MD&A are reasonable, the Company can give no assurance that these expectations will prove to be correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this MD&A as well as the following: that the Company will be able to raise capital to complete and fund development of new products and its operations, as well as other purposes; the Company's products will be commercially viable; the Company will continue to have key leadership personnel and the ability to attract qualified personnel in the future; the Company will be able to handle trends and challenges in its business and the markets in which it operates; the Company will be able to deal with the challenges and remain a competitive business during the COVID-19 pandemic; the Company will be able to source its products at expected prices; the Company will be able to rely on third parties to plan, conduct, develop, supply and sell its products; the Company will continue to be competitive in its industry; there will be no unanticipated regulatory changes; the Company will be able to generate product revenues to maintain its operations without additional funding; sales will eventually be made in the US through its US subsidiary; the Company will comply with applicable laws and regulations; and the Company will realize its plans regarding revenue, expenses, operations, expansion of infrastructure and growth. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results as actual results may differ materially from those expressed or implied in such forward-looking statements. Those risks and uncertainties include, among other things, risks related to: the impacts of the COVID-19 pandemic on the Canadian and US economies, the Company's industry and business, which may be negatively and materially adversely affected; the Company's results of operations, financial condition and its ability to obtain additional equity or debt financing, and its ability satisfy its financial obligations; the general economic conditions; future growth potential; competition for health supplement investments; changes in legislation or regulations may negatively affect the commercial viability of the Company's products and its business; key leadership personnel and the ability to attract qualified personnel in the future may not be available; the Company may not be able to raise capital in the future; the Company may not be able to source products or may not be able to source products at prices that allow the Company to be profitable; third parties may be unreliable; the market may become more competitive; the Company's inability to generate revenues; and anticipated plans do not materialize. Additional information about risks and uncertainties is contained in this MD&A and in the Company's prospectus dated, February 26, 2021, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com), and readers are urged to carefully consider these risks and uncertainties.

The forward-looking information contained in this MD&A is expressly qualified in its entirety by these cautionary statements. All forward-looking statements in this MD&A are made as of May 28, 2021. The Company does not undertake any obligation to update any such forward looking information, resulting from new information, future events or otherwise, except as required by applicable law.

For a more detailed discussion of certain of these risk factors, see "Risk Factors".

A more complete discussion of the risks and uncertainties facing the Company is disclosed in the Company's continuous disclosure filings with Canadian securities regulatory authorities at [www.sedar.com](http://www.sedar.com).

All forward-looking information herein is qualified in its entirety by this cautionary statement, and the Company disclaims any obligation to revise or update any such forward-looking information or to publicly announce the

result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.

## Overview

Ritual Superfoods Inc. ("**Ritual**" or the "**Company**") was founded to serve the rapidly expanding mushroom and adaptogen market. Since 2012, the concept of adaptogens has been witnessing exponential growth in the awareness by health & wellness consumers in North America.

Since incorporation on May 6, 2019, the Company's activities have focused on: (i) the development of its online sales platform; (ii) the establishment of supply chain infrastructure; (iii) the establishment of an experienced consumer goods team; (iv) the development and branding of its mushroom adaptogen formulations featuring chaga, reishi, and lion's mane; and (v) the commencement of research and development on new formulations.

The Company's business structure is a lean start-up model that reduces capital costs by utilizing contract manufacturing and third-party logistics companies to fulfil e-commerce and wholesale market channels. The Company's sales began in late March 2021 with an e-commerce launch in the United States. Subsequent to March 31, 2021 the Company commenced wholesaling to brick & mortar retailers in the United States. The Company has one wholly owned subsidiary, Ritual USA Inc., which was incorporated in the State of Nevada on June 26, 2020. Ritual USA Inc. was incorporated for the purpose of carrying out the Company's operations in the United States. The Company expects to launch a Canadian e-commerce store as well as wholesaling to brick & mortar retailers in Canada pending Health Canada approval of its products.

The Company's head office is located at 151 West Hastings Street, Vancouver, BC V6B 1H4 and its registered office is located at 800-885 Georgia Street, Vancouver, BC V6C 3H1.

As at, March 31, 2021, the Company had:

- Total assets of \$5,510,021; total liabilities of \$515,190 and working capital of \$4,986,356.
- Accumulated deficit of (\$3,123,701).

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. As at the time of this reporting, this contagious disease outbreak continues to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Although vaccinations have been approved and inoculations have commenced worldwide, new variants of the coronavirus and challenges in the production and distribution of the approved vaccinations continue to make it difficult for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

## Operational Highlights

On December 16, 2020, the Company filed a preliminary base PREP prospectus for an initial public offering ("**IPO**") of units of the Company (the "**Units**") at a price of between \$0.20 and \$0.30 per Unit for aggregate proceeds of \$4,000,000, pursuant to the terms of an underwriting agreement (the "**Underwriting Agreement**") between Clarus Securities Inc. and Canaccord Genuity Corp. (together, the "**Co-Lead Underwriters**") and the Company. On February 26, 2021, the Company received a receipt from securities regulatory authorities for its final long form prospectus.

On March 5, 2021, the Company completed the IPO and raised total gross proceeds of \$6,000,000 through the issuance of 20,000,000 Units at a price of \$0.30 per Unit, including the full exercise of an over-allotment option granted to the Co-Lead Underwriters. Each Unit consisted of one common share of the Company (each, a "**Common Share**") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "**Warrant**"). Each Warrant entitles the holder thereof to purchase one additional Common Share (a

**“Warrant Share”**) at a price of \$0.60 (the **“Exercise Price”**) for a period of 36 months following the closing of the Offering (the **“Closing Date”**). The Warrants are governed by a warrant indenture (the **“Warrant Indenture”**) between the Company and Odyssey Trust Company, as warrant agent. The Warrants are subject to adjustment in accordance with the Warrant Indenture. In the event that the Common Shares trade on the Canadian Securities Exchange (the **“CSE”**) at a price of \$1.20 or greater per Common Share for a period of 10 consecutive trading days following the closing of the IPO, the Company may accelerate the expiry of the Warrants by giving notice to the holders thereof, by disseminating a news release advising of the acceleration of the expiry date of the Warrants and, in such case, the Warrants shall expire on the 31st day after the date of such notice.

The Company’s Common Shares are currently listed for trading on the CSE under the ticker symbol **“RSF”**, and the Company’s Warrants which the Company issued in the IPO are listed for trading on the CSE under the ticker symbol **“RSF.WT”**. The Company’s Common Shares are also listed on the Frankfurt Stock Exchange (**“FSE”**) under the symbol **ORW** and on the OTC Pink Market under the symbol **RRSFF**.

On March 8, 2021, the Company issued a total of 1,025,000 stock options (the **“Options”**) pursuant to its long-term incentive plan (**“LTIP”**) to management, employees, and consultants. Each Option entitles the holder to subscribe for one Common Share at a price of \$0.54 per Common Share for a period of 5 years, subject to the terms of the LTIP. The Options vest one quarter four months from grant date and one quarter every three months thereafter.

On March 11, 2021, the Company announced the launch and implementation of the Company’s US facing E-commerce the website as well as other key corporate milestones such as the ECRM Buyers Choice Award and receiving USDA Organic Certification.

On March 17, 2021, the Company announced it completed a second commercial scale manufacturing run which was approximately 50% larger than its initial production run. Production for early April was scheduled and was expected to be 200% larger than the current manufacturing run. Achieving commercial scale production, while maintaining high quality products, represented a step forward in the Company’s go to market strategy. Additionally, the Company announced it had partnered with a third-party logistics provider and implemented the order automation process to sync with major retailers as well as e-commerce. The partner has warehouses throughout North America and the scale required to allow the Company to implement its retail roll out strategy as well as fulfillment of e-commerce sales. The Company announced that online order shipments commenced and are being fulfilled by the logistics provider.

On March 18, 2021, the Company announced that its Common Shares were accepted for listing on the FSE under the trading symbol **ORW**.

On March 24, the Company announced the appointment of Ms. Stacey Gillespie to the role of Chief Innovation Officer of the Company. Ms. Gillespie will provide product innovation and expertise aiming to position the Company as a leader in the functional food and the wellness industry. Ms. Gillespie, a Graduate of the University of British Columbia with a Bachelor of Science and Major in Human Nutrition, is an experienced business leader and award-winning product innovator. Before joining the Company as Chief Innovation Officer, Stacey led the brand and product strategy for Gaia Herbs, and prior to that, played an instrumental role in building the MegaFood whole food supplement brand, which was acquired by Pharmavite, LLC in 2014.

On March 30, 2020, the Company announced that its premium brand of functional superfoods is expected to launch in Rite Aid stores throughout the USA in the Company’s second and third quarter. The Company anticipates that Rite Aid will carry the Company’s full product line.

#### **Additional Operational Highlights to the Date of this MD&A**

On April 5, 2021, the Company announced it granted an aggregate of 1,140,000 restricted share units (each, a **“RSU”**) to certain consultants, directors and officers of the Company pursuant to the LTIP. Each RSU represents the right to receive, once vested, one common share in the capital of the Company. All of the RSUs granted to

consultants of the Company vested immediately upon grant and all of the RSUs granted to directors and officers of the Company will vest on January 1, 2022. In accordance with applicable securities laws, the securities granted to eligible holders are subject to a seasoning period of four months from the date that the Company became a reporting issuer in Canada.

On April 13, 2021, the Company announced its appointment of Sarton Molnar-Fenton to lead the Company's sales function as VP Sales USA. SartonMolnar-Fenton will aim to develop go to market and growth strategies to maximize the Company's results across multiple channels including, mass retail, grocery, convenience, club and through sales and distribution partners. Sarton Molnar-Fenton previously worked as an area sales manager for Celsius Inc., where he grew sales with all key accounts, including Shaw, Stop & Shop, Roche Bros, Xtramart, 7-11, Tedeschi's, CVS, Walgreen's, BJ's, Costco and Walmart.

On April 23, 2021, the Company announced a partnership with CrossMark Inc. ("**CrossMark**"), which it believes is an important step to help accelerate its brand growth and open up retail channels to reach and exceed planned points of distribution in the USA. CrossMark, headquartered in Plano, TX, is a leading sales and marketing services agency that specializes in growing retail brands throughout nearly every category of the consumer goods industry. For more than 100 years, CrossMark has helped to accelerate some of the world's most powerful companies—ultimately driving sales and managing brand success. Their core services include Headquarter Sales, Retail Services, and Marketing Services. This includes eCommerce solutions, omnichannel expertise, insights and analytics, and order-to-cash—as well as both in-store and out-of-store consumer engagement. The strategic collaboration is intended to provide actionable insights that drive growth and help establish the Company as a defining brand in the superfoods category.

On April 29, 2021, the Company announced an update on its third full scale production run which commenced in mid-March 2021. Building from the Company's newly established relationship with CrossMark, the Company confirmed that its third full scale manufacturing run, nearing completion, had been scaled up to service distribution to 2,400 retail stores with 10,000 points of distribution. As a result of the Company's strategic sales campaign, the Company anticipates retail responses and demand for the Company's products to continue to grow.

On May 5, 2021, the Company announced that with the assistance of the recently appointed Chief Innovation Officer, Stacey Gillespie, the Company had launched a research and development division, establishing best practices toward the development of a category leading product pipeline. As a result, the Company now deploys a process for product development that blends best practices with agility to identify categories with high growth potential, including its flagship mushrooms and adaptogens product line, and several new innovative products. The new line of products is aimed to tap into the developing and recently announced distribution agreements that will be carrying Rritual's full flagship product line. As a result, these new products will have exposure to wellness retailers and sales platforms including CrossMark.

On May 11, 2021, the Company announced it has reached an agreement with Ultimate Sales Canada, a national brand management firm specializing in sales and marketing for leading natural health brands, to accelerate the Company's strategy and product rollout in Canada. The Company expects to launch its product rollout in Canada following Health Canada approval of its products.

On May 20, 2021, the Company announced it has signed a non-binding Letter of Intent with NEXE Technologies Corp. (TSXV: NEXE) with the intent to form a strategic alliance leveraging the combined strengths of each Company featuring product development and commercialization for innovative superfoods beverage products, utilizing NEXE's proprietary plant-based, compostable packaging.

### **Selected Financial Information**

The following table sets out selected financial information with respect to the Company's audited financial statements for the period from incorporation on May 6, 2019 to June 30, 2019 and the year ended June 30, 2020,

and the nine-month period ended March 31, 2021. The following should be read in conjunction with the 2020 Annual Financial Statements, and the Q3 Financial Statements.

|                                  | Period from<br>incorporation<br>on May 6, 2019 to<br>June 30, 2019<br>(Audited) | Year ended<br>June 30, 2020<br>(Audited) | Nine-month period<br>ended March 31,<br>2021<br>(Unaudited) |
|----------------------------------|---------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------|
| Total revenues                   | \$Nil                                                                           | \$Nil                                    | \$721                                                       |
| Net loss and comprehensive loss  | \$Nil                                                                           | \$161,316                                | \$2,989,739                                                 |
| Basic and diluted loss per share | \$Nil                                                                           | \$0.33                                   | \$0.08                                                      |
| Total assets                     | \$2                                                                             | \$321,270                                | \$5,510,021                                                 |
| Total liabilities                | \$Nil                                                                           | \$72,958                                 | \$515,190                                                   |

### Results of Operations

| Summary of Operations            | June 30, 2019<br>(Audited) | June 30, 2020<br>(Audited) | March 31, 2021<br>(Unaudited) |
|----------------------------------|----------------------------|----------------------------|-------------------------------|
| Total expenses                   | \$Nil                      | \$161,316                  | \$2,962,701                   |
| Net loss for the period          | \$Nil                      | \$161,316                  | \$2,962,393                   |
| Basic and diluted loss per share | \$Nil                      | \$0.33                     | \$0.08                        |

| Balance Sheet Summary | June 30, 2019<br>(Audited) | June 30, 2020<br>(Audited) | March 31, 2021<br>(Unaudited) |
|-----------------------|----------------------------|----------------------------|-------------------------------|
| Current assets        | \$2                        | \$321,270                  | \$5,501,546                   |
| Total assets          | \$2                        | \$321,270                  | \$5,510,021                   |
| Total liabilities     | \$Nil                      | \$72,958                   | \$515,190                     |
| Working Capital       | \$2                        | \$248,312                  | \$4,994,831                   |

### Year ended June 30, 2020 (Audited)

During the year ended June 30, 2020, the Company incurred a net loss of \$161,316 or \$0.33 per share. The Company was incorporated on May 6, 2019 and had minimal expenditures until May 2020 so there was no material financial transaction history in the comparative period. The primary factors affecting the magnitude and variations of the Company's financial performance were as follows:

- General and administrative expenses were \$10,848 and related to general administrative and start-up costs.
- Consulting fees of \$111,570 were related primarily to brand development and general business development. Of the total, \$40,685 was paid through the issuance of common shares to the two former directors of the Company.

- Professional fees of \$18,522 primarily related to trademark and general corporate legal services related to the start-up activities of the Company.
- The Company recognized share-based compensation expense of \$20,376 in relation to the grant of Options and RSU's to directors and consultants.

***Three-month period ended March 31, 2021 (Unaudited)***

During the three-month period ended March 31, 2021, the Company incurred a net loss of \$1,510,378 or \$0.04 per share. The Company was incorporated on May 6, 2019 and had little activity until May 2020 so there was no history in the comparative period. The primary factors affecting the magnitude and variations of the Company's financial performance were as follows:

- General and administrative expenses were \$124,585 and related to general admin and start up costs.
- Marketing and Promotion expenses were \$586,693 and related to brand development, product design, marketing strategy design and website design.
- Consulting fees of \$415,245 were related primarily to brand and marketing development and general business development.
- Professional fees of \$108,352 primarily related to trademark and general corporate services related to the start up activities of the Company, including its IPO.
- The Company recognized share-based compensation expense of \$250,365 in relation to the grant of stock options to directors, officers, and consultants.

***Nine-month period ended March 31, 2021 (Unaudited)***

During the nine-month period ended March 31, 2021, the Company incurred a net loss of \$2,962,393 or \$0.08 per share. The Company was incorporated on May 6, 2019 and had little activity until May 2020 so there was no history in the comparative period. The primary factors affecting the magnitude and variations of the Company's financial performance during the nine-month period ended March 31, 2021 were as follows:

- General and administrative expenses were \$232,959 and related to general administrative and start up costs.
- Marketing and Promotion expenses were \$1,068,297 and related to brand development, product design, marketing strategy design and website design.
- Consulting fees of \$990,556 were related primarily to brand and marketing development and general business development.
- Professional fees of \$236,181 primarily related to trademark and general corporate services related to the start up activities of the Company, including its IPO.
- The Company recognized share-based compensation expense of \$409,262 in relation to the grant of stock options to directors, officers, and consultants.

***Summary of significant Balance Sheet items for the year ended June 30, 2020***

The primary factors affecting the changes to the balance sheet items were as follows:

- Raised proceeds of \$335,000 through the issuance of common shares, plus \$13,000 proceeds received in advance;
- Accounts payable of \$72,958 primarily related to legal fees, which were paid subsequent to period end.

***Summary of significant Balance Sheet items for the nine month period ended March 31, 2021***

The primary factors affecting the changes to the balance sheet items were as follows:

- Raised gross proceeds of \$996,000 through the issuance of common shares
- Raised gross proceeds of \$950,402 through the issuance of Convertible Notes.
- Raised gross proceeds of \$6,000,000 through the issuance of securities in the IPO.
- Inventory of \$767,097 relates to purchases of raw materials and consumable materials to be used in the operations of the Company.
- Prepaid expenses and deposits of \$1,677,584 relates to deposits and prepayments for website design, marketing strategy and inventory production. Of the total \$648,298 related to prepaid expenses and \$1,029,286 related to deposits for inventory.
- Intangible asset of \$30,000 relates to formulations acquired by the Company through the issuance of common shares as well as trademark costs capitalized of \$3,950.
- Accounts payable of \$515,190 primarily related to legal and consulting fees.



## Summary of Quarterly Results

The following table sets forth selected quarterly consolidated financial information for each of the last eight quarters with the figures for each quarter in Canadian dollars:

|                                     | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 |
|-------------------------------------|----------------|-------------------|--------------------|---------------|
| Revenue                             | \$721          | \$Nil             | \$Nil              | \$Nil         |
| Net loss                            | \$1,510,378    | \$752,688         | \$699,327          | \$161,316     |
| Basic and diluted loss per share    | \$0.04         | \$0.02            | \$0.02             | \$0.33        |
| Weighted average shares outstanding | 42,980,464     | 35,513,804        | 28,759,277         | 486,542       |

|                                     | March 31, 2020 | December 31, 2019 | September 30, 2019 | June 30, 2019 |
|-------------------------------------|----------------|-------------------|--------------------|---------------|
| Revenue                             | \$Nil          | \$Nil             | \$Nil              | \$Nil         |
| Net loss                            | \$Nil          | \$Nil             | \$Nil              | \$Nil         |
| Basic and diluted loss per share    | \$Nil          | \$Nil             | \$Nil              | \$Nil         |
| Weighted average shares outstanding | 200            | 200               | 200                | 200           |

## Liquidity and Capital Resources

The Company's objective in managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operations, acquisitions, organic growth and contractual obligations. The Company monitors its liquidity primarily by focusing on working capital in evaluating its liquidity.

As at June 30, 2020, the Company had a working capital of \$248,312 (June 30, 2019 - \$2). The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at June 30, 2020, the Company has sufficient capital to settle its current liabilities. As at March 31, 2021, the Company had a working capital of \$4,994,831. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at June 30, 2020 and March 31, 2021 the Company had sufficient capital to settle its current liabilities.

The table below highlights the Company's cash flows during the period from incorporation on May 6, 2019 to June 30, 2019, the year ended June 30, 2020, and the nine-month period ended March 31, 2021:

| Net cash provided by (used in)  | June 30, 2019 | June 30, 2020 | March 31, 2021 |
|---------------------------------|---------------|---------------|----------------|
| Operating activities            | \$Nil         | \$(26,732)    | \$(4,473,134)  |
| Investing activities            | \$Nil         | \$Nil         | \$(3,950)      |
| Financing activities            | \$2           | \$348,002     | \$7,154,469    |
| Effect of exchange rate on cash | \$-           | \$-           | \$(14,230)     |
| Cash, beginning                 | \$-           | \$-           | \$321,270      |
| Cash, end                       | \$2           | \$321,270     | \$2,984,425    |

## **Capital Management**

The Company defines capital as equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. As discussed in Note 1 to the consolidated financial statements, the Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, and securing additional financing. Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year presented. The Company is not subject to externally imposed capital requirement.

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## **Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Transactions between Related Parties**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers and/or companies controlled by those individuals.

During the year ended June 30, 2020 the Company issued 2,500,000 common shares to former directors of the Company at a price of \$0.02 per share pursuant to debt settlement agreements for total consideration of \$50,000. The consideration consisted of \$40,685 in unpaid consulting fees and \$9,315 of costs incurred on behalf of the Company. Of the total, \$22,500 related to Amandeep Gill and \$18,185 related to Gurinder Sandhu. The consulting fees were paid in the normal course of operations for consulting services rendered.

During the year ended June 30, 2020 the Company recorded share-based compensation totaling \$8,027 which was related to the issuance of 3,500,000 Options to directors and contractors acting in the capacity of management and was related to the following individuals: Amandeep Gill – former Director, \$1,548; Gurinder Sandhu – former Director \$1,548; David Kerbel – CEO, \$1,032; Robert Payment - CFO, \$688; Warren Spence – Director, \$1,147; David Lubotta – Director, \$1,032; and Mike Hart - former President, \$1,032.

During the period ended March 31, 2021 the Company recorded share-based compensation totaling \$166,591 which was related to Options vested and the issuance of 1,450,000 Options to directors and officers and was related to the following individuals: Amandeep Gill – former Director, \$65,988; Gurinder Sandhu – former Director, \$65,988; David Kerbel – CEO, \$950; Robert Payment - CFO, \$18,680; Warren Spence – Director, \$1,055; David Lubotta – Director, \$950; Mike Hart – former President, \$950; and Scott Eldridge – Director, \$12,030.

During the nine-month period ended March 31, 2021 and the year ended June 30, 2020 the Company entered the following transactions with key management personnel:

|                                                               | March 31, 2021   | June 30, 2020   |
|---------------------------------------------------------------|------------------|-----------------|
| Consulting services – David Kerbel, CEO                       | \$69,364         | \$6,935         |
| Consulting services – Mike Hart, former president             | \$22,500         | \$Nil           |
| Consulting services – Gurinder Sandhu, former Director        | \$62,500         | \$18,185        |
| Consulting services – Amandeep Gill, former Director          | \$62,500         | \$22,500        |
| Consulting services – Robert Payment, CFO                     | \$45,000         | \$Nil           |
| Shares issued for services – David Kerbel, CEO                | \$20,000         | \$Nil           |
| Shares issued for services – Robert Payment, CFO              | \$10,000         | \$Nil           |
| Shares issued for services – Warren Spence, Director          | \$20,000         | \$Nil           |
| Shares issued for services – Gurinder Sandhu, former director | \$40,000         | \$Nil           |
| Shares issued for services – Amandeep Gill, former director   | \$40,000         | \$Nil           |
| <b>Total:</b>                                                 | <b>\$391,864</b> | <b>\$47,620</b> |

As at March 31, 2021, a total of \$31,500 owing to Robert Payment was recorded as accounts payable at March 31, 2021.

#### Proposed Transactions

None.

#### Critical Accounting Estimates, Assumptions, and Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, and contingent liabilities, and the reported amounts of revenues during the relevant reporting period. Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company's critical accounting estimates, assumptions, and judgements are detailed below.

##### *Share-based payments*

The Company utilizes the Black-Scholes Option Pricing Model ("**Black-Scholes**") to estimate the fair value of the Company's Common Share purchase warrants ("**Warrants**") and incentive stock options ("**Options**") granted to directors, officers, employees, consultants. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the Options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the Share-based compensation calculation value; however, the most significant estimate is the volatility. The Company estimated volatility based on historic share prices of companies operating in the regulated cannabis industry as it presented a reasonable analogy of an emerging consumer product segment. Historical volatility is not necessarily indicative of future volatility. The expected life of Options or Warrants is determined based on the estimate that they would be exercised evenly over their term.

## **Changes in Accounting Policies**

The Company has not yet adopted certain standards, interpretations to existing standards and amendments that have been issued but have an effective date later than July 1, 2020. Many of these updates are not currently relevant to the Company and are therefore not discussed herein.

## **Financial Instruments and Financial Risk Management**

### ***Fair value***

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is carried at fair value using a Level 1 fair value measurement. The recorded values of receivables, loans receivable, due to related parties, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

### ***Financial risk management***

The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below.

#### ***Credit risk***

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash. Cash is held with reputable Canadian financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of cash.

#### ***Interest rate risk***

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

#### ***Liquidity risk***

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020 and March 31, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. A 10% fluctuation in the foreign exchange rate between the USD and Canadian dollar would not have a significant impact on profit or loss for the period. The Company does not undertake currency-hedging activities to mitigate its foreign currency risk.

### ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The following table sets out the following material components for the period from incorporation on May, 6, 2019 to June 30, 2020, and for the nine-month period ended March 31, 2021:

| Item                                                                                                         | Period from<br>incorporation<br>on May 6, 2019 to<br>June 30, 2019<br>(Audited) | Year ended<br>June 30, 2020<br>(Audited) | Nine-month period<br>ended March 31,<br>2021<br>(Unaudited) |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------|
| Exploration and evaluation assets<br>or expenditures                                                         | \$Nil                                                                           | \$Nil                                    | \$Nil                                                       |
| Expensed research and<br>development costs                                                                   | \$Nil                                                                           | \$Nil                                    | \$Nil                                                       |
| Intangible assets arising from<br>development                                                                | \$Nil                                                                           | \$Nil                                    | \$Nil                                                       |
| General and administrative<br>expenses                                                                       | \$Nil                                                                           | \$10,848                                 | \$232,951                                                   |
| Other material costs not referred to<br>in the above categories, whether<br>expensed or recognized as assets | \$Nil                                                                           | \$130,092                                | \$5,620,449                                                 |
| <b>Total</b>                                                                                                 | <b>\$Nil</b>                                                                    | <b>\$140,940</b>                         | <b>\$5,853,400</b>                                          |

### OUTSTANDING SHARE DATA

Details of the Company's capitalization are as follows:

|                    | March 31, 2021 | Date of MD&A |
|--------------------|----------------|--------------|
| Common<br>shares   | 59,963,083     | 62,059,597   |
| Warrants           | 16,504,033     | 16,369,769   |
| Broker<br>warrants | 1,400,000      | 1,400,000    |
| RSUs               | 900,000        | 290,000      |
| Options            | 8,337,500      | 8,125,250    |

|                                                                                                                                                                                                                                       |                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| As at the date of this report, 990,000 Common Shares and 2,587,500 Options (together the “ <b>Escrowed Securities</b> ”) are held in escrow under a Form 46-201F1 escrow agreement and will be released as follows: September 5, 2021 | 1/6 of the Escrowed Securities    |
| March 5, 2022                                                                                                                                                                                                                         | 1/5 of the Escrowed Securities    |
| September 5, 2022                                                                                                                                                                                                                     | 1/4 of the Escrowed Securities    |
| March 5, 2023                                                                                                                                                                                                                         | 1/3 of the Escrowed Securities    |
| September 5, 2023                                                                                                                                                                                                                     | 1/2 of the Escrowed Securities    |
| March 5, 2024                                                                                                                                                                                                                         | the remaining Escrowed Securities |

As at the date of this report, 24,600,000 Common Shares (the “**Voluntary Escrowed Securities**”) are held in escrow under a voluntary escrow agreement and will be released as follows:

|                   |                                             |
|-------------------|---------------------------------------------|
| September 5, 2021 | 25% of the Voluntary Escrowed Securities    |
| December 5, 2021  | 25% of the Voluntary Escrowed Securities    |
| March 5, 2022     | 25% of the Voluntary Escrowed Securities    |
| July 5, 2022      | the remaining Voluntary Escrowed Securities |

In addition, 8,825,000 units of Company (the “**Private Placement Units**”), each Private Placement Unit consisting of one Common Share and one-half of one Warrant, which were issued to subscribers in a previous private placement at \$0.10 per Private Placement Unit in August and September 2020 are subject to a voluntary hold period ending on July 5, 2021.

## SUBSEQUENT EVENTS

Subsequent to March 31, 2021, the Company completed the following transactions:

- a) Company granted an aggregate of 1,140,000 RSUs to certain consultants, directors and officers of the Company pursuant to the LTIP. Each RSU represents the right to receive, once vested, one common share in the capital of the Company. All of the RSUs granted to consultants of the Company vested immediately upon grant and all of the RSUs granted to directors and officers of the Company will vest on January 1, 2022. In accordance with applicable securities laws, the securities granted to eligible holders are subject to a seasoning period of four months from the date that the Company became a reporting issuer in Canada.
- b) Amended the vesting of 720,000 RSUs which were to vest one quarter between April 1, 2021 and January 1, 2022 to vest fully on April 5, 2021.
- c) 1,750,000 common shares were issued pursuant to the conversion of RSUs.
- d) 212,250 common shares were issued pursuant to the exercise of stock options for gross proceeds of \$51,250.

- e) 134,264 common shares were issued pursuant to the exercise of warrant options for gross proceeds of \$80,558.

## **MANAGEMENT'S RESPONSIBILITY**

Management is responsible for the preparation and fair representation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## **RISK FACTORS**

Investing in the Company's securities involves a high degree of risk. In addition to the risks identified in this section and elsewhere in this MD&A, current and prospective investors should carefully consider all the risk factors noted in the Company's prospectus dated February 26, 2021, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com), before purchasing Common Shares or any other securities of the Company that may be offered or that are issued and outstanding from time to time. Such risk factors identified are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. The occurrence of any of such risks, or other risks not presently known to the Company or that the Company currently believes are immaterial, could materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial condition, and the Company's ability to make dividend payments to shareholders. The value of the Common Shares, or any other securities of the Company that may be offered or issued and outstanding from time to time, could decline and investors may lose all or part of their investment.

### **Requirement for Licences Which Have Not Been Obtained and Licensing Risks**

The Company's ability to sell its products as NHPs in Canada is dependent on the Company receiving its required licenses under the *Natural and Non-Prescription Health Products Directorate*, including the NPNs. None of the Company's planned products have received the required NPNs and there is a risk that its proposed products may never obtain NPNs or that the Company will not obtain the NPNs on the timeline anticipated by the Company. The timing and success of an applicant under the *Natural and Non-Prescription Health Products Directorate* at the various steps in the authorization process is beyond the Company's control and is in the sole discretion of Health Canada. If the Company is able to obtain the NPNs, failure to comply with the requirements of any of the NPNs could have a material adverse impact on the business, financial condition and operating results of the Company. If the Company is unable to obtain the NPNs, it could have a material adverse impact on the business, financial condition and operating ability of the Company in Canada as the well as the future prospects.

## **Corporate**

### *Limited Operating History*

The Company has a very limited history of operations and is considered a start-up company. There is very limited financial information available about the Company and it is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered remote in light of the Company's early stage of operations.

### *Negative Operating Cash Flow*

Although the Company expects to become profitable, there is no guarantee that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flow and may continue to have that for the foreseeable future. To date, the Company has not generated any revenues. As a result, the

Company's net losses from operations may worsen. The Company's ability to generate revenues and potential to become profitable will depend largely on the Company's ability to manufacture and market the Company's products. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue the Company's business.

#### *Additional Financing*

The Company has no source of operating cash flow to fund all of its operational needs and may require additional financing to continue its operations. There can be no assurance that such financing will be available at all or on favourable terms. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's deployment of its products. Additional financing may dilute the ownership interest of the Company's shareholders at the time of the financing, and may dilute the value of their investment.

#### *Uncertainty of Additional Capital*

The Company anticipates expending substantial funds to carry out the development, introduction, distribution and manufacture of its products. The Company may require additional funds for these purposes through one or more public or private equity financings, by taking on debt financing, or from other sources. No assurance can be given that such additional funds will be available on acceptable terms or at all. If such funds are unavailable or are only available at a prohibitive cost, the Company may have to significantly curtail its product development program or seek funds through financing alternatives that may require the Company to sell its rights to certain products or certain marketing territories. Any additional equity financing may result in dilution to existing shareholders.

#### *Going Concern*

The Company currently does not generate any revenue (other than interest income on its cash balances) and accordingly it is primarily dependent upon equity and or debt financing for any additional funding required for product development and operating expenses. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern if additional funding is not secured.

#### *General risks associated with a business in the early stages of development*

Any investment in the Company's securities must be considered highly speculative due to the nature of the Company's business, the early stage of its deployment, its current financial position and ongoing requirements for capital. An investment in the Company's securities should only be considered by those persons who can afford a total loss of investment, and is not suited to those investors who may need to dispose of their investment in a timely fashion. Investors should consult with their own professional advisors to assess the legal, financial and other aspects of an investment in the securities of the Company.

#### *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 may experience some changes in its operating plans and certain delays in its plans. As a result, 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.



## **Products and Business**

### *Government Regulation*

The processing, manufacturing, packaging, labeling, advertising and distribution of the Company's planned products is subject to regulation by one or more governmental authorities, and various agencies of the federal, provincial, state and localities in which the Company's products are sold. These government authorities may attempt to regulate any of the Company's products that fall within their jurisdiction. Such governmental authorities may determine that a particular product or product ingredient presents an unacceptable health risk and may determine that a particular statement of nutritional support that the Company wants to use is an unacceptable claim. Such a determination would prevent the Company from marketing particular products or using certain statements of nutritional support on its products. The Company also may be unable to disseminate third-party literature that supports its products if the third-party literature fails to satisfy certain requirements.

In addition, government authorities could require the Company to remove a particular product from the market. Any recall or removal would result in additional costs to the Company, including lost revenues from any products that the Company is required to remove from the market, any of which could be material. Any such product recalls or removals could lead to liability, substantial costs and reduced growth prospects, all of which could be material.

### *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, sell and distribute its products on a large enough scale, 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 cultivation and 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.

### *Significant ongoing costs and obligations*

The Company expects to incur significant ongoing costs and obligations related to its investment in developing its business and the products, 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. The Company's efforts to grow the Company's business may be costlier than the Company expects, and the Company may not be able to increase the Company's revenue enough to offset the Company's higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including the other risks described in this Prospectus, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Company's Common Shares or Unit Warrants may significantly decrease.

### *Third Party Suppliers*

The Company does not currently have the infrastructure or capability internally to process and manufacture the Company's proposed mushroom products. The Company expects to rely on third-party organizations to process and manufacture all of the Company's proposed mushroom products. The Company expects that the Company's business will rely on the ability of its manufacturing partner (the "Manufacturing Partner") to obtain all of the mushroom powder the Company anticipates requiring for the Company's proposed products. Any replacement of the Manufacturing Partner could require significant effort, as the Company may not be able to secure supplies from other manufacturers on a timely basis or on reasonable commercial terms. The Manufacturing Partner may be subject to damage or interruption from, among other things, fire, natural or man-made disaster, disease

outbreaks or public health pandemics, power loss, telecommunications or internet failure, unauthorized entry, computer viruses, denial-of service attacks, acts of terrorism, human error, vandalism or sabotage, financial insolvency, bankruptcy and similar events. The extent to which COVID-19 may affect the Company's ability to obtain mushroom powder is uncertain and cannot be predicted. In addition, the mushroom powder the Company purchase is grown in the United States and the presence of COVID-19, and the governmental and commercial response to the pandemic, may negatively affect the Company's ability to source mushroom powder for the Company's products.

#### *Uncertainty of Revenue Growth*

There can be no assurance that the Company can generate revenue growth, or that any revenue growth that is achieved can be sustained. Revenue growth that the Company may achieve may not be indicative of future operating results. In addition, the Company may increase further its operating expenses in order to fund higher levels of research and development, increase its sales and marketing efforts and increase its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely affected.

#### *Success of Products is Dependent on Public Taste*

The ability of the Company to earn revenues is substantially dependent on the success of its products, which depends upon, among other matters, pronounced and rapidly changing public tastes, factors which are difficult to predict and over which the Company has little, if any, control. A significant shift in consumer demand away from the Company's proposed products or its failure to expand its current market position will harm its business. Consumer trends change based on several possible factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is a growing movement among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, and this could result in a decrease in the demand for food products and ingredients that the Company may import from abroad. These changes could lead to, among other things, reduced demand and price decreases, which could have a material adverse effect on the Company's business.

#### *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.

#### *Uncertainty of Use of Proceeds*

Although the Company set out its intended use of proceeds from in its IPO prospectus, these intended uses are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. The failure by the Company to apply the funds raised in the IPO effectively could have a material adverse effect on the Company's business, including the Company's ability to achieve its stated business objectives.

#### *Raw Materials*

The Company's products are derived from mushrooms. Accordingly, the Company and/or its manufacturers must acquire enough mushrooms so that the products can be produced to meet the demand of its customers. A mushroom shortage could result in loss of sales and damage to the Company. If the Company and/or its

manufacturers become unable to acquire commercial quality mushrooms on a timely basis and at commercially reasonable prices, and are unable to find one or more replacement suppliers with the regulatory approvals to produce mushrooms at a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, the Company will likely be unable to meet customer demand.

#### *Limited Number of Products*

The Company's business is focused on the production and distribution of mushroom-derived products. If such products do not achieve sufficient market acceptance, it will be difficult for us to achieve profitability. The Company's revenues are expected to derive almost exclusively from sales of mushroom-derived products, and the Company expects that its mushroom-based products will account for substantially all of its revenue for the foreseeable future.

If the mushroom market declines or mushroom-derived products fail to achieve substantially greater market acceptance than they currently enjoy, the Company will not be able to grow its revenues sufficiently for it to achieve consistent profitability. Even if products to be distributed by the Company conform to international safety and quality standards, sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy, and quality of mushrooms. Adverse publicity about mushroom-derived products that the Company sells may discourage consumers from buying products distributed by the Company.

#### *Consumer Perception of Mushrooms*

The Company is highly dependent upon consumer perception of mushrooms and mushroom-derived products. The public may associate its mushrooms with illegal psychoactive mushrooms, which are prohibited substances. The Company's revenues may be negatively impacted due to the fact the market does not fully accept mushroom-based products as a health-food product.

#### *Brand Awareness*

The Company's brand is very new and brand awareness has not been achieved inside or outside Canada and the United States. There is no assurance that the Company will be able to achieve brand awareness in any of the regions it operates in, or anywhere else. In addition, the Company must develop successful marketing, promotional and sales programs in order to sell its products. If the Company is not able to develop successful marketing, promotional and sales programs, then such failure will have a material adverse effect on the business, financial condition and operating results.

#### *Development of New Products*

The Company's success will depend, in part, on its ability to develop, introduce and market new and innovative products. If there is a shift in consumer demand, the Company must meet such demand through new and innovative products or else its business will fail. The Company's ability to develop, market and produce new products is subject to it having substantial capital. There is no assurance that the Company will be able to develop new and innovative products or have the capital necessary to develop such products.

#### *The Dietary Supplement Industry is an Intensely Competitive Market*

The Company cannot assure potential investors that consumers will continue to embrace using dietary supplement products derived from mushroom ingredients. Many factors must be considered when investing in this industry due to regulations set by agencies that regulate the industry. The Company faces significant competition from others in this industry. The industry is highly fragmented with smaller companies offering products, to large multi-national corporations with integrated manufacturing operations, all of which may affect the Company's entry into the market. Many companies may have greater financial resources than the Company's Company and to the

extent the Company compete directly with any given company with greater financial resources, the Company may be at a disadvantage.

*Regulations and oversight by Health Canada, the FDA, or other governmental authorities may adversely affect the Company's business*

Other risks within the Company's industry are outlined in the Prospectus and are related to laws and regulations enforced by governmental authorities, such as Health Canada, the FDA, the FTC, the U.S. Department of Agriculture ("USDA"), Consumer Product Safety Commission ("CPSC"), the Environmental Protection Agency ("EPA") and various other federal, state and local authorities that regulate the Company's operations. No assurances can be made that any ruling from a governmental authority, court or other entity will not ban the use of any product or ingredient, or the Company's participation in the market.

Regulations and oversight by Health Canada and the FDA or other governmental authorities may adversely affect the Company's business. The Company are subject to regulations or oversight implemented by Health Canada and the FDA and other governmental authorities which may materially affect the Company's ability to conduct business, including, but not limited to, limit the number or types of ingredients and products the Company are able to produce. Further, the oversight from the FDA or other governmental authorities may increase the costs associated with the Company's products and operating the Company's company and business, which would adversely affect the Company's shareholders.

*Compliance with Regulation in the United States*

The processing, formulation, safety, manufacturing, packaging, labeling, advertising and distribution of the Company's products and the business activities of the Company are subject to U.S. federal laws and regulation by one or more U.S. federal agencies, including the FDA, FTC, CPSC, EPA and other governmental authorities. The Company is also regulated by various U.S. state and local laws and regulations as well as agencies of the states and local units of government in which the Company's products are sold. These laws and regulations may prevent or delay the introduction, or require the reformulation or recall, of the Company's products, which could result in lost revenues and increased costs to us. For instance, the FDA regulates, among other things, the composition, safety, manufacture, labeling and marketing of dietary ingredients and dietary supplements (including vitamins, minerals, herbs, and other dietary ingredients for human use). Dietary supplements and dietary ingredients that do not comply with FDA laws and regulations, such as the DSHEA, can be deemed adulterated or misbranded. Manufacturers and distributors of dietary supplements and dietary ingredients are prohibited from marketing products that are adulterated or misbranded, and the FDA or other governmental entities may take enforcement action against any adulterated or misbranded dietary supplement on the market. The FDA and other U.S. governmental entities have broad enforcement powers. If the Company violates applicable regulatory requirements, the FDA and U.S. governmental authorities may bring enforcement actions against us, which could have a material adverse effect on the Company's business, prospects, financial condition, and results of operations.

The FDA may determine that a particular dietary supplement or ingredient presents an unacceptable health risk based on the required submission of serious adverse events or other information, or may determine that a particular claim or statement of nutritional value that the Company use to support the marketing of a dietary supplement is an impermissible drug claim, is not substantiated, or is an unauthorized version of a "health claim" which the Company are not allowed to make. Any of these actions could prevent us from marketing particular dietary supplement products or making certain claims or statements with respect to the Company's products. The FDA could also require us to recall, withdraw or remove a particular product from the market. Any recall, withdrawal or removal would result in additional costs to us, including lost revenues from any products that the Company is required to remove from the market, any of which could be material. Any product recalls, withdrawals or removals could also lead to an increased risk of litigation and liability, substantial costs, and reduced growth prospects.

The FDA has issued guidance governing the notification of new dietary ingredients (“**NDIs**”). The guidance, if fully implemented, could have a material impact on the Company’s operations. FDA enforcement of the NDI guidance could require us to incur additional expenses, which could be significant, and negatively affect the Company’s business, including, but not limited to, the prohibition on sale of new dietary ingredients or dietary supplements until the FDA determines that those ingredients or products comply with applicable laws and regulations.

The FTC exercises jurisdiction over the advertising of dietary supplements and has instituted numerous enforcement actions against dietary supplement companies for failure to have adequate substantiation for claims made in advertising or for the use of false or misleading advertising claims. Failure by us to comply with applicable regulations could result in substantial monetary penalties and could have a material adverse effect on the Company’s financial condition or results of operations.

#### *Future Regulation in the United States*

From time to time, U.S. federal, state or local legislative and governmental authorities may impose additional or more stringent laws or regulations that could apply to the Company’s Company, business and products, repeal laws or regulations that the Company consider favorable to us or impose more stringent interpretations of current laws or regulations. The Company is not able to predict the nature of such future laws, regulations, repeals or interpretations or to predict the effect that additional governmental regulation, when and if it occurs, would have on the Company’s business in the future. Those developments could prohibit the sale and marketing of ingredients and products or require reformulation of products to meet new standards, recalls or discontinuance of products (including products that the Company sells). Further, the Company may be subject to requirements for reformulation, labeling, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling, additional scientific substantiation, quality control requirements, adverse event reporting or other requirements. Any developments of this nature could increase the Company’s costs significantly and could have a material adverse effect on the Company’s business, financial condition and results of operations.

*Unfavorable publicity or consumer perception of the Company’s products could have a material adverse effect on the Company’s reputation, which could result in decreased sales and significant fluctuations in the Company’s business, financial condition and results of operations*

The Company may depend significantly on consumer perception regarding the safety and quality of the Company’s products. Consumer perception of products can be significantly influenced by adverse publicity in the form of published scientific research, media attention, social media, or other publicity, whether or not accurate, that associates consumption of the Company’s products or any other similar products with illness or other adverse effects, or questions the benefits of the Company’s or similar products or that claims that any such products are ineffective. A new product may initially be received favorably, resulting in high sales of that product, but that sales level may not be sustainable as consumer preferences change. Future scientific research or publicity could be unfavorable to the Company’s industry or any of the Company’s particular products and may not be consistent with earlier favorable research or publicity. Unfavorable research or publicity could have a material adverse effect on the Company’s ability to generate sales. The Company’s dietary supplement products are not drug products and cannot be used to diagnose, treat, cure or prevent any disease, and the Company may be subject to legal and regulatory actions if the Company’s products the were classified as drug or food products with respect to the marketing and sale of the Company’s products.

*Product recalls, withdrawals or seizures, which could materially and adversely affect the Company’s business, financial condition and results of operations*

The Company may be subject to product recalls, withdrawals or seizures if any of the products the Company sell is believed to cause injury or illness or if the Company are alleged to have violated governmental regulations in the manufacturing, labeling, promotion, sale or distribution of those products. A significant recall, withdrawal or seizure of any of the products the Company manufacture or sell may require significant management attention,

would likely result in substantial and unexpected costs and may materially and adversely affect the Company's business, financial condition or results of operations. Furthermore, a recall, withdrawal or seizure of any of the Company's products may adversely affect consumer confidence in the Company's brands and thus decrease consumer demand for the Company's products. As is common in the dietary supplement industry, the Company relies on the Company's contract manufacturers and suppliers to ensure that the products they manufacture and sell to us comply with all applicable regulatory and legislative requirements. In general, the Company seeks representations and warranties, indemnification and/or insurance from the Company's contract manufacturers and suppliers. However, even with adequate insurance and indemnification, any claims of non-compliance could significantly damage the Company's reputation and consumer confidence in the Company's products. In addition, the failure of those products to comply with applicable regulatory and legislative requirements could prevent us from marketing the products or require us to recall or remove such products from the market, which in certain cases could materially and adversely affect the Company's business, financial condition and results of operations.

*The Company is subject to environmental, health and safety laws and regulations, which could subject us to liabilities, increase the Company's costs or restrict the Company's operations in the future*

The Company's operations are subject to a variety of environmental, health and safety laws and regulations in each of the jurisdictions in which the Company operate. These laws and regulations govern, among other things, air emissions, wastewater discharges, the handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety. The Company is also subject to laws and regulations governing the handling and disposal of noncompliant products and waste, the handling of regulated material that is included in the Company's products and the disposal of products at the end of their useful life. These laws and regulations have increasingly become more stringent, and the Company may incur additional expenses to ensure compliance with existing or new requirements in the future. Any failure by us to comply with environmental, health and safety requirements could result in the limitation or suspension of the Company's operations. The Company also could incur monetary fines, civil or criminal sanctions, third-party claims or cleanup or other costs as a result of violations of or liabilities under such requirements. In addition, compliance with environmental, health and safety requirements could restrict the Company's ability to expand the Company's facilities or require us to acquire costly pollution control equipment or incur other significant expenses.

#### *Commercialization and Marketing of Products*

The Company is reliant on third-party consultants to assist in its investigating the process of developing and commercializing its mushroom products. No assurance can be given that the results of these investigations will determine that manufacturing and distribution of its products will be feasible or commercially viable. A failure to obtain satisfactory results on these investigations could have a material adverse effect on the Company's business and may adversely affect the Company's ability to begin earning revenue.

#### *Dependence on Management and Key Personnel*

The Company has a small management team and is dependent on certain members of its management and consultants. The loss of the services of one or more of them could adversely affect the Company. The Company's ability to maintain its competitive position is dependent upon its ability to attract and retain highly qualified managerial, specialized technical, manufacturing, sales and marketing personnel. There can be no assurance that the Company will be able to continue to recruit and retain such personnel. The inability of the Company to recruit and retain such personnel would adversely affect the Company's operations and product development.

#### *Conflicts of Interest*

Certain directors and officers of the Company are or may become associated with other companies in the same or related industries, which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the

contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. The directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers.

#### *Health and Safety*

Health and safety issues related to the Company's products may arise that could lead to litigation or other action against the Company or to regulation of certain of its product components. The Company may be required to modify its recipes or packaging and may not be able to do so. It may also be required to pay damages that may reduce its profitability and adversely affect its financial condition. Even if these concerns prove to be baseless, the resulting negative publicity could affect the Company's ability to market certain of its products and, in turn, could harm its business and results from operations.

#### *Product Contamination*

The sale of products for human consumption involves inherent risks. The Company could decide to, or be required to, recall products due to suspected or confirmed contamination or product tampering. A product recall could adversely affect product sales financial condition and results of operation as the well as the Company's general reputation in the industry.

#### *Product Liability Claims*

The Company may be required to pay for losses or injuries purportedly or actually caused by its products. As the Company does not yet have any products, it has not been subject to any product liability claims; however, it may be subject to such claims in the future. In the event that the Company's products are found to cause any injury or damage, the Company will be subject to substantial liability. This liability may exceed the funds available to the Company.

#### *Company and result in the failure of its business*

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.

#### *Marketing and distribution capabilities*

In order to commercialize its products, the Company must either acquire or develop an internal marketing and sales force with technical expertise and with supporting distribution capabilities or arrange for third parties to perform these services. In order to market any of its products, the Company must either acquire or develop a sales and distribution infrastructure. The acquisition or development of a sales and distribution infrastructure would require substantial resources, which may divert the attention of its management and key personnel, and defer its product development and deployment efforts. To the extent that the Company enters into marketing and sales arrangements with other companies, its revenues will depend on the efforts of others. These efforts may not be successful. If the Company fails to develop substantial sales, marketing and distribution channels, or to enter into

arrangements with third parties for those purposes, it will experience delays in product sales and incur increased costs.

### *Competition*

The Company's industry is highly competitive and composed of many domestic and foreign companies. The Company has experienced and expects to continue to experience, substantial competition from numerous competitors whom it expects to continue to improve their products and technologies. Competitors may announce and introduce new products, services or enhancements that better meet the needs of end-users or changing industry standards, or achieve greater market acceptance due to pricing, sales channels or other factors. Competitors may be able to respond more quickly than the Company to changes in end-user requirements and devote greater resources to the enhancement, promotion and sale of their products.

### *Regulation*

The Company's products are subject to numerous Canadian and U.S. federal, provincial, state and local legislation and measures relating to the manufacture of products for human consumption. There can be no assurance that the Company will not experience difficulties with its efforts to comply with applicable regulations as they change in the future or that its continued compliance efforts (or failure to comply with applicable requirements) will not have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

### *Intellectual Property*

The Company's ability to compete effectively will depend, in part, on its ability to maintain the proprietary nature of its brand and its product creation processes. The Company has adopted procedures to protect its intellectual property and maintain secrecy of its confidential business information and trade secrets. However, there can be no assurance that such procedures will afford complete protection of such intellectual property, confidential business information and trade secrets. There can be no assurance that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology.

The Company has trademark applications in Canada and the U.S. for the Company's key name and phrases. The trademarking process can take up to 24 months or longer to complete and can be challenged during the process. At this time, the Company cannot state whether the trademarks the Company has applied for will be approved, refused, and/or ultimately registered. In addition, the Company's trademark rights and related registrations may be challenged in the future and could be cancelled or narrowed.

Failure to protect the Company's trademark rights could prevent us in the future from challenging third parties who use names and logos similar to the Company's trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of the Company's brand and products. In addition, if the Company does not keep the Company's trade secrets confidential, others may produce products with the Company's recipes or formulations. Moreover, there is a risk that the transfer of intellectual property rights pursuant to the Asset Purchase Agreement was deficient which could give rise to litigation risk. Intellectual property disputes and proceedings may be protracted with no certainty of success, and an adverse outcome could subject us to liabilities, force us to cease use of certain trademarks or other intellectual property or force us to enter into licenses with others. Any one of these occurrences may have a material adverse effect on the Company's business, results of operations and financial condition.

### *Currency Fluctuations*

Fluctuations in the exchange rate between the United States dollar and the Canadian dollar may have a material effect on the Company's results of operations. To date, the Company has not engaged in exchange rate-hedging activities. To the extent that the Company may seek to implement hedging techniques in the future with respect to



its foreign currency transactions, there can be no assurance that the Company will be successful in such hedging activities.

#### *COVID-19 Outbreak*

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Company is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the Company's financial results and operations.

The Company continues to closely monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, customers, suppliers or other stakeholders, as necessary. These changes and any additional changes in operations in response to COVID-19 have, and could continue to, materially impact the Company's financial results and could materially impact the Company's ability to access capital on acceptable terms or at all.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which may have negatively impacted the market price for the Company's Common Shares. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally.

The current global uncertainty with respect to the spread of COVID-19 and its effect on the Canadian economy and the larger global economy may have negative effects on the Company. While the precise impact of COVID-19 on the Company's ability to develop its business and its products remains unknown, the rapid spread of COVID-19 around the world and the declaration of a global pandemic by the World Health Organization may result in future workforce shortages and additional sanitary measures, further international border closures that restrict or materially slow the ability of the Company or its competitors to purchase mushroom powder or packaging, restrictions on shipping, both within Canada and the US and internationally, restrictions on the ability of the Company to access financing through the financial markets, and any changes to the Company's regulatory framework may increase competition for the mushrooms and packaging used by the Company or affect the Company's ability to deliver its products to customers – each which could materially adversely affect the business, financial condition and cash flows of the Company.