

INDIGENOUS BLOOM HEMP CORP.

Management's Discussion & Analysis

Year Ended May 31, 2022

DATE OF REPORT: November 28, 2022

The following Management's Discussion and Analysis ("MD&A") should be read together with the audited consolidated financial statements and accompanying notes for the year ended May 31, 2022 and related notes hereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This management's discussion and analysis includes certain statements that may be deemed "forward- looking statements". Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guaranteeing of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws that may not be based on historical fact, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this MD&A include but are not limited to statements relating to:

- *our ability to obtain funding for our operations, including funding for commercial activities;*
- *our ability to achieve profitability;*
- *our ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;*
- *the implementation of our business model and strategic plans;*
- *our ability to develop and commercialize our products;*
- *our expectations regarding federal, provincial, and foreign regulatory requirements;*
- *the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our products;*
- *our expectations regarding market risk, including interest rate changes, and foreign currency fluctuations;*
- *our ability to engage and retain the consultants/employees required to grow our business;*
- *the compensation that is expected to be paid to employees and consultants of the Company;*
- *our future financial performance and projected expenditures;*
- *developments relating to our competitors and our industry; and*
- *estimates of our expenses, capital requirements, and our needs for additional financing.*

Such statements reflect our current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward- looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to: (i) obtaining regulatory approvals; (ii) general business and economic conditions; (iii) the availability of financing on reasonable terms; (iv) the Company's ability to attract and retain skilled staff; (v) market competition; and (vi) the products offered by the Company's competitors.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined below under the heading "Financial Instruments and Risks". Should one or more of these risks or uncertainties, or a risk that is not currently known to us materialize, or should

assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

OVERVIEW

On September 4, 2020, the Company entered into an agreement to acquire Indigenous Bloom Hemp Corporation ("HempCo"). The Company acquired 100% of the issued and outstanding shares of HempCo for aggregate consideration of \$28,000,000 to be provided in common shares of the Company, at a deemed price per share equal to the closing price on the CSE on the day prior to closing. Prior to closing, the Company consolidated its common shares on a 1-for-2 basis. On April 29, 2021, the acquisition agreement was approved by the shareholders of the Company.

On September 1, 2021, the Company received conditional approval of the CSE in respect to its business combination with HempCo. Effective September 1, 2021, the Company consolidated its common shares on a 1-for-2 basis. On September 24, 2021, the Company issued 62,221,972 common shares to complete its business combination with HempCo.

On September 24, 2021, the Company name was changed from Veritas Pharma Inc. to Indigenous Bloom Hemp Corp.

The "Company") currently operates a large-scale industrial hemp farm in southern Manitoba on approximately 200 acres of zoned farmland.

For the 2021 harvest year, the Company seeded 200 acres of which 160 acres were planted with Abound Seed and 40 acres were planted with a combination of female clones of the Cherry Blossom and Sentium varieties. This produced approximately 15,000 kg of biomass with an average CBD concentrate of 10-12%. Because the hemp industry is still relatively young and expanding, and many processors lack experience and suitable processing equipment, the Company opted to send out samples out for testing to various processing outlets looking for an optimized high-quality product. The company was not able to negotiate a fair processing fee with a processor who could handle the entire inventory. The remaining 11,000 kg of kief is still in storage.

For the 2022 harvest year, the company seeded just under 200 acres. Weather conditions were less than favourable throughout the summer months, and the crop was slow to grow. Harvesting took place the third week of October 2022 under heavy rain and high winds. In addition, there were mechanical issues with the harvesting machine that would have delayed harvesting running the risk of losing the crop entirely. A decision was made to take the remaining crop for grain. Initial estimates are that the Company was able to produce roughly 1,400 kg of keif and the exact amount of grain is yet to be determined.

The Company's license application is currently being processed by Health Canada and the Company expects to be fully licensed under the Cannabis Act to cultivate, and handle Hemp as per the 2018 Cannabis Act (as defined below).

The primary business of the Company is the sale of hemp biomass and flower ("Hemp"), phytocannabinoid rich ("PCR") extracts derived from hemp biomass ("Hemp Extracts"). The Company is currently in the process of developing, through acquisition and construction, Hemp Products for general consumer end-use. All of the PCR Hemp, Hemp Extracts and future Hemp Products sold by the Company contain (or will contain, as applicable) less than 0.3% THC (as defined below), ensuring that they are compliant with the Cannabis Act (as defined below), thus falling under the definition of industrial hemp.

Beyond Manitoba, the Company is currently either engaged in, or negotiating, processing agreements in British Columbia and other provinces, making it possible to have sales of CBC concentrate in early 2023

Cultivation Operations

The growing region in Manitoba is widely regarded in the industry as one of the best climates in North America for the cultivation of Hemp and is a key part of the Company's growth strategy.

The Company is currently planting crops using cannabidiol ("CBD") dominant genetics. These genetics are projected to yield plants that contain a minimum of 5% CBD content.

As part of its long-term growth and efficiency protocols, the Company has mechanized substantial parts of its operation, including the use of combines for harvesting, and tunnel/barrel dryers for post harvesting.

Processing

The company is negotiating with a Health Canada licensed extraction firm in Ontario to perform contract extraction services of CBD from the hemp produced by the Company.

Our Products

The Company currently has two primary products which it plans to sell and is in the process of expanding its product line. The Company's primary product to date is Hemp Biomass, which is sold pre-processed to customers and partners who process the biomass into Hemp Extracts. The Company has cultivated approximately 100,000 kg of Hemp Biomass to date.

Development of Business

The Company has negotiated the purchase of Intellectual Property (specialized processing procedures and systems) as well as patent pending machinery to concentrate its biomass at the cost of \$1.2 million. This will allow for onsite processing as the 2021 crop is harvested. Further processing at the consumer level is planned once licensing is granted and in late 2022 further refinement of the product will take place in a newly designed facility.

Competition within the Industry

The markets for businesses in the CBD and hemp oil industries are competitive and evolving. In particular, the Company faces strong competition from both existing and emerging companies that offer similar products. Some of its current and potential competitors may have longer operating histories, greater financial, marketing, and other resources and larger customer bases than the Company. Given the rapid changes affecting the global, national, and regional economies generally and the CBD industry in particular, the Company may not be able to create and maintain a competitive advantage in the marketplace. The Company's success will depend on its ability to keep pace with any changes in such markets, especially in light of legal and regulatory changes. Its success will depend on the Company's ability to respond to, among other things, changes in the economy, market conditions, and competitive pressures. Any failure by the Company to anticipate or respond adequately to such changes could have a material adverse effect on its financial condition, operating results, liquidity, cash flow and operational performance.

Intra-Industry Competition

The number of competitors in the Company's market segment is expected to increase, both nationally and internationally, which could negatively impact the Company's market share and demand for products. There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company. The Company also faces competition from producers who may not comply with applicable regulations. As a result, such producers may have lower operating costs, make impermissible claims, and utilize other competitive advantages based on circumvention of regulatory requirements. To remain competitive, the Company will require continued significant investment in research and development, marketing, sales, and

customer support. The Company may not have sufficient resources to maintain research and development, marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company. Increased international competition might lower the demand for the Company's products on a global scale. See - Risk Factors.

Short Term Objectives and How We Intend to Achieve Them

Short term success will be influenced by the achievement of full mechanization of harvest and post harvest processing. The Company's objectives include having the harvesting equipment operating at maximum yield with the ability to process over 1,000 acres per season of which will be a mix of the company's product as well as 3rd party harvest product which would be sub-contracted. Profitability of the short-term successes will directly impact the Company's ability to meet its long-term objectives.

Long Term Objectives Business

The Company's long-term objective is to achieve vertical integration of its operations, positioning itself as a leading producer of industrial hemp in North America and globally. The Company plans to eventually produce its own distillate and sell its own product and has retained an agent to prepare the application for a Processing and Sales with Possession License.

Beyond this, the Company intends to continue expansion of its consumer-packaged-goods formulation and manufacturing capability, either through internal growth, acquisitions and or joint ventures along with construction of a larger facility in 2023, at an estimated total cost of \$5 million.

On January 21, 2021, the Company executed a Technology License Agreement dated November 30, 2020 with a third party ("Licensor"). The Licensor has developed and invented patent pending technology that can efficiently separate hemp and cannabis plant matter making the harvesting costs effective and streamlined (the "Technology"). The Company and the Licensor intend to commercialize the Technology. The Licensor will be responsible for the support and services of the Technology for a period of five years from November 30, 2020. The Company has an exclusive, worldwide license for which it will pay a license fee of \$1,200,000 to the Licensor. The Licensor will also be entitled to a royalty of 8% of gross sales on licensed products which are manufactured and sold by the licensee during the term of the agreement.

CBD Harvest 2021 Summary

The objective for CBD harvest 2021 was to design, engineer, and fabricate a prototype machine and process for large scale hemp harvesting of biomass for CBD. The basic requirements were to design a continuous flow process tailored to capture a fresh (live) trichome concentrate with a throughput of 10,000 lbs of fresh biomass per hour.

The machine separates the trichomes from the biomass. The whole separation process is contained in an enclosed reefer trailer to maintain temperatures below -25°C at all times. The process can stabilize the temperature in the reefer between -25°C to - 75°C for various trichome separation requirements.

The process preserves the plant's chemical compounds such as CBD and terpenes. Current industry standard drying methods result in contamination from mold and therefore decreases the value of the crop; adding heat to the process also breaks down the terpenes.

The developed process significantly reduces the volume of biomass going for further extraction such as crude oil or distillate, therefore enabling the extraction process to be more efficient and reduce the cost for the extractor by using less solvent extraction fluid.

During the 2021 harvest, a test plot of 200 acres of CBD hemp was utilized, 160 acres of Abound industrial hemp and 40 acres of a female cherry blossom hemp grow. The harvesting method that was utilized use one machine that was capable of harvesting 45 acres per 8 hour day with an average 1,250 biomass per acre and 1,000 lbs hemp grain per acre. The trichome separation process was able to produce 7,000 lbs of fresh (live) trichome concentrate. Several factors reduced the yield of trichome concentrate. Firstly, the high CBD yield

female Cherry Blossom clones did not fully mature at season end. A quicker growing variant will be utilized in the 2022 season. Secondly, the harvester will be adjusted to favor trichome production, rather than seed yield for next season. The 2021 harvest produced approximately 15,000 kg of kief. After testing and sending out samples to various processors for processing quotes, approximately 11,000 kg of kief remains in inventory.

SELECTED ANNUAL INFORMATION

The following table sets forth selected audited financial information from the financial periods ended May 31:

	2022 \$	2021 \$	2020 \$
Net loss	(2,289,971)	(399,815)	(384,449)
Basic and diluted loss per share	(0.04)	(0.02)	(3,844.49)
Total assets	760,483	685,161	607,281

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Quarter ended			
	5/31/22 \$	2/28/22 \$	11/30/21 \$	8/31/21 \$
Revenue	—	—	—	—
Net income (loss)	(1,466,576)	(78,818)	(6,773,442)	6,028,865
Earnings (loss) per share, basic and diluted	(0.02)	—	(0.10)	0.10

	Quarter ended			
	5/31/21 \$	2/28/21	11/30/20	8/31/20 \$
Revenue	—	—	—	—
Net loss	(58,541)	(80,560)	(211,808)	(48,906)
Loss per share, basic and diluted	—	—	—	—

The quarter ended August 31, 2021 includes an unrealized gain on the change in fair value of biological assets of \$6,101,700. The quarter ended November 30, 2021 includes an unrealized loss on the change in fair value of biological assets of \$4,775,969 and listing costs of \$1,814,941. The quarter ended May 31, 2022 includes an unrealized loss of \$1,230,615 on the change in fair value of biological assets.

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2022, the Company had a working capital deficit of \$2,452,823 (2021 – \$929,911).

The Company will require additional working capital to meet its primary business objectives over the next 12 months. Since the Company will not be able to generate cash from its operations for the foreseeable future, the Company will have to rely on the funding through future equity issuances and through short-term borrowing in order to fund ongoing operations and to meet its obligations. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of the material components of the Company's general and administrative expenses is disclosed in the audited consolidated financial statements for the year ended May 31, 2022 to which this MD&A relates.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

As at November 28, 2022, the Company has 71,135,969 shares outstanding.

Share Purchase Warrants

As at November 28, 2022, the Company does not have any share purchase warrants outstanding.

Stock Options

As at November 28, 2022, the Company has 405,244 stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures, or capital resources that is material to investors.

RELATED PARTY TRANSACTIONS

As at May 31, 2022, the Company owed \$183,714 (2021 - \$153,964) to Aboriginal Power Corp., a company controlled by Michael Matvieshen, a significant shareholder of the Company, which is unsecured, non-interest bearing, and due on demand.

As at May 31, 2022, the Company owed \$1,070,343 (2021 - \$483,438) to Tycor UPS Systems Inc., a company controlled by Michael Matvieshen, a significant shareholder of the Company, which is unsecured, non-interest bearing, and due on demand.

As at May 31, 2022, the Company owed \$10,579 (2021 - \$10,579) to Michael Matvieshen, a significant shareholder of the Company, which is unsecured, non-interest bearing, and due on demand.

As at May 31, 2022, the Company owed \$5,000 (2021 - \$5,000) to a company with a common director and where Michael Matvieshen, a significant shareholder of the Company, is a director. The amount owed is unsecured, non-interest bearing, and due on demand.

As at May 31, 2022, the Company owed \$110,800 (2021 - \$nil) to 1160170 B.C. Ltd., a company controlled by Blair Lowther, a former director of the Company. The amount is unsecured and non-interest bearing. For the amount owed, \$52,500 is due on June 30, 2023 and the remainder is due on demand and recorded in accounts payable and accrued liabilities. During the year ended May 31, 2022, the Company incurred consulting fees of \$47,250 (2021 - \$nil) to 1160170 B.C. Ltd.

As at May 31, 2022, the Company owed \$189,000 (2021 - \$nil) to 1215720 B.C. Ltd., a company controlled by Peter McFadden, the Chief Executive Officer of the Company, which is recorded in accounts payable and accrued liabilities. The amount is unsecured and non-interest bearing. For the amount owed, \$42,000 is due on June 30, 2023 and the remainder is due on demand and recorded in accounts payable and accrued liabilities. During the year ended May 31, 2022, the Company incurred consulting fees of \$42,000 (2021 - \$nil) to 1215720 B.C. Ltd.

CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended May 31, 2022, and have not been early adopted in preparing the consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Legal Proceedings

- (a) On February 28, 2019, the Company filed a civil claim against Liht for the recovery of the \$1,000,000 advance plus interest. The interest payable on the advance was to be 10% per annum compounded daily from June 25, 2018 through and including the date on which it was repaid in full. The advance was to be repayable within 90 days and secured by certain assets of Liht. The Company alleges that, even though the Company had advanced Liht \$1,000,000, Liht had refused to execute the loan agreement and has taken no steps to perfect the security of the advance. On August 28, 2018, the Company made a demand for the return of the \$1,000,000 and again on January 14, 2019 together with interest accrued totalling of \$1,055,068 on or before January 21, 2019. Liht has refused to return any portion of the \$1,000,000 and any interest or deliver any consideration for the advance. The civil claim is ongoing and the Company believes that the advance to Liht will be recovered, but the outcome cannot be reasonably determined at this time.
- (b) On June 26, 2019, the Company filed a civil claim against its former management for the breach of their fiduciary duty and duty of care to the Company with respect to the advance made to Liht. This resulted in a loss and damage to the Company. The civil claim is ongoing and the amount of any damages recoverable cannot be reasonably determined or estimated at this time.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

The fair values of financial instruments, which includes cash, accounts payable, loans payable, lease liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

Biological assets

The fair value of biological assets is categorized in Level 3 on the fair value hierarchy. The Company measures its biological assets at fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in kilograms for plants that are actively growing, and then adjusts that amount for the expected selling price per kilogram in the market in which the biological asset is growing. The estimates used in determining the fair value of biological assets are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. The significant assumptions used in determining the fair value of biological assets include:

- Expected yield by plant – represents the expected number of kilograms of finished hemp inventory which are expected to be obtained from each harvested hemp plant;
- Wastage of plants – represents the weighted average percentage of biological assets which are expected to fail to mature into hemp plants that can be harvested;
- Duration of the production cycle – represents the weighted average number of weeks out of the 19 week growing cycle that biological assets have reached as of the measurement date;
- Percentage of costs incurred as of this date compared to the total costs expected to be incurred – this is calculated as cost per kilogram of CBD oil extracted from harvested hemp to complete the sale of CBD oil post harvest, consisting of the cost of direct and indirect materials and labour related further production, labeling, and packaging;
- Percentage of costs incurred for each stage of plant growth – represents the direct and indirect production costs incurred that are capitalized; and

- Market values – this is calculated as the current market price per kilogram in the market in which the biological asset is being produced. This is expected to approximate future selling price.

The Company accretes fair value on a straight-line basis according to stage of growth. As a result, a hemp plant that is 50% through its 19 week growing cycle would be ascribed approximately 50% of its harvest date expected fair value. All plants are to be harvested hemp and as at November 30, 2021, on average, were 100% complete. An increase or decrease in the estimated sale price would result in a significant change in the fair value of biological assets.

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. Foreign exchange risk arises from purchase transactions. The Company is not exposed to significant currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

Liquidity Risk

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

Additional Risk Factors

Public Health Crises

Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19, may adversely affect the Company. The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. The Company expects to experience some short to medium term negative impacts from the COVID-19 outbreak; however, the extent of such impacts is currently unquantifiable, but may be significant. Such impacts include, with respect to its operations, the ability of the Company to access debt or equity capital on acceptable terms or at all.

Negative Cash Flow from Operations

During the year ended May 31, 2022, the Company had negative cash flows from operating activities. To the extent that the Company has negative cash flow in any future period, the net proceeds from future financings may be used to fund such negative cash flow from operating activities.

Change in Laws, Regulations, and Guidelines Relating to Hemp and Related Issues

The Company's operations are subject to a variety laws, regulations and guidelines including relating to the manufacture, management, transportation, storage, and disposal of medical marijuana as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Approval policies, laws, regulations, and guidelines may change during the course of a product candidate's

clinical development and may vary among jurisdictions. Any delays in obtaining, or failure to obtain regulatory approvals, including at the pre-clinical, clinical or marketing stage, would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Dependence on Key Personnel

The Company strongly depends on the business and technical expertise of its management and it is unlikely that this dependence will decrease in the near term. Loss of the Company's key personnel could slow the Company's ability to innovate, although the effect on ongoing operations would be manageable as experienced key operations personnel could be put in place. As the Company's operations expand, additional general management resources will be required.

If the Company expands its operations, the ability of the Company to recruit, train, integrate and manage a large number of new employees/consultants is uncertain and failure to do so would have a negative impact on the Company's business plans.