

PLANT VEDA FOODS LTD.
Management's Discussion & Analysis
For the six months ended June 30, 2021
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

This Management's Discussion and Analysis ("MD&A") of Plant Veda Foods Ltd. (the "Company") is dated August 27, 2021. This MD&A should be read in conjunction with the unaudited condensed interim financial statements and accompanying notes for the six months ended June 30, 2021 and the Audited Financial Statements and accompanying notes for the periods ended December 31, 2020 and 2019, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

Unless otherwise indicated, all amounts discussed herein are denominated in Canadian dollars (\$), which is the functional and reporting currency of the Company. The Company's year-end is December 31.

FORWARD LOOKING INFORMATION

This MD&A may contain forward "forward-looking statements" that reflect the Company's current expectations and projections about its future results. Forward-looking statements are statements that are not historical facts, and include, but are not limited to: estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, capital raising initiatives, the impact of industry and macroeconomic factors on the Company's operations, and market opportunities; and statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and are generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to, those set forth under "Risks and Uncertainties" below, and those contained in the Company's Prospectus dated June 4, 2021 (the "**Prospectus**") that is available under the Company's profile on SEDAR at www.sedar.com.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

CORPORATE OVERVIEW

Plant Veda Foods Ltd. (the "Company") was incorporated under the British Columbia Business Corporations Act on April 5, 2019 and its principal activity is a plant-based beverage and food company specializing in low-processed, all natural, nutritious, allergen free and delicious dairy alternatives. On June 17, 2021, the Company received a receipt from the British Columbia Securities Commission for its long-form prospectus dated June 4, 2021 and commenced trading on the Canadian Securities Exchange ("CSE") on June 21, 2021 under the trading symbol "MILK".

The Company's head office is located at 14640 64 Ave, Unit 313, Surrey, British Columbia V3S 1X7. The Company's registered office is located at 1400—128 West Pender Street, Vancouver, BC V6B 1R8.

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DESCRIPTION OF BUSINESS

The Company employs plant-based technology to create low processed, all natural, nutritional products and uses a blend of raw, heart-healthy cashews, fibre-rich Canadian gluten-free oats, and Canadian pea protein, cultured with billions of live probiotics good for the gut. Plant Veda offers maple sweetened and unsweetened options, along with antioxidant-rich BC blueberries and strawberries, and select healing and comforting herbs and spices from the traditional ayurvedic kitchen.

The Company's products are offered in over 100 locations throughout British Columbia including Save On Foods, Whole Foods, Choices, City Avenue Markets and more. In addition to its retail presence and distribution strategy, Plant Veda has created an e-commerce subscription service that will allow the Company to scale quickly and for customers to receive their products on their doorstep.

Per the Plant-Based Foods Association ("PBFA"), U.S. retail sales of plant-based foods increased 11% from 2018 to 2019, reaching a market value of \$4.5 billion, compared to increases of 4% and 7% in the general grocery and natural foods categories, respectively. Among plant-based food categories, plant-based creamers were the highest growing category, experiencing 40% growth for the twelve-month period ended April 2019 compared to growth of only 12% for dairy-based creamers.

The Government of Canada has identified plant-based foods as an important and growing industry. The federal government included the plant protein industry in its Supercluster Initiative and made a \$150 million investment towards its development. Already the top producer of lentils in the world, Canada excels at providing nutritious, plant-based protein options to consumers.

Plant-Based Foods of Canada ("PBFC") reported that consumers are looking for environmentally friendly plant-based products that have nutritional benefits, and that add delicious variety to their diet. Research indicates the demand for plant-based foods will continue to increase rapidly over the next several years. Data from Nielsen shows that sales of meat and dairy alternatives in Canada grew by 8% in 2018, becoming an industry worth more than \$3 billion.

History

Following years of research by the Company's initial management team, the Company was incorporated on April 5, 2019 as a plant-based beverage and food company specializing low-processed, all natural, nutritious, allergen free and delicious dairy alternatives. The Company's product excellence was immediately recognized as its Lassi product was awardee Product of the Year at [VegExpo](#), Canada's largest plant based trade show, in May of 2019. In order to expand production capacity, the Company moved to its current production facility in Surrey, BC in July of 2019 and was able to launch its Cashew Milk product line by August of 2019.

Over the following two years the Company has continued to grow production and sales organically, achieving a number of notable milestones:

- May 2020 – plantveda.com ecommerce platform is launched, subscription box service offering implemented and products included in FreshPrep subscription boxes.
- July 2020 – Probiotic Lassi is a finalist for Vancouver Magazine's [Made in Vancouver Awards](#)
- August 2020 – Coffee creamer line launches and products are carried in premier retailers including WholeFoods and Choices Market
- September 2020 – In addition to completing a strategic investment in the Company, Claire Smith of Beyond Impact Vegan Partners joins the Company's board of directors.

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- January 2021 – The Company's products are carried in a combined 100 retail and online stores in British Columbia
- March 2021 – Probiotic Lassi wins Clean Eating Magazine '[Clean Choice Award](#)'
- March 2021 – The Company secured a lease on a new 25,000 square foot premises which will allow for significant manufacturing and production expansion and efficiencies (see *Business Milestones and Objectives*)

SELECTED ANNUAL INFORMATION

The table below sets out certain selected financial information regarding the operations of the Company for the period indicated. The selected financial information has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements and related notes.

	December 31, 2020	December 31, 2019
	(Audited)	(Audited)
Total revenues	\$ 118,453	\$ 37,284
Net and comprehensive loss for the period	(111,921)	(92,523)
Basic and diluted income (loss) per share	(0.01)	(0.01)
Total assets	101,825	9,263
Total long-term liabilities	-	-
Cash dividends	-	-

SUMMARY OF QUARTERLY RESULTS

FOR THE THREE MONTHS ENDED

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	\$64,243	\$51,199	\$30,859	\$39,259
Net (loss) for the period	(\$2,063,955)	(\$644,190)	(\$22,701)	(\$53,969)
Per Share – Basic and diluted	(\$0.13)	(\$0.05)	(\$0.00)	(\$0.00)

FOR THE THREE MONTHS ENDED

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	\$32,173	\$16,162	\$14,061	\$16,916
Net (loss) for the period	(\$9,239)	(\$26,012)	(\$67,309)	(\$14,097)
Per Share – Basic and diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

The Company was incorporated on April 5, 2019. The Company incurred a high net loss for the quarter ended June 30, 2021 compared to previous quarters as the majority of expenses were attributed to non-cash share-based compensation expense recognized for the grant of stock options and special warrants. The remainder of the higher net loss is due to an increase in professional fees and marketing and investor relations activities associated with the going public transaction.

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RESULTS OF OPERATIONS

For the three months ended June 30, 2021:

During the three months ended June 30, 2021, the Company recorded a net loss of \$2,063,955 as compared to a net loss of \$9,239 for the comparable three months ended June 30, 2020. The net loss for the three months ended June 30, 2021 includes \$1,290,025 of non-cash share-based compensation. Total revenues have increased to \$64,243 for the current quarter as compared to \$32,173 for the comparable quarter ended June 30, 2020, as the Company has increased production to meet customer demand.

Total expenses for the current quarter amounted to \$2,019,416 as compared to \$15,658 for the comparable quarter ended June 30, 2020, an increase of approximately \$2,003,758, which includes non-cash expenditures of \$66,296 for depreciation and \$1,290,025 for share-based compensation. The increase in overall expenditures can be attributed to the following:

- Marketing and investor relations have increased to \$258,682 from \$3,603 as the Company has engaged third party consultants to develop and refine investor relations and digital marketing services.
- Professional fees have increased to \$231,900 from \$Nil which can be attributed to the fees paid to third party consultants for professional services and to assist the Company with research and advisory services, communications and corporate development. Also included in professional fees were fees paid to companies controlled or connected to officers of the Company. See related party section for details.
- Wages and benefits have increased to \$75,477 from \$1,253 which can be attributed to the increase in the number of employees hired for administrative purposes due to the increase in operations.
- Share based compensation has increased to \$1,290,025 from \$Nil which is attributed to the grant of stock options and vesting of share purchase warrants during the period ended June 30, 2021.
- The Company incurred a gross loss from operations of \$9,108 in the quarter due to an increase in cost of sales compared to prior periods due to overall higher material costs as a result of COVID and increased labour costs driven by inefficiencies the Company experienced in the Surrey facility to keep up with the increased sales of the Company's products..

For the six months ended June 30, 2021:

During the six months ended June 30, 2021, the Company recorded a net loss of \$2,708,145 as compared to a net loss of \$35,251 for the comparable six months ended June 30, 2020. The net loss for the six months ended June 30, 2021 includes \$1,676,357 of non-cash share-based compensation. The period's loss was reduced by the recognition of \$10,429 in income from government assistance. Total revenues have increased to \$115,442 for the six months as compared to \$48,336 for the comparable six-month period ended June 30, 2020, as the Company has increased production to meet customer demand.

Total expenses for the six months amounted to \$2,729,788 as compared to \$43,216 for the comparable six-month period ended June 30, 2020, an increase of approximately \$2,686,572, which includes non-cash expenditures of \$82,354 for depreciation and \$1,676,357 for share-based compensation. The increase in overall expenditures can be attributed to the following:

- Marketing and investor relations have increase to \$308,172 from \$5,743 as the Company has engaged third party consultants to develop and refine investor relations and digital marketing services.

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- Professional fees have increased to \$372,326 from \$20,000 which can be attributed to the fees paid to third party consultants for professional services and to assist the Company with research and advisory services, communications and corporate development. Also included in professional fees were fees paid to companies controlled or connected to officers of the Company. See related party section for details.
- Wages and benefits have increased to \$113,939 from \$1,253 which can be attributed to the increase in the number of employees hired for administrative purposes due to the increase in operations.
- Share based compensation has increased to \$1,676,357 from \$Nil which is attributed to the grant of stock options, grant of share purchase warrants, and vesting of share purchase warrants during the period ended June 30, 2021.

On June 15, 2021, the Company signed a service contract, with Clarkham Capital Ltd., to provide marketing, investor relations services, and consulting services for consideration of EUR 95,000 for a three-month term, with an option to incur additional services for additional payments. In accordance, the Company extended its service contract for a payment of EUR 300,000 for a three-month period commencing September 15, 2021.

FOURTH QUARTER

N/A

LIQUIDITY

The Company's working capital as at June 30, 2021 was \$2,144,826 as compared to the December 31, 2020 working capital of \$65,794.

To date, the Company has been able to fund operations primarily through equity financing and through its creditors.

During the month of January 2021, the Company applied for an additional \$20,000 CEBA loan and received \$24,475 in funding for a total of \$60,000. The additional \$20,000 loan have terms similar to the original \$40,000 which was received back in May 13, 2020.

Cash used in operating activities increased to \$1,330,908 for the six months ended June 30, 2021 as compared to \$18,676 for the comparable period ended June 30, 2020. The increase is primarily due to the increase in its operations for 2021.

Cash provided by financing activities increased to \$3,694,136 for the six months ended June 30, 2021 mainly due to cash received from share subscriptions receipts, special warrants and share purchase warrants totaling \$4,120,134 offset by deferred finance cost and share issue cost of an aggregate of \$607,892 compared to \$27,543 for the comparable period ended June 30, 2020 which was due to advances from shareholders and receipt of the CEBA loan. The Company also received additional government assistance due to Covid 19 which is recorded as loans payable.

Cash used in investing activities increased to \$548,806 for the six months ended June 30, 2021 as the Company purchased equipment for its facilities and entered into a lease agreement. There were no investing activities for the six months ended June 30, 2020.

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The Company believes that the current capital resources are sufficient to satisfy its current liabilities and pay overhead expenses for the next twelve months and will need to seek additional financing to fund its operations and pursue future expansions. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects. As the Company is currently not able to generate sufficient cash from its operations to fund its operations, the Company will have to rely on issuing shares for cash or to settle debt, loans and related party loans to fund ongoing operations and investments.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at June 30, 2021, the Company has not achieved profitable operations, has accumulated losses of \$2,912,589 since inception and expects to incur further losses in the development of its business, all of which are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations.

Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future. These condensed interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CAPITAL RESOURCES

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders' equity (deficit) and working capital as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. There is no change to the Company's approach to capital management during the six months ended June 30, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

During the reporting period, there were no off-balance sheet arrangements.

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RELATED PARTY TRANSACTIONS

The Company incurred the following expenses with related parties of the Company:

	Relationship	June 30, 2021	June 30, 2020
<u>Rent</u>			
Himalaya Dairy	controlled by Bakhshish Thind, former director	\$ 9,000	\$ 10,500
<u>Professional fees</u>			
LucPrise International Ltd.	Company controlled by Michael Yang, President	40,000	20,000
Harmony Corporate Services Ltd.	Company controlled by Geoff Balderson, CFO	27,500	-
<u>Wages and benefits</u>			
Sunny Gurnani	CEO, former director	18,129	-
Vanita Sajnani	Former director	26,921	297
Mayur Sajnani	Director	38,510	-
		\$ 160,060	\$ 30,797
Share-based compensation		302,621	
		\$ 462,681	\$ 30,797

During the six months ended June 30, 2021, the Company had sales to a company controlled by a former director of the Company in the amount of \$11,849 (June 30, 2020: \$15,757).

Accounts payable and accrued liabilities at June 30, 2021 includes \$75,603 (December 31, 2020: \$1,000) owed to a director and officers of the Company for unpaid consulting fees and \$NIL (December 31, 2020: \$3,427) owed to a company controlled by a former director of the Company.

Accounts receivable at June 30, 2021 includes \$3,925 (December 31, 2020: \$2,466) due from a company controlled by a former director of the Company.

At June 30, 2021, the Company had advances of \$18,662 (December 31, 2020: \$22,384) due to current directors and officers of the Company. The advances are non-interest bearing, unsecured and due on demand.

Key management personnel consist of the CEO, CFO and the President of the Company. During the six months ended June 30, 2021, the Company paid consulting fees of \$67,500 (June 30, 2020: \$20,000) to key management personnel.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are disclosed in Note 4 of the condensed interim financial statements.

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FINANCIAL AND OTHER INSTRUMENTS

A fair value hierarchy prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short term nature.

The carrying value of the CEBA loan is not significantly different than its fair value.

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

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent losses. The Company's maximum exposure to credit risk is the carrying amounts of cash and accounts receivable on the statements of financial position.

Accounts receivable primarily consist of trade receivables. The Company provides credit to very limited customer base in the normal course of business and has established credit evaluation via an active direct consultation with its customers to mitigate credit risk. Accounts receivable are shown net of any provision made for impairment of receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Expected credit loss ("ECL") analysis is performed at each reporting date using an objective approach to measure expected credit losses. The provision amounts are based on direct management interface with the customer. The calculations reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

The aging analysis of accounts receivable is as follows:

	June 30, 2021	December 31, 2020
Current to 3 months	\$ 53,851	\$ 9,528
Over 6 months	2,023	3,257
Allowance provided	-	-
Trade receivables	\$ 55,874	\$ 12,785

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b) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at June 30, 2021, the Company has working capital of \$2,144,826. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity and debt offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

c) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to significant risks associated with the effects of fluctuations in the prevailing levels of market interest rates.

PROPOSED TRANSACTIONS

None to report.

SUBSEQUENT EVENTS

On July 20, 2021, the Company granted 10,000 stock options with an exercise price of \$1.81 and an expiry date of July 20, 2023.

Subsequent to the six months ended June 30, 2021, the Company issued 155,700 common shares pursuant to the exercise of 155,700 share purchase warrants with an exercise price of \$0.20 for gross proceeds of \$31,140.

OUTSTANDING SHARE DATA

	August 27, 2021	June 30, 2021	December 31, 2020
Common shares	19,697,188	19,541,488	14,572,095
Warrants	17,309,003	17,464,703	-
Agent warrants	194,733	194,733	-
Performance warrants	6,000,000	6,000,000	-
Stock options	1,732,500	1,722,500	-
Fully diluted shares	44,933,424	44,923,424	14,572,095

OTHER

Additional information and other publicly filed documents relating to the Company, including its press releases and quarterly and annual reports, are available on SEDAR and can be accessed at www.sedar.com.