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LIFEIST WELLNESS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2021 and 2020

LIFEIST WELLNESS INC.

Management Discussion and Analysis

For the three and nine months ended August 31, 2021

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LIFEIST WELLNESS INC.

Management Discussion and Analysis

For the three and nine months ended August 31, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) for Lifeist Wellness Inc. (the “Company” or “Lifeist”), formerly Namaste Technologies Inc., covers the Company’s financial performance for the three and nine months ended August 31, 2021 and up to the date of this report, October 28, 2021. This MD&A should be read in conjunction with Lifeist’s Unaudited Condensed Consolidated Financial Statements (“FS”) for the same period and Audited Consolidated Financial Statements for the year ended November 30, 2020.

Lifeist is a reporting issuer in British Columbia, Saskatchewan, Manitoba, Ontario, Alberta, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador. The Company’s shares are listed on the TSXV under the symbol “LFST”, on the OTCQB® Venture Market under the symbol “NXTTF”, and traded as open stock on the Frankfurt Stock Exchange under the symbol “M5BQ”.

All dollar amounts are in Canadian dollars unless otherwise indicated. Lifeist documents and securities filings can be accessed at the Company’s profile on SEDAR (www.sedar.com) and additional information on the Company can be obtained at www.lifeist.com.

Forward Looking Statement Disclaimer

Certain statements in this MD&A may constitute “forward-looking” statements that involve known and unknown risks, uncertainties, and other factors. The actual results, performance or achievements of Lifeist or the industry, may be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These statements include, but are not limited to, comments concerning the Company’s objectives, strategies to achieve those objectives, as well as Management’s beliefs, plans, estimates, and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. When used in this MD&A, such statements use words such as “may”, “will”, “expect”, “believe”, “plan” or similar terminology.

These statements reflect Management’s current expectations regarding future events and operating performance and speak only as of the date of this MD&A, and, except in compliance with applicable law, Lifeist assumes no obligations to update or revise them to reflect new events or circumstances. Additionally, the Company undertakes no obligation to comment on analysis, expectations or statements made by third parties in respect of its financial/operating results or securities.

Non-IFRS Financial Measures

Lifeist’s Financial Statements are prepared using International Financial Reporting Standards (“IFRS”); whereas this MD&A refers to certain non-IFRS measures, such as Adjusted EBITDA and EBITDA (defined under the “Non-IFRS Financial Measures Definitions” section of this report). Non-IFRS measures are used externally to provide a supplemental measure of the Company’s operating performance, facilitate comparisons, and enable analysis of the Company’s ability to meet future capital and working capital requirements. Management uses them internally to prepare operating budgets and assess performance. These measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable

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to similar measures presented by other companies. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

COMPANY OVERVIEW

Lifeist is a portfolio of wellness companies leveraging advancements in science and technology to enable consumers to find their individual path to wellness.

Lifeist's portfolio of operating businesses and brands includes:

- CannMart Inc. ("CannMart"), a distributor of licensed and in-house branded adult-use cannabis and cannabis derived products in Canada leveraging relationships with provincial government control boards and retailers;
- CannMart Marketplace Inc. (CannMart.com), an online marketplace for medical cannabis (leveraging CannMart held licenses) and accessories in Canada and hemp-derived CBD and accessories in the U.S.;
- CannMart Labs Inc., ("Labs"), one of a limited number of facilities licensed for BHO (butane hash oil) extraction within Canada;
- CannMartMD Inc. (CannMartMD.com), a Health Canada compliant telemedicine application, providing an integrated patient portal with remote access to healthcare practitioners for the purpose of acquiring authorizations for medical cannabis;
- Findify, an artificial intelligence powered technology platform, delivering solutions such as personalized search, recommendations, and advanced data analytics for B2B e-commerce customers;
- Australian Vapes (AustralianVaporizers.com.au), the largest online supplier of hardware, including vaporizers, and related accessories in Australia;
- Lifeist Vapes (comprised of Lifeist Bahamas Inc.), a seller of herbal vaporizer hardware and ancillary products, such as vaporizers and other related accessories, in Europe and Canada; and
- the company's soon-to-be announced nutraceuticals division.

CannMart

The CannMart CGU is comprised of CannMart Inc., CannMart Marketplace Inc., and CannMart Labs Inc. ("Labs"). CannMart delivers branded cannabis and cannabis derived products safely, reliably and consistently to both recreational cannabis consumers in Canada through supply agreements with provincial government cannabis control boards and retailing bodies and to registered medical patients in Canada through its website CannMart.com. A Licensed Producer (LP) under the Cannabis Act, CannMart Inc. received the first medical sales-only licence in Canada in 2018.

Currently the company has relationships with multiple partners, including those noted below:

B2C Distribution partners:

- Green Organic Dutchman (TGOD)
- Apothecary Botanicals
- Indiva

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- Rilaxe
- Adastra Holdings, Inc. (formerly Phyto Extractions) (XTRX)
- Sugarbud
- Emprise Cannabis
- Heritage Cannabis
- Kush Kraft
- Fleurish
- Humble & Fume

B2B Distribution partners:

- Safari Cannabis
- Lupos
- Apothecary
- CannTX Life Sciences
- Rilaxe
- JMF Growers
- J2 Science
- Embark Health

Customers:

- Alberta Cannabis
- BC Liquor Distribution Branch
- Cannabis New Brunswick
- Liquor Gaming and Cannabis Authority of Manitoba
- Manitoba Liquor & Lotteries
- National Cannabis Distribution (NCD) (Saskatchewan)
- Ontario Cannabis Store
- WeedPool (Saskatchewan)
- Yukon Cannabis

CannMart Inc.

CannMart Inc. offers products to both the provinces and stand-alone businesses, its Business to Business (B2B) sales channel and also focuses on the Business to Consumer (B2C) sales channel. CannMart Inc. maintains supply agreements with provincial government cannabis control boards and retailing bodies in the provinces of Ontario, Alberta, British Columbia, Manitoba, Yukon, New Brunswick and Saskatchewan.

CannMart Marketplace

CannMart.com offers qualifying Canadian clients a large variety of medical cannabis strains to fill their prescription needs. Incorporated into this platform is Findify's unique artificial intelligence engine.

CannMart Labs

CannMart Labs ("Labs") is one of a limited number of facilities licensed for BHO (butane hash oil) extraction within Canada. The Company's strategic vision is to use Labs as a platform to introduce a larger

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portfolio of higher margin cannabis products to the Canadian market. In Q1 2021, the Company acquired the remaining 49% interest in Labs that it did not already own.

Labs received a standard processing licence from Health Canada under the Cannabis Act (Canada) for cannabis extraction activities in Q1 2021. In Q3 2021, Labs completed a dedicated purpose-built facility, which incorporates leading extraction technology. In Q3 2021 Labs conducted test production runs, and in Q4 2021 it is expected that the facility will be capable of producing live resin, badder, wax, and other live resin based cannabis products. Furthermore the Labs' facility retains capabilities to expand future distillate product offerings to vape cartridges, gel capsules, tinctures and edibles. The facility will also be able to potentially expand to extraction of other compounds, beyond cannabis, with low capital investment. This is expected to allow the Company to drive profitable growth via its unique distribution strategy.

CannMartMD Inc.

CannMartMD is a Health Canada compliant telemedicine application, providing an integrated patient portal with remote access to healthcare practitioners for the purpose of acquiring authorizations for medical cannabis. The CannMartMD.com platform connects medical clients with health care practitioners to issue and renew medical cannabis authorizations online more readily. The platform is available from web browsers and on both Android and Apple native apps. It also has a clinical referral program with brick and mortar clinics.

Australian Vaporizers

Australian Vaporizers is Australia's largest online supplier of aromatherapy products, specializing in vaporizers and accessories. Known for its commitment to selection, price, and customer service, it sells through Company-owned e-commerce website platform AustralianVaporizers.com.au.

Findify

Findify is a leading e-Commerce Artificial Intelligence (“AI”) and machine learning company, which provides its customers with AI algorithms to optimize and personalise a consumer's on-site buying experience. Its primary product is a holistic AI-powered solution providing real-time personalized search, smart collection, and recommendation to increase conversion. Findify is an official Shopify Plus Technology Partner, recognized as a “Best-In-Class Solution” for modern, rapidly growing e-commerce businesses.

Since Findify was acquired by Lifeist in 2018, Findify has taken the time to identify the appropriate consumer market, reorient its sales strategy and retain the appropriate talent to make long-term growth stable and scalable. Findify has since completed changes to its customer mix from an emphasis on small businesses to medium sized business. Looking forward, Findify continues to innovate and build the organization to solidify its position in the mid-market segment.

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Lifeist Vapes

Lifeist Vapes is comprised of Lifeist Bahamas Inc. (“Lifeist Bahamas”), an indirect wholly owned subsidiary of the Company. Lifeist Bahamas sells herbal vaporizer hardware and ancillary products, such as vaporizers and other related accessories in Europe and Canada through a mixture of drop-shipping and direct fulfilment arrangements. Lifeist Bahamas markets and sells these products through its highly optimized, Company-owned e-commerce website platform everyonedoesit.co.uk; and relies on Amazon, organic traffic and email automation tools to generate sales.

In August 2020, the Company consolidated all of its hardware and ancillary product sales in Canada through its www.cannmart.com e-commerce platform and currently maintains hardware sales in Europe and Australia through the Company owned eCommerce sites, and marketplaces, such as Amazon.

Corporate

The Corporate operating segment includes the corporate office, shared services, and the Company’s investment in both Choklat Inc. (“Choklat”) and Pineapple Delivery Express Inc. (“Pineapple”).

Choklat Inc.

In Q3 2019, the Company acquired 49% of Choklat, an Albertan food manufacturer known for its artisanal chocolates. Choklat’s intention was to produce a line of cannabis-related products for the retail market and to cannabis companies in bulk.

In October 2019, the Company extended a secured convertible loan to Choklat to aid with the build out of facilities geared toward the manufacturing of edibles. The Company subsequently advanced \$900 thousand to Choklat to secure a purchase order. The order was terminated in the third quarter of 2020 due to contractual disagreements. In July 2020, Lifeist issued a statement of claim against Choklat and its chief executive officer seeking the return of the \$900 thousand advanced and additional punitive damages. In August 2020, the Company received a counterclaim prepared by Choklat’s chief executive officer, which the Company views as having no merit, and will vigorously defend and continue to pursue its own claims. Lifeist has recorded a reserve for the carrying value of its investment in Choklat and recorded a full expected credit loss provision for the purchase order deposit.

Pineapple Express Delivery Ltd.

Pineapple delivers legal, dependable, quality medicinal and recreational cannabis at a competitive price. The company focuses on security and delivery protocols to facilitate same-day delivery seven days/week in Canada. Pineapple adheres to the highest standards of health, quality, patients’ rights, and discreetly services both adult-use and medicinal patients.

Lifeist agreed to make its first investment in Pineapple in Q3 2018, when it signed a subscription agreement to acquire a 15% equity interest. In Q3 2019, the Company increased its interest to 49%. During 2019, Lifeist also provided working capital in separate tranches by granting secured promissory notes to Pineapple. At November 30, 2019, the balance of \$1,512,575, was impaired to the value of security. In Q1

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2020, the Company agreed to loan an additional \$125,000 for working capital purposes for the consideration of amendments to certain debt clauses.

In Q3 2020, a controlling interest of Pineapple was acquired by World Class Extractions Inc. (“WCE”). As part of the transaction, Lifeist would be able to convert its outstanding debt into shares of WCE on March 31, 2021. In Q3 2021, the maturity date was extended to September 30, 2021. In addition, Lifeist granted WCE the option to acquire Lifeist’s equity interest in Pineapple which is exercisable during a 60-day period beginning March 31, 2022. This transaction allowed Lifeist’s management to increase their focus on the core business, while adding a new conversion feature to Pineapple’s debt thus providing a path to liquidity in the future. At the end of Q3 2021, the Company’s interest in Pineapple was 30%.

STRATEGY AND OUTLOOK

The Company is focused on business development opportunities within the wellness space including:

1. **Contract manufacturing.** Within the Company’s cannabis business, Lifeist has assessed and initiated contract manufacturing concepts whereby certain of the Company’s processing and packaging activities have begun to be undertaken by cultivators directly rather than by the Company at its facilities, prior to sale by CannMart through its medical and recreational channels. The Company believes that outsourcing certain functions will allow CannMart to expand SKU capacity, sales and fulfill consumer demand without additional capital expenditure, resulting in higher margins and lower overhead costs.
2. **Wholesale distribution agreements.** As the cannabis industry in Canada matures, licensed producers (LPs) are increasingly recognizing that specialization and focus is required, and therefore they are looking to outsource certain functions that are not core to their business. Cannmart Inc. is leveraging its position as a value-added platform within the Canadian cannabis value chain by entering into agreements with LPs to be their trusted wholesale distribution and logistics partner.
3. **Toll-processing and extraction products.** Through Labs, the Company is looking to meet the needs of Canadian medical and recreational cannabis customers with an expanded portfolio of high margin products. In Q1 2021, Labs received a standard processing licence from Health Canada under the Cannabis Act (Canada) for cannabis extraction activities. In Q2 2021, Labs submitted its application for a Health Canada Controlled Drugs and Substances Dealer’s Licence (the “Dealer’s License”) for future storage and distribution of controlled substances, namely psilocybin, psilocin, ketamine (ketamine hydrochloride), LSD (lysergic acid diethylamide), DMT (N, N-dimethyltryptamine) and MDMA (3, 4- methylenedioxymethamphetamine), which will allow Labs to sell these controlled substances to individuals (or their compounding pharmacies), researchers and companies undertaking clinical trials. In Q3 2021, Labs completed a dedicated purpose-built facility, which incorporates leading extraction technology, and which has the potential to expand to extraction of other compounds, beyond cannabis, with low capital investment.
4. **Expansion into new pathways of wellness.** The Company is broadening its total addressable market, by adding pathways beyond cannabis, including the planned launch of a nutraceutical division in the fourth quarter of 2021 to be led by Chief Operating Officer Faraaz Jamal. The Company conducted extensive consumer and competitive landscape research within the nutraceutical category in 2021 which directly informed the development of unique formulations of bioactive compounds targeting cellular health as it relates to homeostasis and the negative effects of stress. Through comprehensive

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testing and research, the Company has sourced a delivery mechanism to ensure superior bioavailability and absorption within the human body and has engaged with a clinical partner to validate and develop intellectual property.

In Fiscal 2021, the Company has focused on pursuing its strategic vision and building a foundation for new initiatives and future expansion into new products, channels and geographies, while maintaining solid performance in its existing portfolio channels. In addition, the Company shifted its focus from Gross and Net Revenues to Gross Profit in order to drive improved profitability, resulting in a significant increase in Gross Profit Before Inventory Adjustments of more than 100% year over year and compared to Q2 2021, and showing a Gross Profit improvement for the four consecutive quarters, while yielding a 12% increase in Gross Revenues in Q3 2021, as compared to the same quarter last year. This is reflective of the Company's strategic effort of repositioning its segments and improving overall profitability, Adjusted EBITDA and EBITDA across all divisions.



In addition, cannabis revenue maintained its strong position at 54% of total net revenues, the second highest over the last four quarters, representing a 34% increase over the same quarter last year. Growth in cannabis revenue has resulted from the following achievements:

- **Receipt of Health Canada Approvals.** The cornerstone of the Company's bring-to-market services has been the receipt of regulatory approvals. In September 2018, CannMart received the first ever sales-only distribution licence for the sale and distribution of dried cannabis flower and bottled cannabis oil; and in October 2019, CannMart received approval from Health Canada for an amendment to its Federal Medical Sales Licence sales and processing licence allowing it to offer cannabis oil, extracts, topicals and edibles through its medical channel.
- **Execution of Provincial Government Cannabis Control Board and Retailing Body Supply Agreements.** Since September 2019, the Company has developed its recreational channel, having been approved for the sale of cannabis and cannabis derived products, and receives purchase orders from provincial bodies in Ontario, Alberta, British Columbia, Manitoba, New Brunswick, Yukon and Saskatchewan.
- **Execution of Master Distribution Agreements.** The Company has executed master distribution agreements with a number of cultivators including Safari Cannabis, Lupos, Apothecary Botanicals, CannTX Life Sciences, and others, resulting in 20 SKUs distributed for these partners.
- **Execution of the marketplace strategy.** The Company has continued to execute on its marketplace strategy, growing the number of products on CannMart.com to over 250 SKUs in the U.S. and over 700

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SKUs in Canada at the end of Q3 2021 by leveraging its marketplace platform, powered by VendorLink, to facilitate the sale of cannabis and smoking accessories.

RECENT DEVELOPMENTS

June 1, 2021

Lifeist subleased its Toronto office location until expiry of its lease on October 30, 2024, allowing the Company to find top talent in different geographies. The Company expects to be able to use the power of technology and telecommunications to reduce its carbon footprint of a physical office building and work collectively online instead. The decision made by the Company is an initial step towards a long-term commitment to developing an Environment, Social and Governance (ESG) plan for meaningful action to protect our planet. This strategic and sustainable decision will also save the Company approximately \$138,000 annually.

June 7, 2021

Lifeist wholly owned subsidiary Labs submitted an application for a Health Canada Controlled Drugs and Substances Dealer's Licence for future storage and distribution of the following controlled substances: psilocybin, psilocin, ketamine (ketamine hydrochloride), LSD (lysergic acid diethylamide), DMT (N, N-dimethyltryptamine) and MDMA (3, 4- methylenedioxyamphetamine). Subject to Health Canada acceptance, the Dealer's Licence will allow Labs to sell these controlled substances to individuals (or their compounding pharmacies), researchers and companies undertaking clinical trials.

June 15, 2021

Lifeist announced that it is presently receiving a record number of requests from vendors across North America to list their products onto the [CannMart.com](https://www.cannmart.com) platform. This validation is a clear statement from an increasing number of vendors that the [CannMart.com](https://www.cannmart.com) marketplace platform can make a valuable differentiated distribution channel which has resulted in over 550 SKUs launched in the last three months.

July 9, 2021

Lifeist wholly owned subsidiary CannMart signed a Master Distribution Agreement with Rapid Dose Therapeutics Corp. ("RDT") (CSE: DOSE). As part of this agreement and subject to certain criteria, CannMart became the exclusive distributor of their innovative RDT branded products across Canada. In addition, CannMart also announced that it received its first purchase orders from the provinces of Manitoba and Saskatchewan for its 2.0 consumer-focused, recreational house brand "*Roilty*" Concentrates.

September 9, 2021

Lifeist announced a corporate name change from Namaste Technologies Inc. to Lifeist Wellness Inc., as it continues its evolution to wellness. Trading of the Company's common shares under its updated ticker

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symbol (“LFST”) commenced on the TSX Venture Exchange (the “TSXV”) at market opening on September 15, 2021.

Lifeist announced the expansion of its product offering to include hemp derived CBD products, as part of the Lifeist portfolio of wellness interests and using the UK website everyonedoesit.co.uk.

September 15, 2021

Lifeist announced that as part of its corporate name change and rebrand to Lifeist Wellness Inc., the Company’s common shares will continue to be publicly traded on the TSX Venture Exchange (the “TSXV”) under the new ticker symbol (“LFST”) as of September 15, 2021, with a new CUSIP number of 53228D106 and ISIN number of CA53228D1069.

In connection with the name change, the Company also confirmed its common share purchase warrants expiring October 25, 2023 (the “2023 Warrants”), and common share purchase warrants expiring January 19, 2024 (the “2024 Warrants”), and their respective ticker symbols “LFST.WT.A” and “LFST.WT.B”, also commenced trading on September 15, 2021 on the TSXV.

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FINANCIAL DISCUSSION

Operational Results

Selected financial information from the Consolidated Statements of Net Loss and Comprehensive Loss for the Fiscal periods ended August 31, 2021 and 2020 are presented below:

	Three months ended		Nine months ended	
	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20
Net revenue	\$ 5,787,750	5,684,847	\$ 16,578,263	17,918,314
Cost of goods sold	4,481,944	5,132,466	14,064,795	16,003,155
Gross profit before inventory adjustment	1,305,806	552,381	2,513,468	1,915,159
<i>Gross profit (before inventory adjustment) as a % of net revenue</i>	<i>23%</i>	<i>10%</i>	<i>15%</i>	<i>11%</i>
Inventory adjustment	432,710	135,403	1,517,903	380,311
Operating costs	5,783,673	5,308,038	15,960,413	17,217,799
Professional fees	439,851	519,026	1,453,919	1,270,310
Share-based compensation	(4,873)	422,349	889,252	601,030
Adjusted EBITDA	(5,345,555)	(5,832,435)	(17,308,020)	(17,554,291)
Other expense (income)	65,783	(235,487)	699,378	(513,612)
Foreign exchange loss (gain)	(24)	1,737,576	80,212	893,998
Restructuring and other costs	-	-	-	(1,300,000)
Impairment loss on loans receivable	-	-	-	322,887
Impairment of investment in associate	-	-	-	1,016,127
Share of associate's loss, net of tax	-	-	-	329,652
EBITDA	(5,411,314)	(7,334,524)	(18,087,611)	(18,303,343)
Income tax expense (recovery)	106,369	45,309	94,919	78,057
Depreciation and amortization	535,739	453,662	1,515,608	1,686,131
Net loss	\$ (6,053,422)	\$ (7,833,495)	\$(19,804,506)	\$(20,067,532)

Gross and Net revenue

Gross revenue is comprised of: (1) cannabis and cannabis derivatives sales; (2) hardware sales; (3) SaaS fees and (4) commissions. Net revenue is calculated as Gross revenue less excise tax.

The Company shifted its focus from Gross and Net Revenues to Gross Profit, which resulted in higher Gross Profit in Q3 2021 and Q3 YTD 2021, as compared to the same periods last year. This is reflective of the Company's strategic effort of repositioning its segments and improving overall profitability across all divisions.

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Gross revenue for Q3 2021 was \$7.1 million (Q3 2020 - \$6.3 million), an increase of 12% from \$6.3 million in Q3 2020. This growth was driven by the Company's cannabis business which increased 50% due to increased volume of orders from provincial customers, enhanced product selection and a new dropship revenue stream added in Q3 2021. In addition SaaS revenue increased 9% as compared to Q3 2020.

Net revenue for Q3 2021 was \$5.8 million (Q3 2020 - \$5.68 million), an increase of 2% from \$5.7 million in Q3 2020. The increase is driven by the same factors as Gross Revenue and offset by Excise Taxes, based on the provincial distribution of the sales channels.

The following table presents the Company's Net Revenue based on the location of customers for each of the three and nine months ended August 31, 2021 and 2020:

	Three months ended		Nine months ended	
	31-Aug-21	30-Aug-20	31-Aug-21	30-Aug-20
Australia	\$ 1,863,773	\$ 1,882,111	\$ 4,943,654	\$ 4,334,144
Canada	3,181,163	2,504,628	8,713,990	7,972,215
Denmark	2,260	-	17,148	-
France	7,889	79,231	92,780	290,197
Germany	-	110,198	-	110,194
Ireland	5,757	16,789	28,226	106,323
Israel	17,069	-	21,039	-
New Zealand	635	-	2,574	-
United Kingdom	389,587	656,312	1,628,258	3,114,391
United States of America	204,013	278,284	600,346	904,452
Other	115,604	157,294	530,248	1,086,398
Total	\$ 5,787,750	\$ 5,684,847	\$ 16,578,263	\$ 17,918,314

The Company experienced mixed growth in Net Revenue across its geographic regions. Growth was led by the Company's business in Canada which increased 27% and rose as a percentage of total Net Revenue to 55% in Q3 2021 from 44% in Q3 2020. This was offset by decreases of 100% in Germany, 41% in the United Kingdom, and 27% in the U.S. Net revenue was flat in Australia.

Gross profit (before inventory adjustment) ("GP")

Gross Profit for Q3 2021 more than doubled from the same quarter last year, coming at \$1.3 million or 23% of Net Revenue (Q3 2020: \$552 thousand or 10%), and for the nine months ended August 31, 2021 was \$2.5 million or 15% (YTD 2020: \$1.9M or 11%), representing a significant increase over the same periods last year.

The increase in Gross Profit in Q3 2021 represents the fourth consecutive quarterly Gross Profit increase, both in dollars and percentage. This performance reflects the Company's renewed strategic focus on individual segments, geographies, and products, as well as a continuous effort to improve production efficiencies across all segments.

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Inventory adjustment

Inventory adjustments are write-downs related to impairment of inventory, as a result of carrying value exceeding net realizable value, and provisions for slow moving inventory.

Inventory adjustments for Q3 2021 were \$433 thousand (Q3 2020: \$135 thousand). The increase in the amount of inventory adjustments in Q3 2021, as compared to the same period prior year, was a result of the continuing forward-looking inventory management initiative, started by the Company's management at the end of fiscal 2020, and designed to: 1) reduce the amount of slow-moving inventory; 2) improve inventory turnover to the targeted 40 days turn levels; and 3) leverage existing VendorLink technology to further reduce the inventory risk.

As a result of the more efficient inventory management, Inventory Days on hand improved from 146 days in Q3 2020 to 103 days in Q3 2021, a decrease of 43 days.

Operating costs

The following table presents the Company's operating costs by type of expense for the three and nine months ended August 31, 2021 and 2020:

	Three months ended		Nine months ended	
	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20
Office and general	\$ 2,099,282	\$ 1,975,282	\$ 5,728,857	\$ 6,828,350
Salaries and other compensation costs	2,853,552	2,633,216	8,262,750	7,950,416
Selling and marketing expense	731,431	361,882	1,422,315	1,119,119
Technological development	99,408	337,658	546,492	1,319,914
Total operating costs	\$ 5,783,673	\$ 5,308,038	\$ 15,960,413	\$ 17,217,799

Office and general

Office and general expenses include service costs, travel, business development, insurance, operating licence fees and telecommunication, expected credit losses ("ECLs") and historically included operating leases on the Company's facilities which due to the prospective adoption of IFRS 16 were amortized starting in Fiscal 2020.

Office and general expenses increased in Q3 2021 by \$254 thousand compared to the same quarter prior year (YTD 2021: decreased by \$1.1 million). The year-to-date decrease reflects the Company's ongoing efforts to improve operational efficiencies and to continue with the cost cutting initiatives started at the end of fiscal 2020.

Salaries and other compensation costs

Salaries and other compensation costs include remuneration and benefits paid to employees and consultants.

Lifeist believes that its people are critical to the organization's success and is committed to investing in employees and building on the corporate culture of excellence. To ensure a path to success, the Company

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has evaluated the corporate and divisional structure and associated headcount and has moved to support those business units that show successful growth by hiring subject-matter experts with clear, focused goals tied to financial results – both long and short term.

Salaries and other compensation costs increased in Q3 2021 by \$220 thousand and share based compensation increased by \$312 thousand in Q3 2021 (YTD 2021: salaries and other compensation increased by \$312 thousand and share-based compensation increased by \$715 thousand) as compared to the same period last year, as noted in the chart below:

	Three months ended		Nine months ended	
	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20
Salaries and other compensation costs	\$ 2,853,552	\$ 2,633,216	8,262,750	7,950,416
Share based compensation	351,998	142,870	894,125	178,681
Total compensation	\$ 3,205,550	\$ 2,776,086	\$ 9,156,875	\$ 8,129,097

Selling and marketing expense

Selling and marketing expenses are comprised of advertising and promotion costs, including online search services, and online promotional and social media tools. The Company's focus is on consumer engagement through digital content for the Business to Consumer ("B2C") platform and retail partnerships that have an identifiable impact on sell-through for Business to Business ("B2B"). Spend in this area is heavily monitored against key performance indicators to ensure appropriate rates of return.

In Fiscal 2020, the Business to Consumer platform focused on optimizing the customer journey through the Company's digital assets, before increasing marketing spend. In Fiscal 2021, after completing this work, spending started balancing between technological development and sales in marketing, with the management shifting its focus and therefore increasing investment in selling and marketing costs to support the Company's growth strategy. In Q3 2021, selling and marketing costs increased by \$370 thousand (YTD 2021: increased by \$303 thousand) as compared to the same period last year.

Technological development

As the Company continuously monitors trends in customer behaviour and listens to the voice of its users, leveraging this data the Company invests strategically in technology. Technological development costs represent Lifeist's research and development in the areas of machine-learning, on-site personalization, platform development and ongoing customer acquisition.

In an effort to continuously do more with less, development costs decreased in Q3 2021 by \$238 thousand (YTD 2021: by \$773 thousand) as compared to the same period last year. Maintenance costs associated with the platforms (recorded in salaries and other compensation costs) are anticipated to remain the same.

Professional fees

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The following table presents the Company's Professional fees, including legal, audit, accounting, tax services and directors' fees for the three and nine months ended August 31, 2021 and 2020:

	Three months ended		Nine months ended	
	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20
Legal	\$ 153,983	\$ 197,220	\$ 558,163	\$ 299,569
Audit, accounting and tax services	111,786	136,331	308,625	382,137
Directors' fees	165,667	185,475	525,621	579,485
Other	8,416	-	61,510	9,119
Total professional fees	\$ 439,851	\$ 519,026	\$ 1,453,919	\$ 1,270,310

Legal costs incurred in Q3 2021 represent legal matters incurred in the regular course of business.

Audit, accounting, and tax services reflect a proportionate accrual for the upcoming Fiscal year end audit, which is anticipated to be lower than the prior year's actual spend. These costs decreased by \$25 thousand in Q3 2021 (YTD 2021: by \$74 thousand), as compared to the same period prior year.

Directors' fees decreased by \$20 thousand in Q3 2021 (YTD 2021: by \$54 thousand), as compared to the same period prior year.

Adjusted EBITDA

Adjusted EBITDA is a non-financial measure which Management believes provides the user with an understanding of profit/loss before non-cash and non-recurring expenses. The definition and reconciliation from the reported IFRS operating results in the financial statements can be found in the "Non-IFRS Financial Measures" section of this MD&A.

In Q3 2021, management continued to monitor and work towards a number of Objectives and Key Results (OKRs), put in place in Fiscal 2020, with supporting procedures and metrics to focus decision making on governance/controls, and expenditures including allocated headcount, in order to lead to an improvement in Adjusted EBITDA and profitable growth.

Other expense and income

Other non-operating expenses and income is primarily composed of interest earned on the Company's cash reserves and unrealized loss/gain on equity investments at FVTPL.

In Q3 2021 other expense was \$66 thousand (Q3 2020: a gain of \$235 thousand), while YTD 2021 other expense was \$699 thousand (YTD 2020: a gain of \$514 thousand) mainly due to a \$583 thousand unrealized loss recorded on equity investments at FVTPL in 2021.

Share based compensation

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Share based compensation is the non-cash value of stock options issued to Directors, Officers, employees, and consultants. Q3YTD 2021 share based compensation is mainly related to 13,022,333 available stock options the Company granted in Fiscal 2021 and prior years to officers, directors and employees, exercisable into common shares at a weighted average price ranging from \$0.20 to \$0.34 per common share. The majority of options will expire in 2024 and in 2025.

Impairment of investment in associate

Due to operational concerns, the Company has fully impaired the carrying value of Choklat Inc.

Share of associates' losses, net of tax

The Company accounted for its investment in Choklat and Pineapple Express using the equity method. Both of these investments were fully impaired as of Q3 2020.

Foreign Exchange

The Company's subsidiaries operate in multiple currencies, and the foreign exchange impact on converting transactions, assets and liabilities into Canadian currency is calculated each period. The unrealized foreign exchange gain in Q3 2021 was \$24 thousand (Q3 2020: a loss of \$1.74 million), and in Q3 YTD 2021 was a loss of \$80 thousand (Q3 YTD 2020: a loss of 894 thousand) primarily due to the fluctuation of foreign exchange rates of US dollars, Australian dollars, Euros, and Pound Sterling.

Summary of comparative quarterly operational results

Quarter ending	August 2021	May 2021	February 2021	November 2020	August 2020	May 2020	February 2020	November 2019
Gross revenue	\$ 7,067,091	\$ 6,266,808	\$ 6,148,687	\$ 8,008,904	\$ 6,281,875	\$ 7,354,187	\$ 5,463,578	\$ 3,996,484
Net revenue	\$ 5,787,750	\$ 5,275,779	\$ 5,514,735	\$ 7,178,403	\$ 5,684,847	\$ 6,926,311	\$ 5,307,155	\$ 3,947,018
Gross profit before inventory adjustment	\$ 1,305,806	\$ 753,613	\$ 454,049	\$ 194,532	\$ 552,381	\$ 593,442	\$ 769,336	\$ 418,435
Gross profit %	23%	14%	8%	3%	10%	9%	14%	11%
Net loss	\$ (6,053,422)	\$ (6,369,642)	\$ (7,381,443)	\$ (6,361,927)	\$ (7,833,495)	\$ (4,842,373)	\$ (7,391,665)	\$ (29,667,429)
Net loss per share (basic and diluted)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.09)
Total assets	\$ 41,221,145	\$ 46,328,594	\$ 51,564,205	\$ 39,227,967	\$ 46,481,236	\$ 52,365,403	\$ 59,265,263	\$ 67,719,244

The Company continued to focus on improving Gross Profit, while growing Gross Revenue, resulting in an increase of Gross Profit Before Inventory Adjustments for the four consecutive quarters, ending Q3 2021, with \$1.3 million or 23% Gross Profit Before Inventory Adjustment in Q3 2021.

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This is reflective of the Company's strategic effort of repositioning its segments and improving overall profitability across all divisions. The Company is committed to its shareholders, and management is focused on maintaining these positive trends.

Balance sheet

The following table provides selected financial information derived from the consolidated statements of financial position as at the following dates:

	31-Aug-21		30-Nov-20		\$ Change
Total current assets	\$	29,832,212	\$	26,167,621	\$ 3,664,591
Total non-current assets		11,388,933		13,060,346	(1,671,413)
	\$	41,221,145	\$	39,227,967	\$ 1,993,178
Total current liabilities	\$	10,370,608	\$	9,650,578	\$ 720,030
Total non-current liabilities		959,595		587,967	371,628
	\$	11,330,203	\$	10,238,545	\$ 1,091,658
Working Capital	\$	19,461,604	\$	16,517,043	\$ 2,944,561

Total current assets

Total current assets increased by \$3.7 million from November 30, 2020 primarily due to an increase in cash of \$18.6 million, as a result of the Company closing a public "bought deal" in Q1 2021, offset by cash used as part of the working capital, as well as decreases in inventory of \$3.3 million and receivables of \$1.0 million. The change in cash is explained in more detail under the Liquidity section of MD&A.

Total non-current assets

Total non-current assets decreased by \$1.7 million from November 30, 2020, including the decrease of \$715 thousand in intangible assets and of \$1.0 million in property and equipment, offset by the increase of \$14 thousand in portfolio investments and other assets.

Total current liabilities

Total current liabilities increased by \$720 thousand from November 30, 2020, as a result of the increase in accounts payable and accrued liabilities of \$1.2 million, offset by the decrease in deferred revenue of \$269 thousand and provisions of \$204 thousand.

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Total non-current liabilities

Total non-current financial liabilities increased by \$372 thousand from November 30, 2020 mainly due a long-term liability incurred as a result of the Company's acquisition of the remaining non-controlling interest in its subsidiary, CannMart Labs.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management monitors the Company's capital resources to ensure adequate liquidity to fund operations and planned expansions. Management's objectives with respect to liquidity and capital structure are to generate cash to fund the Company's existing operations and growth strategy. As of the date of this report, the Company has sufficient capital resources to satisfy its near-term financial obligations, as well as certain initiatives related to realizing its strategic vision.

As of August 31, 2021, Lifeist had a cash and cash equivalent balance of \$17.9 million, an increase of \$17.7 million from November 30, 2020. The increase was due \$21.5 million of cash received from the Company's public offering in January 2021, offset by the working capital spend.

The table below sets out the use of cash and cash equivalents for the three and nine months ended August 31, 2021 and 2020:

	Three months ended		Nine months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Cash used in operating activities	\$ (4,909,845)	\$ (5,262,843)	\$ (13,051,970)	\$ (20,506,990)
Cash used in investing activities	(71,331)	(1,439,987)	(180,707)	(3,491,725)
Cash provided by financing activities	(72,165)	(66,728)	20,986,941	(212,621)
	\$ (5,053,341)	\$ (6,769,558)	\$ 7,754,264	\$ (24,211,336)

Operating activities

Operating activities impact both cash and non-cash working capital, as indicated in the table below:

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	Three months ended		Nine months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Cash used in operations before changes in non-cash working capital	\$ (11,502,868)	\$ (4,223,370)	\$ (16,945,155)	\$ (14,945,953)
Changes in non-cash working capital	3,741,394	(1,039,473)	3,508,989	(5,561,037)
	\$ (7,761,474)	\$ (5,262,843)	\$ (13,436,166)	\$ (20,506,990)

During Q3 2021, \$5.6 million cash was used in operations before changes in non-cash working capital (Q3 2020: \$4.2 million), and the total cash used in Q3 2021 in Operating activities was \$5.0 million (Q3 2020: \$5.3 million), reflecting improved management of the Company's short-term assets.

Investing activities

In Q3 2021, cash provided by investing activities decreased by \$1.4 million compared to the same period prior year (YTD 2021: decreased by \$1.9 million), as a result of Management continuing to dispose of certain investments and shifting the resources towards operational segments of the Company, in order to support further growth and development.

Financing activities

In Q3 2021, cash provided by financing activities increased by \$151 thousand compared to the same period last year, while in Q3 YTD 2021 cash provided by financing activities increased by \$21.1 million, as a result of \$21.5 million cash proceeds received as part of the Company's public offering completed in January 2021. The net proceeds from the offering are used as disclosed on January 15, 2021 in the prospectus supplement to the short form base shelf prospectus. There were no significant changes from a disclosure previously made about how the Company is going to use the net proceeds.

Capital resources

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at May 31, 2021 the Company had 397,738,704 common shares that were issued and outstanding (323,954,483 as at November 30, 2020). In Q3 2021, the Company issued 880,144 common shares, as part of the acquisition transaction of CannMart Labs.

RELATED PARTY TRANSACTIONS

Related party balances

The following table summarizes related party balances as at August 31, 2021 and November 30, 2020:

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	31-August -21	30-Nov-20
<i>Related party balances</i>		
Trade and other receivables (i)	\$ -	\$ 24,792

(i) On July 3, 2020, Lifeist CEO's request for a pay cut in favour of long-term incentives had been granted, with the Board of Directors agreeing to a 17% reduction. This transaction resulted in a receivable balance payable to the Company, which was repaid in full in June 2021.

Payments to related parties

The following table summarizes transactions with related parties for the three and nine months ended August 31, 2021 and 2020:

	Three months ended		Nine months ended	
	31-August -21	31-August-20	31-August -21	31-August-20
<i>Related Party Transactions</i>				
Key management personnel compensation (i)	\$ 268,333	\$ 202,500	\$ 681,417	\$ 850,574
Directors fees	165,667	185,475	525,621	579,485
Share based compensation (ii)	-	897,804	-	935,451
Shipping and delivery services (iii)	-	18,743	-	129,312

(i) Salaries paid to the Officers of the Company.

(ii) Stock options granted to the Officers and Directors of the Company. In Q3 2021 nil options were granted (Q3 2020: nil options).

(iii) The Company received delivery services up to March 31, 2020 from Pineapple Express, a former associate.

SEGMENT INFORMATION

The Company consolidates results from the Corporate Unit as well as five Cash Generating Units ("CGUs" or "Operating Segments"). These include: Lifeist Vapes, Australian Vaporizers, CannMart (consists of: CannMart Inc., CannMart Marketplace Inc., and CannMart Labs Inc.), CannMartMD and Findify.

Operational results

The following tables present the Company's operational results by CGU and the Corporate Unit for the three and nine months ended August 31, 2021 and 2020:

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Q3 2021	Lifeist Vapes	Australian Vaporizers	CannMart	CannMart MD	Findify	Corporate & Other	Total
	\$	\$	\$	\$	\$	\$	\$
Net revenue	406,741	1,817,597	3,126,754	31,839	404,819	-	5,787,750
Adjusted EBITDA	(400,202)	212,810	(2,746,529)	(593,637)	91,044	(1,909,041)	(5,345,555)
EBITDA	(311,535)	200,227	(2,792,461)	(593,689)	81,054	(1,994,910)	(5,411,314)

Q3 2020	Lifeist Vapes	Australian Vaporizers	CannMart	CannMart MD	Findify	Corporate & Other	Total
	\$	\$	\$	\$	\$	\$	\$
Net revenue	1,090,142	1,846,322	2,331,685	46,519	370,179	-	5,684,847
Adjusted EBITDA	(1,886,020)	(1,062,919)	(3,431,046)	(144,703)	(399,183)	1,513,785	(5,410,086)
EBITDA	(1,886,020)	(1,062,919)	(3,431,046)	(144,703)	(399,183)	(410,653)	(7,334,524)

Q3 YTD 2021	Lifeist Vapes	Australian Vaporizers	CannMart	CannMart MD	Findify	Corporate & Other	Total
	\$	\$	\$	\$	\$	\$	\$
Net revenue	1,980,996	4,771,008	8,504,513	91,880	1,229,866	-	16,578,263
Adjusted EBITDA	(996,412)	442,505	(8,703,806)	(861,335)	(445,180)	(6,743,792)	(17,308,020)
EBITDA	(834,117)	453,021	(9,157,372)	(864,294)	(454,457)	(7,230,390)	(18,087,610)

Q3 YTD 2020	Lifeist Vapes	Australian Vaporizers	CannMart	CannMart MD	Findify	Corporate & Other	Total
	\$	\$	\$	\$	\$	\$	\$
Net revenue	6,484,690	4,226,463	5,998,547	148,883	1,059,731	-	17,918,314
Adjusted EBITDA	(3,769,560)	(1,480,437)	(11,112,340)	(541,363)	(956,830)	907,269	(16,953,261)
EBITDA	(3,769,560)	(1,480,437)	(11,112,340)	(541,363)	(956,830)	(442,814)	(18,303,344)

**Shared services costs are allocated from the corporate office to the individual CGUs, resulting in reduced Adjusted EBITDA and EBITDA in the operating units and higher Adjusted EBITDA and EBITDA in Corporate & Other units.*

EBITDA and Adjusted EBITDA has improved across all operating segments in Q3 2021 as compared to the same period prior year.

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CannMart

CannMart revenue increased by \$795 thousand in Q3 2021 compared to the same period last year (YTD 2021: by \$2.5 million). In Q3 2021, Adjusted EBITDA and EBITDA improved by 20% and 19% respectively (YTD 2021: improved by 22% and 18%), as compared to the same period last year.

CannMartMD Inc.

CannMartMD revenue decreased by \$15 thousand in Q3 2021 (YTD 2021: \$57 thousand). Adjusted EBITDA and EBITDA both decreased mainly due to a different corporate cost allocation approach in 2021, with more software and consulting costs allocated from Corporate to CannMartMD (YTD 2021: decreased by 59% and 60% respectively, as compared to the same period last year).

Australian Vaporizers

Australian Vaporizers revenue decreased by \$29 thousand or 2% in Q3 2021 compared to the same period last year (YTD 2021: revenue increased by \$545 thousand or 13%). In Q3 2021 Adjusted EBITDA and EBITDA improved by 120% and 119%, respectively (YTD 2021: improved by 130% and 131%), as compared to the same period last year.

Findify

Findify revenue increased by \$35 thousand in Q3 2021 compared to the same period last year (YTD 2021: by \$170 thousand). In Q3 2021, Adjusted EBITDA and EBITDA improved by 123% and 120% respectively (YTD 2021: improved by 53%), as compared to the same period last year.

Lifeist Vapes

Lifeist Vapes revenue decreased by \$683 thousand in Q3 2021 compared to the same period last year (YTD 2021: by \$4.5 million), primarily due to the closure of certain EU operations and Brexit limitations. In Q3 2021, Adjusted EBITDA and EBITDA both improved significantly by 79% and 83%, respectively (YTD 2021: improved by 74% and 78%), as compared to the same period last year, as a result of reductions in the operating costs and lower corporate cost allocations.

Corporate

In Fiscal 2020, the Corporate division began allocating shared service expenses to the other CGUs. Corporate unit operating costs remained comparable to the same period prior year, offset by material favourable non-recurring Other Restructuring Costs reversals and FX unrealized gain recognized in Q3 YTD 2020, resulting in lower negative EBITDA and Adjusted EBITDA in 2020.

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RISKS AND RISK MANAGEMENT

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

Impact of Coronavirus ("COVID-19")

The rapid spread of COVID-19 has affected both people and global operations and may continue to do so for the foreseeable future. The extent of the financial and operational impact of COVID-19 has yet to be fully determined. The impact on the Company has/ may include curtailment of operations if deemed non-essential, logistic issues related to supply and delivery of products, stock market volatility resulting in both valuation changes to Lifeist's portfolio investments and limiting access to market capital, revaluation of other financial assets, foreign translation risk as a result of the declining Canadian dollar, and delays in financial reporting. Canadian securities regulators have recognized the latter and provided blanket relief for filers with up to 45 day filing extensions. The Company has leveraged this for both the annual filings and first quarter reporting.

To minimize the spread of the virus and its impact on the operations, the Company has instituted measures including creating a committee focused on consistent and open communications with the staff, implementing best in-class hygiene practices, facilitating remote work locations, where possible, imposing travel restrictions and minimizing social exposure by conducting meetings remotely.

Regulatory Environment

The Company operates in a new and highly regulated industry and is dependent on receiving and maintaining licences in good standing with Health Canada ("HC"). The Company believes that it currently holds or has applied for all necessary licences/permits to carry on the activities which it is currently conducting under applicable laws and regulations. The Company may incur ongoing costs and obligations related to changing regulatory laws. Failure to comply with regulations may result in additional costs for corrective measures, penalties, or restrictions on the Company's operations.

HC routinely inspects license holders to ensure compliance with existing regulations. The Company is continuously reviewing and improving its standard operating procedures, associated operational plans, and employee training, both proactively and in response to these routine inspections. The Company responds to all inspections in a timely manner, including in relation to any noted areas of concern. If the Company fails to comply with applicable laws, regulations, guidelines, and enforceable policies, the Company may be the subject of enforcement action, which could include incurring additional costs or penalties, or the Company's licence may be restricted, suspended, or revoked.

Lack of Control Over Operations of Supply Partners

The Company's business relies on its supply partners to execute on its business plans and produce cannabis products. The operators of its partners have significant influence over the results of operations of the

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partners. Further, the interests of the Company's and the operators of the partners may not always be aligned. As a result, there is a risk to the Company that at any time those third parties may: (a) have business interests or targets that are inconsistent with those of the Company; (b) take action contrary to the Company's policies or objectives; (c) be unable or unwilling to fulfill their obligations under their agreements with the Company; or (d) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party's ability to perform its obligations. The Company must also rely, in part, on the accuracy and timeliness of the information it receives from the supply partners, and uses such information in its analyses, forecasts and assessments relating to its own business. If the information provided by its partners to the Company contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

Supply Arrangements with Provincial Governments

The Company expects to derive a significant portion of its future revenues from its supply arrangements with the various Canadian provinces. There are many factors which could impact the Company's contractual and other arrangements with the provinces, including but not limited to availability of supply, product selection and the popularity of the Company's products with retail customers. If the Company's supply arrangements with certain Canadian provinces are amended, terminated or otherwise altered, the Company's sales and results of operations could be adversely affected, which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's supply arrangements with the various Canadian provinces do not contain purchase commitments or otherwise obligate the provincial or territorial wholesaler to buy a minimum or fixed volume of cannabis products from the Company. The amount of cannabis products that the provincial or territorial wholesalers may purchase under the supply arrangements may therefore vary from what the Company expects or has planned for. As a result, the Company's revenues could fluctuate materially in the future and could be materially and disproportionately impacted by the purchasing decisions of the provincial or territorial wholesalers. The Company cannot accurately predict the quantities of its products that will be purchased by the provincial or territorial wholesalers, or if they will purchase any products at all. Any inability to secure purchase orders could have a material adverse effect on the Company's business, financial condition or results of operations.

Development of New Products

It is likely that the Company, and its competitors, will seek to introduce new products in the future, including additional edible cannabis product formats and cannabis derivatives. In attempting to keep pace with any new market developments, the Company may need to deploy significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. As well, the Company may be required to obtain and maintain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, gaining market acceptance for such products or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

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New Well-capitalized Entrants

Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk exists that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger or a larger number of production facilities, which trend is now being observed by the Company. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing, and distribution resources, and be better capitalized. Larger competitors could establish price setting and cost controls which would effectively “price out” many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While the approach in most laws and regulations seemingly deters this type of takeover, this industry remains nascent and as indicated above this trend is being observed, so what the landscape will be in the future remains largely unknown.

Negative Cash Flow from Operations

To date, the Company has had negative cash flow from operating activities. To fund anticipated growth, additional funds may be required. A portion of these funds may be funded out of the net proceeds of an offering of securities for which a shelf prospectus has been filed. The building and operation of the Company’s facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Company may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures and to undertake additional acquisitions or other business combination transactions to the point where it is generating positive cash flows.

Impact of the Illicit Supply of Cannabis

In addition to competition from licenced producers and those able to produce cannabis legally without a licence, the Company also faces competition from unlicensed and unregulated market participants, including illegal dispensaries and black-market suppliers selling cannabis and cannabis-based products in Canada.

Despite the legalization of medical and adult-use cannabis in Canada, black market operations remain and are a substantial competitor to the Company’s business. In addition, illegal dispensaries and black market participants may be able to (i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current Canadian regulations, (ii) use marketing and branding strategies that are restricted under the Cannabis Act and Cannabis Regulations, and (iii) make claims not permissible under the Cannabis Act and other regulatory regimes. As these illicit market participants do not comply with the regulations governing the medical and adult-use cannabis industry in Canada, their operations may also have significantly lower costs.

As a result of the competition presented by the black market for cannabis, any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from licenced producers for any reason or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could (i) result in the perpetuation of the black market for cannabis, (ii) adversely affect the Company’s market share and (iii)

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adversely impact the public perception of cannabis use and licenced cannabis producers and dealers, all of which would have a materially adverse effect on the Company's business, operations and financial condition.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Company's securities should not place undue reliance on such articles and reports. Future research studies may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Liability

As a processor and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a processor, distributor and retailer of medical cannabis, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis, the Company may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects

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or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. Additionally, if one of the Company's products were subject to recall, the image of that product and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Vaping and Vaping Products

On October 4, 2019, the U.S. Food and Drug Administration issued a warning to the public to stop using vaping liquids containing cannabis derivatives and ingredients, such as CBD and THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. Such warnings appear to be particularly focused on the use of vaping liquids purchased from unlicensed or unregulated retailers. Lung injuries associated with the use of cannabis derivatives containing vaping liquid have equally been reported in Canada but to a lesser extent. In response, Health Canada has issued an information update advising Canadians who use cannabis derivatives containing vaping liquids to monitor themselves for symptoms of pulmonary illness. There may be further governmental and private sector actions aimed at reducing the sale of cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. These actions, combined with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for vaporizer products. Federal, provincial and local regulations or actions that prohibit or restrict the sale of vaporizer products including cannabis derivative vaping liquids, or that decrease consumer demand for the Company's products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the financial condition and results of operations of the Company.

Increased Tax on Products

Supply to the Company's customers is sensitive to increased sales taxes and economic conditions affecting their disposable income. Discretionary consumer purchases, such as cannabis, vaporization products and consumption accessories, may decline during recessionary periods or at other times when disposable income is lower, and taxes may be higher. Presently, the sale of products is, in certain jurisdictions, subject to federal, state, provincial and local excise taxes like the sale of conventional cigarettes or other tobacco products, all of which generally have high tax rates and have faced significant increases in the amount of taxes collected on their sales. Other jurisdictions are contemplating similar legislation and other restrictions on electronic cigarettes and certain other vaporizer products. Should federal, state, provincial and local governments and/or other taxing authorities begin or continue to impose excise taxes similar to those levied against conventional cigarettes and tobacco products on cannabis, vaporization products or consumption accessories, it may have a material adverse effect on the demand for those products, as consumers may be unwilling to pay the increased costs, which in turn could have a material adverse effect on the Company's business, results of operations and financial condition. The Company may become

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involved in regulatory or agency proceedings, investigations, and audits. The Company's business, and the business of the suppliers from which the Company acquires the products it sells, requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company or such suppliers to regulatory or agency proceedings or investigations and could also lead to damage awards, fines, and penalties. The Company or such suppliers may become involved in a number of government or agency proceedings, investigations, and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation or the reputations of the brands that the Company sells, require the Company to take, or refrain from taking, actions that could harm the Company's operations or require the Company to pay substantial amounts of money, harming the Company's financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, and results of operations.

In addition to the above, the Company is also subject to other risk factors as described in greater detail under the heading "Risks Factors" in the Company's Annual Information Form for the Fiscal year ended November 30, 2020, and available under the Company's profile at www.sedar.com.

NON-IFRS FINANCIAL MEASURES

The following table reconciles net loss to Adjusted EBITDA for the three and nine months ended August 31, 2021 and 2020:

	Three months ended		Nine months ended	
	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20
Adjusted EBITDA	(5,345,555)	(5,832,435)	(17,308,020)	(17,554,291)
Other expense (income)	65,783	(235,487)	699,378	(513,612)
Foreign exchange loss (gain)	(24)	1,737,576	80,212	893,998
Restructuring and other costs	-	-	-	(1,300,000)
Impairment loss on loans receivable	-	-	-	322,887
Impairment of investment in associate	-	-	-	1,016,127
Share of associate's loss, net of tax	-	-	-	329,652
EBITDA	(5,411,314)	(7,334,524)	(18,087,611)	(18,303,343)
Income tax expense (recovery)	106,369	45,309	94,919	78,057
Depreciation and amortization	535,739	453,662	1,515,608	1,686,131
Net loss	\$ (6,053,422)	\$ (7,833,495)	\$(19,804,506)	\$(20,067,532)

- i. Other expense (income) consists of interest income, unrealized gain on derivatives and equity investments at fair value through profit and loss ("FVTPL") and other miscellaneous nonrecurring expenses excluded from Adjusted EBITDA calculation.
- ii. Share of associates' loss, net of tax, is excluded due to lack of control.

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- iii. Current and deferred income taxes, depreciation and amortization, foreign exchange on revaluation and share based compensation were excluded from the Adjusted EBITDA calculation as they do not represent cash expenditures.

SUBSEQUENT EVENTS

Effective September 9, 2021, the Company confirmed corporate name changes for the following entities:

Previous Legal Name	Current Legal Name
Nameste Technologies Inc.	Lifeist Wellness Inc.
Namaste Technologies Holdings Inc.	Lifeist Worldwide Inc
NamasteMD Inc.	CannMartMD Inc.