



## **LIFEIST WELLNESS INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)**

For the Three and Nine months ended August 31, 2023 and August 31, 2022

#### **LIFEIST WELLNESS INC. MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM MANAGEMENT DISCUSSION AND ANALYSIS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if any auditor has not performed a review of the Interim Management Discussion and Analysis, it must be accompanied by a notice indicating that the Management Discussion and Analysis has not been reviewed by an auditor. The accompanying unaudited Interim Management Discussion and Analysis of the Company has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this Management Discussion and Analysis in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of Interim Management Discussion and Analysis by an entity's auditor.

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## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

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# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

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### MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) for Lifeist Wellness Inc. (the “Company” or “Lifeist”), covers the Company’s financial performance during and subsequent to the Third quarter ended August 31, 2023 and up to the date of this report, October 27, 2023. This MD&A should be read in conjunction with Lifeist’s Unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended August 31, 2023 and Audited Consolidated Financial Statements for the year ended November 30, 2022.

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 TSX Venture Exchange 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](http://www.sedar.com)) and additional information on the Company can be obtained at [lifeist.com](http://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 Labs Inc., ("Labs"), one of a limited number of facilities licensed for BHO (butane hash oil) extraction within Canada;
- Australian Vapes ([AustralianVaporizers.com.au](http://AustralianVaporizers.com.au)), one of the largest online suppliers of hardware, including vaporizers, and related accessories in Australia; and
- Mikra, Cellular Sciences Inc., a biosciences and consumer wellness company developing innovative therapies for cellular health and recovery. Mikra's CELLF is available for purchase at [WeAreMikra.com](http://WeAreMikra.com) and on Amazon.com

### *CannMart*

The CannMart business unit is composed of CannMart (a Licensed Producer (LP) under the Cannabis Act), and Labs (a Licensed BHO extraction facility). CannMart delivers branded cannabis and cannabis derived products safely, reliably and consistently to recreational cannabis consumers in Canada through supply agreements with provincial government cannabis control boards and retailing bodies.

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

#### *B2B Customers:*

- Alberta Gaming, Liquor & Cannabis
- BC Liquor Distribution Branch
- Cannabis New Brunswick
- Liquor Gaming and Cannabis Authority of Manitoba
- Northwest Territories Liquor and Cannabis Commission
- Nunavut Cannabis
- Ontario Cannabis Store
- Saskatchewan Liquor and Gaming Authority
- Société Québécoise du Cannabis (SQDC) (Quebec)
- Yukon Cannabis
- PEI Cannabis
- Newfoundland Labrador Liquor Corporation

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### *B2B Distribution partners:*

- Apothecary
- Rilaxe

CannMart offers cannabis products to both the provinces and stand-alone businesses through its business-to-business (B2B) sales channel. CannMart maintains supply agreements with provincial government cannabis control boards and retailing bodies in the provinces and territorial bodies of Ontario, Quebec, Alberta, British Columbia, Manitoba, Yukon, New Brunswick, Saskatchewan, Nunavut, and Northwest Territories, Newfoundland Labrador, and PEI.

Labs is one of a limited number of licensed facilities for BHO (butane hash oil) extraction within Canada. Labs' 6,000 square foot state-of-the-art facility in Etobicoke, Ontario was purpose-built for BHO oil extraction and incorporates leading technology. Completed in Q3 2021, the facility is capable of producing live resin, shatter, sugar wax, diamonds and other hydrocarbon cannabis products, with potential future products such as vape cartridges, gel capsules, tinctures and edibles. The Company's strategic vision to use Labs as a platform to introduce a larger portfolio of higher margin cannabis products to the Canadian market.

### *Mikra, Cellular Sciences Inc.*

Mikra is Lifeist's biosciences and consumer wellness subsidiary seeking to unlock cellular potential and maximize the health of humans. Incorporated in September 2021 in Florida, U.S.A. and launched publicly in November 2021, with Mikra the Company enlarged its total addressable market (TAM) to include the growing \$105 billion nutraceutical market in the U.S. alone.

In Q2 2022, Mikra launched its first product, "CELLF™", a novel cellular therapeutic compound targeting systemic fatigue. As part of pre-launch activities of CELLF, Mikra filed a patent application with the United States Patent and Trademark Office and has partnered with InVivo Biosystems, Inc. for pre-clinical trials to strengthen its patent claim.

CELLF is manufactured in a proprietary oxygen-deprived environment to maintain biopotency and bioavailability with clinically tested United States Food & Drug Administration (FDA) certified GRAS (generally recognized as safe) bioactive ingredients. The CELLF compound delivery system is a two-stage, patented mechanism — it is first bound to a transferrin glycoprotein and then encapsulated within a liposome. This allows safe passage of CELLF through the gastric environment and delivery directly into the blood plasma. The result is optimal delivery of our compound with minimal degradation to the best site of absorption. CELLF is shipped in a package containing 30 X 10ml single-serve sachets to prevent oxidation and maximize bioavailability.

In December 2022, Mikra launched its second consumer product, RESCUE, a 100% naturally derived and rapid-acting digestive aid. Each high impact dose contains pure, fine-milled activated coconut charcoal powder made from super-heated coconut shells which acts to trap the body's toxins and chemicals within its pores. The toxins and chemicals stick to the porous surface of the active detox element through absorption and are then eliminated safely and rapidly through the body's natural digestive and metabolic processes.

Manufactured in the United States, RESCUE is 100% vegan and free from soy, gluten, GMOs, dairy, egg and animal products. There are no fillers, additives, or alternate carbon sources. Furthermore, the packaging furthers

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Mikra's sustainability goals. The glass jar and exterior box (for first month/one-time purchasers) are fully recyclable, and the low-waste biofilm refill pouch and label are compostable.

Mikra's CELLF and RESCUE are available for purchase at [WeAreMikra.com](http://WeAreMikra.com) and on Amazon USA.

In November 2021, Mikra announced an exciting collaboration as part of its focus on nutraceuticals, joining forces with the highly accomplished athlete Jose Bautista. With an impressive track record in MLB and the Olympics, Bautista has taken on the role of advisor at Lifeist and is actively involved in the development of an exclusive line of cellular health products and accessories.

The initial collaboration centered around a remarkable cellular therapeutic designed for athletes aged 30 and above to optimize exercise performance, reduce post-workout fatigue and inflammation, and accelerate recovery time. While this product remains targeted for distribution in the second half of 2023, the teams are working to expand the collaboration into a diverse line of cellular health products and accessories.

In January 2023, Lifeist announced a distribution agreement with GNC for CELLF™ v1.2 and its future derivatives in the United States through retail stores, at [gnc.com](http://gnc.com) and on GNC's channel on [Amazon.com](http://Amazon.com). GNC is a leading global health and wellness brand that provides high-quality, science-based products and solutions consumers need to live mighty, live fit, and live well. Mikra and GNC are refining marketing strategies, packaging, and display designs, with the future goal of making a significant impact within GNC's complex vendor system.

### *Australian Vaporizers*

Australian Vaporizers is one of Australia's largest online suppliers 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](http://AustralianVaporizers.com.au).

### *Strategic Sharpening of Focus*

The Company maintains its focus by prioritizing core growth businesses and making the tough decisions to consolidate, sell, or shut down ventures that do not meet growth and/or profitability metrics. This strategic approach allows the Company to concentrate resources on what truly drives value, ensuring a more sustainable and prosperous future. By streamlining operations, efficiencies can be optimized, and superior results can be achieved.

### 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](http://CannMartMD.com) platform connects medical clients with health care practitioners to issue and renew medical cannabis authorizations online more readily, and also has a clinical referral program with brick-and-mortar clinics.

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Effective February 2022, the Company discontinued operations of CannMart MD Inc., as part of its long-term strategy to focus resources on growing existing businesses and its new nutraceuticals and biosciences division.

### Lifeist Vapes

Lifeist Vapes is composed 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 direct fulfillment arrangements.

In August 2020, the Company consolidated all of its hardware and ancillary product sales in Canada through its [CannMart.com](http://CannMart.com) e-commerce platform.

In Q4 2021, the Company discontinued operations of Lifeist Vapes, as part of its long-term strategy to focus resources on growing existing businesses and its new nutraceuticals and biosciences division.

### Findify

On May 26, 2022 the Company has sold all of the issued and outstanding shares of Findify to Maropost AB, a wholly owned Swedish subsidiary of Maropost Inc., for total consideration of US\$4,075,765 in cash.

### ***Corporate***

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

### Pineapple Express Delivery Ltd.

Pineapple is in the business of delivering legal medicinal and recreational cannabis in Canada.

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 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, the Company issued an option to WCE giving WCE the option to buy the Company’s remaining 30.3% interest in Pineapple. The option was exercisable by WCE for a 60 day period beginning on March 31, 2022, which is two years from the closing date. Based on the terms of the option, the Company has determined that the fair value was \$nil as at November 30, 2020 and February 28, 2022.

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The option was not exercised, since on December 9, 2021, Fire & Flower Holdings Corp. (Fire & Flower) entered into a definitive agreement to acquire Pineapple Express Delivery Inc. (PED), a holder of the Company's convertible loan receivable. On January 25, 2022, Fire & Flower completed the acquisition of PED, and, as part of the purchase, Fire & Flower assumed and repaid \$2,044,077 of the convertible loan receivable owed to the Company by PED. In addition, and as part of the PED acquisition, the Company received 75,100 Fire & Flower shares in Q1 2022 and 45,502 Fire & Flower shares in Q2 2022, all of which were sold in Q2 2022. In March 2023 the Company received additional 128,838 Fire & Flower shares by way of earn-out, all of which were sold in Q2 2023.

### STRATEGY AND OUTLOOK

Sitting at the forefront of the growing wellness movement, Lifeist is a health-tech company that leverages advancements in science and technology to build breakthrough companies that transform human wellness.

People are increasingly recognizing that wellness is a key component of healthy living. When people embrace wellness, they have enough energy to do things they need to do every day, they feel confident in themselves, they have a good work/school/home/life balance, they are able to handle stress effectively, and they are in good physical health. We believe that wellness is the antidote to living in modern times.

Lifeist's mission is to help people find their individual path to wellness. The Company is currently focused on business development opportunities within the wellness space across cannabis, nutraceuticals and other areas, including:

#### *Cannabis*

- **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.
- **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 recreational channels. The Company believes that outsourcing certain functions allows CannMart to expand SKU capacity, sales and fulfill consumer demand without additional capital expenditure, resulting in higher margins and lower overhead costs.
- **Scaling up production at Labs for extraction products, including in-house brands.** Through Labs, the Company is looking to meet the needs of Canadian recreational cannabis customers with an expanded portfolio of high margin and high-quality cannabis products, including the development of in-house brands. In 2021, Labs received a standard processing licence from Health Canada under the Cannabis Act (Canada) for cannabis extraction activities, and thereafter completed a dedicated purpose-built facility, which incorporates leading BHO extraction technology. In 2022, Labs commenced commercial production of extraction products and has continued to expand its production capacity and introduce new SKUs and products, including manufacturing of Live Resin, Shatter, Sugar Wax, and Diamonds. This progress is allowing CannMart not only to expand to new territories, but also to cross and up sell in

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existing territories and to get new products to market quickly and efficiently, while maximizing margins. Additionally, CannMart has continued to invest in the growth of its in-house brands, which have stronger margins and allow the Company to be more competitive on price.

- **Execution of supply agreements.** Since September 2019, CannMart has developed its recreational channel by executing supply agreements with provincial government cannabis control boards and retailing bodes. CannMart has been approved for the sale of cannabis and cannabis derived products, and receives purchase orders from provincial bodies in Ontario, Quebec, Alberta, British Columbia, Manitoba, New Brunswick, Saskatchewan, Yukon and Northwest Territories, Nunavut, Newfoundland Labrador and PEI.
- **Sales growth of the in-house brands.** The Company continued to invest in the growth of its in-house brands, which have stronger margins and allow the Company to be more competitive on price.

### *Nutraceuticals*

- **Expansion into new pathways of wellness.** The Company is broadening its total addressable market, by adding pathways beyond cannabis, including a launch of its new nutraceutical division, Mikra, in Q4 2021. The Company conducted extensive consumer and competitive landscape research within the nutraceutical market 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 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. The Company will continue to leverage the research and delivery mechanisms to seek opportunities in other wellness verticals.

### *Other Areas*

- **Expansion into controlled substances.** The Company has also explored additional wellness pathways including controlled substances. 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-methylenedioxyamphetamine), which would allow Labs to sell these controlled substances to individuals (or their compounding pharmacies), researchers and companies undertaking clinical trials. In Q2 2022 Labs received approval from Health Canada to begin construction at its facility as part of its application for the Dealer's License, however, in the immediate term Labs has decided not to commence construction at the facility as it instead allocates its capital and resources towards further advancing its product pipeline within cannabis. The Company will continue to evaluate the overall regulatory and market landscape, and reserves the option to commence construction as needed.

### *Financial Milestones*

In Fiscal 2023, the Company continues to focus 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. The Company shifted its focus from Gross to Net Revenues

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and Gross Profit in order to drive improved profitability. This is reflective of the Company’s strategic effort of repositioning its segments and improving overall profitability, adjusted EBITDA and EBITDA across all divisions. Fiscal 2022 results include a loss of two months of sales for Australian Vaporizers in Q2 2022, as a result of flood damage (details about the flood are included below) and related operational disruption.



In Q3 2023 cannabis revenue represented 60% of total net revenues from continued operations, as compared to 74% for the same quarter last year.

Furthermore, the Company has focused on generating continuous improvement in its operations. Efforts to improve KPIs such as shorter delivery times, faster inventory turns, and scaling up of new sales functions have allowed the Company to capture more revenue, reduce risk of inventory write downs and identify new sales opportunities in new territories.

### RECENT DEVELOPMENTS

#### March 9, 2023

***CannMart launched a new business-to business (“B2B”) platform to facilitate wider wholesale distribution for its exclusive partnership with award-winning Hamilton Devices***

The new B2B portal has been launched based on the initial success CannMart has demonstrated since becoming the exclusive Canadian distribution partner for Hamilton Devices in fall 2022. Leveraging its existing wholesale distribution channel, the portal makes these award-winning products available to a wider range of customers, including head shops, vape and smoke shops, convenience stores, including gas stations, and other retailers that sell cannabis accessories. By focusing promotions and client-building through these on-trade opportunities, the Company expects to broaden opportunities for expanding Hamilton Devices across Canada beyond the 3,700 cannabis specific stores. The on-trade network of retailers capable of selling cannabis accessories exceeds 10,000 across Canada.

#### March 16, 2023

***Lifeist closed a private placement of secured convertible debentures***

Lifeist closed a non-brokered private placement (the “offering”) of secured convertible debentures for

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aggregate gross proceeds to the Company of \$100,000. The Company intends to use the proceeds from the Offering to help fuel expansion of Lifeist's cannabis and nutraceuticals businesses, CannMart and Mikra.

The Debentures sold in the Offering carry a principal amount of \$117,647 including an original issuance discount of 15%, will not bear interest, and mature on March 15, 2024. Holders of the debentures will be entitled to convert the funded amount of the debentures at any time on or prior to the maturity date into common shares of the Company at a conversion price of \$0.065, subject to standard adjustments. The repayment of the principal amount of the debentures will be secured by a security agreement over specific equipment of the Company.

This offering is part of an offering by the Company of Debentures to raise up to a maximum of \$450,000 to be completed in one or more tranches as the Company may determine. There are no warrants and no finders fees associated with the Offering.

#### **March 28, 2023**

##### ***Mikra debuted on Amazon.com***

Mikra debuted on Amazon.com: beginning March 28, 2023 consumers can purchase CELLF on Amazon in the United States and RESCUE in both the United States and Canada. CELLF and RESCUE are eligible for Amazon Prime free shipping benefits.

Selling on Amazon in both the U.S. and Canada is a major distribution milestone for Mikra that will help to catalyze Mikra's growth and is the latest indicator that Mikra is on track to become a strong nutraceuticals asset that can sit alongside CannMart in Lifeist's wellness portfolio. By targeting the large and growing nutraceutical and wellness market, Mikra is positioned to contribute revenue and margin expansion to Lifeist.

#### **April 6, 2023**

##### ***CannMart's Roilty delivered continued sequential, month-over-month and year-over-year growth in Ontario, Canada's largest provincial cannabis market***

This is highlighted by an over 30% increase in unit sales in Ontario from Q4 2022 to Q1 2023, largely due to the expansion of SKU breadth in the province. The strong performance continues to support expanding gross margins for CannMart and is contributing to improved profitability overall for Lifeist.

Having launched in Ontario with three Roilty SKUs in July 2022, CannMart has secured approval for an additional four SKUs on the most recent provincial submission with the OCS, including a shatter, live resin, distillate vape and an additional multi-pack of live resin. CannMart expects to have a total of 16 Roilty SKUs in the Ontario market by the end of Q3 2023.

Roilty's over 30% growth in Ontario, the largest provincial cannabis market in Canada, speaks volumes for the success and momentum the Roilty brand has garnered. CannMart is leveraging its strong relationship with the OCS, sales trade support at the retail level, and other marketing channels, to expand Roilty across the province, and in doing so, driving higher profitability for CannMart business. Roilty's growing adoption and larger market presence in Ontario is helping CannMart deliver on one of the Company's key strategic priorities –

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profitable growth.

### **April 13, 2023**

#### ***Mikra completed its first pre-clinical study aimed at understanding the effect of CELLF on health span and lifespan***

Mikra partnered with InVivo Biosystems, an expert in CRISPR genome editing, to test whether CELLF could improve health span (*the years of ones' life spent in good health*) and protect against reactive oxygen species. The researchers identified non-toxic concentrations of CELLF and found that it increased both lifespan (*the number of years lived*) and health span in animals, especially late in life. Additionally, researchers found that treatment with CELLF resulted in differential gene expression profiles, particularly affecting key members of established longevity pathways such as insulin/insulin-like growth factor-1 signaling (IIS), autophagy/mTOR pathway, and stress response pathway. Lastly, it was observed that CELLF had antioxidant properties and reduced the damage caused by exposure to pesticides in the study.

### **May 3, 2023**

#### ***Mikra Begins Production Activities for its New Wellness-Focused Protein Bar Ahead of Schedule***

Mikra has begun production activities on its new wellness-focused protein bar, “Chroma”, ahead of schedule. Chroma will mark Mikra’s third product but its first to offer consumers a healthy alternative nutritional bar packed with cordyceps, free of added sugars, and certified gluten-free and vegan. Mikra is finalizing production activities of a truly delicious and satisfying nutritional bar that maintains a chocolatey consistency with a delightful fudge aroma. Mikra believes that Chroma will attract a broad and diverse health conscience audience and that our grocery-focused formulation will appeal to large brick and mortar chains like Whole Foods Market, small gyms, studios and health-focused shops alike. Derived from the word “Chromatin” Mikra’s first product in the food and snacks category is designed to be tasty, approachable but still uniquely healthy, in order to differentiate itself within this competitive space. Beyond being certified gluten-free and vegan, Chroma is:

- Packed with Cordyceps – an adaptogenic compound whose effects of stress, anxiety and fatigue are enthusiastically being studied
- Contains zero sugar alcohols with 9 grams of net carbs
- Contains zero added sugars with a low glycemic index – perfect for diabetics as well as those looking for a low-carb, high-protein bar
- Contains 15g of protein with a full amino acid profile to build and maintain muscles
- Meets 25% of the daily requirement of iron

### **May 18, 2023**

#### ***CannMart Reports Growth Across Popular Categories and New Product Launches***

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Under the CannMart brand, Zest Cannabis and Rilaxe are showing strong sell-through, sales growth and SKU expansion across Canada in several fast-growing product categories. Zest has achieved average store penetration of 20% across Canada, with Rilaxe achieving 30% market penetration in Manitoba and Saskatchewan, with new SKUs expected to launch in Ontario and Quebec by the end of the year.

Zest and Rilaxe are complimentary to CannMart's best-selling concentrate brand, Roilty, with Zest offering premium quality extract-infused pre-roll and Liquid Diamond vape products, and Rilaxe with health-conscious dried fruit edibles and soon canna-cigar Rilaxe Berri Blunts.

Zest Cannabis has exhibited growth in the popular infused pre-rolls and extract vape categories, with the following achievements:

- Zest product sales grew at an average rate of 11% month-over-month in April across Ontario, Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut and Yukon.
- Zest achieved store penetration of 25% in Manitoba and Saskatchewan, while Alberta and Ontario experienced store penetration of 16%, with a combined increase of 130 stores in the last 15 days.

Rilaxe has also experienced success across Canada, and plans to expand its product range by Q4 2023, including:

- The launch of 7 SKUs in Quebec early in Q4 2023, featuring additional dried fruit and vegetable products with a 2:1 THC to CBD ratio plus bulk CBD products.
- In Ontario, Rilaxe will expand its offerings with a retro pop-culture inspired edibles collection, including 1:1 Sour Peach, 1:1 Sour Cherry, and an exciting spicy orange rice cracker 1:1 Spicy Firecrackers.
- Rilaxe will also enter the fast-growing canna-blunts sub-category with their Berri Blunts (3 x 0.7G) pre-rolls.

#### **May 19, 2023**

***Lifeist has closed a tranche of the non-brokered private placement of secured convertible debentures originally announced on March 16, 2023 for aggregate gross proceeds to the Company of \$167,125***

The Company intends to use the proceeds from the Offering to help fuel expansion of Lifeist's cannabis and nutraceuticals businesses, CannMart, and Mikra Cellular Sciences Inc. The Debentures sold in the Offering carry a principal amount of \$208,906 including an original issuance discount ("Principal Amount"), will not bear interest, and mature on May 18, 2024 (the "Maturity Date"). Holders of the Debentures will be entitled to convert the Funded Amount of the Debentures at any time on or prior to the Maturity Date at a deemed price of \$0.05 per unit, consisting of one common share and one warrant, with each warrant exercisable by the holder to acquire one additional share at \$0.05625 per share until May 18, 2026, subject to standard adjustments.

#### **June 1, 2023**

***Lifeist Wellness to acquire fast-growing 'Zest' brand***

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Lifeist has entered into a definitive share purchase agreement to acquire ‘Zest’ brand to drive growth through expanded marketing and sales as a complimentary product line to its in-house concentrate brand, Roilty. The Company will acquire 100% of 1000501971 Ontario Inc. (“Zest”) for \$3,411,707.90 (the “Acquisition”). The Acquisition is an all-stock transaction, marking another significant milestone for Lifeist’s expansion strategy.

The ‘Zest’ brand launched in September 2022 and has experienced remarkable growth within a short period of time, establishing a presence in Alberta, Ontario, Saskatchewan, Manitoba, and the Territories. With nine SKUs currently available and a store penetration rate of 22% in Alberta, Lifeist’s subsidiary, CannMart is focused on rapidly expanding and growing Zest’s market share in the markets CannMart currently serves. The brand’s success is further bolstered by developing innovative products and its ability to tap into fast-growing sub-categories within the Canadian cannabis market.

**June 8, 2023**

### ***CannMart successfully launches multi-pack concentrates in British Columbia***

CannMart’s In-house brand Roilty sells-out all stock from initial purchase order of multi-pack cannabis concentrate in British Columbia.

The introduction of Roilty Shatter multipacks in April resulted in exceptional sales, with over 3,000 units sold. The early accomplishment in BC paves the way for future expansions and the introduction of exciting products in other regions. In the British Columbia market, Roilty exclusively offers concentrate SKUs, achieving a significant 44% store penetration without the support of complementary distillate vape products. Over the past 30 days, the brand has experienced a remarkable 22% increase in points of distribution. The highly anticipated launch of Roilty’s multi-pack, featuring Catacomb Kush 0.5G and The Mountain Kush 0.5G shatters in a single package, was met with tremendous success, with stock selling out in less than four weeks contributing to the province’s average month-over-month growth of 26%.

The multi-packs provide convenience and variety, catering to diverse preferences and offering individuals an opportunity to explore different cannabis experiences in a single package. The success of this multi-pack offering in the province of British Columbia is mirrored in the release of the same formats in Ontario. Initially the province took on a single multi-pack through the OCS flow-through model which allows for retailers to order directly from a licensed producer. The model allows stores to curate their in-store product mix more effectively for their consumer’s needs. The OCS has taken on more multi-packs from Roilty, increasing the SKU count to 6 multi-packs by the end of Q3 2023, including 4 general list products, and 2 flow-through offerings. The strong performance in both British Columbia and Ontario has contributed to increasing gross margins for CannMart and improved overall profitability for Lifeist.

**June 30, 2023**

### ***Lifeist Wellness Announces Agreement with Singular Narrative Management Ltd.***

# **LIFEIST WELLNESS INC.**

## **Management Discussion and Analysis**

For the three and nine months ended August 31, 2023

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The company has reached an agreement with Singular Narrative Management, for the provision of strategic business consulting, product development, and brand marketing services to the Company as well as other services that do not include investor relations or promotional activities (the “Services”). The Agreement is for an initial term of 6 months and may be terminated by either party with 30-days’ prior notice and is automatically renewable thereafter for additional one-month periods unless otherwise terminated by either party.

Pursuant to the Agreement, the Company shall pay a monthly fee of \$20,000 to Singular for the provisions of the Services, after such services have been provided, to be satisfied in common shares (“Shares”) of the Company and common share purchase warrants (“Warrants”), with the number of Shares and Warrants issuable to Singular calculated based on dividing \$20,000 by the 5-day volume-weighted average price (“WVAP”) of the Shares for the last 5 trading days of each calendar month during which the Services are provided. The exercise price of the Warrants shall equal the greater of the “Market Price” (as defined in Policy 1.1 of the TSXV) on the trading day prior to the date of issuance of the Warrants and \$0.05 and the Warrants expire 5 years from the date of issuance.

### **July 21, 2023**

#### ***Lifeist Wellness Closes on Zest Acquisition***

Further to the Company’s news release of June 1, 2023, it has acquired 100% of 1000501971 Ontario Inc. (“Zest”) for \$3,411,707.90 (the “Acquisition”) in an all-stock transaction.

The Acquisition was completed pursuant to the terms of an amended and restated share purchase agreement, dated July 19, 2023 (the "Amended Acquisition Agreement"), which amended and restated the Share Purchase Agreement (as defined and detailed in the Company’s news release dated June 1, 2023). Pursuant to the terms of the Amended Acquisition Agreement, the Company acquired 100% of the issued and outstanding shares of Zest from Zest Cannabis Inc. and issued the Share Consideration to 13735346 Canada Inc. and 1000496959 Ontario Ltd. (together, the “Seller’s Shareholders”). The Company issued the aggregate consideration of 68,234,158 common shares of the Company (each, a "Common Share") valued at \$3.4 million (the "Consideration Shares"), on the basis of a deemed price of \$0.05 per Common Share and issued at a premium to market.

The Acquisition will enhance the competitive position of Lifeist and CannMart in the cannabis industry by adding a complementary portfolio of hydrocarbon vape, infused pre-rolls and flower SKUs to the current product assortment of cannabis concentrates offered by in-house brand Roilty. CannMart, Lifeist’s B2B wholesale distribution business facilitating recreational cannabis sales within Canada, will continue to develop and expand the Zest brand’s already strong store penetration, and broaden the scope and scale of cannabis category offerings across Canada. The Acquisition has strengthened Lifeist’s ability to serve the various and evolving needs of customers across the marketplace today and into the future.

### **August 2, 2023**

#### ***Lifeist's CannMart Increases Zest Cannabis Sales and Provides Corporate Update***

# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

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Zest's month-over-month sales has experienced steady growth from its initial market entry in August 2022. July 2023 marks its largest monthly unit sales to date, growing 39% compared to the previous month in the key sales markets of Alberta and Ontario; driven substantially by the success of Zest Liquid Diamond vapes. CannMart has expanded trade marketing and sales efforts for Zest, with an increase of points of distribution in the main sales provinces of Ontario with 16% growth, 13% in Alberta and 41% in Manitoba. This accounts for a 22% store penetration across Canada, 19% in Ontario, 29% in Alberta and 44% in Manitoba, with continued growth expected in every region over the next quarter.

The Company also announced that Barbara Boyd has resigned from the Board of Directors (the "Board") of the Company effective August 1, 2023, to pursue other opportunities.

### **August 24, 2023**

#### ***Lifeist's CannMart Maintains Momentum with Cannabis Category Growth***

The Company is continuing the strength of CannMart Inc.'s ("CannMart") in-house cannabis concentrate brand Roilty, the expansion of Rilaxe Cannabis in multiple provinces across Canada, and the strategic move to direct-to-retailer distribution in the province of Saskatchewan.

Through the strategic allocation of the marketing and sales resources, the Company is generating growth in a very competitive line of business. The commitment to budtender education, active engagement, and fostering collaborative relationships with diverse retail partners is making a difference and critical to achieving long-term profitability.

### **September 14, 2023**

#### ***Lifeist Strengthens Board with New Appointment and Announces Changes to Chief Financial Officer and Auditor***

The Company announced that John C. Sinclair has joined the Company's board of directors and has been appointed as Chief Financial Officer ("CFO"), on an interim basis, until a suitable replacement is found. Mr. Sinclair replaces Slava Klems, the former CFO, who is leaving her current role with Lifeist to pursue new opportunities. The Company is actively reviewing potential candidates for the role. As a member of the board, Mr. Sinclair will also serve as the chairperson of the Audit Committee.

### **September 18, 2023**

#### ***Lifeist Announces Sale of Non-core Subsidiary Australian Vapes***

The Company has entered into a definitive share purchase agreement (the "SPA") with Flora Growth Corp. (NASDAQ: FLGC) ("Flora") to divest and sell Australian Vaporizers Pty Limited ("Australian Vapes"), its wholly owned Australian subsidiary, to Flora for a purchase price of US\$1.9 million, subject to certain adjustments. The transaction is expected to close in late September or early in the fourth quarter of 2023.

## **LIFEIST WELLNESS INC.**

### **Management Discussion and Analysis**

For the three and nine months ended August 31, 2023

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Pursuant to the terms of the SPA dated September 17, 2023 entered into between Lifeist, as vendor, and Flora Growth Corp, as purchaser, Lifeist will sell all of the issued and outstanding shares of Australian Vapes to Flora, for total consideration valued at US\$1.9 million, payable by Flora issuing from treasury to the Company 600,676 Flora common shares, (based on a per share price equal to US\$3.1631, being the 5-day VWAP of Flora's common shares on NASDAQ immediately prior to the signing of the SPA), subject to a cash balance, working capital and inventory and inventory deposits adjustment on the closing date as set out in the SPA. The transaction constitutes a "Reviewable Transaction" pursuant to the policies of the TSXV and as such remains subject to the approval of the TSXV. The Transaction does not involve any Non-Arm's Length Parties (as defined in TSXV Policies). Kronos Capital Partners is acting as financial advisor to Lifeist.

#### **September 26, 2023**

##### ***Lifeist's Mikra Introduces Innovative New Mental Health Product***

After the successful launch of CELLF and its improved version CELLF v1.2, a cellular health nutraceutical gel formulated with bioactive compounds to positively impact your brain, heart, skin and muscular systems, Mikra is dedicated to unveiling innovative products that add healthy, active, and high-quality years to one's life. It is currently in the formulation finalization phase of achieving a proprietary supplement aimed at supporting mental health among those who wrestle with anxiety, the Company is aiming to finalize the lab formulation in the 4th quarter.

Consumers can purchase CELLF on Amazon in the United States and RESCUE in both the United States and Canada with both products eligible for Amazon Prime free shipping benefits. The Company is also working closely with major partners to refine marketing strategies, packaging, and display designs, with the future goal of making a more significant impact in both online and retail stores.

#### **October 12, 2023**

##### ***Lifeist's CannMart Expands Product Listings to the Province of Newfoundland and Labrador***

The Company has expanded its network of B2B wholesale distribution to the province of Newfoundland and Labrador. CannMart will begin with products under its in-house brand Roilty. CannMart will build from its recent success of introducing Roilty in Prince Edward Island's provincial board store network which will also pave the way for product expansion of CannMart's second in-house brand Zest.

#### **October 24, 2023**

##### ***Lifeist Terminates Agreement for Sale of Australian Vapes***

The Company announced the termination of the share purchase agreement (the "SPA") entered into on September 17, 2023 with Flora Growth Corp. to divest and sell Australian Vaporizers Pty Limited, its wholly owned Australian subsidiary, to Flora. The transaction and its details were previously disclosed in a news release dated September 18, 2023. The SPA was terminated, in accordance with its terms, effective October 20, 2023, the agreed-upon closing date for the completion of the transaction, as a result of a certain

# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

condition precedent which must be fulfilled at or before the closing not being fulfilled, thereby allowing either party to terminate the SPA, which the Company was obligated to do in the circumstances.

The Company will continue to explore opportunities that will enhance our position as a leader in the wellness market and in parallel will continue to operate Australian Vaporizers and accelerate plans to increase its growth.

### FINANCIAL DISCUSSION

#### Operational Results

Selected financial information from the condensed consolidated interim statements of Operation and Comprehensive Loss for the three and nine months ended August 31, 2023 and 2022 are presented below:

	Three months ended		Nine months ended	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
<b>Gross revenue</b>	\$ 6,438,954	\$ 8,855,459	\$ 21,512,164	\$ 20,724,621
Excise taxes	(1,645,473)	(2,020,543)	(4,577,617)	(4,889,740)
<b>Net revenue</b>	<b>4,793,481</b>	<b>6,834,916</b>	<b>16,934,547</b>	<b>15,834,881</b>
Cost of goods sold	3,366,106	5,448,308	12,271,695	12,916,722
<b>Gross profit before inventory adjustment</b>	<b>1,427,375</b>	<b>1,386,608</b>	<b>4,662,852</b>	<b>2,918,159</b>
<i>Gross profit (before inventory adjustment) as a % of net revenue</i>	30%	20%	28%	18%
Inventory adjustment	32,998	(1,637,859)	60,662	(427,645)
Operating costs	3,063,087	3,789,794	10,342,249	11,207,031
Professional fees	189,214	285,155	753,886	1,146,896
Share-based compensation	204,858	105,117	755,596	336,622
Restructuring and other costs	-	-	83,333	-
<b>Adjusted EBITDA</b>	<b>(2,062,782)</b>	<b>(1,155,599)</b>	<b>(7,332,874)</b>	<b>(9,344,745)</b>
Other (income)	6,499	482,565	(445,752)	273,778
Foreign exchange loss (gain)	2,224	4,930	(13,872)	47,740
<b>EBITDA</b>	<b>(2,071,505)</b>	<b>(1,643,094)</b>	<b>(6,873,250)</b>	<b>(9,666,263)</b>
Income tax expense (recovery)	10,040	(31,284)	107,642	(233,439)
Depreciation and amortization	287,858	332,213	882,097	1,120,092
<b>Net loss from Continued Operations</b>	<b>(2,369,403)</b>	<b>(1,944,023)</b>	<b>(7,862,989)</b>	<b>(10,552,916)</b>
Net Gain from Discontinued Operations	-	-	-	4,096,558
(Loss) from Discontinued Operations	-	-	-	(836,062)
<b>Net loss</b>	<b>(2,369,403)</b>	<b>(1,944,023)</b>	<b>(7,862,989)</b>	<b>(7,292,420)</b>

#### *Gross and Net revenue*

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

# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

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Overall nine month YTD growth was driven mainly by CannMart, Australian Vaporizers, followed by newly launched nutraceuticals sales by Mikra.

CannMart's success was a result of increased volume of orders from provincial and retail customers, addition of new SKUs across several product categories. Mikra's newly launched product line had an initial success with a complete sell-out of its pilot batch. However, due to unprecedented supply chain challenges due to the war in Ukraine, resulting in increased costs and lead times for Glycerin, Sunflower Oil, and MCT Oil, Mikra experienced stock-out situations for the majority of Q2 2022 slowing down potential ramp-up periods. During this time, Mikra continued to see demand for its product, CELLF as demonstrated by a steady influx of backorders and less than 20% churn on active subscription orders.

In Q1 2023, Mikra launched RESCUE a 100% naturally derived and rapid-acting digestive aid. Each high-impact dose contains pure, fine-milled activated coconut charcoal powder made from super-heated coconut shells which act to trap the body's toxins and chemicals within its pores. Designed as a "basket-builder" RESCUE is priced at \$18USD and is currently sold on [www.waaremikra.com](http://www.waaremikra.com) and [www.amazon.com](http://www.amazon.com), with Amazon sales commenced in Q2 2023.

In Q2 2023 Australian Vaporizers bounced back to the pre-shut down sales levels, demonstrating strong product offering and a loyal customer base. In March and April 2022, it experienced an operational shutdown resulting in inventory write-downs due to the flood damage and a move to a new location.

Net revenue for Q3 2023 was \$4.8 million (Q3 2022 - \$6.8 million), a decrease of 30% from the same quarter last year. The decrease was mainly due to:

- an increase of \$0.22 million in Australian Vaporizers hardware revenue in Q3 2023, as compared to Q3 2022;
- a decrease of \$2.2 million in CannMart cannabis revenue, from \$5.1 million in Q3 2022 to \$2.9 million in Q3 2023; the decrease mainly came from :1) a temporary issue with the vape products due to the supply chain issue with the cartridge supplier and 2) the increased excise taxes since the Company is selling more higher margin products which contain higher THC.
- a minor decrease of \$28 thousand in Mikra nutraceutical revenue, from \$262 thousand in Q3 2022 to \$234 thousand in Q3 2023.

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, 2023 and 2022:

	Three months ended		Nine months ended	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
Australia	\$ 1,669,568	\$ 1,449,694	\$ 5,105,897	\$ 3,597,366
Canada	2,890,397	5,123,030	10,683,152	11,869,059
United States of America	233,516	262,192	1,145,498	368,456
<b>Total</b>	\$ 4,793,481	\$ 6,834,916	\$ 16,934,547	\$ 15,834,881

# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

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### *Gross profit (before inventory adjustment) (“GP”)*

Gross Profit for Q3 2023 was \$1.4 million or 30% of Net Revenue (Q3 2022 - \$1.4 million or 20%), the gross profit increased by \$41 thousand compared with Q3 2022, however the gross profit rate increased by 10% which was attributed to the higher margin products sold in the quarter as the company continues the efforts on driving increased gross margin,; Q3 2023YTD was \$4.7 million or 28% (Q3 2022YTD – \$2.9 million or 18%) representing a significant increase over the same period last year in both dollars and %, which reflects the Company’s resilience and confirms the success of its strategic focus on individual segments, geographies, and products, as well as a continuous effort to improve production efficiencies across all segments.

### *Inventory adjustment*

Inventory adjustments include write-downs related to impairment of inventory, as a result of carrying value exceeding net realizable value, and provisions for slow moving inventory; offset by any product cost supplier discounts obtained during the period.

Inventory adjustment for Q3 2023 was a write-down of \$33 thousand (Q3 2022 –\$1.6 million write-up) and for Q3 2023 YTD was a write-down of \$61 thousand (Q3 2022YTD \$428 thousand write-up). The Company continues its forward-looking inventory management strategy, designed to: 1) reduce the amount of slow-moving inventory; 2) improve inventory turnover; and 3) leverage existing technology to further reduce the inventory risk.

### *Operating costs*

The following table presents the Company’s major operating costs by type of expense for the three and nine months ended August 31, 2023 and 2022:

	Three months ended		Nine months ended	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
Office and general	\$ 807,177	\$ 1,316,256	\$ 2,960,041	\$ 3,117,229
Salaries and other compensation costs	1,541,982	1,722,377	4,974,521	5,910,819
Selling and marketing expense	713,928	739,382	2,388,942	2,060,614
Technological development	-	11,779	18,745	118,369
Total	\$ 3,063,087	\$ 3,789,794	\$ 10,342,249	\$ 11,207,031

### **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.

# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

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Office and general expenses decreased in Q3 2023 by \$509 thousand or 39%, compared to the same quarter prior year and decreased in Q3 2023YTD by \$157 thousand or 5%, compared to the same period prior year. The decrease reflects the Company's efforts to control costs while working towards on improving profitability.

### 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 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. This initiative includes additional headcount in Mikra, the Company's newly launched nutraceutical division. The Company also conducted extensive market analysis, supported by 3rd party reports, to make sure the Company's compensation is aligned with the market.

Salaries and other compensation costs decreased in Q3 2023 by \$181 thousand or 10% (in Q3 2023YTD decreased by \$936 thousand or 16%) and share based compensation increased by \$100 thousand or 95% (in Q3 2023YTD increased by \$419 thousand or 124%) as compared to the same periods last year, as noted in the chart below:

	Three months ended		Nine months ended	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
Salaries and other compensation costs	\$ 1,541,982	\$ 1,722,377	\$ 4,974,521	\$ 5,910,519
Share based compensation	204,858	105,117	755,596	336,622
Total compensation	\$ 1,746,840	\$ 1,827,494	\$ 5,730,117	\$ 6,247,141

For the nine months ended August 31, 2023, the Company recognized share-based compensation expense related to vested stock options of \$149,157 (Q3 2022: \$336,622) and related to restricted shares of \$214,314 (6,476,435 units). Also included in share-based compensation are 7,842,500 units, consisting of one share and one warrant, of which \$184,529 related to shares and \$207,596 related to warrants, issued as part of the share-based compensation agreements with consultants.

### Selling and marketing expense

Selling and marketing expenses are comprised of advertising and promotion costs, and online promotional and social media tools. Spend in this area is heavily monitored against key performance indicators to ensure appropriate rates of return. The Company's focus is on consumer engagement through digital content for the retail partnerships that have an identifiable impact on sell-through for CannMart's Business to Business ("B2B") revenue stream. In addition, in Fiscal 2022 the Company started investing in Selling and marketing expenses for the newly launched nutraceutical division, Mikra.

# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

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In Q3 2023, selling and marketing costs decreased by \$25 thousand or 3% (in Q3 2023YTD increased by \$328 thousand or 16%), as compared to the same periods last year.

### Technological development

Technological development costs represent Lifeist's research and development in the areas of machine-learning, on-site personalization, platform development and ongoing customer acquisition. As the Company successfully completed its current phase of research and development of its platforms in Fiscal 2021 and entered the maintenance phase, this transition was reflected in lower technological development costs.

Technological development costs decreased in Q3 2023 by \$12 thousand or 100% (in Q3 2023YTD decreased by \$100 thousand or 84%), as compared to the same periods last year.

### Professional fees

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, 2023 and 2022:

	Three months ended		Nine months ended	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
Legal	\$ 23,116	\$ 84,960	\$ 95,243	\$ 441,000
Audit, accounting and tax services	99,298	98,129	425,372	293,891
Directors' fees	66,670	85,388	219,352	370,482
Other	130	16,678	13,918	41,523
Total professional fees	\$ 189,214	\$ 285,155	\$ 753,886	\$ 1,146,896

Legal costs incurred in Q3 2023 and Q3 2023YTD 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 less than the prior year's actual spend due to the Company changed auditors for Fiscal Year 2023 audit. These costs increased by \$1 thousand or 1% in Q3 2023 (in Q3 2023YTD increased by \$131 thousand or 45%), as compared to the same periods last year mainly due to an increase in external audit fees.

Directors' fees decreased by \$19 thousand or 22% in Q3 2023 (in Q3 2023YTD decreased by \$151 thousand or 41%), as compared to the same periods last 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

## **LIFEIST WELLNESS INC.**

### **Management Discussion and Analysis**

For the three and nine months ended August 31, 2023

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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 2023, Adjusted EBITDA loss increased by \$0.91 million or 79% (in Q3 2023YTD improved by \$2 million or 22%), as compared to the same periods last year. Management continues to monitor and work towards a number of Objectives and Key Results (OKRs), with supporting procedures and metrics to focus decision making on the growth of profitable segments, 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, unrealized loss/gain on equity investments at FVTPL and reversals of restructuring and other costs.

In Q3 2023, other income was a loss of \$6 thousand (Q3 2022 – a loss of \$483 thousand) and in Q3 2023YTD a gain of \$446 thousand (Q3 2022YTD – a loss of \$274 thousand).

#### ***Share based compensation***

Share based compensation is the non-cash value of stock options issued to Directors, Officers, employees, and consultants. Q3 2023 share-based compensation is mainly related to available stock options and RSU’s the Company granted in Fiscal 2023 and prior years to consultants, employee, officers, and directors, exercisable into common shares at a weighted average price ranging from \$0.21 to \$3.13 per common share, offset by any related reversals of forfeited options. The majority of options will expire in 2024 and in 2025.

#### ***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 foreign exchange loss in Q3 2023 was \$2 thousand (Q3 2022 – a loss of \$5 thousand) and in Q3 2023YTD a gain of \$14 thousand (Q3 2022YTD – a loss of \$48 thousand), primarily due to the fluctuation of foreign exchange rates of US dollars and Australian dollars.

#### ***Net gain from discontinued operations***

As a result of the sale of Findify in Q2 2022, the Company recorded a gain on sale of \$4.1 million , and a loss from discontinued operations of Q3 2022 YTD of \$836 thousand.

### **Summary of comparative quarterly operational results from Continued Operations**

# LIFEIST WELLNESS INC.

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Quarter ending	August 2023	May 2023	February 2023	November 2022	August 2022	May 2022	February 2022	November 2021
Gross revenue	6,438,954	7,673,105	7,400,105	\$ 7,792,851	\$ 8,855,459	\$ 5,534,660	\$ 6,334,502	\$ 7,589,760
Net revenue	4,793,481	6,232,046	5,909,020	\$ 6,233,801	\$ 6,834,916	\$ 4,137,896	\$ 4,862,069	\$ 5,957,460
Gross profit before inventory adjustment	1,427,375	1,779,419	1,456,058	\$ 1,799,100	\$ 1,386,608	\$ 667,118	\$ 864,433	\$ 577,645
Gross profit %	30%	29%	25%	29%	20%	16%	18%	10%
Net loss from Continued Operations	\$ (2,369,403)	\$ (2,189,885)	\$ (3,303,701)	\$ (8,143,079)	\$ (1,944,023)	\$ (4,557,709)	\$ (4,051,184)	\$ (2,883,798)
Net loss per share (basic and diluted)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.005)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	17,043,596	18,587,805	17,508,779	\$ 20,669,400	\$ 28,700,927	\$ 30,978,446	\$ 31,535,708	\$ 37,956,966

The Company continued to focus on improving Gross Profit, while growing Gross Revenue, and in Q3 2023 a Gross Profit Before Inventory Adjustments was \$1.4 million or 30% of Net Revenue (Q3 2022 - \$1.4 million or 20% of Net Revenue), representing a positive trend of maintaining consistently high gross margins for the last rolling four quarters.

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-23	30-Nov-22	\$ Change
Total current assets	\$ 10,713,557	\$ 15,058,667	\$ (4,345,110)
Total non-current assets	6,330,039	5,610,733	719,306
	\$ 17,043,596	\$ 20,669,400	\$ (3,625,804)
Total current liabilities	\$ 7,053,266	\$ 7,121,341	\$ (68,075)
Total non-current liabilities	497,197	183,546	313,651
	\$ 7,550,463	\$ 7,304,887	\$ 245,576
Working Capital	\$ 3,660,291	\$ 7,937,326	\$ (4,277,035)

### *Total current assets*

Total current assets decreased by \$4.4 million from November 30, 2022, primarily due to a decrease in cash of \$2.4 million and decrease in trade and other receivables of \$3 million, offset by an increase in inventory

## **LIFEIST WELLNESS INC.**

### **Management Discussion and Analysis**

For the three and nine months ended August 31, 2023

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of \$1.1 million and an increase in prepaid expenses of \$22 thousand. The change in cash is explained in more detail under the Liquidity section of MD&A.

#### ***Total non-current assets***

Total non-current assets increased by \$0.72 million from November 30, 2022, mainly due the intangible asset increase from the Zest brand purchase.

#### ***Total current liabilities***

Total current liabilities decreased by \$68 thousand from November 30, 2022, as a result of an increase in accounts payable and the accrued liabilities of \$467 thousand offset by a decrease in other short-term liabilities of \$539 thousand.

#### ***Total non-current liabilities***

Total non-current financial liabilities increased by \$314 thousand from November 30, 2022 mainly due an increase in the long-term portion of lease liabilities, as a result of a new 5-year lease term for CannMart Labs building.

## **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 August 31, 2023, Lifeist had a cash and cash equivalent balance of \$1.4 million, a decrease of \$2.4 million from November 30, 2022. The decrease was mainly due to the working capital outflow.

The table below sets out the use of cash and cash equivalents for the three and nine months ended August 31, 2023 and 2022:

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## Management Discussion and Analysis

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	Three months ended		Nine months ended	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
Cash used in Continuing operations before changes in non-cash working capital	\$ (1,210,810)	\$ (1,583,343)	\$ (5,530,726)	\$ (10,612,094)
Cash used in discontinued operations	-	-	-	(836,062)
Changes in non-cash working capital of Continuing operations	(324,716)	(1,615,234)	2,449,348	(4,056,470)
	\$ (1,535,526)	\$ (3,198,577)	\$ (3,081,378)	\$ (15,504,626)

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### *Operating activities*

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

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	Three months ended		Nine months ended	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
Cash provided by (used in) operating activities	\$ (1,535,526)	\$ (3,198,577)	\$ (3,081,378)	\$ (15,504,626)
Cash provided by (used in) investing activities	508,378	352,028	(50,763)	6,662,983
Cash provided by (used in) financing activities	151,740	(70,465)	691,171	(211,395)
	\$ (875,408)	\$ (2,917,014)	\$ (2,440,970)	\$ (9,053,038)

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During Q3 2023, \$1.2 million cash was used in Continuing operations before changes in non-cash working capital (Q3 2022 - \$1.6 million). The total cash used by Operating activities in Q3 2023 was \$1.5 million (Q3 2022 – cash used of \$3.2 million).

### *Investing activities*

In Q3 2023, cash provided in investing activities was \$508 thousand (Q3 2022 – cash provided of \$352 thousand), in Q3 2023YTD cash used by investing activities was \$51 thousand (Q3 2022YTD – cash provided of \$6.7 million).

### *Financing activities*

In Q3 2023, cash provided by financing activities was \$152 thousand (Q3 2022 – cash used was \$70 thousand). Q3 2023 inflow mainly was mainly from shares and warrants issuance offset by the payment of lease liabilities. In Q3 2023YTD cash provided by financing activities was \$691 thousand (Q3 2022YTD – cash used of \$211 thousand).

### Capital resources

The Company is authorized to issue an unlimited number of common shares with no par value. As at August

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31, 2023 the Company had 548,346,686 (November 30, 2022 – 437,041,518) common shares issued and outstanding.

For the nine months ended August 31, 2023, the Company issued 10,491,648 common shares as part of final installments for the acquisition of CannMart Labs with a value of \$618,908. The company issued 68,234,158 shares for the Zest brand purchase with a value of \$2,047,025. The Company issued 16,721,966 units and 5,028,177 warrants, for cash proceeds of \$580,335. The proceeds were allocated as \$443,184 to shares and \$137,151 to warrants, the share issuance costs were \$151,492. The Company also issued 1,538,461 to its convertible debenture holders, for the total proceeds of \$100,000. The Company recognized share-based compensation expense related to vested stock options of \$149,157 and related to restricted shares of \$214,314 (6,476,435 units). Also included in share-based compensation are 7,842,500 units, consisting of one share and one warrant, of which \$184,529 related to shares and \$207,596 related to warrants, issued as part of the share-based compensation agreements with consultants.

### RELATED PARTY TRANSACTIONS

#### Payments to related parties

The following table summarizes transactions with related parties for the three and nine months ended August 31, 2023 and 2022:

	Three months ended		Nine months ended	
	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
<b><i>Related Party Transactions</i></b>				
Key management personnel compensation (i)	\$ 172,208	\$ 331,533	\$ 672,638	\$ 854,783
Directors fees	75,000	85,388	227,682	352,743
Share based compensation (ii)	158,213	3,827	205,296	114,577

(i) The key management personnel compensation includes salaries and bonuses, benefits and incentives.

(ii) Stock options granted to the Officers and Directors of the Company.

### SEGMENT INFORMATION

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

#### 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, 2023 and 2022:

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<b>Q3 2023</b>	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Mikra	Corporate & Other	Total
	\$	\$	\$	\$	\$	\$	\$
Net revenue	-	1,669,568	2,890,397	-	233,516	-	4,793,481
Adjusted EBITDA	(56,723)	57,944	(953,320)	-	(150,402)	(960,281)	(2,062,782)
EBITDA	(57,292)	65,732	(952,723)	-	(143,179)	(984,042)	(2,071,505)

  

<b>Q3 2022</b>	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Mikra	Corporate & Other	Total
	\$	\$	\$	\$	\$	\$	\$
Net revenue	29,730	1,449,694	5,087,942	5,358	262,192	-	6,834,916
Adjusted EBITDA	(516,776)	71,882	1,182,831	5,340	(594,802)	(1,304,074)	(1,155,599)
EBITDA	(1,188,071)	110,270	1,185,466	5,340	(602,410)	(1,153,689)	(1,643,094)

  

<b>Q3 YTD 2023</b>	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Mikra	Corporate & Other	Total
	\$	\$	\$	\$	\$	\$	\$
Net revenue	-	5,105,897	10,683,152	-	1,145,498	-	16,934,547
Adjusted EBITDA	(191,158)	225,908	(2,422,761)	-	(1,189,080)	(3,755,783)	(7,332,874)
EBITDA	(204,127)	516,817	(2,390,602)	-	(1,164,472)	(3,630,867)	(6,873,250)

  

<b>Q3 YTD 2022</b>	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Mikra	Corporate & Other	Total
	\$	\$	\$	\$	\$	\$	\$
Net revenue	29,728	3,603,373	11,786,213	47,111	368,456	-	15,834,881
Adjusted EBITDA	(965,539)	(642,393)	(1,180,929)	(29,202)	(1,971,314)	(4,555,368)	(9,344,745)
EBITDA	(1,660,957)	(602,271)	(1,188,674)	(29,056)	(1,983,248)	(4,202,057)	(9,666,263)

*\*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.*

Divisional EBITDA and Adjusted EBITDA in Fiscal 2023 and 2022 includes corporate cost allocations, previously recorded in the Corporate segment. The change, implemented in 2021, was a result of the revised Corporate Cost allocation policy, in order to reflect a more accurate allocation of the divisional spend.

### ***CannMart and Labs***

The CannMart business unit, including CannMart B2B, continued to show an overall improvement in fiscal 2023.

In Q3 2023 CannMart and Labs revenue decreased by \$2.2 million or 43% to \$2.9 million due to the temporary vape products issue caused by the supply chain on the supplier side mentioned earlier, as compared to the same period last year (Q3 2023YTD – decreased by \$1.1 million or 9%).

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EBITDA loss was \$0.95 million loss (Q3 2023YTD – \$2.4 million loss), the same period last year was a gain of \$1.2 million for the quarter and 1.2 million loss YTD.

### ***Australian Vaporizers***

In Q3 2023 Australian Vaporizers revenue increased by \$220 thousand, or 15%, as compared to the same period last year.

EBITDA in Q3 2023 was an income of \$66 thousand (Q3 2022 –an income of \$110 thousand), in Q3 2023YTD was an income of \$517 thousand (Q3 2022YTD – a loss of \$602 thousand), the 2023YTD increase was mainly due to Q2 2022 results being impacted by an operational shut down for March and April 2022, following the flooding event in the area. Sales resumed in May 2022 and bounced back to the pre-flood monthly average levels, proving this division’s strong product offering and loyal customer base.

### ***Mikra***

In Q3 2023 Mikra revenue decreased by \$29 thousand or 11% to \$234 thousand, as compared to the same period last year (Q3 2023YTD – increased by \$0.8 million or 211% to \$1.1 million).

EBITDA loss improved by 76% to a \$143 thousand loss (Q3 2023YTD – improved by 41% to a \$1.16 million loss), demonstrating an improvement in operational margins and operational efficiency.

### ***CannMartMD Inc.***

In Q3 2023 and Q3 2023YTD CannMartMD had no revenue to report (Q3 2022 - \$5 thousand; Q3 2022YTD - \$47 thousand). EBITDA losses in Q3 2023 and Q3 2023YTD were \$nil each (Q3 2022 - \$5 thousand gain; Q3 2022YTD - \$29 thousand loss). Management made a decision to wind down CannMartMD division effective February 11, 2022 and re-allocate resources and focus on the growing profitable divisions within the Company

### ***Lifeist Vapes***

As a result of declining revenues and continuing EBITDA losses, management made a decision to wind down the Lifeist Vapes division effective November 1, 2021 and re-allocate resources and focus on the growing profitable divisions within the Company, in line with its long-term strategic direction.

### ***Corporate***

In Q3 2023 EBITDA loss decreased by \$170 thousand to \$0.98 million, Q3 YTD EBITDA loss decreased by \$571 thousand to \$3.76 million This change reflects continuous effort to improve operational efficiency and reduce corporate overhead costs to achieve viable and robust business model for the Company as a whole.

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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.

#### **Regulatory Environment**

The Company operates in a new and highly regulated cannabis 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.

The cultivation, distribution, possession, and use of cannabis is illegal under U.S. federal law pursuant to the Controlled Substance Act of 1970 (United States) ("U.S. CSA"), subject to limited exceptions in respect of industrial hemp. The U.S. CSA classifies cannabis as a Schedule I controlled substance with a high potential for abuse and no currently accepted medical use, which cannot be safely prescribed. Consequently, a range of activities, including cultivation and the personal use of cannabis, are prohibited by U.S. federal law notwithstanding the existence of State-level laws permitting such activities in respect of medical and/or adult use cannabis at the State-level in the U.S. There can be no assurance that the U.S. federal government will not seek to prosecute cases involving businesses deemed connected to the cannabis business, including the operations in the U.S. currently conducted by the Company. Any such proceedings could have a material adverse effect on the Company, its business, revenues, operating results and financial condition, as well as the Company's reputation and ability to raise capital. Further, violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its ability to list its securities on stock exchanges, its financial position, its operating results, its profitability or liquidity or the value of its securities. In addition, the time of management and advisors of the Company and resources that would be needed for the investigation of any such matters or their final resolution could be substantial.

With respect to Mikra, the US Food & Drug Administration ("FDA") regulates the formulation, manufacturing, preparation, packaging, labeling, holding, and distribution of foods, drugs, and dietary

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supplements under the Federal Food, Drug and Cosmetic Act ("FFDCA") and the Dietary Supplement Health and Education Act of 1994 ("DSHEA"). "Dietary supplements" are defined as vitamins, minerals, herbs, other botanicals, amino acids, and other dietary substances for human use to supplement the diet, as well as concentrates, metabolites, constituents, extracts, or combinations of such nutritional/dietary ingredients. Generally, under DSHEA, dietary ingredients on the market before October 15, 1994, may be used in dietary supplements without notifying the FDA. New dietary ingredients (i.e., not marketed in the U.S. prior to October 15, 1994) must be the subject of a new dietary ingredient notification submitted to the FDA unless the ingredient has been "present in the food supply as an article used for food" without being "chemically altered." A new dietary ingredient notification must provide the FDA with evidence of a "history of use or other evidence of safety" establishing that use of the dietary ingredient, when used under the conditions recommended or suggested in the labeling of the dietary supplement, "will reasonably be expected to be safe.", unless the substance is Generally Recognized As Safe (GRAS) under the conditions of its intended use, or is otherwise excluded from the definition of a food additive. GRAS status may be achieved through a self-determination by qualified experts, with subsequent voluntary notification to the U.S. FDA.

Under the DSHEA, dietary supplement labeling must include the statement of identity (name of the dietary supplement), the net quantity of contents statement (amount of the dietary supplement), the nutrition labeling, the ingredient list, and the name and place of business of the manufacturer, packer, or distributor. The DSHEA also states that dietary supplements may display "statements of nutritional support" provided certain requirements are met. Such statements must be accompanied by a label disclosure that "This statement has not been evaluated by the Food and Drug Administration. This product is not intended to diagnose, treat, cure, or prevent any disease." Such statements may describe how a particular dietary ingredient affects the structure, function or general well-being of the body, or the mechanism of action by which a dietary ingredient may affect body structure, function or well-being, but may not expressly or implicitly represent that a dietary supplement will diagnose, cure, mitigate, treat, or prevent a disease. Any statement of nutritional support we make in labeling must possess scientific evidence substantiating that the statement is truthful and not misleading. Among other obligations, the FDA also requires relevant parties to meet relevant current good manufacturing practice regulations ("cGMP") that govern the manufacturing, packing and holding of dietary ingredients and dietary supplements. cGMP regulations require dietary supplements to be prepared, packaged and held in compliance with strict rules, and require quality control provisions similar to those in the cGMP regulations for drugs. Failure to comply with statutory and regulatory requirements may subject a manufacturer to legal or regulatory action, such as warning letters, suspension of manufacturing, product seizures, injunctions, civil penalties or criminal prosecution. As is common practice in the industry, the Company relies on our third-party contract manufacturers to ensure that the products they manufacture and sell to us comply with all applicable regulatory requirements.

The Company cannot be sure that the FDA or comparable agencies, will not question its advertising, product claims, promotional materials or other operations in the future. 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 ability to operate may be restricted, suspended, or revoked.

#### **Lack of Control Over Operations of Supply Partners**

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

### **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, the FDA in the US with respect to nutraceuticals products, 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.

### **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. The nutraceuticals industry is comprised of small and medium-sized entities but also established large conglomerates. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing, and distribution resources, and be better capitalized.

### **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 consumer packaged good products 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 or nutraceuticals products alone or in combination with other medications or

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substances could occur. As a processor, distributor and retailer of cannabis and as retailer of nutraceutical products, 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 such products, 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 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.

#### **Cannabis Supply Arrangements with Provincial Governments**

The Company expects to derive a significant portion of its future revenues from its cannabis 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

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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.

### **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) 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.

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### **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.

### **Reliance of the Company on Licensing**

The Company's cannabis business operations in Canada, is dependent on maintaining and renewing its licences and permits, as applicable, and on maintaining licences and/or permits or obtaining additional licences and permits from the applicable regulatory authorities, as required. Although the Company believes that it is complying in all material respects with the terms of its existing licences in Canada there is no assurance that the Company will be able to maintain its licences and permits, renew or extend them on the same or similar terms, or obtain any remaining licences and permits that it requires to operate. Any failure to maintain such licences, or failure or delay in obtaining licences for existing or expanded operations, would have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

In addition, these licences and permits are subject to ongoing compliance and reporting requirements and must be renewed from time to time. Although the Company believes it will meet the requirements for future extensions or renewals of its licences and permits there can be no guarantee that Health Canada or other applicable regulatory authorities will extend or renew its licences and permits, and if extended or renewed, that the licences and permits will be extended or renewed on the same or similar terms. Should the licences and permits not be renewed, or renewed on different terms, it would have a material adverse effect on the Company's business, prospects, financial condition and results of operations. There are also various licensing requirements which the Company and certain of its directors, officers and employees would need to satisfy for future extensions or renewals. There is no guarantee that the Company and/or such persons will satisfy the applicable licensing requirements.

The Company may be unable to obtain, maintain or renew the necessary licences, permits, certificates, authorizations or accreditations to operate its business or on less advantageous terms. The Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis

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industry in the jurisdictions in which it operates. Failure to comply with or to obtain the necessary licences, permits, certificates, authorizations or accreditations could result in restrictions on the Company's ability to operate in the cannabis industry in any jurisdiction, which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

### **The Company has a limited operating history**

The Company has a limited operating history, and, accordingly, potential investors will have a limited basis on which to evaluate the Company's ability to achieve its business objectives. The future success of the Company is dependent on management's ability to implement its strategy. Although management is optimistic about the Company's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved and there is no certainty that the Company will be able to successfully establish a market for its products. The Company faces risks frequently encountered by early-stage companies. In particular, its future growth and prospects will depend on its ability to expand its operations and gain additional revenue streams whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

### **The Company may not be able to achieve or maintain sufficient working capital to meet future obligations**

The Company's ability to satisfy its working capital requirements will depend on a number of factors, some of which are beyond its control. Factors that will influence the Company's ability to achieve or maintain sufficient working capital to meet its future obligations will include general global economic conditions, credit and capital market conditions, cannabis industry conditions and results of operations. There is no guarantee that the Company will continue to have positive working capital in the future, or that the working capital generated from operations will be sufficient to cover its expansion plans or the cost of future operations.

### **The Company has negative cash flow from operations and may need additional financing in the future**

To date, the Company has had negative cash flow from operating activities. To fund its operations in the future and anticipated growth, additional funds may be required. The Company cannot guarantee it will achieve cash flow positive status in the future or have access to sufficient financial resources to fund its operations. Continued negative cash flow may restrict the Company's ability to pursue its business objectives which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

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. There can be no assurance that additional financing will be available to the Company when needed, or on terms which are acceptable to the Company. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon future profitability.

# **LIFEIST WELLNESS INC.**

## **Management Discussion and Analysis**

For the three and nine months ended August 31, 2023

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### **The Company may not be able to achieve or maintain profitability**

The Company has incurred losses since inception. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

### **Reputational risk and negative public opinion**

Damage to the Company's reputation can result from the actual or perceived occurrence of any number of events, including any negative publicity, whether true or not. As a distributor of cannabis, which was previously a controlled substance in Canada, and still may be associated with various other controlled substances, violence and criminal activities, there is a risk that the Company's business might attract negative publicity. There is also a risk that the actions of other federal cannabis licence holders, permitted retailers or other companies and service providers in the cannabis industry, including those with whom the Company has or will enter into agreements with, may negatively affect the reputation of the industry as a whole and thereby negatively impact the Company's reputation. With respect to nutraceuticals,

The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share negative opinions and views in regard to the Company's activities and the cannabis industry in general, whether true or not. The Company does not ultimately have direct control over how the Company or the cannabis industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to the Company's overall ability to advance its business strategy and realize on its growth prospects, which could have a material adverse effect on the Company's business, financial condition or results of operations.

### **Protection of intellectual property**

The Company's success depends in part on its ability to protect its ideas and technology. Even if it moves to protect its technology with trademarks, patents, copyrights or by other means, it is not assured that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningful impact on its ability to successfully grow its business.

### **Inability to offer brands that attract or retain customers**

The Company's success is dependent upon, among other things, continually offering desirable and effective cannabis and nutraceuticals products and the continued growth in the aggregate number of recreational cannabis consumers. Campaigns designed to enhance the brands offered by the Company and attract consumers, subject to restrictions imposed by law, can be expensive and may not result in increased sales. If the Company is unable to attract new consumers, it may not be able to increase its sales.

# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

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### **Reliance on Information Technology and Cybersecurity**

The Company is reliant on the continuous and uninterrupted operation of its IT systems. User access and security of all IT systems can be critical elements to the operations of the Company. Protection against cybersecurity incidents, cloud security and security of all of the Company's IT systems are critical to the operations of the Company. Any IT failure pertaining to availability, access or system security could result in disruption of online sales and could adversely affect the reputation, operations or financial performance of the Company.

The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Company's employees or vendors. A cybersecurity incident resulting in a security breach or failure to identify a security threat could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy or securities laws and regulations, and remediation costs.

While the Company has established business continuity plans and risk management systems seeking to address system breaches or failures including, but not limited to, intrusion prevention and firewall hardware systems; MAC ID and IP blacklists; comprehensive anti-virus software libraries; network real-time monitoring; cloud-based virtual data distribution in fractional segments using RSA encryption keys; grandfather, father, son data backup strategies; and antivirus and malware protection software, there are inherent limitations in such plans and systems and there is no guarantee that such efforts will succeed. Any such unauthorized entry or breach into the Company's IT systems could have an adverse impact on the Company's financial condition and operations.

### **The Company may become a party to litigation**

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources and demand significant time and attention by management. Even if the Company is involved in litigation and wins, litigation can redirect significant resources. See "Legal Proceedings and Regulatory Actions" below.

### **The Company may become involved in regulatory or agency proceedings, investigations and audits**

Health Canada inspectors routinely assess the Company for compliance with applicable regulatory requirements. The Company's facilities in Canada will be inspected by Health Canada and will be subject to certain ongoing inspections and audits. Furthermore, the import of the Company's products into other jurisdictions is subject to the regulatory requirements of the respective jurisdiction. Any failure by the Company to comply with the applicable regulatory requirements could require extensive changes to the Company's operations; result in regulatory or agency proceedings or investigations, increased compliance costs, damage awards, civil or criminal fines or penalties or restrictions on the Company's operations; harm the Company's reputation or give rise to material liabilities or a revocation of the Company's licences and other permits. There can be no assurance that any pending or future regulatory or agency

# LIFEIST WELLNESS INC.

## Management Discussion and Analysis

For the three and nine months ended August 31, 2023

proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to the Company and its business.

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, 2022, and available under the Company's profile at [www.sedar.com](http://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, 2023 and 2022:

	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22
<b>Gross revenue</b>	<b>\$ 6,438,954</b>	<b>\$ 8,855,459</b>	<b>\$ 21,512,164</b>	<b>\$ 20,724,621</b>
Excise taxes	(1,645,473)	(2,020,543)	(4,577,617)	(4,889,740)
<b>Net revenue</b>	<b>4,793,481</b>	<b>6,834,916</b>	<b>16,934,547</b>	<b>15,834,881</b>
Cost of goods sold	3,366,106	5,448,308	12,271,695	12,916,722
<b>Gross profit before inventory adjustment</b>	<b>1,427,375</b>	<b>1,386,608</b>	<b>4,662,852</b>	<b>2,918,159</b>
<i>Gross profit (before inventory adjustment) as a % of net revenue</i>	<i>30%</i>	<i>20%</i>	<i>28%</i>	<i>18%</i>
Inventory adjustment	32,998	(1,637,859)	60,662	(427,645)
Operating costs	3,063,087	3,789,794	10,342,249	11,207,031
Professional fees	189,214	285,155	753,886	1,146,896
Share-based compensation	204,858	105,117	755,596	336,622
Restructuring and other costs	-	-	83,333	-
<b>Adjusted EBITDA</b>	<b>(2,062,782)</b>	<b>(1,155,599)</b>	<b>(7,332,874)</b>	<b>(9,344,745)</b>
Other (income)	6,499	482,565	(445,752)	273,778
Foreign exchange loss (gain)	2,224	4,930	(13,872)	47,740
<b>EBITDA</b>	<b>(2,071,505)</b>	<b>(1,643,094)</b>	<b>(6,873,250)</b>	<b>(9,666,263)</b>
Income tax expense (recovery)	10,040	(31,284)	107,642	(233,439)
Depreciation and amortization	287,858	332,213	882,097	1,120,092
<b>Net loss from Continued Operations</b>	<b>(2,369,403)</b>	<b>(1,944,023)</b>	<b>(7,862,989)</b>	<b>(10,552,916)</b>
Net Gain from Discontinued Operations	-	-	-	4,096,558
(Loss) from Discontinued Operations	-	-	-	(836,062)
<b>Net loss</b>	<b>(2,369,403)</b>	<b>(1,944,023)</b>	<b>(7,862,989)</b>	<b>(7,292,420)</b>

- 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. 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.