



LIFEIST WELLNESS INC.

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

For the three and nine months ended August 31, 2024 and August 31, 2023

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

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, 2024 and up to the date of this report, October 28, 2024. 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, 2024 and Audited Consolidated Financial Statements for the year ended November 30, 2023.

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) and additional information on the Company can be obtained at 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; and
- Mikra, Cellular Sciences Inc. ("Mikra"), a biosciences and consumer wellness company developing innovative therapies for cellular health and recovery. Mikra's CELLF is available for purchase at WeAreMikra.com.

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.

CannMart

The CannMart business unit is composed of CannMart Inc. (a Licensed Producer (LP) under the Cannabis Act). 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)

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- Yukon Cannabis
- PEI Cannabis
- Newfoundland Labrador Liquor Corporation

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.

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, Mikra has expanded 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, with sales and deliveries beginning in April 2022. An improved version, CELLF 2.0, launched in May of 2024. 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 consists of encapsulating its active ingredients within a protective liposome which allows safe passage of CELLF through the gastric environment. CELLF is shipped in a package containing 30 X 10ml single-serve sachets to prevent oxidation and maximize bioavailability. CELLF is proudly manufactured in the United States, and is sugar, gluten, lactose, corn and egg free.

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 toxins within its pores. The toxins stick to the porous surface through adsorption and are then eliminated safely and rapidly through the body's natural digestive and metabolic processes. Proudly manufactured in the United States, RESCUE is 100% vegan and free from soy, gluten, GMOs, dairy, egg, and animal products.

In November 2023, Mikra launched its third consumer product, SERENITY, a 100% naturally derived supplement aimed at supporting those who struggle with anxiety. Formulated around an extensively clinically studied steam extract of lavender oil and matched with Mikra's proprietary polyterpene blend of passionflower, chamomile, and lemon balm extracts, SERENITY supports customers experiencing the symptoms of anxiety without being habit-forming. Proudly manufactured in the United States, SERENITY is nut, gluten, wheat, corn, sugar, dairy, and egg free.

In December 2023, Mikra launched its fourth consumer product, PROTECT, a 100% naturally derived immune support gummy. Packed with the potent antioxidant protection of Aronia Berry Extract and paired with

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clinically appropriate doses of Zinc, Vitamin C, Vitamin D, and Vitamin K, PROTECT provides a science-driven boost of immune system support on the go with a refreshing burst of natural berry flavor. Proudly manufactured in the United States, PROTECT is nut, gluten, corn, egg, and GMO free, and contains no artificial flavors or colors.

Mikra's CELLF, RESCUE, SERENITY, and PROTECT are available for purchase at WeAreMikra.com and on Amazon.com.

In early July 2024, Mikra filed a Natural Health Product License Application with Health Canada, seeking a Natural Product Number for its best-selling CELLF 2.0. This effort aims to tap into the growing consumer interest in dietary supplements and make a meaningful impact in the market.

Mikra is currently undergoing a comprehensive rebuild of its marketing and sales strategy to better align with current market demands, focusing on data-driven marketing and expanding digital sales channels. Mikra successfully participated in Amazon Prime Day in mid-July 2024, offering exclusive deals and significant discounts on their premium wellness products. This boosted visibility, engaged a broader audience, and reinforced Mikra's digital sales strategy.

Mikra has recently focused on enhancing operations, launching key products, and driving growth. We improved KPI tracking through TripleWhale and completed preparations for the FOCUS product launch. A new website was successfully introduced, elevating user experience, while FOCUS was launched in partnership with Jose Bautista, supported by expanded R&D efforts in the Cognitive Health category. Operational improvements included switching 3PL providers to VOX, addressing product quality issues with CellF, and establishing a new 3PL in Utah to optimize shipping. Moving forward, Mikra is committed to scaling operations and achieving profitability.

These initiatives reflect Mikra's commitment to innovation, strategic partnerships, and robust market strategies, positioning the company for significant growth and shareholder value.

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

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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.
- **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.
- **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.

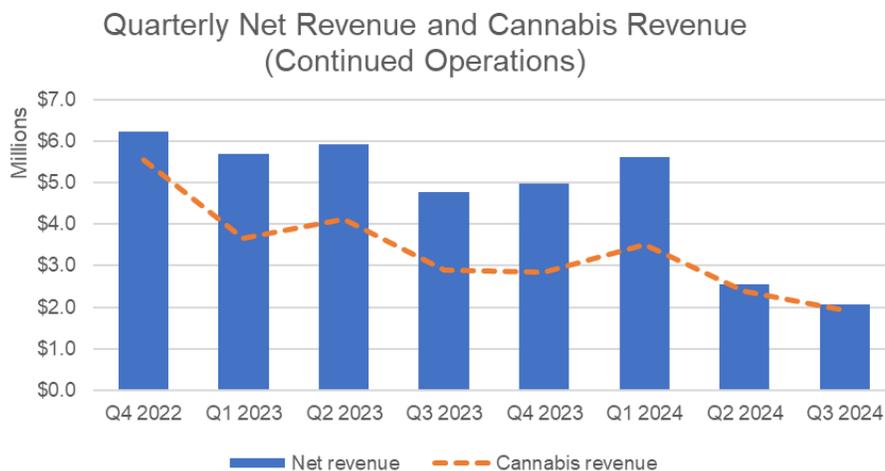
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Financial Milestones

In Fiscal 2024, 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 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.



In Q3 2024 cannabis revenue represented 94% of total net revenues from continued operations, as compared to 61% for the same quarter last year.

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RECENT DEVELOPMENTS

Lifeist Initiates Restructuring Proceedings for CannMart Labs Inc.

The company announced on April 3, 2024, that it has commenced restructuring proceedings pursuant to the Bankruptcy and Insolvency Act for one of its wholly owned subsidiaries, CannMart Labs Inc. ("CannMart Labs"). The restructuring of CannMart Labs is part of a broader strategic initiative to enhance the company's operational effectiveness while maintaining its commitment to innovation and growth. It is important to note that this restructuring does not impact CannMart Inc., Lifeist's flagship subsidiary and a leading distributor of licensed and in-house branded adult-use cannabis and cannabis-derived products in Canada.

Following the vote of shareholders at the Company's recent annual general and special meeting rejecting the sale of the CannMart Group, Lifeist's cannabis operating division, management undertook a bottom-up review of the businesses to identify opportunities for optimization and improvement. The decision to restructure CannMart Labs was made with input from advisors and legal counsel, with the objective of achieving sustainable growth toward future profitability for the benefit of all Lifeist shareholders. This strategic move is part of a broader commitment to ensure the long-term success of the public company.

CannMart Marks International Debut with First Shipment of Cannabis Products to Australia

On April 15, 2024, the Company announced that its subsidiary CannMart Inc. ("CannMart") has made a landmark shipment of premium cannabis products to Australia, including vape carts plus two extracts from its own Roilty brand. In December 2023 CannMart announced its intention to begin exporting cannabis products to Australia, through an agreement with Aura Therapeutics Pty Ltd. ("Aura") to include concentrate and vape carts, bulk flower, and other refined concentrate products in the quickly developing Australian medical cannabis industry. This milestone shipment represents a significant achievement for CannMart, as it expands its presence beyond Canadian borders and enters the large and growing Australian medical cannabis market.

Lifeist Announces Common Share Consolidation

The Company announced, on April 30, 2024, that its Board of Directors has approved the consolidation of its common shares on the basis of a ratio of one (1) post-consolidation common share for every twenty (20) pre-consolidation common shares, subject to TSX-V approval (the "Consolidation"). Neither the Company's name nor its trading symbol will change in connection with the Consolidation. The Consolidation was approved by the Company's shareholders at the annual and special meeting held on March 14, 2024 (the "AGSM").

At the time of the consolidation, there were 594,087,243 common shares issued and outstanding, and after the Consolidation there will be approximately 29,704,362 common shares issued and outstanding. No fractional shares will be issued as a result of the Consolidation. Instead, any fractional share interest of 0.5 or higher arising from the Consolidation will be rounded up to one whole share, and any fractional share interest of less than 0.5 will be cancelled without further compensation. Subsequently, the Company announced that the Consolidation will be effective at the opening of the market on Tuesday, May 21, 2024.

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Lifeist Sells Australian Vapes

On June 5, 2024, the Company announced the sale of Australian Vaporizers Pty Ltd. (“Aussie Vapes”), its wholly owned Australian subsidiary to Flora Growth Corp. (NASDAQ: FLGC) (“Flora”), a U.S.-based consumer-packaged goods and pharmaceutical distributor serving all 50 states and 28 countries. The sale was completed through a share purchase agreement (the “SPA”) entered into between Lifeist, as vendor, and Flora Growth Corp, as purchaser, pursuant to which Lifeist has sold the issued and outstanding shares of Aussie Vapes to Flora, for total consideration valued at approximately C\$900,000, payable by Flora issuing from treasury to the Company 550,000 Flora common shares. As a non-core asset of Lifeist, the sale allows Lifeist to exit the Australian devices market and focus our attention on more aggressively developing core assets in North America, while at the same time strengthening our cash position.

The terms of the sale of Aussie Vapes represent a substantial improvement over the previous agreement announced September 18, 2023. With the present sale, Lifeist has delivered C\$400,000 of inventory (vs. C\$1.1 million of inventory in the previous agreement) and C\$50,000 cash (vs. C\$450,000 cash in the previous agreement). This represents a C\$1.1 million improvement in working capital to the benefit of Lifeist shareholders. The sale also provides Lifeist shareholders with immediate meaningful exposure to positive developments in the U.S. market through a significant position in Flora common shares, with the potential for further cooperation with Flora in the future as events unfold.

Lifeist Wellness Inc. Signs Agreements with Simply Solventless Concentrates Ltd.

The Company announced on June 25, 2024, that each of the Company and CannMart Inc. (“CannMart”), the Company’s wholly owned Ontario subsidiary, has entered into a services agreement (the “Services Agreement”) and a share purchase agreement (the “SPA”) each dated June 25, 2024 with Simply Solventless Concentrates Ltd. (TSXV: HASH, hereinafter “SSC”), an arm’s length party, for SSC to provide operational support services to CannMart pending SSC’s acquisition of CannMart pursuant to the SPA. CannMart operates a B2B wholesale distribution business facilitating recreational cannabis sales to Canadian provincial government control boards.

Effective immediately and throughout the term of the Services Agreement:

1. SSC will provide support services to CannMart and will be responsible to fund all expenses of said operations.
2. Lifeist will pay to SSC a monthly services fee which is the lesser of: (i) 90% of CannMart’s net revenue; and (ii) CannMart’s net revenue less \$100,000.

Simultaneously with the execution of the Services Agreement, Lifeist entered into the SPA with SSC to sell all the issued and outstanding shares of CannMart to SSC on the following terms, subject to, among other things, shareholder and TSXV approval and subject to certain adjustments to the total purchase price as set forth in the SPA:

1. \$500,000 payable upon the closing date.
2. \$1,500,000 plus applicable interest in a VTB loan, subject to adjustments as set forth in the share purchase agreement.
3. \$500,000 satisfied by the issuance of units, comprised of one common share and one-half purchase warrant to purchase one common share of SSC.
4. SSC shall pay Lifeist 100% of the net revenue generated by the sale of 50% of existing inventory (presently estimated at \$1,000,000 value), separate and in addition to any other fees.

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5. An earnout bonus of 20% of any revenue above \$3,000,000 per quarter over the first 12 months.

On September 5, 2024, the shareholders approved the sale effective September 12, 2024, under the following conditions:

1. Cash payment of \$500,000
2. 2,000,000 units of SSC shares at \$0.25 per share, each unit comprised of one common share in the capital of SSC and one-half of one common share purchase warrant. Each warrant entitles Lifeist to purchase SSC one common share at an exercise price of \$0.40 per common share for a period of 24 months
3. A promissory note from SSC (the VTB Loan) secured against the asset of CannMart in the amount of \$1,700,000 bearing interest at 3% per annum beginning on the date of closing.

Lifeist Appoints Andrea Judge CEO of Mikra Cellular Sciences

On July 3, 2024, the Company announced that the board of directors has appointed Andrea Judge to the positions of Vice President Operations of Lifeist and Chief Executive Officer of Mikra Cellular Sciences (“Mikra”) effective immediately.

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FINANCIAL DISCUSSION

Operational Results

Selected financial information from the Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss) for the three and nine months ended August 31, 2024 and 2023 are presented below:

	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Gross revenue	\$ 2,899,541	\$ 4,769,386	\$ 11,836,387	\$ 16,406,267
Excise taxes	(842,497)	-	(1,619,849)	-
Net revenue	2,057,044	4,769,386	10,216,538	16,406,267
Cost of goods sold	1,170,468	1,688,088	4,925,320	7,376,899
Gross profit before inventory adjustment	886,576	3,081,298	5,291,218	9,029,368
<i>Gross profit (before inventory adjustment) as a % of net revenue</i>	43%	65%	52%	55%
Inventory adjustment	240,401	446,906	76,517	523,353
Operating costs	1,235,260	2,787,862	6,302,730	9,462,782
Professional fees	39,367	184,623	438,516	736,785
Adjusted EBITDA	(628,452)	(338,093)	(1,526,546)	(1,693,552)
Other (income) expense	(14,145)	(153)	22,120	(137,062)
Foreign exchange (gain) loss	34,737	9,770	27,946	22,255
Share-based compensation	550,909	204,858	809,300	755,596
Restructuring and other costs	50,000	-	290,000	83,333
EBITDA	(1,249,953)	(552,568)	(2,675,912)	(2,417,674)
Income tax expense	-	1,376	-	(18,574)
Depreciation and amortization	8,769	17,884	101,472	60,115
Gain on sale of Discontinued Operations	4,273,117	-	4,273,117	-
Net income (loss) from Continued Operations	3,014,395	(571,828)	1,495,733	(2,459,216)
Loss from Discontinued Operations	(131,548)	(1,797,574)	(2,898,865)	(5,403,772)
Net income (loss)	2,882,847	(2,369,402)	(1,403,133)	(7,862,988)

Gross and Net revenue

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

Overall revenue was driven mainly by CannMart and Mikra.

Net revenue for Q3 2024 was \$2 million (Q3 2023 - \$4.8 million) a decrease of 57% from the same quarter last year. The decrease was mainly driven by:

- o a decrease of \$2.6 million or 58% in CannMart cannabis revenue, from \$4.5 million in Q3 2023 to \$1.9 million in Q3 2024;

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- a decrease of \$103 thousand or 44% in Mikra nutraceuticals revenue, from \$233,516 in Q3 2023 to \$130,051 in Q3 2024.

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, 2024 and 2023:

	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Canada	1,926,993	4,535,870	9,724,630	15,260,769
United States of America	130,051	233,516	491,908	1,145,498
Total	\$ 2,057,044	\$ 4,769,386	\$ 10,216,538	\$ 16,406,267

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

Gross Profit for Q3 2024 was \$886 thousand or 43% of Net Revenue (Q3 2023 - \$3.1 million or 65%), representing a 23% increase over the same period last year. Gross Profit for Q3 2024 YTD was \$5.3 million or 52% of Net Revenue (Q3 2023 YTD - \$9.0 million or 55%), representing a 3 % increase over the same period last year.

The decrease in Gross Profit as a percentage of revenue in Q3 2024 as compared to the same period prior year is as a result of the implementation of the Company's strategy that lead to the disposal of two of its subsidiaries, Australian Vaporizer and CannMart Labs Inc.

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 2024 was a \$240 thousand write-down (Q3 2023 - \$447 thousand write-down), and for Q3 2024 YTD was a write-down of \$77 thousand (Q3 2023 YTD - a write-down of \$523 thousand).

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.

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Operating costs

The following table presents the Company's operating costs by type of expense for the three and nine months ended August 31, 2024 and 2023. The Company continues to implement operational efficiencies that result in significant cost savings.

	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Office and general	\$ 579,419	\$ 553,097	\$ 1,841,949	\$ 2,169,212
Salaries and other compensation costs	390,844	1,295,186	2,554,478	4,184,272
Selling and marketing expense	264,997	939,579	1,906,304	3,090,553
Technological development	-	-	-	18,745
Total operating costs	\$ 1,235,260	\$ 2,787,862	\$ 6,302,731	\$ 9,462,782

Office and general

Office and general expenses include insurance, service costs, travel, business development, 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. Insurance costs comprise on average 22% to 27% of all Office and general expenses.

Office and general expenses increased in Q3 2024 by \$26 thousand or 5%, compared to the same quarter prior year and decreased in Q3 2024 YTD by \$327 thousand or 15%, compared to the same period prior year. The decrease reflects the Company's efforts to control costs while working towards 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 2024 by \$904 thousand or 70% (Q3 2024 YTD decreased by \$1.6 million or 39%) and share based compensation increased by \$346 thousand or 169% (Q3 2024 YTD increased by \$54 thousand or 7%) as compared to the same periods last year, as noted in the chart below:

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	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Salaries and other compensation costs	\$ 390,844	\$ 1,295,186	\$ 2,554,478	\$ 4,184,272
Share based compensation	550,909	204,858	809,300	755,596
Total compensation	\$ 941,753	\$ 1,500,044	\$ 3,363,778	\$ 4,939,868

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 Q3 2024, selling and marketing costs decreased by \$675 thousand or 72% as compared to the same period last year (Q3 2024 YTD decreased by \$1.2 million or 38%).

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, 2024 and 2023:

	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Legal	\$ (48,986)	\$ 23,116	\$ 114,280	\$ 88,783
Audit, accounting and tax services	60,000	94,824	210,000	417,942
Directors' fees	24,000	66,670	72,000	219,352
Other	4,353	13	42,236	10,708
Total professional fees	\$ 39,367	\$ 184,623	\$ 438,516	\$ 736,785

Legal costs incurred in Q3 2024 and Q3 2024 YTD represent legal matters incurred in the regular course of business along with costs relating to corporate restructuring and planning. Legal costs decreased by \$72 thousand or 312% (Q3 2024 YTD increased by \$25 thousand or 29%), as compared to the same period prior year.

Audit, accounting, and tax are costs incurred in the regular course of business.

Directors' fees decreased by \$43 thousand or 64% in Q3 2024 (Q3 2024 YTD decreased by \$147 thousand or 67%), as compared to the same period prior year.

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Share based compensation

Share based compensation is the non-cash value of stock options issued to Directors, Officers, employees, and consultants. Q3 2024 share-based compensation is related to available vested stock options and RSU's the Company granted in Fiscal 2022 and prior years to officers, directors and employees, exercisable into common shares at a weighted average price ranging from \$0.05 to \$3.03 per common share, offset by any related reversals of forfeited options. The majority of options will expire in 2024 and in 2025. In addition, Share based compensation has been utilized as a method of payment for services rendered by consultants.

Foreign exchange

The Company's subsidiaries operate in multiple currencies, and the foreign exchange impact on converting transactions, assets and liabilities into Canadian currency is calculated each period. The unrealized foreign exchange loss in Q3 2024 was \$35 thousand (Q3 2023 - a loss of \$10 thousand) and Q3 2024 YTD a loss of \$28 thousand (Q3 2023 YTD – a loss of \$22 thousand), primarily due to the fluctuation of foreign exchange rates of US dollars, Australian dollars, and Euros.

Net loss from discontinued operations

As a result of the discontinued operations of Australian Vaporizer, Lifeist Bahamas Inc. and CannMart Labs Inc., the Company recorded a loss from discontinued operations in Q3 2024 of \$132 thousand (Q3 2023 – loss of \$1.8 million) and Q3 2024 YTD loss of \$2.9 million (Q3 2023 YTD – loss of \$5.4 million).

Summary of comparative quarterly operational results from Continued Operations

Quarter ending	August 2024	May 2024	February 2024	November 2023	August 2023	May 2023	February 2023	November 2022
Gross revenue	\$ 2,899,541	\$ 3,330,180	\$ 5,606,665	\$ 4,976,736	\$ 4,793,481	\$ 5,935,736	\$ 5,701,145	\$ 7,706,157
Net revenue	\$ 2,057,044	\$ 2,552,830	\$ 5,606,665	\$ 4,975,812	\$ 4,769,387	\$ 5,935,736	\$ 5,701,145	\$ 6,233,801
Gross profit before inventory adjustment	\$ 886,576	\$ 2,025,223	\$ 2,379,419	\$ 3,778,178	\$ 3,081,298	\$ 3,025,707	\$ 2,922,363	\$ 3,382,690
Gross profit %	43%	79%	42%	76%	65%	51%	51%	54%
Net loss from Continued Operations	\$ 3,014,396	\$ (1,457,288)	\$ (61,375)	\$ (577,216)	\$ (571,828)	\$ (630,139)	\$ (1,257,249)	\$ (5,932,435)
Net loss from Discontinued Operations	\$ 131,548	\$ (376,918)	\$ (2,653,495)	\$ (2,381,943)	\$ (1,797,474)	\$ (1,559,746)	\$ (2,046,454)	\$ (2,210,644)
Net loss per share (basic and diluted)	0.099	(0.047)	(0.088)	(0.103)	(0.002)	(0.015)	0.056	(0.279)
Total assets	\$ 6,072,037	\$ 9,628,717	\$ 13,226,256	\$ 13,399,135	\$ 17,043,596	\$ 18,587,805	\$ 17,508,779	\$ 20,669,400

The Company continued to focus on improving Gross Profit, while growing Net Revenue, and in Q3 2024 delivered Gross Profit Before Inventory Adjustments of \$886 thousand or 43% of Net Revenue.

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.

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Balance sheet

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

	\$ 31-Aug-24	\$ 30-Nov-23	\$ \$ Change
Total current assets	3,695,731	8,781,152	(5,085,421)
Total non-current assets	2,376,306	4,617,983	(2,241,677)
	6,072,037	13,399,135	(7,327,098)
Total current liabilities	2,565,791	9,072,022	(6,506,231)
Total non-current liabilities	228,957	868,657	(639,700)
	2,794,748	9,940,679	(7,145,931)
Working Capital	1,129,940	(290,869)	1,420,809

Total current assets

Total current assets decreased by \$5.1 million from November 30, 2023, primarily due to a decrease in cash of \$432 thousand, a decrease in trade and other receivables of \$1.3 million, a decrease in inventory of \$3 million, and a decrease in prepaid expenses of \$216 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 decreased by \$2.2 million from November 30, 2023, mainly due to depreciation and impairment of property and equipment.

Total current liabilities

Total current liabilities decreased by \$6.5 million from November 30, 2023, as a result of a decrease in accounts payable and accrued liabilities of \$6 million, a decrease in other short-term liabilities of \$210 thousand, and a decrease in deferred revenue of \$291 thousand.

Total non-current liabilities

Total non-current financial liabilities decreased by \$640 thousand from November 30, 2023, mainly due a decrease in the long-term portion of lease liabilities.

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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, 2024, Lifeist had a cash and cash equivalent balance of \$1 million, a decrease of \$400 thousand from November 30, 2023.

The table below sets out the use of cash and cash equivalents for the three and nine months ended August 31, 2024 and 2023:

	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Cash provided by (used in) operating activities	\$ (689,106)	\$ (1,535,526)	\$ (290,703)	\$ (3,045,250)
Cash provided by (used in) investing activities	124	508,378	29,902	(50,763)
Cash provided by (used in) financing activities	(185,213)	151,740	(172,174)	691,171
	\$ (874,195)	\$ (875,408)	\$ (432,975)	\$ (2,404,842)

Operating activities

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

	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Cash used in Continuing operations before changes in non-cash working capital	\$ (2,109,428)	\$ (1,210,810)	\$ (2,295,657)	\$ (5,494,598)
Cash used in discontinued operations	(6,200,007)	-	(4,444,942)	(4,581,789)
Changes in non-cash working capital of Continuing operations	7,620,329	(324,716)	6,449,896	7,031,137
	\$ (689,106)	\$ (1,535,526)	\$ (290,703)	\$ (3,045,250)

During Q3 2024, \$2.1 million cash used by Continuing operations before changes in non-cash working capital (Q3 2023 – \$1.2 million cash used). The total cash used in operating activities in Q3 2024 was \$689 thousand (Q3 2023 – cash used \$1.5 million).

Investing activities

In Q3 2024, cash provided by investing activities was \$124 (Q3 2023 – cash provided was \$508 thousand).

Financing activities

In Q3 2024, cash used in financing activities was \$185 thousand (Q3 2023 – \$152 thousand provided by).

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Capital resources

The Company is authorized to issue an unlimited number of common shares with no par value. As at August 31, 2024 the Company had 35,913,331 (November 30, 2023 27,884,817) common shares issued and outstanding.

In Q3 2024, The Company recognized share-based compensation expense related to vested stock options of \$14,262 and related to restricted shares of \$795,038 (5,242,752 units). In addition, the Company issued 1,785,762 shares and 902,981 warrants, with a value of \$224,803 and \$75,197 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, 2024 and 2023:

	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
<i>Related Party Transactions</i>				
Key management personnel compensation (i)	\$ 133,000	\$ 172,208	\$ 425,353	\$ 672,638
Directors fees	60,750	75,000	182,250	227,682
Share based compensation (ii)	36,750	158,213	110,250	205,296

- 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 three Cash Generating Units (“CGUs” or “Operating Segments”). These include CannMart (consists of: CannMart Inc., and CannMart Marketplace Inc.), and Mikra.

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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, 2024 and 2023:

Q3 2024	CannMart	Mikra	Total	Q3 YTD 2024	CannMart	Mikra	Total
	\$	\$	\$		\$	\$	\$
Net revenue	1,926,994	130,050	2,057,044	Net revenue	9,724,630	491,908	10,216,538

Q3 2023	CannMart	Mikra	Total	Q3 YTD 2023	CannMart	Mikra	Total
	\$	\$	\$		\$	\$	\$
Net revenue	4,535,870	233,516	4,769,386	Net revenue	15,260,769	1,145,498	16,406,267

CannMart

In Q3 2024, CannMart revenue decreased by \$2.6 million or 58% to \$1.9 million as compared to same period last year (Q3 2024 YTD – decreased by \$5.5 million or 36% to \$9.7 million).

Mikra

In Q3 2024, Mikra revenue decreased by \$103 thousand or 44% to \$130 thousand (Q3 2024 YTD – decreased by \$653 or 57% thousand to \$492 thousand), as compared to the same period last year.

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

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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 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

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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

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

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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 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.

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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 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

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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.

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

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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 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.

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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.

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

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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.

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 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.

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.

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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; comprehensive anti-virus software libraries; 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 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, 2020, and available under the Company's profile at www.sedar.com.

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NON-IFRS FINANCIAL MEASURES

The following table reconciles net income (loss) to Adjusted EBITDA for the three and nine months ended August 31, 2024 and 2023:

	Three months ended		Nine months ended	
	31-Aug-24	31-Aug-23	31-Aug-24	31-Aug-23
Gross revenue	\$ 2,899,541	\$ 4,769,386	\$ 11,836,387	\$ 16,406,267
Excise taxes	(842,497)	-	(1,619,849)	-
Net revenue	2,057,044	4,769,386	10,216,538	16,406,267
Cost of goods sold	1,170,468	1,688,088	4,925,320	7,376,899
Gross profit before inventory adjustment	886,576	3,081,298	5,291,218	9,029,368
<i>Gross profit (before inventory adjustment) as a % of net revenue</i>	43%	65%	52%	55%
Inventory adjustment	240,401	446,906	76,517	523,353
Operating costs	1,235,260	2,787,862	6,302,730	9,462,782
Professional fees	39,367	184,623	438,516	736,785
Adjusted EBITDA	(628,452)	(338,093)	(1,526,546)	(1,693,552)
Other (income) expense	(14,145)	(153)	22,120	(137,062)
Foreign exchange (gain) loss	34,737	9,770	27,946	22,255
Share-based compensation	550,909	204,858	809,300	755,596
Restructuring and other costs	50,000	-	290,000	83,333
EBITDA	(1,249,953)	(552,568)	(2,675,912)	(2,417,674)
Income tax expense	-	1,376	-	(18,574)
Depreciation and amortization	8,769	17,884	101,472	60,115
Gain on sale of Discontinued Operations	4,273,117	-	4,273,117	-
Net income (loss) from Continued Operations	3,014,395	(571,828)	1,495,733	(2,459,216)
Loss from Discontinued Operations	(131,548)	(1,797,574)	(2,898,865)	(5,403,772)
Net income (loss)	2,882,847	(2,369,402)	(1,403,133)	(7,862,988)

- Other expense (income) consists of interest income, unrealized gain on equity investments at fair value through profit and loss (“FVTPL”) and other miscellaneous nonrecurring expenses excluded from Adjusted EBITDA calculation.
- 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.