

**The BC Bud Corporation**

**Management's Discussion and Analysis**

**For the six months ended August 31, 2023 and 2022**

**1500 – 409 Granville Street Vancouver, BC  
V6C 1T2**

## **Forward-Looking Information**

The following is management's discussion and analysis ("MD&A"), prepared as of October 30, 2023. This MD&A should be read in conjunction with the The BC Bud Corporation's (the "Company", "BCBC") unaudited condensed interim financial statements and the accompanying notes for the six months ended August 31, 2023, all as prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties, assumptions and other factors of which are beyond the reasonable control of the Company. You can identify these statements by forward-looking words such as "expects", "does not expect", "plans", "anticipates", "does not anticipate", "believes", "intends", "estimated", "projects", "potential", "scheduled", "forecast", "budget", and similar expressions, or that events or conditions "will", "would", "may", "could", "should" or "might" occur and similar words. Such statements give the Company's current expectations or forecasts of future events and are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward-looking information. With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made, and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Factors that could cause actual results to differ materially from those in forward-looking statements include, for example, such matters as continued availability of capital and financing and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. Any forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

## **Description of Business**

BCBC is incorporated under the laws of Canada and is an early-stage company which is developing premium recreational cannabis products and brands in the cannabis industry through licensing, contract manufacturing and joint venture agreements with licensed producers under the Cannabis Act.

BCBC is a not a licensed producer. Its active offerings in branded products will include The BC Bud Co flower products, edibles under the brand 'Canna Beans' and "Canna Almonds", concentrates sold as 'Solventless Solutions', and 'Buds' beverages line and select lifestyle apparel.

BCBC is a house of brands that strategically aligns with licensed cannabis producers to contract manufacture a variety of cannabis products in different product categories. The manufacturers are licensed under the Cannabis Act, (together with the regulations made thereunder from time to time, the "Cannabis Act"). Through their strategic partnership agreements with licensed manufacturers, the Company will bring to market specialized flower, concentrates, edibles, beverages, and apparels.

In Q3 2022, infused pre rolls launched in BC and Alberta, vape and concentrate sales launched Alberta and Saskatchewan, and edibles launched in Ontario and Saskatchewan.

On December 20, 2022, BCBC entered into a sales partnership with Higher Peaks Agency to provide a "boots on the ground" retail sales force across Canada.

On May 18, 2023, BCBC launched six new products, including two live hash rosin budders, two live hash rosin-infused B.C. Bud Corp. flower PR strains, a Mosambi live hash rosin vape cart, and Alaskan Thunder F (ATF) two-piece one gram (a preroll flower SKU (stock-keeping unit)).

On June 27, 2023, BCBC entered a partnership with TobaRolling Inc., Manitoba's leading distributor of cannabis products, supplying every store in the province.

On August 2, 2023, BC Cannabis Stores has selected BCBC's Mosambi live hash rosin vape cart, Mosambi live hash rosin budder and Narang Tang live hash rosin budder for its select outlet stores.

#### Change of Auditor

The Company's former auditor, Smythe LLP, resigned effective August 5, 2022. Smythe has not expressed any modified opinion in its reports for the two most recently completed fiscal years of the Company, nor for the period from the most recently completed period for which Smythe issued an audit report in respect of the Company.

MNP LLP was appointed as the successor auditor effective September 23, 2022.

The Company requested the resignation of MNP LLP effective as at May 31, 2023 and BF Borgers CPA PC was appointed as the successor auditor of the Company effective as of May 31, 2023.

The resignations and appointments of auditors of the Company was considered and approved by the audit committee and the board of directors of the Company.

#### OTCQB Trading

The Company's common shares began trading on the OTCQB on October 3, 2022 and currently trades under the symbol "BCBCF".

#### OCS & BCLD Disruption

A cyberattack on August 5 on the Ontario Cannabis Store halted orders for approximately 2 weeks.

On August 15, 2022, employees at the B.C. General Employees' Union went on strike in British Columbia, disrupting cannabis orders through the pot distribution centre. The strike lasted about 15 days.

### Reverse Takeover Transaction

On September 29, 2021, the Company completed a reverse transaction ("RTO") with The BC Bud Holdings Corp. ("BC Bud"). The shareholders of BC Bud received common shares of the Company on the basis of 2.1 common shares for each BC Bud share held immediately before the RTO. Upon completion of the RTO, the shareholders of BC Bud obtained control of the consolidated entity. Accordingly, BC Bud was identified as the acquirer for accounting purposes, and the consolidated entity is considered to be a continuation of BC Bud, with the net assets of Entheos Capital Corp. at the date of the RTO deemed to have been acquired by BC Bud. The consolidated financial statements for the year ended February 28, 2022 include the results of operations of BC Bud from March 1, 2021 and of Entheos Capital Corp from September 29, 2021, the date of the RTO. The comparative figures are those of BC Bud.

All of the payment shares are subject to escrow pursuant to the policies of the CSE and will be released from escrow based on the passage of time, such that 10% of the securities were released on closing and the balance will be released in six equal tranches of 15% every six months thereafter.

In connection with the Transaction, Entheos Capital Corp. completed a non-brokered private placement of 4,000,000 subscription receipts at a price of \$0.25 per subscription receipt for aggregate gross proceeds of \$1,000,000.

Immediately prior to closing the Transaction, each subscription receipt issued pursuant to the private placement was converted into one unit of the Company comprising one common share of the Company and one share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to acquire one additional common shares of the Company at an exercise price of \$0.50 per share until September 29, 2023, following the extension of the term of the Warrants approved by the Company. The Warrants are also subject to accelerated expiry provisions, whereby, if the closing price of the Company's common shares exceeds \$0.75 per share for a period of ten consecutive trading days, at the Company's election, the 24-month period within which the Warrants are exercisable will be reduced and the holders of the Warrants will be entitled to exercise their Warrants for a period of 30 days commencing on the day the Company provides notice of same.

### Summary of Quarterly Results

The following is a summary of consolidated quarterly results of the Company for the eight most recently completed financial quarters ended August 31, 2023:

	August 31, 2023	May 31, 2023	February 28, 2023	November 30, 2022
Total assets	\$ 1,797,092	\$ 1,850,360	\$ 1,628,910	\$ 1,361,781
Working capital	1,117,971	1,096,298	1,215,580	984,115
Shareholders' equity	1,158,846	1,140,602	1,263,314	1,035,279
Total revenue	262,213	197,579	207,774	161,727
Total gross margin	52,228	79,483	75,510	(46,524)
Operating expenses	241,221	227,145	276,526	125,515
Net loss and comprehensive loss	(192,662)	(149,698)	(198,768)	(173,975)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021
Total assets	\$ 1,402,510	\$ 1,684,188	\$ 1,948,649	\$ 2,121,966
Working capital	1,191,645	1,371,156	1,710,250	2,018,597
Shareholders' equity	1,171,456	1,429,179	1,771,703	1,995,629
Total revenue	295,247	324,837	-	98
Total gross margin	37,679	(209,303)	-	49
Operating expenses	249,577	298,269	596,401	128,515
Net loss and comprehensive loss	(214,227)	(506,160)	(410,013)	(2,128,709)
Basic loss per share	(0.01)	(0.01)	(0.01)	(0.06)
Diluted loss per share	(0.01)	(0.01)	(0.01)	(0.06)

### For the three-month period ended August 31, 2023:

The Company had a net loss for the three-month period ended August 31, 2023, of \$192,662 (2022 - \$214,227). The net decrease of \$21,566 in the net loss for the three-month period ended August 31, 2023, compared to the three-month period ended August 31, 2022 was impacted by the differences below:

- Gross margin of \$52,228 (2022 – \$37,679) increased due to decreased cost of sales relative to revenue.
- Advertising and promotion of \$44,755 (2022 - \$4,259) increased due to additional social media marketing services in 2023.
- Consulting fees of \$78,420 (2022 - \$96,500) decreased due to hiring of contract management.
- Share-based compensation of \$12,406 (2022 - \$31,287) decreased due to the issuing of RSUs associated with the Reverse Takeover in 2022.
- Office expenses of \$4,854 (2022 - \$2,474) increased due to inflation.
- Professional fees of \$87,186 (2022 - \$46,549) increased due to the increase in market maintenance services.
- Regulatory and transfer agent fees of \$6,731 (2022 - \$32,904) decreased due to listing and filing expenses made in 2022.
- Insurance expense of \$nil (2022 - \$32,175) decreased due to different payment periods.
- Trademark registration expense of \$3,000 (2022 - \$nil) increased due to new trademark registrations in 2023.
- Interest expense of \$440 (2022 - \$nil) increased due to loan interest payable in 2023.

**For the six-month period ended August 31, 2023:**

The Company had a net loss for the six-month period ended August 31, 2023, of \$342,360 (2022 - \$720,388). The net decrease of \$378,028 in the net loss for the six-month period ended August 31, 2023, compared to the six-month period ended August 31, 2022 was impacted by the differences below:

- Gross margin of \$131,711 (2022 – (\$171,624)) increased due to an increase in operations and revenue.
- Advertising and promotion of \$112,305 (2022 - \$ 51,781) increased due to additional social media marketing services in 2023.
- Consulting fees of \$123,420 (2022 - \$164,386) decreased due to hiring of contract management.
- Share-based compensation of \$39,392 (2022 - \$174,331) decreased due to the issuing of RSUs associated with the Reverse Takeover in 2022.
- Office expenses of \$21,671 (2022 - \$4,348) increased due to license expenses made in 2023.
- Professional fees of \$149,871 (2022 - \$69,937) increased due to the increase in market maintenance services.
- Regulatory and transfer agent fees of \$11,408 (2022 - \$43,075) decreased due to reduced listing and filing expenses in 2023.
- Insurance expense of \$nil (2022 - \$32,175) decreased due to different payment periods.
- Trademark registration expense of \$3,000 (2022 - \$nil) increased due to new trademark registrations in 2023.
- Supplies expense of \$Nil (2022 - \$200) decreased due to expenses in 2022 for coolers and transport.
- Research and development expense of \$nil (2022 - \$754) decreased due to R&D expenditures made in 2022
- Interest expense of \$440 (2022 - \$nil) increased due to loan interest payable in 2023.

**Off Balance Sheet Arrangements**

The Company is not a party to any off-balance sheet arrangements or transactions.

**Proposed Transactions**

Other than the Transaction described above, there are no other proposed transactions.

### Liquidity and Capital Resources

At August 31, 2023, the Company had working capital of \$1,117,971 compared to \$1,215,580 for February 28, 2023.

All the current accounts payable and accrued liabilities are due and payable within 12 months.

The Company's working capital amounts are as follows:

		<b>August 31, 2023</b>		<b>February 28, 2023</b>
Cash	\$	135,588	\$	311,314
Accounts receivable		562,876		565,521
Prepays		40,899		-
Other receivable		58,695		68,897
Advances		835,102		529,387
Inventory		123,057		106,057
Accounts payable and accrued liabilities		(422,397)		(265,315)
Notes payable (current portion)		(215,849)		(100,281)
		<b>1,117,971</b>		<b>1,215,580</b>

### Transactions with Related Parties

During the six months ended August 31, 2023, the Company recovered, paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors, and/or companies with common directors:

<b>Consulting fees</b>			<b>August 31,</b>	
		<b>2023</b>		<b>2022</b>
TJT Ventures Ltd. (Management)	\$	52,500	\$	45,000
Brayden Sutton (CEO)		52,500		30,000
Emily Graham		-		22,500
	\$	<b>105,000</b>	\$	<b>97,500</b>
<b>Share-based compensation</b>			<b>August 31,</b>	
		<b>2023</b>		<b>2022</b>
Daniel Southan-Dwyer	\$	14,580	\$	-
Dayna Lange		8,271		-
Brian Taylor (Director)		8,271		-
Justin Chorbajian (Director)		8,271		-
		<b>39,392</b>		<b>-</b>
<b>Inventory purchase</b>			<b>August 31,</b>	
		<b>2023</b>		<b>2022</b>
Tricanna Industries Inc (Dayna Lange)	\$	138,165	\$	490,355

## **Capital Management**

The Company manages its components of equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, or acquire assets. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

There have been no changes to the Company's approach to capital management during the period ended August 31, 2023. The Company is not subject to externally imposed capital requirements.

## **Financial Instruments**

### Fair Value

The Company classifies its cash, cash equivalents and restricted cash as fair value through profit or loss measured at level 1 inputs of the fair value hierarchy. Accounts payable and accrued liabilities and subscription receipts are carried at amortized cost.

The carrying value of accounts payable and accrued liabilities approximate its fair value due to the short-term maturity of this financial instrument.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

### Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash, cash equivalents and restricted cash. Management believes that the credit risk concentration with respect to cash, cash equivalents and restricted cash is remote as it maintains accounts with highly rated financial institutions.

Cash and cash equivalents comprise of cash and highly liquid investments having maturity dates of three months or less, which are readily convertible into a known amount of cash at any time, and are subject to an insignificant risk to changes in their fair value. As of August 31, 2023, the Company had cash and cash equivalents of \$135,588 (February 28, 2023 - \$311,314).



### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at August 31, 2023, the Company had working capital of \$1,117,971 (February 28, 2023 – \$1,215,580). All of the Company's current liabilities are due within 90 days of August 31, 2023.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company is not currently exposed to any significant interest rate or foreign currency risk. The Company is exposed to other price risk with respect to its investments, as they are carried at fair values based on quoted market prices.

### **Critical Accounting Estimates**

The preparation of the condensed interim financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

#### Critical accounting judgements: Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

#### Critical accounting estimates: Income taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

### Management's Responsibility for Condensed Interim Financial Statements

The information provided in this report, including the condensed interim financial statements, is the responsibility of management. In the preparation of these condensed interim financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the condensed interim financial statements.

### Outstanding Share Data as of August 31, 2023

- a) Authorized Share Capital:  
unlimited number of common shares without par value  
unlimited number of preferred shares without par value
- b) Issued and Outstanding Shares: 56,117,232 common shares
- c) Outstanding incentive stock options:

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<b>Expiry Date</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
December 14, 2026	1,140,000	0.20
February 3, 2028	700,000	0.15
March 12, 2028	150,000	0.15

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- d) Outstanding RSU's

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<b>Vesting date</b>	<b>Number of RSUs</b>
September 29, 2022	1,377,083
September 29, 2023	393,750
Balance	1,770,833

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- e) Outstanding escrow shares

As of August 31, 2023, there were 13,211,250 (February 28, 2023 – 17,615,000) common shares held in escrow. 10% of the securities were released on closing of the transaction and the remaining balance is released in six equal tranches of 15% every six months thereafter.

f) Outstanding warrants

<b>Warrants</b>	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance – February 28, 2023	10,800,000	0.28
Granted	2,646,667	0.15
Balance outstanding and exercisable – August 31, 2023	13,446,667	0.25

<b>Expiry Date</b>	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
September 29, 2023	4,000,000	0.50
February 2, 2025	6,800,000	0.15
August 4, 2026	700,000	0.15
August 25, 2026	1,946,667	0.15

**Outstanding Share Data at date of the MD&A**

a) Authorized Share Capital:  
unlimited number of common shares without par value  
unlimited number of preferred shares without par value

b) Issued and Outstanding Shares: 56,117,232 common shares

c) Outstanding incentive stock options:

<b>Expiry Date</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
December 14, 2026	1,140,000	0.20
February 3, 2028	700,000	0.15
March 12, 2028	150,000	0.15

d) Outstanding RSU's

<b>Vesting date</b>	<b>Number of RSUs</b>
September 29, 2022	1,377,083
September 29, 2023	393,750
Balance	1,770,833

e) Outstanding escrow shares

As at the date of this MD&A, there were 13,211,250 common shares held in escrow.

f) Outstanding warrants

Warrants outstanding as at the date of this MD&A:

<b>Expiry Date</b>	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
September 29, 2023	4,000,000	0.50
February 2, 2025	6,800,000	0.15
August 4, 2026	700,000	0.15
August 25, 2026	1,946,667	0.15

**Officers and Directors**

Brayden Sutton, CEO and Director  
Thomas Joshua Taylor, President and Director  
Simon Tso, CFO  
Justin Chorbajian, Director  
Brian Taylor, Director

**Subsequent Events**

On October 16, 2023, Dayna Lange has resigned from the board of directors of The B.C. Bud Corp., effective immediately.