Shiny Health & Wellness Corp.

(formerly ShinyBud Corp.)

Management's Discussion and Analysis

For the three and nine months period ended October 31, 2023 and 2022

Dated: December 28, 2023

INTRODUCTION

This management's discussion and analysis ("**MD&A**") of Shiny Health & Wellness Corp. and its subsidiaries ("**Shiny Health**" or the "**Company**") (formerly ShinyBud Corp.) is dated December 29, 2023.

This MD&A is intended to supplement and complement the Company's interim condensed consolidated financial statements for the three and nine months ended October 31, 2023 and 2022 (the "**Interim Financial Statements**"). This MD&A should be read in conjunction with the Interim Financial Statements as well as the audited consolidated financial statements (the "**Annual Financial Statements**") and related MD&A of the Company for the fiscal years ended January 31, 2023 and 2022. The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The Interim Financial Statements and additional information about the Company (including the Annual Financial Statements and related MD&A) are filed on SEDAR and available under Shiny Health's issuer profile at www.sedarplus.ca. For more information on the basis of this presentation, see Note 2 to the Interim Financial Statements.

Unless otherwise indicated, all amounts in this MD&A are presented in Canadian dollars.

COMPANY OVERVIEW

Historical Background

The Company was incorporated as "Cedarmont Capital Corp." ("**Cedarmont**") under the *Business Corporations Act* (British Columbia) on February 2, 2021 to carry on business as a 'Capital Pool Company' ("**CPC**") within the meaning of the Policy 2.4 of the TSX Venture Exchange ("**TSXV**"). As a CPC, the Company's principal purpose was to identify and evaluate assets or businesses for potential acquisition that, when acquired in a qualifying transaction, would result in the Company meeting ordinary initial listing requirements of the TSXV. The Company completed its initial public offering (the "**IPO**") on May 13, 2021 and its common shares commenced trading on the Exchange as a CPC under the symbol "CCCA.P".

On June 17, 2021, the Company entered into a binding letter of intent with Shiny Bud Inc. ("**SBInc")** and **mīhī Inc.** ("**mīhī")** for a proposed combination of the three companies in a transaction intended to constitute the Company's 'qualifying transaction' under applicable TSXV rules. On September 22, 2021, the Company, SBInc and mīhī entered into a definitive agreement (the "**Combination Agreement**") providing for the terms and conditions of the proposed combination (the "**RTO**"), which would result in a reverse takeover of the Company by the former shareholders of SBInc.

Following agreement with SBInc and mīhī, the Company's activities were focused on completion of the RTO.

SBInc and mīhī were independent cannabis retailers operating in Ontario, and prior to completion of the RTO acquired additional stores through the acquisitions (i) by SBInc of 11181297 Canada Inc. ("**11181297**"), which owned and operated eight Shiny Bud-branded stores (the "**1118 Acquisition**"), and 11180860 Canada Inc. ("**11180860**"), which held licenses for one store that had not yet opened, and (ii) by mīhī of 11535447 Canada Corp. ("**11535447**"), which owned and operated one mīhī-branded store.

The RTO was completed on January 20, 2022 by way of a 'three-cornered' amalgamation under the *Canada Business Corporations Act* ("**CBCA**") of SBInc, mīhī and 13664805 Canada Inc., a company incorporated as a wholly-owned subsidiary of the Company for the purposes of the RTO. Pursuant to the terms of the amalgamation, the three amalgamating corporations combined to continue as a single amalgamated corporation ("**SBAmalco**") wholly owned by the Company, and the outstanding shares, warrants and stock options of SBInc and mīhī were exchanged for common shares, warrants and stock options of the Company according to agreed exchange ratios. The Company thereby became the sole shareholder of SBAmalco, which continued under the name "Shiny Bud Inc.", and the former shareholders of SBInc and mīhī became shareholders of the Company, as parent corporation.

The former SBInc shareholders included investors under a private placement offering of subscription receipts completed by SBInc in Fall 2021 in anticipation of the RTO, pursuant to which it issued and sold an aggregate of 899,550 subscription receipts at a price of $8.00 per subscription receipt for total gross proceeds of $7,196,400 (the "**Private Placement**"). The proceeds of the Private Placement (net of certain expenses) were deposited in escrow and released in connection with completion of the RTO. Each subscription receipt converted to a unit consisting of one underlying Class B common share of SBInc and one Class B common share purchase warrant prior to completion of the RTO, which shares and warrants of SBI were subsequently exchanged under the amalgamation for an aggregate of 1,136,055 Common Shares and Common Share purchase warrants of the Company (based on an exchange ratio of 1.26293-for-1), with each such warrant (an "**Underlying Warrant**") entitling the holder to purchase one Common Share at an exercise price of $7.28 per share until January 22, 2024.

In connection with the RTO, the Company also changed its name from "Cedarmont Capital Corp." to "ShinyBud Corp." and completed the Consolidation.

Upon closing of the RTO, the board of directors and executive management team of the Company were reconstituted, with Shiny Health led by a board of directors and management team with extensive retail operating experience, which the Company intends to be a key competitive differentiator in leading its growth strategy and franchising program.

Since the RTO, SBAmalco owns and operates the combined cannabis retailing business of SBInc and mīhī, and the Company's principal business is that of SBAmalco, being its wholly owned subsidiary, which is focused on building an independent retail chain that offers cannabis products and accessories to the legal adult-use recreational market in Ontario.

Upon completion of the RTO, the Company was deemed to have changed its financial year end from February 28, which had been the financial year end of Cedarmont, to January 31, being the financial year end of SBInc.

On August 15, 2022, the Company announced its corporate name change from ShinyBud Corp. to Shiny Health & Wellness Corp. to reflect the Company's expanded retail focus and enhanced mission to be a trusted source for health and wellness solutions and services. The Company also announced that it is proceeding with a change in its corporate jurisdiction by way of a continuance under the Canada Business Corporations Act (CBCA), which was completed on August 16, 2022 and effectively re-incorporated the Company under the CBCA.

Further information regarding the RTO is also contained in the Filing Statement of Cedarmont dated January 19, 2022, which is filed on SEDAR and available under Shiny Health's issuer profile at www.sedarplus.ca.

On February 1, 2022, SBAmalco further amalgamated with 11181297, 11535447 and 11180860 to continue as a single amalgamated corporation under the name "Shiny Bud Inc.". Shiny Bud Inc. continues to be a wholly owned subsidiary of the Company, operating its Retail Adult-Use Cannabis line of business.

On May 30, 2022 the Company established mīhī Health & Wellness Inc. as an additional wholly owned subsidiary to operate its future Retail Pharmacy line of business.

Shiny Health & Wellness is the parent public company for both of these line of business operating companies.

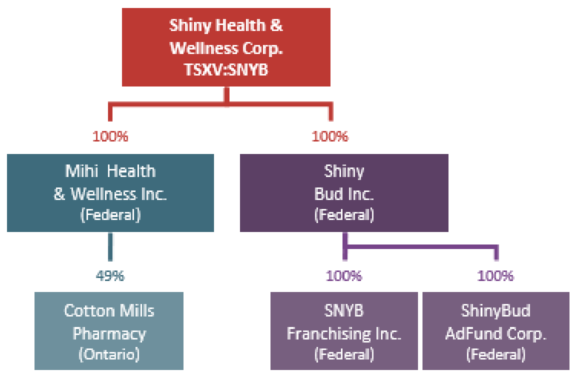
On October 3, 2022, the Company closed the acquisition of Cotton Mill Pharmacy ("Cotton Mill") located in Cornwall, Ontario.

Current Corporate Structure & Organization

The Common Shares of Shiny Health commenced trading on the TSXV at market open on February 2, 2022 under the symbol "SNYB", and the Company ceased to be considered a CPC under applicable TSXV policies at that time. As of the date of this MD&A, the Company has 14,150,656 Common Shares issued and outstanding. See "Outstanding Share Data" below for more details.

Shiny Health's registered office is located at 1100-1111 Melville Street, Vancouver (BC) V6E 3V6.

The current corporate structure (excluding inactive entities) is as follows:



FORWARD-LOOKING STATEMENTS

This MD&A contains statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future performance, events, outcomes or circumstances or are otherwise prospective in nature, are based upon internal assumptions, opinions, estimates, plans, beliefs and expectations about future conditions, developments and courses of action. They are inherently uncertain as they depend on the accuracy of such assumptions, opinions, estimates, plans, beliefs and expectations, which cannot be assured, and are subject to known and unknown risks and uncertainties that will cause actual results to differ from those indicated, suggested or anticipated in the forward-looking statements. The differences may be material and adverse to the Company.

All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "intend", "seek", "plan", "aim", "budget", "forecast", "target", "estimate", "objective", "propose", "predict", "potential", "project", "continue", "pursue", "may", "will", "might", "should", "could" or similar words suggesting future outcomes or events or statements regarding an outlook.

Without limiting the foregoing, this MD&A contains forward-looking statements pertaining to: Shiny Health's growth strategy and potential in respect of both its retail cannabis business and expansion into the pharmacy sector.

Forward-looking statements, and the underlying assumptions, opinions, estimates, plans, beliefs and expectations on which they are based, are inherently uncertain as they depend on future conditions, developments and courses of action that may or not occur or come to be. There can be no assurance that the underlying assumptions, opinions, estimates, plans, beliefs and expectations will prove to be correct and, accordingly, no assurance that the future performance, events, outcomes or circumstances expressed or implied in the forward-looking statements herein will occur or be realized. Actual results will differ, and the differences may be material and adverse to the Company.

In addition to the other factors and assumptions that may be identified herein, material factors and assumptions used to develop the forward-looking statements contained in this MD&A include, among other things, assumptions, opinions, estimates, plans, beliefs and expectations regarding: the availability of further debt or equity capital; our ability to obtain any required debt or equity on acceptable terms; our ability to achieve profitable operations; our ability to identify and consummate accretive acquisitions including opportunities beyond Ontario in hopes of expansion to the rest of Canada, the USA and perhaps Europe, expand our store network within budgeted costs and timelines, drive same-store sales growth, improve margins and generate new revenue streams; the effectiveness of our retail cannabis and health and wellness strategy; our ability to obtain additional licenses, authorizations and regulatory approvals (including any required approvals of the TSX Venture Exchange) as and when required to fit our growth and business plan; the size of the cannabis retail market and estimated portion currently unserved, and the migration of customers from the illicit market to legal market; our ability to capture additional market share; our ability to attract licensees to the ShinyBud brand and model, and the terms of those arrangements; the number, type and locations of new stores; the applicability and relevance of our experience in existing centers and locations to new centers and locations; our ability to influence our customer purchase decisions; our ability to maintain, enhance, and grow our appeal within our addressable market, and to customize products and inventory for the market that resonate with our target customer base; our ability to source product that is key to our menu offerings; our ability to leverage our landlord network and build a flexible lease portfolio; our ability to manage costs and drive operating efficiencies; our ability to retain key management and non-management personnel, and to hire, train and motivate staff;), and; our competitive strengths and the impact of competition; the accuracy of our financial models; trends in the retail cannabis and health and wellness sectors; the regulatory framework applicable to the retail cannabis and pharmacy industries in Canada, and the direction of any changes in that framework and underlying laws; and general economic, political and social conditions affecting the retail cannabis and pharmacy businesses.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that will cause actual results to differ from those indicated, suggested or anticipated in the forward-looking statements, and the differences may be material. Readers must therefore exercise caution and not rely on forward-looking statements, which rest on assumptions, opinions, estimates, plans, beliefs and expectations as of the date made that may change and are in any event not a guarantee of future performance or a promise of any future outcomes. We believe such risks, uncertainties and other factors to include, without limitation, the following: risks associated with the Company's access to capital or on more costly financing terms than expected, delays in reaching profitable operations, the retail cannabis and pharmacy industries generally; adverse changes in the general economic or market conditions, and to customer spending in the centers where we operate; unforeseen obstacles that prevent, delay or otherwise compromise the execution of our business plans; inability to obtain additional licenses and authorizations (and other needed regulatory approvals) as and when required to fit our growth and business plan; ineffectively managing our growth; failure to secure accretive acquisitions or store locations; inability to secure leasehold premises for new stores on acceptable terms, risks associated with leasing retail space; adverse changes to the regulatory framework applicable to the retail cannabis and retail pharmacy industries in Canada, or to other laws and regulations affecting our business (including taxes); unanticipated diminishment of the Shiny Bud brand or any trademark protections; negative publicity for us or our business; marketing strategies that are less successful than expected; our highly competitive industry and the relative size and resources of some of our competitors; being unable to successfully open and operate new stores; profitability erosion from unexpected cost increases; slower profitability of new stores; failure to identify, recruit and contract with a sufficient number of qualified franchise partners; a data security breach that results in improper use or disclosure of confidential customer or employee information; risks associated with industry consolidation; loss of key management or other key personnel, or unexpected difficulty in attracting, training and/or motivating staff as necessary to execute our business plan; unexpected challenges in growing sales or connecting with our customer base; inability to meet other financial targets; any material claims made against us, which could result in litigation; insolvency risks with parties with whom we do business; increased expenses of being a public company; the forward-looking statements contained in this presentation proving to be inaccurate and incorrect despite there being a reasonable basis therefor at the time they were made; and such other risks, uncertainties and other factors as may be discussed or set out from time-to-time in Shiny Health's public disclosure documents (including, without limitation, those risks identified in this MD&A) filed by the Company with applicable securities regulatory authorities in Canada and available at www.sedarplus.ca.

The foregoing lists of material assumptions and risks, uncertainties and other factors are not exhaustive.

The forward-looking statements contained herein in this speak only as of the date of this MD&A. The Company disclaims any intention, obligation or undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any difference between actual results and those indicated, suggested or anticipated in any forward-looking statements, except as may be required under applicable securities laws.

All forward-looking statements contained in this MD&A and in any related reports or disclosures filed or issued by the Company, or made by the Company's directors, officers and other persons authorized to speak on its behalf regarding the subject matter hereof, are expressly qualified by this cautionary statement.

BUSINESS STRATEGY

Mission

Shiny Health's mission is to be a trusted source for health and wellness solutions and services to help its customers "*Never Settle, Live Fully*".

Retail Cannabis

Upon completion of the RTO, the Company's retail strategy centered on becoming a premier independent cannabis retailer in Ontario by leveraging its retail operating experience and foundation in adult-use cannabis to profitably operate its existing store network. Shiny Health's retail strategy has since broadened to include an entry into health and wellness with sections in its dispensaries offering new Ontario Cannabis Store products focused on individual wellness.

Corporate-owned stores

Shiny Bud Inc. currently owns 19 cannabis retail stores and 19 Licensee Stores in the Province of Ontario. As of the date of this MD&A, the following sites were either owned or operated under License:

	Corporate Stores		Licensee Stores
1	North York	1	Cornwall - Montreal Road
2	Windsor – Tecumseh	2	Cornwall - Pitt Street
3	Prescott	3	Cornwall - Cornwall Center Road
4	Brockville Parkedale	4	Belleville - North Front Street
5	Brockville King	5	Belleville – Dundas Street E
6	Smiths Falls	6	Belleville – Dundas Street W
7	Embrun	7	Morrisburg
8	Kanata	8	Kingston
9	Ottawa – Robertson	9	Hawkesbury - Main Street East
10	Ottawa – Alta Vista	10	Hawkesbury – Main Street East
11	Kemptville	11	Orleans – Jeanne d'Arc Blvd
12	Brampton	12	Alexandria
13	Oshawa	13	Orillia
14	Orleans – Centrum Blvd	14	Alliston
15	Bowmanville	15	Elmvale
16	Tilbury	16	Schomberg
17	Blenheim	17	Cardinal
18	Ottawa – Carling	18	Ingleside
19	Stittsville	19	Gananoque

ShinyBuddy Data Program

The ShinyBuddy Data Program is a supplemental source of revenue for the Company. As of the date of this MD&A, the Company has established Data Program agreements with licensed cannabis producers and brands ("**Data Partners"**) whereby it provides detailed insights into store sales trends, inventory records, and SKU management analytics. The Data Program allows Shiny Bud Inc. to establish strategic partnerships with key suppliers, develop data analytics to better the business from an operations and marketing perspective, and to access support from its Data Partners, such as industry sales trends. Creating relationships with leading brand partners also allows the Company to have visibility on product innovation, seasonal marketing, and in-store shopper buying habits. For a current update on the Data Program, refer to *"Operating Results"* below.

ShinyBuddy Club Customer Loyalty Program

In March 2022, the Company launched its ShinyBuddy Club Customer Loyalty Program (the "Club"). The Club is a point-based loyalty system whereby customers are awarded loyalty points per store visits. Once a customer achieves a certain point level, points can be used to pay for the purchase of gift cards that can be used in store. Club members are also granted exclusive benefits and access to limited edition items, private events, and special giveaways. Through its special incentives, the no-cost Club is expected to improve the Shiny Bud brand experience, strengthen customer loyalty, and drive product sales. The Club is also a means to engage customers, reward customer loyalty, and drive customer retention. The proprietary consumer data collected through the loyalty platform provides the Company with valuable insight into customer purchase decisions and targeted marketing channels to age-verified cannabis users. Loyalty programs typically drive sales as members have increased baskets and an increased frequency of customer visits. As of the date of this MD&A, the Club has grown to over 56,000 loyalty members, a 27% increase since last quarter.

Licensing

As of the date of this MD&A, SBInc has executed 19 trademark license agreements.

The licensees are operating Shiny Bud-branded locations located in Ontario and are owned and operated by third parties pursuant to non-exclusive, revocable license agreements. The current term of each trademark license agreement expires on the earlier of (i) the day prior to the anniversary of the agreement, and (ii) the expiration or termination of the licensee's right to occupy the store under its lease. These licensees all have the right to convert to a new franchisee arrangement upon expiry of the term. Each trademark license agreement requires payment to SBInc. of a monthly royalty fee of 1% of gross sales. See also Note 22 ("*Related Party Transactions"*) to the Interim Financial Statements. Licensees are eligible to receive a portion of the revenue generated by the data-sharing program.

Adult-Use Retail Cannabis Market

Some Ontario cannabis retailers have resorted to steep price discounts to attract a growing value-oriented consumer segment creating margin pressure for all retailers. SBInc. continues to maintain its position as a premier retailer and has successfully mitigated material margin compression thus far by maintaining an average store-level gross margin higher than the local competition. The growing price elasticity of demand, however, is expected to continue to increase margin pressure on the Company and other Ontario cannabis retailers.

The Company expects its stores to continue to experience increased competition amidst a crowded marketplace as the number of new store openings in the province continue to increase, albeit at a slightly slower pace and showing some signs of stabilization.

Outlook – Retail Cannabis

As at the date of this MD&A, the Company is mindful of the current competitive landscape in Ontario's retail cannabis market and in the normal course continues to assess the number, composition and operating size ranges of its corporate cannabis stores and has proactively completed transactions to align to its corporate strategy and market conditions The Company closed certain non-performing locations and opportunistically sold stores with the majority of the funds used to paydown debt (see Liquidity section in this MD&A). On December 15, 2023, the Company announced the signature of a definitive acquisition agreement with Stash & Co to buy ten adult use cannabis retail stores. Additionally, the Company is also reviewing opportunities beyond Ontario in hopes of expansion to the rest of Canada, the USA and perhaps Europe. Management does not expect to develop brand new greenfield locations, because the opportunities to acquire revenue producing established stores is abundant and the risk and cost factors much less for the Company. Going forward, key areas of focus for the Company's cannabis line of business include enhancing EBITDA(1) to achieve profitable operations, tailoring competitive positioning within each community where it operates, and optimizing network capital and real estate utilization.

Retail Pharmacy

Retail Growth Strategy and Related Pharmacy Acquisition

On May 16, 2022, the Company announced the broadening of its retail growth strategy with a focus on health and wellness. The Company continues to evaluate various strategies designed to incorporate a broader health and wellness focus, and management sees this as one of the main drivers of consumer cannabis growth in Canada. Since legalization, more consumers are exploring legal cannabis for this purpose versus recreational. Management continues to explore whether a retail growth strategy that includes pharmacies is a viable pillar of growth for the Company.

On September 23, 2022, Shiny Health announced that, through its subsidiary mīhī Health & Wellness, it entered into a definitive Asset Purchase Agreement to complete its acquisition of Cotton Mill Pharmacy ("**Cotton Mill**") for a total purchase price of $700,000 plus approximately $67,000 in inventory. The acquisition, which was originally announced on May 16, 2022, closed on October 3, 2022. Closing of the Cotton Mill transaction was the first pharmacy acquisition in furtherance of the Company's retail expansion strategy into health and wellness. In operation since 2015, Cotton Mill is a fully independent, no banner pharmacy located in Cornwall, Ontario.

Acquisition Financing

To finance the Cotton Mill acquisition, Mihi Health & Wellness received a committed arrangement from Care Lending Group for a $600,000 secured acquisition 5-year term loan (the "Acquisition Loan"), which was fully drawn at closing. The Acquisition Loan bears interest at 7.75% and is repayable monthly. Pursuant to the Asset Purchase Agreement, $100,000 of the purchase price will be paid through a one-year vendor take-back loan at an annual interest rate of 4.0%. The balance of the purchase price plus inventory has been paid from cash on hand.

Outlook – Retail Pharmacy

mīhī Health & Wellness continues to assess possible pharmacy acquisition targets. To close on pharmacy acquisitions, the Company would need to finalize debt financing to co-fund the future pharmacy purchases, but any such funding proposal requires that a portion of any future purchase price also be funded in combination with equity capital. Therefore, should any future pharmacy acquisitions be considered the timeline to acquiring the next pharmacy location would be subject to the ability to raise equity capital on the open markets at reasonable terms.

The development of new greenfield pharmacy locations is not anticipated.

FINANCIAL AND OPERATING RESULTS

Overall Performance

Consistent with trends observed in the Ontario cannabis retail market, the Company's revenues decreased during the three and nine months ended October 31, 2023. Revenues were also reduced as a result of deliberate moves by management to close certain non-performing stores and sell some of the larger footprint stores.

The following table sets out a summary of consolidated financial information for the periods indicated.

	Three months ended October 31,			Nine months ended October 31,		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
	$	$	%	$	$	%
Revenue	**4,278,424**	7,463,267	(42.7)	16,886,250	22,776,467	(25.9)
Gross Profit	**1,462,918**	2,819,045	(48.1)	5,970,929	8,449,164	(29.3)
Gross Profit Margin	**34.2%**	37.8%	(3.6)	35.4%	37.1%	(1.7)
Total Operating Expenses	**2,215,512**	3,704,155	(40.2)	8,445,153	11,961,160	(29.4)
Loss from Operations	**752,594**	885,110	(15.0)	2,474,224	3,511,996	(29.5)
Total Other Expenses	**5,211,014**	870,445	498.7	6,590,254	318,848	1,966.9
Net Comprehensive Loss	**5,937,658**	1,761,284	237.1	8,738,072	3,670,826	138.0
EBITDA(1)	**(5,058,761)**	(621,106)	714.5	(6,005,902)	(331,373)	1,712.4

Adjusted EBITDA[1]	**(186,319)**	265,270	(170.2)	(509,524)	193,839	(362.9)

(1) EBITDA and Adjusted EBITDA are non-IFRS financial measures that do not have standardized meanings prescribed under IFRS and may not be comparable to similar measures disclosed by other issuers. See section entitled "Non-IFRS Financial Measures – EBITDA and Adjusted EBITDA" below for more details.

The nature of all major expense categories is discussed further below.

Revenue

The table below shows the sales for the three and nine months period ended October 31, 2023 and October 31, 2022 by revenue stream:

	Three months ended October 31,			Nine months ended October 31,		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Retail Cannabis Operations	**3,617,359**	6,882,457	(47.4)	**14,798,057**	21,301,190	(30.5)
Data Program	**220,849**	405,971	(45.6)	**852,450**	1,270,911	(32.9)
Trademark	**93,388**	55,487	68.3	**184,681**	85,014	117.2
Retail Pharmacy Operations	**346,828**	119,352	190.6	**1,051,062**	119,352	780.6
Total	**4,278,424**	7,463,267	**(42.7)**	**16,886,250**	22,776,467	(25.9)

The decrease in sales from the cannabis retail operations and data program was driven primarily by general market conditions in Ontario and the reduction of the Company's cannabis retail store count. The increase in sales from the pharmacy operations is due to the number of days of operations. The pharmacy was acquired on October 3, 2022.

Gross Profit

	Three months ended October 31,			Nine months ended October 31,		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
	$	**$**	**%**	**$**	**$**	**%**
Retail Cannabis Operations	**1,103,329**	2,318,350	(52.4)	**4,639,355**	7,054,002	(34.2)
Data Program	**136,758**	405,971	(66.3)	**768,359**	1,270,911	(39.5)
Trademark	**93,388**	55,487	68.3	**184,681**	85,014	117.2
Retail Pharmacy Operations	**129,443**	39,237	229.9	**378,534**	39,237	864.7
Total	**1,462,918**	2,819,045	**(48.1)**	**5,970,929**	8,449,164	(29.3)

Consistent with the drop in revenues due to a lower number of stores there was a corresponding reduction in the amount of gross profit. Gross profit margin was also negatively impacted by increased competition on the Ontario market and price cutting by certain competitors in the cannabis segment and the decrease in revenue from the data program, due to the reduction of the Company's cannabis store count. However, on a comparative basis to other competitors in the market the Company's gross margin remained in the top-tier of the industry.

Operating Expenses

Operating expenses across most categories were reduced as management proactively aligned the Company's cost structure with the Company's revenues and store footprint. In particular, salaries and benefits decreased by 46.1% and 31.3% for the three and nine month periods ended October 31, 2023 due mainly to a significant reduction of the Company corporate and management head count and the reduction of the share-based compensation. Costs were managed downward including significant reductions in legal and professional fees

	Three months ended October 31,			Nine months ended October 31,		
	2023	2022	Change	2023	2022	Change
	$	$	%	$	$	%
Salaries and benefits	**817,351**	1,564,244	(47.7)	**3,389,305**	4,970,689	(31.8)
Depreciation and amortization	**588,333**	817,055	(28.0)	**1,980,292**	2,443,313	(19.0)
Facility expenses	**249,535**	266,851	(6.5)	**714,861**	844,661	(15.4)
Insurance and licensing fees	**113,088**	136,063	(16.9)	**353,172**	439,440	(19.6)
Legal and professional fees	**63,948**	426,144	(85.0)	**663,281**	1,646,582	(59.7)
Travel and entertainment	**40,601**	72,840	(44.3)	**175,624**	265,570	(33.9)
Technology and communication costs	**103,015**	132,261	(22.1)	**285,893**	364,161	(21.5)
Office expenses and other	**139,937**	52,600	166.0	**435,524**	251,538	73.1
Bank charges	**61,871**	164,574	(62.4)	**347,643**	427,676	(18.7)
Marketing and promotion expenses	**37,833**	71,523	(47.1)	**99,558**	307,530	(67.6)
Total	**2,215,512**	3,704,155	(40.2)	**8,445,153**	11,961,160	(29.4)

Other Income (Expenses)

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
	$	$	$	$
Other Income (expenses)	**66**	(1,154)	**(457)**	(886)
Impairment loss	**(5,958,687)**	(433,654)	**(6,435,900)**	(981,615)
Loss on extinguishment of loan payable	**-**	-	**-**	(1,267,726)
Revaluation gain (loss) on derivative liability	**9,475**	(111,951)	**183,966**	2,920,999
Gain on asset disposition	**1,001,826**	-	**1,001,826**	-
Gain on lease modification	**270,786**	-	**369,453**	-
(Loss) Gain on change in fair value	**(159,624)**	(6,292)	**(375,788)**	66,538
Transaction costs	**(33,342)**	-	**(230,070)**	-
Finance costs	**(341,514)**	(317,394)	**(1,103,284)**	(1,056,158)
Total	**(5,211,014)**	(870,445)	**(6,590,254)**	(318,848)

The nature of all major other expense categories is discussed further below.

Impairment Loss

The Company performed an analysis of impairment of its property and equipment and intangible assets based on the historical performance of each of its retail stores. At October 31, 2023, management assessed that there were indicators of impairment of two (2022: four) of its retail store locations as the economic performance of these locations were worse than expected. An impairment charge of $nil and $0.47 million was recognized for the three and nine months ended October 31, 2023 (October 31, 2022 - $0.43 million and $0.98 million) based on the net recoverable value of property and equipment and licenses at these locations.

The Company has discontinued the usage of the tradename 'Mihi Cannabis'. An impairment charge of $0.22 million was recognized for the tradename for the three months ended October 31, 2023 (2022: $nil).

Upon management's review of the Company's cannabis segment, the Company identified impairment indicators for the goodwill associated with this segment. Based on the impairment test performed, the Company recorded an impairment of goodwill of $5.7 million (2022: $nil) to the cannabis group of CGUs as at October 31, 2023. Please see note 8 of the Interim Financial Statements for more details.

Loss on Extinguishment of Loan Payable

The Company recorded a loss on extinguishment of loan payable of $1.3 million for the nine months period ended October 31, 2022. This non-cash accounting loss related to the amendment of the FirePower Loan. On April 30, 2022, SBInc executed an amendment to the FirePower Loan involving a $1.0 million prepayment of the $3.0 million principal. The change in the cashflow structure forced the derecognition of the initial loan and the recognition of a new loan payable. Management calculated the fair value of the new loan as $3,404,040 using a discount rate of 13.72%. As a result, for the nine months period ended October 31, 2022, a loss on extinguishment of $1,267,726 was recorded in the consolidated statement of loss and comprehensive loss being the difference between the fair value of the new loan and the carrying value of the original loan at the amendment date of $2,136,314.

See note 12 of the Interim Financial Statements for more information.

Revaluation Gain on Derivative Liability

The Company recorded a non-cash accounting gain from the revaluation of derivative liabilities of $0.01 million and $0.18 million for the three and nine months period ended October 31, 2023 (2022: $0.11 million loss and $2.92 million gain).

i. The Company recorded a non-cash accounting gain of $0.01 million and $0.13 million for the three and nine months period ended October 31, 2023 (2022: $0.04 million loss and $0.55 million gain) that relates to share purchase warrants (the "**FirePower Warrants**") issued in connection with the $3.0 million term loan agreement entered into by SBInc on June 17, 2021 with Evergreen Gap Debt LP (the "**FirePower Loan**") (see also Note 14 to the Interim Financial Statements). The cashless exercise feature in the FirePower Warrants creates a derivative liability which is required to be revalued each reporting period.

ii. The Company also recorded a non-cash accounting gain from the value of derivative liability of $0.00 million and $0.05 million for the three and nine months period ended October 31, 2023 (2022: $0.07 million loss and $2.4 million gain) that relates to the Underlying Warrants issued to the former holders of subscription receipts sold by SBInc. in the Private Placement transaction completed in 2021 and referred to under "*Company Overview – Historical Background*" above (see also Note 14 to the Interim Financial Statements). The cashless exercise feature in the Underlying Warrants creates a derivative liability which is required to be revalued each reporting period.

Gain on Lease Modification

The Company recorded a gain on lease modification of $0.27 million and $0.37 million, respectively, for the three and nine months period ended October 31, 2023 (2022: $nil) in connection with the early termination of leases. The

Company derecognize the right-of-use and lease liabilities, and recognize a gain, net of any termination penalty.

Gain on Asset Disposition

The Company recorded a gain on asset disposition of $1.0 million for the three and nine months period ended October 31, 2023 (2022: $nil) in connection with the sale of four cannabis retail locations.

(Loss) Gain on Change in Fair Value

The Company recorded a loss on change of fair value of $0.16 million and $0.38 million for the three and nine months period ended October 31, 2023 (2022: $0.006 million loss and $0.06 million gain). The loss is attributable to the loans payable to the founding shareholder and loan payable to shareholder. Those loans are valued at fair value through profit and loss. The fair value of the loans must be revalued each reporting period. A change in the fair value of the loans results in an impact on the statement of loss and/or comprehensive loss.

Transaction Costs

The Company recorded a charge of $0.03 million and $0.23 million for the three and nine months period ended October 31, 2023 (2022: $nil) in connection with the stores held for sale. The charge includes legal fees, professional fees and operational charges incurred by the Company for the signature of the asset sale agreements.

Finance Cost

Finance costs increased by 7.60% to $0.34 million for the three months period ended October 31, 2023 (2022: $0.32 million) and increased by 4.46% to $1.10 million for the nine months period ended October 31, 2023 (2022: $1.06 million). The increase is attributed to the change of the monthly lease accretion.

Segment Operations

	Cannabis		Pharmacy		Corporate		Total	
For the three months period ended October 31,	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	$	$	$	$	$	$	$	$
Revenue	3,931,596	7,343,915	346,828	119,352	-	-	4,278,424	7,463,267
Cost of sales	(2,598,121)	(4,564,107)	(217,385)	(80,115)	-	-	(2,815,506)	(4,644,222)
Gross profit	**1,333,475**	**2,779,808**	**129,443**	**39,237**	**-**	**-**	**1,462,918**	**2,819,045**
General and administrative expenses	(1,327,650)	(1,874,016)	(97,268)	(467,995)	(164,428)	(473,566)	(1,589,346)	(2,815,577)
Depreciation and amortization	(560,954)	(810,445)	(27,379)	(6,610)	-	-	(588,333)	(817,055)
Marketing and promotion	(37,297)	(62,846)	(536)	(8,677)	-	-	(37,833)	(71,523)
Income (Loss) from operations	**(592,426)**	**32,501**	**4,260**	**(444,045)**	**(164,428)**	**(473,566)**	**(752,594)**	**(885,110)**
Impairment	(5,958,687)	(433,654)	-	-	-	-	(5,958,687)	(433,654)
Revaluation gain on derivative liability	9,475	(41,467)	-	-	-	(70,484)	9,475	(111,951)
(Loss) gain on change in fair value	(129,008)	(65,245)	-	-	(30,616)	58,953	(159,624)	(6,292)
Gain on asset disposition	1,001,826	-	-	-	-	-	1,001,826	-
Gain on lease modification	270,786	-	-	-	-	-	270,786	-
Transaction costs	(33,342)	-	-	-	-	-	(33,342)	-
Other income (expenses)	66	(1,154)	-	-	-	-	66	(1,154)
Finance costs	(320,935)	(308,177)	(20,579)	(9,217)	-	-	(341,514)	(317,394)
Net income (loss) for the period	**(5,752,245)**	**(817,196)**	**(16,319)**	**(453,262)**	**(195,044)**	**(485,097)**	**(5,963,608)**	**(1,755,555)**
EBITDA (1)	**(4,870,356)**	**301,426**	**31,639**	**(437,434)**	**(195,044)**	**(485,097)**	**(5,037,761)**	**(621,106)**
Adjusted EBITDA (1)	**(31,406)**	**841,792**	**31,639**	**(192,666)**	**(161,552)**	**(383,856)**	**(161,319)**	**265,270**

	Cannabis		Pharmacy		Corporate		Total	
For the nine months period ended October 31,	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	$	$	$	$	$	$	$	$
Revenue	15,835,188	22,657,115	1,051,062	119,352	-	-	16,886,250	22,776,467
Cost of sales	(10,242,793)	(14,247,188)	(672,528)	(80,115)	-	-	(10,915,321)	(14,327,303)
Gross profit	**5,592,395**	**8,409,927**	**378,534**	**39,237**	**-**	**-**	**5,970,929**	**8,449,164**
General and administrative expenses	(5,312,196)	(7,153,715)	(452,365)	(1,178,920)	(600,742)	(877,682)	(6,365,303)	(9,210,317)
Depreciation and amortization	(1,900,692)	(2,436,703)	(79,600)	(6,610)	-	-	(1,980,292)	(2,443,313)
Marketing and promotion	(97,181)	(298,853)	(2,377)	(8,677)	-	-	(99,558)	(307,530)
Loss from operations	**(1,717,674)**	**(1,479,344)**	**(155,808)**	**(1,154,970)**	**(600,742)**	**(877,682)**	**(2,474,224)**	**(3,511,996)**
Impairment	(6,435,900)	(981,615)	-	-	-	-	(6,435,900)	(981,615)
Loss on extinguishment of loan	-	(1,267,726)	-	-	-	-	-	(1,267,726)
Revaluation gain on derivative liability	133,024	546,132	-	-	50,942	2,374,867	183,966	2,920,999
(Loss) gain on change in fair value	(296,805)	7,585	-	-	(78,983)	58,953	(375,788)	66,538
Gain on asset disposition	1,001,826	-	-	-	-	-	1,001,826	-
Gain on lease modification	369,453	-	-	-	-	-	369,453	-
Transaction costs	(230,070)	-	-	-	-	-	(230,070)	-
Other income (expenses)	(457)	(886)	-	-	-	-	(457)	(886)
Finance costs	(1,040,632)	(1,046,941)	(62,652)	(9,217)	-	-	(1,103,284)	(1,056,158)
Net income (loss) for the period	**(8,217,235)**	**(4,222,795)**	**(218,460)**	**(1,164,187)**	**(628,783)**	**1,556,13838**	**(9,064,478)**	**(3,830,844)**
EBITDA (1)	**(5,275,911)**	**(739,151)**	**(76,208)**	**(1,148,360)**	**(628,783)**	**1,556,138**	**(5,980,902)**	**(331,373)**
Adjusted EBITDA (1)	**182,561**	**1,710,057**	**(76,208)**	**(903,591)**	**(590,877)**	**(612,627)**	**(484,524)**	**193,839**

(1) EBITDA and Adjusted EBITDA are non-IFRS financial measures that do not have standardized meanings prescribed under IFRS and may not be comparable to similar measures disclosed by other issuers. See section entitled "Non-IFRS Financial Measures – EBITDA and Adjusted EBITDA" below for more details.

Cannabis Segment

As described in the section entitled Overall Performance in this MD&A the Cannabis Segment was impacted by trends generally observed in the Ontario cannabis retail market. In response, management reduced costs across most categories and made normal course moves to close certain non-performing stores and sell certain stores to reduce debt.

Pharmacy Segment

As described in the section entitled Overall Performance in this MD&A, the Company owns and operates one pharmacy and the increase in sales from the pharmacy operations is due to the number of days of operations. The pharmacy was acquired on October 3, 2022.

Corporate Segment

The corporate segment includes expenses related to the management of a public company that are not allocated to other segments, including but not limited to, stock exchange listing fees, transfer agent fees, corporate filing fees, directors' fees and directors and officers' insurance premiums.

NON-IFRS FINANCIAL MEASURES – EBITDA AND ADJUSTED EBITDA

The Company defines EBITDA and Adjusted EBITDA as per the table below. EBITDA and Adjusted EBITDA are non-IFRS financial measures that do not have standardized meanings prescribed under IFRS and may not be comparable to similar measures disclosed by other issuers. Management calculates "EBITDA" for a financial period as the Company's loss for the period, as determined in accordance with IFRS, before accretion and interest, tax, and depreciation and amortization, and calculates "Adjusted EBITDA" for a financial period as the EBITDA for the period after adjusting to remove impairment, loss on settlement of loan, gain on revaluation of derivative liability, gain on change in fair value, share-based compensation and strategic one-time cost.

Management uses EBITDA and Adjusted EBITDA to assess the Company's ability to generate cash from operations, and the Company believes them to be useful measures for this purpose. They are, however, supplementary information only and should not be relied upon for comparative or investment purposes. Readers must not consider non-IFRS measures in isolation or as a substitute for analysis of the Company's financial results as reported under IFRS. EBITDA and Adjusted EBITDA are not, and must not be construed as alternatives to, net loss or cash flow from operating activities as determined under IFRS.

The following table reconciles net loss to EBITDA and Adjusted EBITDA, respectively, for the periods indicated:

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
	$	$	$	$
Net loss	**(5,963,608)**	(1,755,555)	**(9,064,478)**	(3,830,844)
Finance costs	**341,514**	317,394	**1,103,284**	1,056,158
Depreciation & amortization	**588,333**	817,055	**1,980,292**	2,443,313
EBITDA	**(5,033,761)**	(621,106)	**(5,980,902)**	(331,373)
Impairment	**5,958,687**	433,654	**6,435,900**	981,615
Transaction costs	**33,342**	244,769	**230,070**	998,353
Revaluation (gain) loss on derivative liability	**(9,475)**	111,951	**(183,966)**	(2,920,999)
Loss on extinguishment of loan	**-**	-	**-**	1,267,726
Gain on asset disposition	**(1,001,826)**	-	**(1,001,826)**	-
Gain on lease modification	**(270,786)**	-	**(369,453)**	-
Share-Based compensation	**2,876**	89,710	**9,865**	265,055
Loss (Gain) on change in fair value	**159,624**	6,292	**375,788**	(66,538)
Adjusted EBITDA	**(161,319)**	265,270	**(484,524)**	193,839

Notes to table above:
Cash outflows for the lease liabilities during the three and nine months period ended October 31, 2023 were $468,543 and $1,447,973.
Cash outflows for the lease liabilities during the three and nine months period ended October 31, 2022 were $468,728 and $1,388,584.

For the three months period ended October 31, 2023, adjusted EBITDA was ($0.16) million, comprised of ($0.03) million from the cannabis operations, $0.03 million from the pharmacy operations and ($0.16) million from corporate items not allocated to a segment. For the nine months period ended October 31, 2023, adjusted EBITDA was ($0.48) million, comprised of $0.18 million from the cannabis operations, ($0.08) million from the pharmacy operations and ($0.59) million from corporate items not allocated to a segment. The following table provides details about the EBITDA and adjusted EBITDA by segment:

For the three months period ended October 31,	Cannabis 2023	Cannabis 2022	Pharmacy 2023	Pharmacy 2022	Corporate 2023	Corporate 2022	Total 2023	Total 2022
	$	$	$	$	$	$	$	$
Net loss for the period	**(5,752,245)**	**(817,196)**	**(16,319)**	**(453,262)**	**(195,044)**	**(485,097)**	**(5,963,608)**	**(1,755,555)**
Finance costs	320,935	308,177	20,579	9,217	-	-	341,514	317,394
Depreciation & amortization	560,954	810,445	27,379	6,610	-	-	588,333	817,055
EBITDA	**(4,870,356)**	**301,426**	**31,639**	**(437,435)**	**(195,044)**	**(485,097)**	**(5,033,761)**	**(621,106)**
Impairment	5,958,687	433,654	-	-	-	-	5,958,687	433,654
Revaluation gain on derivative liability	(9,475)	41,467	-	-	-	70,484	(9,475)	111,951
Loss (gain) on change in fair value	129,008	65,245	-	-	30,616	(58,953)	159,624	6,292
Gain on asset disposition	(1,001,826)	-	-	-	-	-	(1,001,826)	-
Gain on lease modification	(270,786)	-	-	-	-	-	(270,786)	-
Share-based compensation	-	-	-	-	2,876	89,710	2,876	89,710
Transaction costs	33,342	-	-	244,769	-	-	33,342	244,769
Adjusted EBITDA	**(31,406)**	**841,792**	**31,639**	**(192,666)**	**(161,552)**	**(383,856)**	**(161,319)**	**265,270**

For the nine months period ended October 31,	Cannabis 2023	Cannabis 2022	Pharmacy 2023	Pharmacy 2022	Corporate 2023	Corporate 2022	Total 2023	Total 2022
	$	$	$	$	$	$	$	$
Net income (loss) for the period	**(8,217,235)**	**(4,222,795)**	**(218,460)**	**(1,164,187)**	**(628,783)**	**1,556,138**	**(9,064,478)**	**(3,830,844)**
Finance costs	1,040,632	1,046,941	62,652	9,217	-	-	1,103,284	1,056,158
Depreciation & amortization	1,900,692	2,436,703	79,600	6,610	-	-	1,980,292	2,443,313
EBITDA	**(5,275,911)**	**(739,151)**	**(76,208)**	**(1,148,360)**	**(628,783)**	**1,556,138**	**(5,980,902)**	**(331,373)**
Impairment	6,435,900	981,615	-	-	-	-	6,435,900	981,615
Loss on extinguishment of loan	-	1,267,726	-	-	-	-	-	1,267,726
Revaluation gain on derivative liability	(133,024)	(546,132)	-	-	(50,942)	(2,374,867)	(183,966)	(2,920,999)
Gain (loss) on change in fair value	296,805	(7,585)	-	-	78,983	(58,953)	375,788	(66,538)
Gain on asset disposition	(1,001,826)	-	-	-	-	-	(1,001,826)	-
Gain on lease modification	(369,453)	-	-	-	-	-	(369,453)	-
Share-based compensation	-	-	-	-	9,865	265,055	9,865	265,055
Transaction costs	230,070	753,584	-	244,769	-	-	230,070	998,353
Adjusted EBITDA	**182,561**	**1,710,057**	**(76,208)**	**(903,591)**	**(590,877)**	**(612,627)**	**(484,524)**	**193,839**

Operating Risks

Management has identified and monitors the following three significant operating risks specific to the cannabis line of business:

i. continued market saturation
ii. continued margin pressures; and
iii. a reduction in consumer discretionary spend

SUMMARY OF QUARTERLY RESULTS

The following table sets out certain selected financial information for the eight most recently completed fiscal quarters ending October 31, 2023:

	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Total Sales ($)	**4,278,424**	**6,210,456**	**6,397,370**	**6,829,954**	**7,463,267**	**7,738,680**	**7,574,520**	**5,192,832**
Gross Profit ($)	1,462,918	2,126,970	2,381,041	2,501,658	2,819,045	2,794,439	2,835,680	1,826,503
Loss from operations ($)	(752,594)	(1,018,614)	(703,016)	(1,777,436)	(885,110)	(1,291,382)	(1,335,504)	(2,621,912)
Weighted average number of stores (#)	24	26	26	27	28	31	29	20

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Assets

As at October 31, 2023, the Company had a cash balance of $0.24 million (January 31, 2023: $0.74 million) and total current assets of $2.9 million (January 31, 2023: $2.5 million). The decrease in cash was primarily related to funding operating losses and working capital needs related to the continued payment of one-time costs and payable balances related to the initiation of the corporate structure in the fourth quarter of 2022, professional fees associated with preparing the Company's year-end reporting.

As at October 31, 2023, the Company had total assets of $11.3 million, a decrease of $11.4 million compared to $22.6 million at January 31, 2023. The decrease in total assets was primarily due to the decrease in cash, and the depreciation, amortization and impairment of non-current assets, including an impairment charge of $5.7 million on the goodwill.

Liabilities

Total liabilities at October 31, 2023 decreased to $16.3 million, compared to $19.6 million on January 31, 2023, primarily due to a voluntary prepayment on the Firepower loan for $1.39 millions and the termination of some of the leases.

On January 31, 2023 and on October 31, 2023, the Company was not in compliance with all financial and non-financial covenants on the Firepower Loan. As a result, the Firepower Loan has been reclassified as current liabilities.

The first amendment to the FirePower Loan has been accounted for as an extinguishment of the original loan and the recognition of a new loan, as the amended FirePower Loan agreement includes substantially different terms than those under the original agreement. On April 30, 2022, the carrying value of the original loan was derecognized and the fair value of the new loan, net of the transaction costs of $400,000 noted above, was recognized. As a result, a loss on extinguishment of $1,363,028 was recorded in the interim condensed consolidated statements of loss and comprehensive loss for the three months period ending April 30, 2022 being the difference between the fair value of the new loan and the carrying value of the original loan at the amendment date.

During the three months period ended October 31, 2023, the Company made a voluntary prepayment of $1,000,000 on the FirePower Loan, for a total of $1,385,000 for the nine months ended October 31, 2023.

See note 12 of the Interim Financial Statements for more information.

Liquidity and Capital Resources

As at October 31, 2023, cash was $0.24 million (January 31, 2023: $0.74 million) and the Company had working capital (current assets less current liabilities) deficit of negative $7.4 million (January 31, 2023 – $6.3 million).

The current negative working capital deficit indicates the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Management's view is that the success of the Company is dependent upon its ability to generate sufficient positive cashflow from its total operations to cover all its costs including overhead and public company costs and obtaining financing through a combination of equity and additional debt where possible for working capital, debt service and to sustain its operations until positive overall cashflow is achieved.

If the going concern assumption were not appropriate for these Interim Financial Statements, adjustments would be necessary to the carrying values of the assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and that such adjustments could be material.

Additional funds are required for working capital and for the Company to achieve the required scale necessary for steady state profitability from its retail cannabis store network and to meet its debt servicing and repayment obligations.

These future funding requirements may be met in several ways including, but not limited to, a combination of equity financings, sale of certain assets, debt financings and other capital markets alternatives. The Company, upon approval from its board of directors, intends to balance its overall capital structure through new share issues by undertaking other activities as it may deem appropriate under the specific circumstances, including from time to time selling store locations, issuing equity or debt, repaying debt, making overhead reductions.

The Company's future financing efforts may be affected by the volatility in market conditions. The ability to expand the Company's operations in both cannabis and pharmacy markets will be reliant on, but not limited to securing suitable acquisition opportunities, securing the necessary capital or issuing equity to acquire target locations, and the ability to generate positive operating cash flow to meet its business objectives and general working capital requirements.

While management has been successful in securing financing in the past, there can be no assurance that additional debt or equity financing will be available to meet the Company's requirements or, if available, on favorable terms.

When managing and allocating capital resources, the Company's objectives are to: (i) explore profitable growth opportunities; (ii) allocate capital in a focused and disciplined manner to generate a return on investment for shareholders; (iii) maintain the financial flexibility and ability to meet financial obligations; and (iv) maintain a capital structure that provides financial flexibility to execute on strategic growth plans.

This capital management and allocation strategy is to maintain an adaptable capital structure that allows the Company to react to any changes in economic conditions, market conditions and to the risks inherent in its underlying business.

See Note 23 (Financial Instruments) to the Interim Financial Statements for a further discussion pertaining to the Company's liquidity and capital resources.

Adjustments To Net Working Capital

Included in current liabilities as at October 31, 2023 was a $374 derivative liability balance (January 31, 2023: $0.18 million) related to the FirePower Warrants (see Note 14 to the Interim Financial Statements) and the Underlying Warrants issued to the former holders of subscription receipts sold by Shiny Bud Inc. in the Private Placement transaction referred to under "*Company Overview – Historical Background*" above (see Note 14 in the Interim Financial Statements). In both cases, the terms of the warrants enable the holders to exercise their warrants on a cashless basis under certain events and thus have been classified as current derivative liabilities in the consolidated balance sheet. Derivative liabilities are a non-cash obligation to the Company.

Accounts payable and accrued liabilities also include a provision of $510,000 for legal claim (See note 26 to the Interim Financial Statements). Management continues to assess this obligation, which has been outstanding since the past year end.

Excluding these items, the Company had adjusted negative working capital of $6.9 million at October 31, 2023 (January 31, 2023 - $5.6 million).

The table below reconciles working capital to adjusted working capital:

	October 31, 2023	January 31, 2023
	$	$
Current Assets	**2,902,196**	2,513,474
Current Liabilities	**10,336,569**	8,820,591
Working Capital	**(7,434,373)**	(6,307,117)
Derivative Liabilities	**374**	184,340
Legal Claims	**510,000**	510,000
Adjusted Working Capital [(1)]	**(6,923,999)**	(5,606,777)

(1) Adjusted working capital is a non-IFRS financial measure that does not have a standardized meaning prescribed under IFRS and may not be comparable to similar measures disclosed by other issuers.

Apart from liabilities and commitments reflected in the Interim Financial Statements (including the notes thereto), the Company's liquidity and capital resources as at the date of this MD&A are also affected by the events occurring after October 31, 2023. Please refer to the section 'Subsequent events' for more details.

Held for sale

During the three months period ended October 31, 2023, the Company identified three cannabis retail locations that were available for sale and it discussed the possibility of a sale transaction with a potential buyer. Therefore, the Company has classified these stores as held for sale in accordance with IFRS 5.

Financial Instruments

As set out in Note 29 to the Annual Financial Statements, the Company's activities expose it to a variety of financial risks. The Company is exposed to credit, liquidity, interest and market risk due to holding certain financial instruments. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects of the Company's financial performance. Risk management is carried out by senior management in conjunction with the board of directors.

OUTSTANDING SHARE DATA

The following table sets out the outstanding securities of the Company as at October 31, 2023 and the date of this MD&A:

Securities[(1)]	**Outstanding at October 31, 2023**	**Outstanding at December 29, 2023**
Common Shares	14,150,656	14,150,656
Warrants	5,009,997	5,009,997
Stock Options	472,288	472,288
Deferred Share Units (DSUs)	47,391	78,986

(1) Refer to the Notes 15, 16, 17 and 22 in the Interim Financial Statements for a detailed description of these securities.

Common Shares

On August 1, 2023 the Company announced the closing of the first tranche of its non-brokered private placement ("**Summer Private Placement**"). The Company issued 1,242,857 shares at a price of $0.35 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant. Each Warrant will entitle the holder to purchase one common share of the Company at a price of $0.60 at any time on or before August 1, 2025 and is subject to an acceleration clause.

On October 27, 2023 the Company announced the closing of the first tranche of its non-brokered private placement ("**Fall Private Placement**"). The Company issued 2,500,000 shares at a price of $0.10 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant. Each Warrant will entitle the holder to purchase one common share of the Company at a price of $0.35 at any time on or before October 27, 2025 and is subject to an acceleration clause.

Convertible Securities

The Company also has outstanding warrants, stock options and deferred share units (DSUs) pursuant to which additional Common Shares are issuable, as follows:

Security Type	Number of Common Shares Potentially Issuable	Weighted Average Exercise Price	Expiry Date Range
Stock Options	472,288	$6.39	Jan 31, 2026 – Dec 7, 2030
Warrants	5,009,997	$2.33	Nov 16, 2023 – June 17, 2026
DSUs	47,391	N/A	N/A

Further information regarding the outstanding stock options, warrants and DSUs is provided in Notes 16, 17 and 22 to the Interim Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

The Company is involved in certain claims and litigation on matters related to employment and lease arrangements. The Company views these as routine litigation matters that the Company is expected to be involved with in the normal course of business. Outcomes of these matters are uncertain, and therefore there can be no assurance that such matters will be resolved in the Company's favour.

COMMITMENTS AND CONTINGENCIES

As set-out in Note 26 of the Interim Financial Statements the Company is defending an action commenced on November 9, 2020 by the lessor of a Toronto lease, which alleges that the Company breached the lease agreement. The lessor is claiming monetary damages of $16,667 for unpaid rent as at the time the lessor purported to terminate the lease in May 2020, and further damages of approximately $1,600,000 for alleged loss of benefit of the lease over its stated term expiring February 2029. The Company has counterclaimed against the lessor for a declaration that the Company is released from its obligations under the lease and for return of a $125,242 deposit paid at the time the lease was entered into. The lessor filed a reply and defense to counterclaim in January 2021 and the action remains at the pleadings stage. A legal provision of $510,000 has been recognized in the Interim Financial Statements. Although the Company denies liability and intends to vigorously defend itself, there can be no assurance of the outcome. The value of the settlement provision is management's best estimate of the cost to settle the lease claim. Any differences from management's best estimate will be accounted for in the period they are determined.

The Company is involved in certain claims and litigation on matters related to employment and lease arrangements. The Company views these as routine litigation matters that the Company is expected to be involved with in the normal course of business. Outcomes of these matters are uncertain, and therefore there can be no assurance that such matters will be resolved in the Company's favour.

SUBSEQUENT EVENTS

On November 14, 2023 the Company welcomed Toronto executive Mr. Jonathan Hemi as a Director to the board of Shiny Heath & Wellness Corp., with a proven track record and building consumer brands globally.

On November 20,2023 the Company announced that Ms. Meris Kott, a current Director had been appointed to the role of interim Chief Executive Officer after the CEO Michael Nadeau's resignation on November 18, 2023.

On December 6, 2023, the Company announced that the it had received approval from the TSX Venture Exchange ("TSXV") to extend the closing of its previously announced non-brokered private placement financing of units at a price of $0.10 per Unit to January 4, 2024.

On December 10, 2023 the Company completed Asset Purchase Agreements with OnePlant Retail Corp. for three stores for a total sale of $900,000; with the majority of the proceeds allocated towards debt reduction.

On December 15, 2023, the Company announced it had signed an Asset Purchase Agreement with Mr. Karan S. Holla for his Stash & Co. Ontario chain of 10 adult-use cannabis retail stores, for anticipated consideration of $1,000,000. The transaction is subject to final due diligence, assignment of leases and AGCO approval.

RELATED PARTY TRANSACTIONS

As at October 31, 2023, the Company had certain transactions with related parties as defined in IAS-24 – *Related Party Disclosures,* except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements and transactions with the Company's shareholders in the form of various financing. For a description of Related Party Transactions see Note 22 to the Interim Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

A summary of significant accounting policies applied is included in Note 3 to the Annual Financial Statements, including recent accounting pronouncements of significance or potential significance and management's evaluation of impact and implementation progress. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The preparation of the Interim Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies, estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, sales and other items in net operating earnings or loss and the related disclosure of contingent assets and liabilities included in the Interim Financial Statements. The Company evaluates its estimates on an ongoing basis. The estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of sales and other items. Actual results may differ from these estimates under different assumptions or conditions. Critical accounting estimates and judgments made by management in the preparation of the Company's financial information are listed below and are more fully described in Note 3 to the Annual Financial Statements:

- Estimated useful lives of property and equipment and intangible assets;
- Goodwill impairment testing and recoverability of non-financial assets;
- Lease term;
- Incremental borrowing rate;
- Asset acquisition vs. business combination;
- Business combinations;
- Share-based compensation and fair value of warrants;
- Income taxes and recovery of deferred tax assets; and
- Assessment of control of a subsidiary.

New Standards and Interpretations

The following amendments were effective on January 1, 2023. These changes did not have a material impact on the Interim Financial Statements.

- Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction ("IAS 12")

RISK FACTORS

The following is a non-exhaustive discussion of various specific and general risks that could affect the Company and its current and future business. Additional risks and uncertainties not currently known to the Company, or that the Company does not currently anticipate will be material, may also impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects, financial condition or reputation. The risk factors listed below are not exhaustive.

Liquidity and Additional Financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital will result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company requires additional financing to fund its operations to the point where it is generating positive cash flows, as negative cash flow may restrict the Company's ability to pursue its business objectives.

These condensed consolidated financial statements have been prepared on a going concern basis, under historical cost, except for certain financial instruments that are measured at fair value.

This condition indicates the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Management's view is that the success of the Company is dependent upon sustaining cash flow positive operations in its existing cannabis line of business, and obtaining potential financing through a combination of debt and equity.

If the going concern assumption were not appropriate for these condensed consolidated Interim Financial Statements, adjustments would be necessary to the carrying values of the assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations, and that such adjustments could be material.

See section on "Liquidity and Capital Resources" above for additional information.

Competition

The number of cannabis licences, permits and authorizations that have been granted, and the number of legal retail cannabis store operators that could be authorized to open by applicable cannabis regulatory authorities, could lead to an oversaturation of the recreational cannabis retail market. There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and greater financial resources. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition, results of operations, prospects or reputation of the Company. The Company is an early-stage applicant with a limited operational history. The ability of the Company to obtain all permits and licences required to carry out its business objectives as intended is uncertain. If the Company is unable to achieve its business objectives, such failure could materially and adversely affect the business, financial condition and results of operations of the Company. Existing or future competition in the cannabis industry could have a material adverse effect on the Company's prospects for growth, financial condition and results of operations.

Pharmacy retail businesses compete with other drugstore chains, supermarkets, online and other discount retailers, independent pharmacies, membership clubs, convenience stores and mass merchants. The Company's pharmacies will have competitors with longer operating histories, larger customer bases, greater brand recognition, greater experience and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing and other resources than we do. The Company will also face competition from other retail health care clinics, and other mail order pharmacies. The Company's potential new or existing competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or customer requirements. In addition, some of its larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause us to lose potential sales or to sell products at lower prices. Disruptive innovation by existing or new competitors could alter the competitive landscape in the future. Competition may also come from other sources in the future. Changes in market dynamics or the actions of competitors or manufacturers, including industry consolidation, the emergence of new competitors and strategic alliances could have a material adverse effect on the Company's prospects or growth.

The Requirements of Being a Public Company May Strain Company Resources

As a reporting issuer, the Company, and its business activities, will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the exchange on which it is listed and other applicable securities rules and regulations. Compliance with those rules and regulations will increase the Company's legal and financial costs making some activities more difficult, time consuming or costly and increase demand on its systems and resources.

Dependence on Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management as well as certain consultants ("**Key Personnel**"). The Company's future success depends on its continuing ability to attract, develop, motivate, and retain Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have an adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Limited Operating History

The Company has a limited history of operations and is in early stage of development as it attempts to create an infrastructure to capitalize on the opportunity for value creation in the cannabis industry. The Company will therefore be subject to many risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of sales. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is no assurance that the Company will succeed and the likelihood of success must be considered in light of its early stage of operations.

The Company may be unable to achieve or maintain profitability and may incur losses in the future. In addition, the Company is expected to increase its capital investments as it implements initiatives to grow its business. If the Company's sales do not increase to offset these expected increases, the Company may not generate positive cash flow. There is no assurance that future sales will be sufficient to generate the funds required to continue operations without external funding.

Being a Public Company may Increase Share Price Volatility

The Company's status as a reporting issuer may increase price volatility due to various factors, including the ability to buy or sell Common Shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the Common Shares. The increased price volatility could adversely affect the results of operations or financial condition.

The Company may Issue Additional Equity Securities

The Company may issue equity securities to finance its activities. If the Company were to issue additional equity securities, the ownership interest of existing shareholders may be diluted and some or all of the Company's financial measures on a per share basis could be reduced. Moreover, as the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be adversely affected.

Controlling Shareholder

Micah Dass holds 6,977,869 Common Shares representing approximately 49.3% of the total number of Common Shares (undiluted) outstanding at the date of this MD&A. As such, Mr. Dass currently holds a sufficient number of our voting securities to materially affect control of the Company, and in the absence of near unanimous disagreement by all other shareholders will, in accordance with applicable corporate and securities laws, be able to positively determine the outcome of any matter requiring shareholder approval by ordinary or special resolution, including the election and removal of directors, amendments to the Company's constating documents, a sale of all or substantially all of the Company's assets, and certain business combination transactions. No party is likely to make a take-over bid for the Common Shares or other acquisition proposal unless supported by Mr. Dass. Although the interests of all shareholders are generally aligned, Mr. Dass (like any other shareholder) is entitled to act solely in his own interests in the exercise of his rights as a shareholder, whether those interests are consistent or conflict with the interests of the Company or any of its shareholders or other stakeholders.

General Economic Risks

The Company's operations could be affected by the economic context should rates of interest, inflation or unemployment reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability.

Any investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the operation of the Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could harm the Company's business to the point of having to cease operations and could impair the value of the Company's securities.

Challenging Global Financial Conditions

Global financial conditions have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on the Company and the price of the Company's securities could be adversely affected.

Licences and Permits

The operations of the Company will require licences and permits from various Canadian, federal, provincial and municipal authorities, and on the Company's ability to maintain such licences. The Company currently has all permits and licences that it believes are necessary to carry on its current business operations with the intention of obtaining additional licences and permits for additional operations. The Company will require additional licences or permits in the future to achieve its intended operations and there can be no assurance that the Company will be able to obtain all such additional licences and permits. In addition, there can be no assurance that any existing licence or permit will be renewable on terms acceptable to the Company if and when required or that such existing licences and permits will not be revoked.

The Company may be required to obtain or renew further government permits and licences for its operations. Obtaining, amending or renewing the necessary governmental permits and licences can be a time-consuming process, potentially involving several regulatory agencies, and involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain amend and renew permits and licences are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licences that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licences are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

The Company will be dependent on its suppliers' licences, or ability to obtain additional licences, which are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licences or any failure to obtain or maintain such licences could have a material adverse effect on the business, financial condition, operations, prospects or reputation of the Company. There can be no guarantee that Health Canada will issue, extend or renew these licences or, if issued, extended or renewed, that they will be issued, extended or renewed on terms favourable to the Company's suppliers and the Company. Should Health Canada not issue, extend or renew the licences or should they issue or renew the licences on terms that are less favourable to such supplier and the Company than anticipated, the business, financial condition, operations, prospects or reputation of the Company could be materially adversely affected.

Changes in Laws, Regulations and Guidelines

The Cannabis Act became effective on October 17, 2018. However, uncertainty remains with respect to the implementation of the Cannabis Act, federal regulations thereunder as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use purposes. There can be no assurance that the legalization of adult-use cannabis by the Government of Canada will be carried out on the terms currently anticipated and the impact of the implementation of the legislative framework pertaining to the Canadian adult-use cannabis market remains uncertain. The impact of these new laws, regulations and guidelines on the business of the Company, including increased costs of compliance and other potential risks cannot be predicted; accordingly, the Company may be materially and adversely affected.

The Canadian federal regulatory regime requires plain packaging in order to prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The restriction on the use of logos and brand names on cannabis products could have a material adverse effect on the Company's business, financial condition and results of operation. In addition, the regulations under the Cannabis Act contemplate licences being granted for outdoor cultivation. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices, as capital expenditure requirements related to outdoor growing are typically much lower than those associated with indoor growing.

Provincial governments in Canada have also made varying announcements on the regulatory regimes for the distribution and sale of cannabis for adult-use purposes. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that are currently anticipated by the Company.

Pharmacies in Canada are subject to numerous federal and provincial governmental regulations and licensing requirements. The Company intends to operate pharmacies in an environment in which regulation and government funding play a key role. Much of the regulation is provincial and pharmacies may encounter different regulations in different provinces. Non-compliance with existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of pharmacies, the licensing and conduct of pharmacists, the regulation, ownership and operation of pharmacies, the advertising of pharmacies and prescription services, the distribution, pricing and sale of prescription drugs, the provision of information concerning prescription drugs, privacy matters and restrictions or prohibitions on manufacturer allowance funding, could result in civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which may impact the Company's results of operations or financial position.

Compliance With Laws

The Company's and many of its suppliers' operations will be subject to various laws, regulations and guidelines. The Company will endeavour to comply with all relevant laws, regulations and guidelines. However, there is a risk that the Company's interpretation of laws, regulations and guidelines, including, but not limited to, the Controlled Drugs and Substances Act, the Cannabis Act, the regulations thereunder and applicable stock exchange rules and regulations, may differ from those of others, and the Company's and its suppliers' operations may not comply with such laws, regulations and guidelines. In addition, achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals required by the Company may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the business, financial condition, results of operations, prospects or reputation of the Company. Any potential non-compliance could cause the business, financial condition and results of the operations of the Company to be adversely affected. Further, any amendment to or replacement of the Cannabis Act or other applicable rules and regulations governing the activities of the Company and its suppliers may cause adverse effects to the Company's operations. The risks to the business of the Company or its suppliers associated with a decision to amend or replace the Cannabis Act and subsequent regulatory changes, could reduce the potential customers of the Company and have a material adverse effect on the business, financial condition and results of operations of the Company.

It is unclear how certain governmental authorities will interpret commercial agreements in the context of licenced retail cannabis operations. The Company intends to enter into commercial agreements in compliance with all applicable law, however, governmental authorities are continuing to update guidance on how cannabis retailers should interpret certain provincial regulations. If provincial regulators indicate that they will interpret certain provincial regulations in a manner inconsistent with that of cannabis retailers, including, but not limited to the Company, this could result in the Company being unable to enter into certain commercial agreements or provide certain services. This could have a material adverse effect on the business, financial condition, results of operations, prospects or reputation of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations may have an adverse impact on business of the Company or its suppliers, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities which could have an adverse effect on the business, financial condition, results of operations, prospects or reputation of the Company.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on the Company.

Due to the nature of the Company's operations, various legal and tax matters may be outstanding from time to time. If the Company is unable to resolve any of these matters favourably, there may be an adverse effect on the Company.

Risks Relating to Suppliers

In addition to the risk factors that may affect the business, operations and financial condition of the Company and its suppliers noted above, the risk factors contemplated herein may directly affect the business, operations and financial condition of the Company's suppliers and, accordingly, may indirectly result in a material adverse effect on the Company.

Cannabis retailers depend on the supply of cannabis products from Licensed Producers and provincial wholesalers. There can be no assurance that there will be a sufficient supply of cannabis or the desired mix of products available to the Company to purchase and to operate its business or to satisfy demand. Licensed Producers' growing operations depend on a number of key inputs and their related costs, including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could adversely affect Licensed Producers, provincial wholesalers and, in turn, the Company's financial condition and operating results. Any inability of Licensed Producers to secure required supplies and services, or for provincial wholesalers to secure an adequate supply of cannabis, or to do so within suitable arrangements could have a materially adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

Reliance on Supplier Facilities

The facilities of the Company's suppliers could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material adverse effect on the Company's business, financial condition, results of operations, prospects or reputation. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also impact the Company's suppliers' ability to continue operating under their licences or the prospect of renewing their licences, which may have a material adverse effect on the Company's business, financial condition results or operations, prospects or reputation.

The Company's suppliers may experience operational slowdowns or other barriers to operations due to the COVID-19 pandemic, which may affect the ability of the Company to obtain and sell product sourced from a supplier, which may have an adverse effect on the Company.

Risks Inherent in Strategic Alliances

The Company may enter into further strategic alliances with third parties that it believes will complement or augment its existing business. The Company's ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers, directors and consultants may be engaged in a range of business activities. The Company's executive officers, directors and consultants may devote time to their outside business interests, so long as such activities do not adversely interfere with their duties to the Company. In some cases, the Company's executive officers, directors and consultants may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers, directors and consultants.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors, officers and consultants who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable corporate statutes, in particular, the CBCA. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. Any such conflict of interest by a director or officer of Shiny Health could have a material adverse effect on the Company's reputation, business, financial condition and results of operations.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company may be exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate: (a) government regulations; (b) manufacturing standards; (c) federal and provincial healthcare fraud and abuse laws and regulations; or (d) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Company to identify and deter such misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, such actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company undertakes procedures and implements safeguards to support the reliability of its financial reports, including those imposed on the Company under applicable law, in each case the Company cannot be certain that such measures will ensure that the Company maintains adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and could result in a material adverse effect on the Company's prospects or reputation.

Cannabis Pricing

The retail price for cannabis products varies depending on the brand, strain, potency and form of the cannabis product. Wholesale pricing at which recreational cannabis can be purchased by recreational cannabis retail stores from provincial governments, or their agents, is subject to numerous factors beyond Shiny Health's control, including supply. Further, the illicit market offers cannabis products at prices which are generally lower than the prices offered by legal recreational cannabis retail stores.

The Company's share price and financial results may be significantly and adversely affected by a decline in the price of cannabis. The market price for cannabis is subject to high volatility, and the price of cannabis is affected by numerous factors beyond the Company's control. Any increase in the cost of purchasing cannabis or retail price decline may have a material adverse effect on the Company's business, financial condition, results of operations, growth prospects, or reputation. The profitability of the Company may be directly related to the price of cannabis. The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry.

Reputational Risk

The Company believes that the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand within the cannabis industry, which could affect the business, results of operations, financial condition and cash flows of the Company. The Company's dependence on consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

In addition, the parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. For example, the Company could receive a notification from a banker advising it that they would no longer maintain banking relationships with those in the cannabis industry. The Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Management of Growth

The Company may be subject to growth-related risks. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to manage this growth may have a material adverse effect on the Company's business, financial condition, results of operations and growth prospects.

Equity price risk

The Company may be exposed to equity price risk as a result of holding long-term investments in other companies. Just as investing in the Company is inherent with risks, by investing in these other companies, the Company may be exposed to the risks associated with owning equity securities and those risks inherent in the investee companies.

Anti-Money Laundering Laws and Regulation Risks

The Company is subject to a variety of laws and regulations domestically and internationally that involve money laundering, financial recordkeeping and proceeds of crime, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities.

In the event that any of the Company's proceeds, any dividends or distributions therefrom, or any profits or sales accruing from operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Company to such transaction, which may have a material adverse effect on the Company. Material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a material adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

Operating Risks

Cannabis operations generally involve a high degree of risk. The Company's suppliers will be subject to all of the hazards and risks normally encountered in the cannabis industry. Should any of these risks or hazards affect one of the suppliers, it may (a) cause the cost of development or production to increase to a point where it would no longer be economic to produce cannabis; and (b) cause delays or stoppage of operations. The occurrence of either of the above mentioned risks or hazards could adversely affect the ability of the Company to carry out its business and the price of the Company's securities.

Attraction and Retention of Customers

The Company's success depends, in part, on the Company's ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the ability to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in the aggregate number of customers. The failure to acquire and retain customers would have a material adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

Constraints on Marketing Products

The development of the Company's businesses and operating results may be hindered by applicable restrictions on sales and marketing. The Canadian regulatory environment limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected, which could have a materially adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

Risks Inherent in an Agricultural Business

The business of certain of the Company's suppliers involves the growing of cannabis. Cannabis is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Weather conditions, which may vary substantially from year to year, have a significant impact on the size and quality of the harvest of the crops processed and sold by the Company's suppliers. Significant fluctuations in the total harvest will impact the Company's ability to operate. High degrees of quality variance can also affect the ability of the Company to obtain and retain customers. There can be no assurance that natural elements will not have an adverse effect on the production of products by the Company's supplier, which could have a material adverse effect on the Company.

Wholesale Price Volatility

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by provincial agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Company's suppliers are recalled due to an alleged product defect or for any other reason, the Company may be required to incur unexpected expenses relating to the recall and potentially any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant management attention. 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 products produced by the Company's suppliers were subject to recall, the reputation and consumer perception of that product, the supplier and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses, which may also have an adverse effect on the Company.

Product Liability

As a seller of products designed to be ingested by humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if the products it sells are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis 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 products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including that the products they sell 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 to the Company, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition. There can be no assurances that the Company or the Company's suppliers will be able to obtain or 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 obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Environmental and Employee Health and Safety Regulations

The Company's operations may be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Accordingly, the Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in costs for corrective measures, penalties or in restrictions on certain of the Company's operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent upon having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the

Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. Additionally, the final costs of major capital expenditure programs may be significantly greater than anticipated or available, in which circumstance there could be a material adverse effect on the Company's business, financial conditions or results of operations.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. The Company ascribes significant value to such intangible assets. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. While the Company will rely on trademark laws and other arrangements to protect its proprietary rights, there can be no assurance that the actions taken by the Company to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials.

Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could result in a material adverse affect the business, financial condition and results of operations of the Company.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company has infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

Transportation Risks

The Company's suppliers will depend on fast and efficient courier services. Any prolonged disruption of delivery services could have an adverse effect on the financial condition and results of operations of the Company and/or the suppliers. Due to the nature of the business of the Company, security of products in transit is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the Company's business, financial condition, results of operations, reputation or prospects. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada or other regulatory agencies, could also have an impact on the Company's and/or its suppliers' ability to continue operating.

Leases

The Company may enter into lease agreements for locations in respect of which at the time of entering such agreement, it does not have a permit or licence to sell cannabis products. In the event the Company is unable to obtain a permit and/or licence to sell cannabis products at such locations in compliance with applicable law, such leases may become a liability of the Company without a corresponding revenue stream (subject to stores where the Company may sell cannabis accessories only, in compliance with applicable law). In the event that the Company is unable to obtain permits and/or licences at numerous locations for which it has or will have a lease obligation, this could have a material adverse effect on the Company's business, financial conditions, results of operations, prospects or reputation. Insofar as the Company enters into long-term leases for its store locations, the Company's ability to respond in a timely manner to changes in the demographic or retail environment at such locations may be limited.

Credit and Liquidity Risk

The Company will be exposed to counterparty risks and liquidity risks including, but not limited to: (a) through suppliers of the Company which may experience financial, operational or other difficulties, including insolvency, which could limit or suspend those suppliers' ability to perform their obligations under agreements with the Company; (b) through financial institutions that may hold the Company's cash and cash equivalents; (c) through companies that will have payables to the Company; (d) through the Company's insurance providers; and (e) through the Company's lenders, if any. The Company will also be exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted and the price of the Common Shares could be adversely affected.

Litigation

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Company is unable to resolve these disputes favourably, it may have a material adverse effect on the Company's business, financial condition, results of operations, prospects or reputation. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company. Securities litigation could result in substantial costs and damages and divert the Company's management's attention and resources. Any decision resulting from any such litigation that is adverse to the Company could have an adverse effect on the Company's business, financial condition, results of operations, prospects or reputation.

Cybersecurity Risks

The information systems of the Company and any third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. Cybersecurity has become an increasingly problematic issue for public companies and cyber-attacks are increasing in sophistication, often focused on compromising sensitive data for inappropriate use or disrupting business operations. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The operations of the Company depend, in part, on how well networks, equipment, information technology (IT) systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Company is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the reputation and results of operations of the Company.

Dividend Policy

The declaration, timing, amount and payment of dividends are at the discretion of the Board and will depend upon the Company's future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis.

Future Acquisitions and Dispositions

The Company may not be able to successfully identify and execute future acquisitions or dispositions or to successfully manage the impacts of these transactions on its operations. Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (a) the potential disruption of the Company's ongoing business; (b) the distraction of management away from the ongoing oversight of ongoing business activities; (c) incurring additional indebtedness; (d) the anticipated benefits and cost savings of those transactions not being realized fully, or at all, or taking longer to realize than anticipated; (e) an increase in the scope and complexity of operations; and (f) the loss or reduction of control over certain assets.

The existence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could result in incurred liabilities. In addition, a strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy, and it may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into its operations.

Risks Related to Integration

To experience the benefits of growth by acquisition, the Company will need to combine and integrate the operations of such acquired entity or assets. Integration will require substantial management attention and could detract attention from the day-to-day business of the Company. The Company and the acquired entity could encounter difficulties in the integration process, such as the need to revisit assumptions about future revenues, capital expenditures and operating costs, including synergies, the loss of key employees or commercial relationships or the need to address unanticipated liabilities. If the Company cannot integrate the business of the acquired entity into the Company's business successfully, the expected benefits of such acquisition may not be realized.

Acquisitions by the Company are completed with the expectation that the successful completion of such acquisition will result in increased earnings and cost savings by taking advantage of operating and other synergies to be realized from the integration of the acquired entity. These anticipated benefits will depend in part on whether the acquired entity's operations can be integrated in an efficient and effective manner. Management may face challenges incorporating the systems and personnel of an acquired entity, including possible unanticipated liabilities, unanticipated costs, and the loss of key employees. The Company's operational performance after completion of an acquisition could be adversely affected if the Company cannot retain key employees to assist in the integration and operation of the combined business. As a result of these factors, it is possible that the synergies expected from the combination of the Company and an acquired entity will not be realized.

Limited Shelf-Life Products

The Company holds goods in inventory that may expire. Its inventory may exceed its shelf life and not be sold. Although the Company manages its inventory, it may be required to write-down the value of its inventory from time to time. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Difficulties in Forecasting

The Company will need to rely largely on its own market research to forecast industry statistics as detailed forecasts are not generally obtainable, if obtainable at all, from other sources at this early stage of the adult-use cannabis industry. Failure in the demand for the adult-use cannabis products due to competition, technological change, change in the regulatory or legal landscape or other factors could materially adversely affect the business, results of operations and financial condition of the Corporation.

Interest Rate Risk and Leverage

Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash, which represents excess cash invested with financial institutions in short-term term deposits with a term of less than 90 days, which earn interest at variable market rates. The Company monitors its short-term investments with its need for cash flow and is satisfied with the return on these investments, given the Company's need for cash on hand. As such, modest fluctuations in interest rates would not be significant to the Company.

The degree to which Shiny Health is leveraged could have important consequences to Company's investors, including that certain of the Company's borrowings may be at variable rates of interest, which could expose Shiny Health to the risk of increased interest rates. The Company's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness depends on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

Risks Related to Insurance

The Company procures third-party insurance policies to cover various operations-related risks. For certain types of operations-related risks or future risks related to the Company's evolving business, the Company may not be able to, or may choose not to, acquire insurance. In addition, the Company may not obtain enough insurance to adequately mitigate such operations-related risks, and it may have to pay high premiums, self-insured retentions, or deductibles for the coverage it does obtain. Additionally, if any of the Company's insurance providers becomes insolvent, it would be unable to pay any operations-related claims that the Company makes. Further, some of the Company's agreements with vendors and landlords require that the Company procure certain types of insurance, and if the Company is unable to obtain and maintain such insurance, it would be in violation of the terms of such related agreements.

Changes in Drug Development and Prescriptions

The profitability of pharmacy businesses depends upon the utilization of prescription drugs. Utilization trends are affected by, among other factors, the introduction of new and successful prescription drugs as well as lower-priced generic alternatives to existing brand name drugs generally due to higher gross margins on the sale of generic alternatives. Inflation in the price of drugs also can adversely affect utilization. New brand name drugs can result in increased drug utilization and associated sales, while the introduction of lower priced generic alternatives typically results in relatively lower sales, but relatively higher gross profit margins. Accordingly, a decrease in the number or magnitude of significant new brand name drugs or generics successfully introduced, delays in their introduction, or a decrease in the utilization of previously introduced prescription drugs, could have an impact on results of operations. In addition, gross profit margins could be adversely affected if there is an increase in the amounts paid to procure pharmaceutical drugs, including generic drugs, or if new brand name drugs replace existing generic drugs, or if new brand name drugs replace existing generic drugs. Changes in drug development and prescription mix may impact the Company's results of operation.

A portion of the Company's sales will be dependent on the markup the Company earns on drugs dispensed as well as the related dispensing fee. The sources and amounts of the Company's sales are determined by a number of factors, including the mix of patients, mix of pharmaceuticals dispensed and rates of reimbursement from payors. Changes in the mix of any of these categories could impact the Company's pharmacy sales and results of operations. When drug products are modified or withdrawn by manufacturers, or when increased safety risk profiles of specific drugs or classes of drugs result in decreased usage, physicians may reduce or stop writing prescriptions for these drugs. Negative media reports or other reputational issues regarding drugs could result in reduced consumer demand for such drugs. In cases where there are no acceptable prescription drug equivalents or alternatives for these prescription drugs, the Company's prescription volumes, sales and profitability could decline.

The pharmaceutical industry's pipeline of new drugs includes many drugs that over the long term may replace older, more expensive therapies, whether due to the development of new or more effective treatments, the replacement of brand name drugs with generic substitutes, the development of biosimilars or other replacement therapies and new and less expensive delivery methods (such as when an infusion or injectable drug is replaced with an oral drug) or additional products are added to a therapeutic class. As new treatments and drugs are developed, price competition among competing manufacturer's products may increase. In such cases, drug costs may decline. The mix of the Company's dispensed drugs could and will change over time as technology advances and existing products are improved or become obsolete and these changes are likely to impact the Company's sales, results of operations and financial condition.

Changes in Reimbursement Programs, Drug Pricing and Commercial Terms

Changes in reimbursement programs, prescription drug pricing and commercial terms could adversely affect its pharmacy operations and financial performance. The Company will be reliant on prescription drug sales for a portion of its sales and profits at its pharmacies. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these laws and regulations, could have a material adverse effect on the Company's business, sales and profitability.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility, drug pricing and may also regulate manufacturer allowance funding that may be provided to or received by pharmacies. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs. Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or corporate employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products. Other measures that have been implemented by certain government payers include restricting the number of interchangeable prescription drug products which are eligible for reimbursement under provincial drug plans. Legislation in certain provincial jurisdictions establish listing requirements that ensure that the selling price for a prescription drug product will not be higher than any selling price granted by the manufacturer for the same prescription drug product under other provincial drug insurance programs. In some provinces, elements of the laws and regulations that impact pharmacy reimbursement and manufacturer allowances for sales to the public drug plans are extended by legislation to sales in the private sector. Also, private third-party payers (such as corporate employers and their insurers) are looking or may look to benefit from any measures implemented by government payers to reduce prescription drug costs for public plans by attempting to extend these measures to prescription drug plans they own or manage. Accordingly, changes to pharmacy reimbursement and manufacturer allowances for a public drug plan could also impact pharmacy reimbursement and manufacturer allowances for private sector sales. In addition, private third party payers could reduce pharmacy reimbursement for prescription drugs provided to their members or could elect to reimburse members only for products included on closed formularies or available from preferred providers. Changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales, particularly branded drugs. These changes may have a material adverse impact on the Company's business, sales and profitability of its pharmacy line of business. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs.