



**HERBAL DISPATCH INC.**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2023**

**(Stated in Canadian Dollars)**

**Dated April 25, 2023**

---

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

---

This Management's Discussion and Analysis (MD&A) for Herbal Dispatch Inc. ("Herbal Dispatch", the "Company", the "Corporation", "we", "us" or "our") was prepared as of April 25, 2024 to assist readers in understanding our financial performance for the year ended December 31, 2023. This MD&A should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2023, which were prepared in accordance with International Financial Reporting Standards (IFRS) and presented in Canadian dollars, our functional currency.

This MD&A contains forward-looking statements. Please see "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking statements. Accounting principles applied under IFRS require us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We believe our estimates and assumptions are reasonable based on the information available at the time that these estimates and assumptions are made. Actual results may differ from these estimates.

This MD&A also refers to a non-IFRS financial measure "Adjusted EBITDA" that we present to assist users in assessing our performance. Adjusted EBITDA does not have any standard meaning under IFRS and may not be comparable to similar measures presented by other issuers. This measure is further described under "Non-IFRS Financial Measures".

Our head office is located at Suite 1750 – 1055 West Georgia Street, Vancouver, British Columbia V6E 3P3. The Board of Directors approved the content of this MD&A on April 25, 2024.

Additional information on Herbal Dispatch, including our most recently filed audited consolidated financial statements, is available on the System for Electronic Document Analysis and Retrieval (SEDAR+) website at [www.sedarplus.ca](http://www.sedarplus.ca).

## Business Overview

We are a customer-centric cannabis marketplace and distribution company, focused on delivering the best possible experience to clients globally. Our flagship cannabis marketplace, Herbal Dispatch, is a trusted source for exclusive access to small-batch craft cannabis flower and a wide-array of other product formats. We generate revenue from four sales channels: (i) medical sales – direct to consumer; (ii) recreational sales – wholesale and direct to retailer; (iii) export sales; and (iv) co-packing and white labelling services.

Our common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "**HERB**".

We were originally incorporated with the name Ascent Industries Corp. under the Business Corporations Act (British Columbia) on May 30, 2013. We completed an amalgamation with Paget Minerals Corp. on August 9, 2018 and subsequently listed our common shares for trading on the CSE. Effective May 15, 2020, we changed our name to Luff Enterprises Ltd. and on January 20, 2023, we changed our name to Herbal Dispatch Inc. The name change to Herbal Dispatch Inc. will allow us to realize the synergies and benefits that come with aligning our name with the positive brand of Herbal Dispatch and our new flagship e-commerce website, [herbaldispatch.com](http://herbaldispatch.com).

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

---

#### Corporate Highlights

- During the year ended December 31, 2023, we reported gross sales of \$5.7 million, an increase of \$5.3 million from gross sales of \$0.4 million reported in fiscal 2022.
- In the fourth quarter of 2023, we achieved gross sales of \$2.5 million, reflecting a 67% increase from gross sales of \$1.5 million reported in Q3 2023. With the strong sales achievement, we also generated positive adjusted EBITDA in Q4 2023.
- On January 20, 2023, we changed our name from Luff Enterprises Ltd. to Herbal Dispatch Inc. and changed our stock symbol to "HERB" to better align our name with our new flagship cannabis marketplace, [herbaldispatch.com](https://herbaldispatch.com).
- In April 2023, we launched the Hero Dispatch marketplace, the second portal created under our affiliate platform. Hero Dispatch provides veterans and first responders access to premium craft cannabis, which are typically funded through their healthcare benefits;
- In April 2023, we completed the acquisition of certain assets related to the Golden Spruce cannabis brand. We issued 225,000 common shares in consideration for the acquisition. An additional 75,000 common shares are contingently issuable should certain future revenue targets be achieved from the sale of Golden Spruce branded cannabis products;
- In June 2023, we completed our first export sale to Australia, consisting of 93 kilograms of premium dried cannabis, which generated revenue of \$0.4 million. In Q4 2023, we completed two additional export sales to Australia and our first export sale to Portugal, which generated revenue of \$0.7 million. In total, we exported approximately 500kg in dried cannabis in fiscal 2023. Our entry into the global cannabis market represents a significant milestone for Herbal Dispatch and we hope to further grow our revenue from export sales in fiscal 2024;
- In Q3 2023, we expanded our recreational cannabis sales to include the Liquor Distribution Branch of the Government of British Columbia ("BC"), significantly expanding our revenue base for recreational cannabis product. We also expanded our recreational cannabis sales into the provinces of Manitoba and Ontario; and
- In February 2024, we consolidated the common shares issued in the capital of the Company on the basis of 10 pre-consolidated common shares for 1 post-consolidated common share in order to improve the Company's capital structure. As a result of the consolidation, the issued and outstanding Common Shares of Herbal Dispatch was reduced to 73,627,699 common shares. All common share and per share figures in this MD&A have been restated to reflect the share consolidation.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

---

#### Overall Performance and Strategy

Fiscal 2023 was a transformative year for Herbal Dispatch. Since commencing sales in Canada on the acquired marketplace **herbaldispatch.com** last fall, we have achieved significant revenue growth. Gross sales in fiscal 2023 totalled \$5.7 million, an increase of \$5.3 million from gross sales of \$0.4 million in 2022.

More recently, in the fourth quarter of 2023, we achieved gross sales of \$2.5 million, reflecting a 67% increase from gross sales of \$1.5 million reported in Q3 2023 and a 982% increase from gross sales of \$0.2 million in Q4 2022. With the strong sales growth, we also reported positive adjusted EBITDA in Q4 2023, our first quarter of generating positive adjusted EBITDA in our Company's history.

From a standing start in late 2022, we are now seeing the benefits of our online, asset-light, customer-focused strategy. We believe this strategy is overcoming many of the challenges that the cannabis industry has been experiencing in recent years in a highly scalable, yet capital efficient manner. Furthermore, our strategy is to utilize our growing online marketplace to identify and purchase best in class cannabis products that can be sold across all of our available product channels.

Our vision is to build a customer centric organization that provides the best cannabis to local and international markets. We will achieve this by focusing on four complementary pillars for revenue generation in the years ahead, which will allow us to scale quickly with minimal additional capital required.

#### Four Pillars for Revenue Growth:

**Medical Sales.** Through ongoing partnerships with medical clinics and other affiliated groups, we are positioned to steadily expand our medical client base. Canadians can now easily access over 600 different cannabis products on our flagship e-commerce website **herbaldispatch.com** site.

In 2023, we launched affiliate websites in partnership with groups that have a large online following and loyal customer base. This includes the launch of the Hero Dispatch marketplace in April 2023. Hero Dispatch provides veterans and first responders access to premium craft cannabis, which are typically funded through their healthcare benefits. In Canada, eligible veterans and first responders receive coverage for medical cannabis through Veterans Affairs Canada ("VAC") as part of their healthcare benefits. We are preparing to deploy diverse referral strategies and establish partnerships to capture an increased share of this \$200M+ market.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

---

**Recreational Sales.** Recreational sales started in December 2022 when we commenced our first direct delivery orders in the Province of BC to B-to-B customers. This program allows us to deliver directly to the roughly 450 private retail stores in BC. This B-to-B wholesale sales channel is very complementary to our medical sales channel as we are already prepared to manage member orders, whether they are buyers for dispensary chains or individual clients. In Q3 2023 we expanded our recreational cannabis sales to include the Liquor Distribution Branch of the Government of BC, significantly expanding our revenue base for recreational cannabis product.

Further to the launch of recreational sales in BC, we are also expanding into other provinces to expand our recreational wholesale offering in dispensaries nationally. In 2023, we expanded into Manitoba and Ontario and plan to expand into more provinces in 2024.

Concurrently, we are also refining our multi-brand strategy by expanding listings in our recreational markets. This includes the launch of Happy Hour in Q1 2024, our latest recreational brand focused on low-cost, high-potency products.

**Export Sales.** With medical cannabis continuing to gain approval throughout the world, Canada's advanced regulatory system is best positioned to take advantage of this global market. In 2023, we successfully exported cannabis to Australia three times and to Portugal once, totaling 500kg in dried cannabis shipped. In 2024 we aim to build upon these achievements as we strive to become a leading global cannabis company.

In fiscal 2024, we plan to enter three new markets through exports, while continuing to expand sales volume in our two current markets. We are also optimistic that an increasing number of global markets will refine regulations, allowing for lower-barrier access to high quality cannabis products produced and distributed from Canada via Herbal Dispatch's growing distribution platform.

Export sales represent a significant opportunity for us and one that shows a lot of promise. With the oversupply and depressed wholesale pricing domestically, this presents a compelling opportunity for sales growth with strong margin potential.

**Co-packing and white-labelling services.** While not a significant revenue source, these services play a meaningful role for us. By offering licensed production services to select vendors/brands, we are building alignment with strategic partners that can add value to Herbal Dispatch's marketplaces. The ability to conduct these services enables us to minimize the cost of select products by spot buying bulk flower and then providing subsequent in-house packaging and processing (such as pre-roll manufacturing) for the Company's and our partners' brands. Having control over certain aspects of manufacturing has proven to lower product costs and increase the quality of Herbal Dispatch's product offering.

**Herbal Dispatch Inc.**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2023

## Selected Financial Data

The following table displays a summary of our consolidated statements of operations for the years ended December 31, 2023 and 2022 and a summary of select balance sheet data as at December 31, 2023 and 2022.

\$	Three Months Ended		Year Ended	
	Dec 31 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Gross sales	<b>2,483,844</b>	229,639	<b>5,735,700</b>	363,798
Net revenue	<b>2,115,120</b>	188,941	<b>4,743,796</b>	318,763
Gross profit	<b>746,712</b>	(30,883)	<b>1,294,256</b>	(20,419)
Operating expenses	<b>817,148</b>	764,016	<b>2,979,188</b>	2,555,876
Other expense (income), net	<b>380,401</b>	1,110,991	<b>386,378</b>	2,001,729
Adjusted EBITDA <sup>(1)</sup>	<b>30,028</b>	(712,109)	<b>(1,294,406)</b>	(2,352,377)
Net loss	<b>(450,837)</b>	(1,905,890)	<b>(2,071,310)</b>	(4,615,001)
Loss per share – basic and diluted <sup>(2)</sup>	<b>(0.00)</b>	(0.03)	<b>(0.03)</b>	(0.09)

Note 1. See Non-IFRS Financial Measures.

Note 2. Basic and diluted loss per share calculated on a post 10:1 share consolidation basis.

As at \$	Dec 31 2023	Dec 31 2022
<b>Assets</b>		
Cash and cash equivalents	<b>222,392</b>	1,203,594
Current assets	<b>2,308,280</b>	2,114,098
Total assets	<b>8,186,930</b>	7,942,158
<b>Liabilities</b>		
Current liabilities	<b>2,573,687</b>	1,208,043
Long-term liabilities	<b>1,372,002</b>	457,033
Total liabilities	<b>3,945,689</b>	1,665,076
<b>Shareholders' equity</b>	<b>4,241,241</b>	6,277,082

## Results of Operations

### Revenue

Gross revenue increased to \$5.7 million for the year ended December 31, 2023 from \$0.4 million in 2022. Revenue, net of excise taxes grew to \$4.7 million from \$0.3 million last year. Since commencing sales in Canada on the acquired marketplace **herbaldispatch.com** last fall, we have achieved significant revenue growth across all of our sales channels as we grew our customer base. Offsetting a portion of the revenue growth in Canada was a reduction in sales in the United States as we discontinued sales in that country in early 2023.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

A breakdown of our net revenue by category for the years ended December 31, 2023 and 2022 was as follows:

<b>\$ Year Ended</b>	<b>Dec 31 2023</b>	<b>Dec 31 2022</b>
<b>Net revenue</b>		
Canada		
Direct to consumer medical sales	<b>1,184,349</b>	177,367
Recreational cannabis sales	<b>2,149,108</b>	15,226
Export sales	<b>1,069,950</b>	-
Other revenue	<b>338,585</b>	-
	<b>4,741,993</b>	192,593
United States	<b>1,802</b>	126,170
	<b>4,743,796</b>	318,763

#### Gross profit

<b>Year Ended</b>	<b>Dec 31</b>	<b>Dec 31</b>
<b>\$, except gross margin %</b>	<b>2023</b>	<b>2022</b>
Revenue - net	<b>4,743,796</b>	318,763
Costs of sales	<b>3,449,539</b>	339,182
Gross profit	<b>1,294,257</b>	(20,419)
Gross margin %	<b>27.3%</b>	n/a

Gross profit was \$1.3 million for the year ended December 31, 2023, representing a gross margin of 27.3% on net revenue of \$4.7 million. In the comparative year ended December 31, 2022, we did not generate sufficient revenue to cover off the fixed portion of our direct costs, which resulted in a negative gross profit for that fiscal year.

As we look forward to fiscal 2024, we anticipate that our gross margin could improve further. Our export sales generally earn a higher gross margin than domestic sales. Therefore, as we grow our export sales volumes in the future (and export sales take up a larger portion of our overall sales mix), we anticipate that our gross margin could also increase.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

---

#### Operating expenses

\$ Year Ended	Dec 31 2023	Dec 31 2022
<b>General and Administrative</b>		
Personnel	1,203,096	714,593
Professional fees	429,661	615,113
Other operating expenses	293,832	362,565
	<b>1,926,589</b>	1,692,271
<b>Sales and Marketing</b>		
Personnel	197,949	76,514
Advertising, promotions and selling costs	464,125	563,173
	<b>662,074</b>	639,687

General and administrative expenses increased for the year ended December 31, 2023 compared to the prior year. In early 2022, we significantly reduced operating expenditures as we downsized our operations in the United States. However, in the second half of fiscal 2022 our operating expenses began to increase as we worked to launch and then commence sales on our online sales platforms in Canada. These higher expenditure levels have continued throughout 2023.

Within general and administrative expenses, we incurred lower professional fees in fiscal 2023. In 2022, we incurred higher professional fees to complete the acquisitions of the National Green Biomed group of companies ("NG Biomed") and the herbaldispatch.com platform in August 2022. These expenditures did not reoccur in 2023.

Other operating expenses also declined in 2023. As we downsized our operations in the United States in 2022, we reduce our operating expenditures overall. In addition, we controlled our operating expenditures very tightly in fiscal 2023 as we work to achieve profitability.

Sale and marketing expenditures for the year ended December 31, 2023 was comparable to the expenditures incurred in 2022.

Share based compensation expense was \$nil for the year ended December 31, 2023 as no new options or restricted share units were granted in 2023 nor in fiscal 2022.

Depreciation and amortization expense increased to \$0.4 million for the year ended December 31, 2023. This expense primarily relates to the amortization of equipment and intangible assets acquired from business acquisitions in 2022 as well as equipment and other capital assets acquired to support the ramp up of sales activities.

## **Herbal Dispatch Inc.**

### **Management's Discussion and Analysis For the Year Ended December 31, 2023**

---

#### **Other expenses (income)**

Other expenses (income) for the Year ended December 31, 2023 primarily consisted of (i) interest costs and accretion related to loans payable; (ii) a loss on sale of assets located in the United States; (iii) a gain on settlement of debt, (iv) a loss on revaluation of investments; and (iii) foreign exchange gains and losses on cash and loans receivable denominated in US dollars. The gain on settlement of debt related to the expiration of rescission rights associated with the acquisition of NG Biomed in 2022. The difference between the value of the extinguished liability and the fair value of the common shares issued was recognized as a gain on settlement of debt.

The loss on investments of \$0.2 million related to the revaluation of an equity investment in Enhanced Pet Sciences Corp. ("EPS"), a privately held start up company. EPS has loan obligations owing to the Company with a principal balance of USD \$536,995 plus accrued interest. The loan receivable is now past due and in default. The Company attempted to work with EPS to obtain a mutually satisfactory repayment plan, but was unsuccessful in these efforts. In the first quarter of 2024, the Company commenced litigation against EPS and the guarantors. The Company expects that it will eventually be successful in collecting on the loan receivable from either EPS or its guarantors. However, due to the nature of a litigation process, it is uncertain when the loan receivable will be collected. Due to the loan receivable default, we wrote down our equity investment in EPS to \$nil at December 31, 2023.

In the comparative year ended December 31, 2022, we incurred impairment losses of \$1.6 million. This included \$1.3 million related to assets located in Portland Oregon, consisting of \$0.9 million related to equipment and leasehold improvements and \$0.3 million related to inventory. All of these assets were subsequently disposed of in fiscal 2022. In addition, we incurred a \$0.3 million impairment related to the loan receivable from EPS to adjust the carrying value of the loan receivable to its estimated fair value. There was no write-down of the EPS loan receivable in fiscal 2023.

#### **Net loss**

Our net loss for the year ended December 31, 2023 was \$2.1 million compared to a loss of \$4.6 million last year. The lower net loss was due to both higher revenue and gross profit. In addition, the prior year loss also included impairment charges of \$1.6 million, as discussed above.

## Herbal Dispatch Inc.

Management's Discussion and Analysis  
For the Year Ended December 31, 2023

### Results of Operations for the Fourth Quarter Ended December 31, 2023

A breakdown of our net revenue by category was as follows:

\$ Fourth Quarter Ended	Dec 31 2023	Dec 31 2022
<b>Net revenue</b>		
Canada		
Direct to consumer medical sales	348,526	152,213
Recreational cannabis sales	990,381	15,226
Export sales	705,250	-
Other revenue	70,963	-
	2,115,120	167,439
United States	-	21,502
	2,115,120	188,941

#### Gross profit

Year Ended \$, except gross margin %	Dec 31 2023	Dec 31 2022
Revenue - net	2,115,120	188,941
Costs of sales	1,368,408	21,9824
Gross profit	746,712	(30,883)
Gross margin %	35.3%	n/a

Gross sales in Q4 2023 increased to \$2.5 million, reflecting a 67% increase from gross sales of \$1.5 million reported in Q3 2023 and a 982% increase from gross sales of \$0.2 million in Q4 2022. Net revenue (net of excise taxes) increased to \$2.1 million in Q4 2023 from \$0.2 million last year. Since commencing sales in Canada on the cannabis marketplace **herbaldispatch.com** in late Q3 2023, sales have increased significantly as we executed on our sales growth initiatives.

Along with the strong sales growth in Q4 2023, we also generated a strong gross margin of 35.3% during the three-month period. This was due, in part, to higher export sales volumes during the quarter, which typically generate a higher gross margin than domestic sales. In addition, we benefitted from improved economies of scale that come with higher sales volumes as well as other changes in sales mix. In the Comparative quarter ended December 31, 2022, we did not generate sufficient sales volumes to cover the fixed portion of our direct operating costs.

Operating expenses were \$0.8 million in Q4 2022, which was consistent with the prior year. Although we ramped up operating expenses in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2022 in conjunction with the launch of new online sales platform, we have held our overhead costs at similar levels throughout 2023, even though our sales have increased significantly.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

Other expenses (income) in Q4 2023 of \$0.4 million primarily consisted of a loss on the revaluation of an equity investment in the amount of \$0.2 million, as discussed earlier in this MD&A. Other expenses (income) in Q4 2022 of \$1.1 million primarily consisted of impairment losses on a loan receivable of \$0.3 million and inventory located in the United States of \$0.2 million as well as a loss on the revaluation of an equity investment in the amount of \$0.6 million.

We incurred a net loss of \$0.5 million in Q4 2023 compared to net loss of \$1.9 million in Q4 2022. The lower net loss was due to both higher revenue and gross profit as well as higher other expenses in the comparative quarter, as discussed above.

### Summary of Quarterly Data

Quarter ended	Dec	Sept	June	Mar	Dec	Sept	June	Mar
\$ (000's, except per share)	2023	2023	2023	2023	2022	2022	2022	2022
Gross sales	2,484	1,484	1,385	383	230	105	9	20
Net revenue	2,115	1,174	1,159	295	189	101	9	20
Net loss	(451)	(533)	(402)	(686)	(1,906)	(778)	(1,374)	(558)
Loss per share – basic and diluted <sup>(1,2)</sup>	(0.00)	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.03)	(0.01)

Note 1: Income (loss) per share represents both basic and diluted income (loss) per share. Quarterly income (loss) per share is not additive and may not equal the annual loss per share reported. This is due to the effect of rounding as well as shares issued during the year on the basic weighted average number outstanding.

Note 2: Loss per share amounts calculated on a post 10:1 share consolidation basis.

The past 8 fiscal quarters represented a transition and rebuilding period for our Company. In the first two quarters of 2022, our revenue fell sharply for several reasons, including: (i) our plan initiated to significantly downsize our Oregon facility and complete the sale of our Nevada operations, (ii) very limited sales initiatives were implemented due to limited cash resources and our change in strategy to focus on our new online marketplace. In Q3, 2022, our revenue once again began to increase as we launched our new online cannabis marketplace in Canada near the end of the quarter. This trend continued in Q4 2022 and in 2023 with gross sales increasing to \$2.5 million in Q4 2023 from \$1.5 million in Q3, \$1.4 million in Q2 2023, \$0.4 million in Q1 2023 and \$0.2 million in Q4 2022.

We experienced strong revenue growth in Q4 2023 with sales growing across all sales channels. Domestically, sales volumes increased to \$1.8 million from \$1.5 million in the previous quarter ended September 30, 2023. In addition, Q4 2023 included export sales of \$0.7 million (compared to \$nil in Q3 2023).

Our revenue in Q3 2023 was flat with Q2 2023 because we did not achieve any export sales in that quarter. Domestically, we continued to achieve strong sales growth in Q3 2023 with gross sales increasing by \$0.5 million or 45% to \$1.5 million.

Due to the relatively low sales generated over the past 8 quarters, our revenue and gross profit was not sufficient to cover our operating expenditures and resulted in net losses being reported in each of the past 8 fiscal quarters.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

#### Financial Condition and Liquidity

As at \$	Dec 31 2023	Dec 31 2022
Current assets	2,308,280	2,114,098
Total assets	8,186,930	7,942,158
Current liabilities	2,573,687	1,208,043
Total liabilities	3,945,689	1,665,076
Shareholders' equity	4,241,241	6,277,082
Working capital <sup>(1)</sup>	(265,407)	906,055
Year ended	Dec 31 2023	Dec 31 2022
Cash flows used in operating activities	(950,390)	(2,620,140)
Cash flows (used in) provided by investing activities	(6,337)	157,118
Cash flows used in financing activities	(21,642)	(213,514)

Note: (1) Working capital is defined as current assets less current liabilities.

#### Working capital

Our working capital position declined to negative \$0.3 million at December 31, 2023 from \$0.9 million at December 31, 2022. The \$1.2 million decrease was primarily due to our loss from operations in 2023, which was \$1.5 million, partially offset by a reduction in the current portion of loans payable. In 2023, we refinanced our loans payable and extended the maturity dates to January 31, 2025. At December 31, 2023, our cash position was \$0.2 million compared to \$1.2 million at December 31, 2022.

Our ability to fund our future operating expenses and capital expenditures will continue to depend on our future operating performance, most notably our ability to achieve sales in the future that are sufficient to cover our operating expenses. Future sales levels will be affected by several factors, including general economic, financial, regulatory factors, including factors beyond the Company's control (See "Risks and Uncertainties").

In fiscal 2023 we conserved cash and managed our negative working capital by utilizing favourable payment terms with suppliers and deferring discretionary expenditures. In addition, in October 2023, we received a short-term loan in the amount of \$100,000 from a director of the Company to support our working capital needs.

In March 2024, we announced our intention to complete a non-brokered private placement issuing up to 20,000,000 units of the Company (the "Units") at a price of \$0.05 per Unit for gross proceeds of up to \$1,000,000.

## **Herbal Dispatch Inc.**

### **Management's Discussion and Analysis For the Year Ended December 31, 2023**

---

Each Unit shall consist of one common share and one common share warrant (a "Warrant") with each Warrant exercisable for one common share at a price of \$0.06 per share for a period of 24 months after the closing date. The private placement shall be completed on a best-efforts basis from eligible purchasers that shall be restricted to accredited investors or other investors meeting exemption requirements for a non-brokered private placement.

The proceeds from the equity raise will be used for working capital and is currently expected to close in May 2024. However, we caution that there can be no assurance that the private placement will be completed and it also remains subject to all necessary regulatory approvals, including the approval of the CSE.

#### **Cash used in operating activities**

Cash used in operating activities during the year ended December 31, 2023 was \$1.0 million (2022 - \$2.6 million). In both 2023 and 2022, we did not generate sufficient revenue and gross profit to cover our operating expenses.

#### **Cash used in investing activities**

During the year ended December 31, 2023, we incurred a nominal amount of capital expenditures on miscellaneous equipment to support business operations.

#### **Cash used in financing activities**

Net cash used in financing activities was \$21 thousand for the year ended December 31, 2023, which consisted of principal repayments on our right of use lease liability and payments related to consideration payable from the acquisition of NG Biomed in the prior year. Offsetting these payments was the net addition of \$100,000 in loans payable during the year.

In October 2023, we received a short-term loan in the amount of \$100,000 from a director of the Company to support our working capital needs. The loan bears interest at an annual rate of 14% per annum, payable monthly, and matures on the earlier of (i) October 31, 2024; and (ii) within 30 days of a redemption notice being issued to the Company by the holder.

In December 2023, we issued a new unsecured convertible debenture with a principal amount of \$500,000 to a director and shareholder of the Company. This debenture has an annual coupon rate of 14% per annum, payable monthly, and matures on January 31, 2025. Subject to the approval of the Exchange, the debenture is also convertible, at the holder's option into common shares of the Company at \$0.50 per share, and at the Company's election, during any period where the trading price of the Company's common shares is \$1.00 or greater for a period of 20 consecutive trading days. The proceeds of this debenture were used to retire other loans payable in the principal amount of \$500,000 owing to third parties.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

Our loans payable at December 31, 2023 also included a convertible debenture with a principal balance of \$438,000 owing to a company controlled by a different director and shareholder of the Company. This debenture originally matured on May 23, 2023, but was subsequently amended with the maturity date extended to January 31, 2025. At December 31, 2023, this debenture had a coupon rate of 14% per annum, payable monthly, and, subject to the approval of the Exchange, is convertible into common shares of the Company at a price of \$0.50 per share at the election of the shareholder at any time, and at the Company's election, during any period where the 20-day weighted average trading price of the company's common shares is \$1.00 or greater.

## Shareholders' Equity

Shareholders' equity decreased to \$4.2 million at December 31, 2023 from \$6.3 million at December 31, 2022. The statements of shareholders' equity included in the accompanying consolidated financial statements for the year ended December 31, 2023 provide a schedule showing changes to all of the components of shareholders' equity during the year. The decrease of \$2.1 million was attributable to the net loss incurred for the year.

## Related Party Transactions

\$ Year Ended	Dec 31 2023	Dec 31 2022
<b>Key management personnel compensation</b>		
Wages and benefits and management fees	<b>272,823</b>	241,129
Directors' fees	<b>120,000</b>	105,184
	<b>392,823</b>	346,313

For the year ended December 31, 2023, we defined key management personnel as being the Chief Executive Officer and Chief Financial Officer.

During the year ended December 31, 2023, we incurred interest expense of \$58,212 (year ended December 31, 2022 - \$26,270) related to convertible debentures owing to directors and shareholders of the Company.

Transactions with related parties are in the normal course of operations and are initially recorded at the exchange amount.

## Outstanding Share Data

	April 25 2024	Dec 31 2023
Common Shares outstanding <sup>(1)</sup>	<b>73,627,699</b>	73,627,699

Note 1. Common share amounts are presented on a post 10:1 share consolidation basis.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

---

As at April 25, 2024, we also had outstanding:

- (i) Warrants to acquire 2,765,600 common shares of the Company at an exercise price of \$0.50 per share and expiring on October 26, 2024;
- (ii) Stock options exercisable into 40,000 common shares of the Company at a price of \$0.20 per share and expiring on July 28, 2025;
- (iii) Convertible debentures in the principal amount of \$500,000 that are convertible into 1,000,000 common shares of the Company at a price of \$0.50 per share and maturing on January 31, 2025;
- (iv) A convertible debenture in the principal amount of \$438,000 that is convertible into 876,000 common shares of the Company at a price of \$0.50 per share and maturing on January 31, 2025; and
- (v) 75,000 issuable common shares contingent on certain revenue targets be achieved from the sale of Golden Spruce branded cannabis products in the future.

## Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

### Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably convertible debt and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

### Estimated useful lives and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

## **Herbal Dispatch Inc.**

### **Management's Discussion and Analysis For the Year Ended December 31, 2023**

---

#### Going concern assumption

We exercise judgement in determining our ability to continue to operate for the foreseeable future and to be able to discharge our liabilities in the normal course of business. We assess our current and forecasted cash and working capital balances to make this determination.

#### Convertible instruments

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

#### Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require us to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on our estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, our ability to realize the net deferred tax assets recorded at the reporting date could be impacted.

#### Share based payments and warrants

All equity-settled, share based awards and share purchase warrants issued by the Company are fair valued using the Black-Scholes option-pricing model or other fair value techniques. In assessing fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

#### Leased assets

Leases require assumptions and estimates in order to determine the value of the right of use asset and lease liabilities. Judgement must be applied when determining the implicit and incremental rates of borrowing, as applicable. Judgement must also be applied as to whether renewal options are reasonably certain of being exercised and whether periods covered by an option to terminate are reasonably certain of not being exercised.

#### Inventory valuation

We have applied judgement in the determination of the net realizable value of our inventory. We estimate net realizable value by estimating selling prices in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

## **Herbal Dispatch Inc.**

### **Management's Discussion and Analysis For the Year Ended December 31, 2023**

---

#### **Business acquisitions**

In a business acquisition, we may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment and intangible assets acquired, we may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

In a business acquisition, judgment is also exercised in determining whether the transaction meets the definition of a business combination or is an acquisition of assets. We evaluate whether the acquired set of activities and assets includes an input, a process and an output as required under IFRS 3.

#### **Risks and Uncertainties**

Our business is subject to certain risks and uncertainties. Prior to making any investment decisions regarding Herbal Dispatch, investors should carefully consider, among other things, the risks described herein. These risks and uncertainties are not exhaustive. Additional risks presently known or currently deemed immaterial may also impair our business operations. If any of the events described in the following business risks actually occur, our overall business, operating results and financial condition could be materially adversely affected.

#### **Industry Competition**

The Canadian recreational and medical cannabis market is highly competitive. We face competition from other companies, some of which may have longer operating histories, and more financial resources than Herbal Dispatch. Increased competition by larger and well-financed competitors could materially and adversely affect our business, financial condition, and results of operations. Because of the early stage of the industry in which our Company operates, we expect to face additional competition from new entrants. To remain competitive, we will need to continue to invest in marketing and sales initiatives to promote our products.

The principal factors on which we compete with other Canadian license holders are the quality and variety of cannabis products, the speed with which our product offerings are brought to market, brand recognition, pricing, and product innovation. We believe our focus on providing top quality cannabis to informed consumers at affordable pricing will enable us to grow our business and capture increased market share in Canada.

Given the rapid changes affecting the global, national and regional economies generally and the cannabis industry, in particular, we may not be able to create and maintain a competitive advantage in the marketplace. Our success will depend on our ability to keep pace with any changes in such markets, especially in light of legal and regulatory changes. Our success will also depend on our ability to respond to, among other things, changes in the economy, market conditions, and regulatory and competitive pressures. Any failure to anticipate or respond adequately to such changes could have a material adverse effect on our financial condition, operating results, liquidity, cash flow and operational performance.

## **Herbal Dispatch Inc.**

### **Management's Discussion and Analysis For the Year Ended December 31, 2023**

---

#### *Key Officers and Employees*

Our success and future growth will depend, to a significant degree, on the continued efforts of the Company's directors and officers to develop the business and manage operations, and on their ability to attract and retain key technical, sales, and marketing staff or consultants. The loss of any key person or the inability to attract and retain new key personnel could have a material adverse effect on the business. Competition for qualified technical, sales, and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that we will be able to attract or retain key personnel in the future. Our inability to retain and attract the necessary personnel could materially adversely affect our business and financial results.

#### *Growth Strategies*

Our future depends, in part, on our ability to implement our growth strategy, including growing revenue through (i) medical sales; (ii) recreational sales; (iii) export sales; and (iv) co-packing and white labelling services. Our ability to implement this growth strategy depends on, among other things, our ability to market products that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the markets, identify and successfully enter new geographic areas and segments as well the ability to successfully navigate legislative and regulatory uncertainties.

#### *Domestic Supply Risk*

We use only cannabis products with full compliance under federal and provincial regulations to be sold across Canada, and internationally. The regulation of third-party suppliers may have a significant impact upon the business. Any provincial or federal enforcement activity or any additional uncertainties which may arise in the future, could cause substantial interruption or cessation of the business, including adverse impacts to our supply chain and distribution channels, and other civil and/or criminal penalties at the federal level.

#### *Product Innovation and Consumer Trends*

Our business is subject to changing consumer trends and preferences, which is dependent, in part, on continued consumer interest in new products. The success of new product offerings, depends upon several factors, including our ability to (i) accurately anticipate customer needs; (ii) develop new products that meet these needs; (iii) successfully commercialize new products; (iv) price products competitively; (v) deliver products in sufficient volumes and on a timely basis; and (vi) differentiate product offerings from those of competitors.

#### *Effectiveness and Efficiency of Advertising and Promotional Expenditures*

Our future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including our ability to (i) create greater awareness for our products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of our products. In addition, no assurance can be given that we will be able to manage our advertising and promotional expenditures on a cost-effective basis.

## **Herbal Dispatch Inc.**

### **Management's Discussion and Analysis For the Year Ended December 31, 2023**

---

#### Global Economic Uncertainty

Demand for our products and services is influenced by general economic and consumer trends and regulatory environments beyond our control. There can be no assurance that our business and corresponding financial performance will not be adversely affected by general regulatory economic or consumer trends. Furthermore, such economic conditions can produce downward pressure on stock prices and on the availability of credit for financial institutions and corporations. If these levels of market disruption and volatility continue, we might experience reductions in business activity, increased funding costs and funding pressures (as applicable), a decrease in the market price of our shares, a decrease in asset values, additional write-downs and impairment charges and lower profitability.

#### Additional Financings

If we are not able to achieve and sustain profitability in the future or if we require additional capital to fund growth or other initiatives, we may require additional equity or debt financing. There can be no assurances that we will be able to obtain additional financial resources on favorable commercial terms or at all. Failure to obtain such financial resources could affect our plans for growth or result in the Company being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on our business, results of operations and the financial condition.

#### Insurance coverage

Due to our involvement in the cannabis industry, we may have a difficult time obtaining the various insurances at normal industry rates that are desired to operate the business, which may expose us to additional cost, risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive because of the regulatory regime applicable to the industry. There are no guarantees that we will be able to find such insurances in the future, or that the cost will be affordable. If we are forced to go without such insurances, it may prevent us from entering into certain business sectors, may inhibit growth, and may expose us to additional risk and financial liabilities.

#### Data Security Breaches

The Company or our third-party service providers collect, process, maintain and use sensitive personal information relating to our customers and employees, including customer financial data (e.g., credit card information) and their personally identifiable information, and rely on third parties in connection with the operation of ecommerce and for the various social media tools and websites used as part of our marketing strategy. Any perceived, attempted or actual unauthorized disclosure of customer financial data (e.g., credit card information) or personally identifiable information regarding our employees, customers or website visitors could harm our reputation and credibility, reduce our e-commerce sales, impair our ability to attract website visitors, reduce our ability to attract and retain customers and could result in litigation against us or the imposition of significant fines or penalties.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal and provincial laws and legislative proposals addressing data privacy and security. As a result, we may become subject to more extensive requirements to protect the customer information that we process in connection with the purchase of our products, resulting in increased compliance costs.

## **Herbal Dispatch Inc.**

### **Management's Discussion and Analysis For the Year Ended December 31, 2023**

---

Our on-line activities, including our e-commerce websites, may also be subject to denial of service or other forms of cyber-attacks. While we have taken measures to protect against those types of attacks, those measures may not adequately protect our on-line activities from such attacks. If a denial-of-service attack or other cyber event were to affect our e-commerce sites or other information technology systems, our business could be disrupted, we may lose sales or valuable data, and our reputation may be adversely affected.

#### *Completion of future acquisitions, divestitures or business combinations*

We believe that we may need to actively identify and source future acquisition opportunities. We are also actively pursuing strategic joint ventures and partnerships that will enable us to further broaden and diversify our product offerings and leverage current distribution facilities. Although we may engage in discussions with and submit proposals to acquisition and partnership candidates, suitable acquisitions and partnerships may not be available in the future on reasonable terms. Even if we identify an appropriate acquisition or partnership candidate, we may not be able to successfully negotiate the terms of the acquisition, finance the acquisition or, if the acquisition occurs, effectively integrate the acquired business into our business. In addition, the negotiation of a potential acquisition or partnership and the integration of an acquired business may require a disproportionate amount of management's attention and resources.

Even if we complete additional business acquisitions, continued acquisition financing may not be available or available on reasonable terms, the new business acquired may not generate revenues as anticipated, and any anticipated costs efficiencies or synergies may not be realized. If we were unable to successfully identify, execute or integrate future acquisitions, this could negatively affect our results of operations. Even though we perform a due diligence review of the businesses we intend to acquire of a quality that we believe is consistent with industry practices, such reviews are inherently incomplete. Even an in-depth due diligence review of a business might not reveal existing or potential problems or permit us to become sufficiently familiar for a complete evaluation of the business. Even when problems are identified, we might assume certain risks and liabilities in connection with the acquired business.

#### *Epidemics and Pandemics*

Our business could be materially and adversely affected by the outbreak of a widespread epidemic or pandemic or other public health crisis, including arising from the novel strain of the coronavirus known as "COVID-19." A local, regional, national or international outbreak of a contagious virus, including the novel coronavirus, COVID-19 could cause staff shortages, reduced customer traffic, supply shortages, and increased government regulation all of which may negatively impact our business, financial condition and results of operations.

The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect our business, financial condition and results of operations.

## **Herbal Dispatch Inc.**

### **Management's Discussion and Analysis For the Year Ended December 31, 2023**

---

#### **Risks Related to the Regulatory Environment**

##### Canadian Regulatory Landscape

The production, distribution and sale of cannabis in Canada is strictly regulated. On October 17, 2018, the Cannabis Act and accompanying regulations promulgated under the Cannabis Act (the "Cannabis Regulations"), and the new industrial hemp regulations (the "IHR", and together with the Cannabis Regulations, collectively, the "Regulations"), came into force, legalizing the production, distribution and sale of cannabis for adult recreational purposes, as well as incorporating the pre-existing medical cannabis regulatory scheme under one complete framework. Amendments legalizing the sale of edible cannabis, cannabis extracts, and cannabis topicals in the Canadian market came into force on October 17, 2019. A federally licensed entity with authorization to produce and sell any class of cannabis (except plants and seeds) must provide 60-days notice to Health Canada of its intent to sell any new cannabis retail product prior to making such product available for sale to provincially authorized purchasers or medical users. Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory provided that the provincial or territorial legislation contains certain measures that mirror the public health policy goals of the federal regime.

All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licences and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Patients who have the authorization of their healthcare provider may register with Health Canada to have access to cannabis, either purchased directly from a federally licensed entity authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

##### Provincial Regulatory Framework

While the Cannabis Act provides for regulation of the commercial production of cannabis and related matters by the federal government, the provinces and territories of Canada have authority to adopt their own laws and regulations governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limit for individuals and higher age requirements.

All Canadian provinces and territories have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. In most provinces, provincial/territorial crown corporations act as intermediaries between entities licensed federally under the Cannabis Act and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances as exclusive retailers.

Some provinces also authorize municipal governments to impose additional requirements and regulations on the sale of recreational cannabis, such as by restricting the number of recreational cannabis retail outlets that are permitted in a certain geographical area. Municipal zoning authority also generally permits a municipality to restrict the geographical locations wherein such retail outlets may be opened.

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

#### Non-IFRS Financial Measures

This MD&A contains the Non-IFRS financial measure "Adjusted EBITDA". Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other issuers. Investors are cautioned that this financial measure should not be construed as an alternative to net income or to cash provided by operating, investing and financing activities determined in accordance with IFRS, as indicators of our performance.

Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, share based compensation, loss (gain) on sale of assets, loss (gain) on investments, loss (gain) on settlement of debt, impairment losses, loss (gain) on foreign exchange and accretion expense. We believe that, in addition to net income (loss), adjusted EBITDA is a useful measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before certain non-cash items such as depreciation, amortization, and other items.

A reconciliation of net loss to adjusted EBITDA for each of the periods presented in this MD&A follows:

\$	Three Months Ended		Year Ended	
	Dec 31 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Net loss	<b>(450,837)</b>	(1,905,890)	<b>(2,071,310)</b>	(4,615,001)
Add/subtract:				
Income tax expense	-	-	-	36,977
Interest and other	<b>57,576</b>	7,929	<b>140,486</b>	(53,411)
Loss (gain) on sale of assets	<b>74,574</b>	(3,483)	<b>74,574</b>	(3,483)
Loss on investments	<b>199,014</b>	566,426	<b>199,014</b>	573,192
Loss (gain) on settlement of debt	<b>24,855</b>	-	<b>(78,688)</b>	-
Impairment loss	-	503,664	-	1,588,224
Loss (gain) on foreign exchange	<b>13,928</b>	30,049	<b>13,633</b>	(116,314)
Accretion expense	<b>10,454</b>	6,406	<b>37,360</b>	13,521
Depreciation & amortization	<b>100,464</b>	82,790	<b>390,525</b>	227,159
Share based compensation	-	-	-	(3,241)
Adjusted EBITDA	<b>30,028</b>	(712,109)	<b>(1,294,406)</b>	(2,352,377)

## Herbal Dispatch Inc.

### Management's Discussion and Analysis For the Year Ended December 31, 2023

---

#### Forward Looking Information

Certain statements in this MD&A, including statements or information containing terminology such as “anticipate”, “believe”, “intend”, “expect”, “estimate”, “may”, “could”, “will”, and similar expressions constitute “forward-looking statements” within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, that address activities, events, or developments that we or a third party expect or anticipate will or may occur in the future, including our future growth, results of operations, performance, and business prospects and opportunities are forward-looking statements.

These forward-looking statements reflect our current beliefs and are based on information currently available to us. These statements require us to make assumptions we believe are reasonable and are subject to inherent risks and uncertainties. Actual results and developments may differ materially from the anticipated results and developments discussed in the forward-looking statements as certain of these risks and uncertainties are beyond our control. These risks include several of the factors discussed further under “Risks and Uncertainties” above. These risk factors are interdependent and the impact of any one risk or uncertainty on a particular forward-looking statement is not determinable.

Examples of forward-looking statements in this MD&A and the key assumptions and risk factors involved in such statements include, but are not limited to, executing our strategic growth initiatives for 2024 and beyond, which includes: (i) growing medical sales from our online e-commerce platforms; (ii) growing recreational sales via wholesale channels and direct delivery orders to retailers; and (iii) achieving revenue growth from export sales. The successful execution of these initiatives is subject to a number of risks and uncertainties, including industry competition, and future customer demand for our products, among others. Forward-looking statements in this MD&A also includes our expectation that as our revenue continues to grow, our gross margin will also continue to increase in the future. This belief is subject to the assumption that our revenue will increase in the future, including from export sales, which typically earn a higher gross margin than domestic sales.

Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected effects on Luff. These forward-looking statements are made as of the date of this MD&A. Except as required by applicable securities legislation, we assume no obligation to update publicly or revise any forward-looking statements to reflect subsequent information, events, or circumstances.

## Herbal Dispatch Inc.

Management's Discussion and Analysis  
For the Year Ended December 31, 2023

---

### Additional information

Additional information relating to the Company is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

#### Corporation information

Registered Office:	Suite 1750 – 1055 West Georgia Street, Vancouver, BC V6E 3P3
Directors:	Jeremy South Philip Campbell Drew Malcolm Herb Dhaliwal
Senior Officers:	Philip Campbell, Chief Executive Officer Jason Vandenberg, Chief Financial Officer
Auditor:	Kingston Ross Pasnak LLP Suite 1500, 9888 Jasper Avenue NW Edmonton, Alberta, T5J 5C6
Transfer Agent:	Odyssey Trust Company 350 – 409 Granville Street Vancouver, BC, V6C 1T2