

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**MODERN PLANT BASED FOODS INC. (FORMERLY MODERN MEAT INC.)**  
**FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2022**

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The following discussion and analysis, prepared as of August 1, 2022, should be read together with the unaudited condensed interim consolidated financial statements and notes thereto for the three and nine months ended May 31, 2022 and audited consolidated financial statements for the year ended August 31, 2021 and related notes attached thereto, for Modern Plant Based Foods Inc. (formerly Modern Meat Inc.) (the “Company”). All amounts are stated in Canadian dollars unless otherwise indicated.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable. The Company’s Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board’s audit committee meets with management quarterly to review the consolidated financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “designed”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

## **DESCRIPTION OF BUSINESS AND OVERVIEW**

The Company is a publicly listed company and was previously trading under the symbol “SUV” on the Canadian Securities Exchange (the “CSE”). The Company was a mineral exploration company engaged in locating, acquiring, and exploring mineral resources properties; and currently holds varying interests in oil and gas, metals and diamond properties located in Saskatchewan, Canada. In December 2015, the Company changed its name from Star Minerals Group Ltd. to Navis Resources Corp. which reflected a change in direction of the Company from a mineral-focused exploration company to a more diversified portfolio including the acquisition and development of oil and natural gas and helium assets.

On June 26, 2020, the Company completed an acquisition transaction whereby the Company acquired shares of Modern Meat Holdings Inc. (“Modern Meat”), representing approximately 99.14% of the

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issued and outstanding shares of Modern Meat and consequently operates the business of Modern Meat. Upon completion of the acquisition, the Company changed its name to Modern Meat Inc. and its trading symbol to "MEAT". The transaction was accounted for as a Reverse Take Over Acquisition.

On February 25, 2021, the Company changed its name to Modern Plant Based Foods Inc. and began trading under the new name on March 1, 2021.

During the year ended August 31, 2020, the Company acquired its new manufacturing facility in Vancouver. The new facility will allow for expansive production growth of all the Company's products as well as provide for increased growth across new product launches moving forward. The Company is also investing in substantial machinery to expedite production efficiency and the facility will undertake improvements to fit its specific manufacturing process.

### **RECENT EVENTS**

The Company has been actively engaged in the development of new food products, as well as in the improvement of its existing product lines in order to increase its market share. The Company is currently testing the following products: dairy alternative milk line featuring M\*lk, Almond M\*lk and Barista Edition Alternative M\*lk.

As of the date of this report, the following products were successfully launched: Modern Gyoza, Modern Holiday Bundle, Modern Chicken and Modern Sausage. The Company also entered into ready-made meal market. Currently, the vegan, ready-made meals are available for purchase at Modern Wellness Bars in Vancouver.

On September 2, 2021, the Company closed its non-brokered private placement of 924,370 units at a price of \$1.19 per unit for gross proceeds of \$1,100,000. Each unit comprises both a common share and a common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company exercisable at a price of \$1.48 per warrant and have an expiry of two years from the date of issuance.

On September 3, 2021, the Company received a loan of \$150,000 from a company controlled by a director of the Company. The loan is unsecured, bears interest at 7% per annum and is payable within one year.

On September 6, 2021, the Company's subsidiary, Modern Meat, entered into an agreement with Horizon Grocery + Wellness ("Horizon") to increase service to consumers throughout Canada. Horizon operates out of a combined 186,000 sq ft of facility space in south Burnaby, BC and is Western Canada's leading distributor of organic and natural products in the dry, chill, and frozen grocery categories, in addition to natural personal care and nutritional health supplement categories.

Through the distribution agreement, Horizon will carry the Company's complete portfolio of meat alternative products, including Modern burger, crumble, crab cakes, meatballs, breakfast sausage and gyozas. With a deep list of retail partnerships including Whole Foods, Save-on-Foods, Nesters and Choices, the Company will have the opportunity to significantly expand its retail distribution in Canada.

On September 9, 2021, the Company expanded the distribution of its plant-based snacks including Snacks from the Sun<sup>TM</sup> popped potato crisps and Sunsations jellies with one of America's largest multinational off-price department store corporation. The news comes on the heels of a distribution

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deal with ALDI supermarket chains.

On September 12, 2021, the Company launched a plant-based seafood division, by incorporating a new entity called Modern Seafood Inc. Modern Seafood will be focused on research and development, production, and manufacturing of plant-based seafood alternatives. Specifically, the subdivision will seek out collaborations with existing seafood companies interested in the development of quality seafood alternatives.

On September 16, 2021, the Company launched a new version of its Vegan Roast in a co-branded partnership with the Sustainable Produce Urban Delivery or Spud website under its Be Fresh brand.

On September 20, 2021, the Company announced that Cost.co will carry Kitskitchen soups on its ecommerce platform. The launch taps into the growing consumer demand for convenient, ready-made soups.

On October 8, 2021, the Company's subsidiary, Modern Seafood, entered into an agreement with Cascadia Seaweed Corp. to develop and create a variety of plant-based products incorporating cultivated seaweed with Modern Meat's proprietary recipes. The partnership further underpins the growing interest from retailers and restaurants in providing great-tasting and sustainable plant-based food options to consumers. Cascadia Seaweed is growing to be the largest North American provider of ocean cultivated seaweed - a climate-positive crop with a variety of uses requiring only the sea and sunlight to grow.

On October 13, 2021, the Company subsidiary, Modern Meat, teamed up with Tartistes to create a co-branded plant-based Shepherd's pie now available to retailers and food emporiums across Canada through two top food service distributors.

On November 23, 2021, the Company finalized an agreement with Viveri Pty. Ltd., and begun to produce and distribute its portfolio of meat alternatives through Viveri's distribution network located in Australia. Viveri will market and sell the Company's portfolio of plant-based meat to premium retailers and across all channels, including retail supermarkets, natural grocers, independents, and e-commerce. Under the terms of the agreement, Viveri will have exclusive right to produce and distribute Modern Meat products in Australia and New Zealand for four years.

On December 31, 2021, the Company moved the manufacturing facility of its popular KitsKitchen soups to meet current and upcoming demand.

On March 24, 2022, the Company completed its acquisition of Vegables Food Inc. ("Vegables").

On May 6, 2022, the Company announced that it has rolled out its products into the snack section at the popular Urban Fare grocery stores. Urban Fare is a subsidiary of the Overwaitea Food Group (OFG), which operates more than 160 stores under the banners of Save-On-Foods, Overwaitea Foods, Urban Fare, PriceSmart Foods, PriceSmart Foods International and Bulkley Valley Wholesale. The Urban Fare grocery chain tailors to a higher-end clientele, having six prime locations, four located in downtown Vancouver, and one each in Calgary and Kelowna.

On May 11, 2022, the Company's Snacks from the Sun popped chips brand has entered into a distribution contract with United Natural Foods (UNFI), the largest publicly traded wholesale distributor of health and specialty food in North America.

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On May 17, 2022, the Company subsidiary, Modern Meat Inc., entered into a one-year renewable supply agreement with Northland Properties, an asset management company with ownership in multiple restaurant brands and hotel chains, including, but not limited to, Moxie's, Denny's, Chop Steakhouse, Shark Club, Boulevard Kitchen & Oyster Bar and Craft Beer Market. Northland Properties is recognized as one of the most trusted names in hotels, restaurants, sports and construction across Canada, the United States, Ireland and the United Kingdom for over 50 years, and is considered one of Canada's fastest-growing hospitality groups.

During the nine months ended May 31, 2022, the Company sold the rights and recipes for its Modern breakfast sausage for proceeds of \$1,000,000. The Company also opens Modern Commissary Kitchen facility to tap into the growing trend of ghost kitchens, meal prep and innovative food start-ups.

### **MANAGEMENT CHANGES**

On June 26, 2020, the Company appointed Tara Haddad, director, as Chief Executive Officer of the Company and Yuying Liang Cross as Chief Financial Officer and director. In addition, Nawaz Jiwani and Cassidy McCord have been appointed as directors of the Company, and Yari Nieken and Ron Coulson have resigned from the Company's board of directors.

On August 31, 2020, the Company appointed Campbell Becher as a director and head of finance and mergers and acquisitions. On March 31, 2022, Mr. Becher has tendered his resignation as a director to focus on other business endeavours.

On December 7, 2020, the Company appointed Mohsen Rahimi to the Board of Directors and will hold the position of Head of Modern Wellness Bars division. Mr. Rahimi replaced Nawaz Jiwani who resigned from the Board of Directors.

On September 2, 2021, the Company appointed Joni Berg as chief executive officer of the Company and Tara Haddad resigned as director and chief executive officer and moved to the position of founder.

On October 20, 2021, the Company appointed Anastasia Bogomolova as Director of Operations to further strengthen its production team in preparation for onboarding large retailers.

On December 31, 2021, the Company appointed Avtar Dhaliwal as chief executive officer of the Company, replacing interim CEO Joni Berg.

### **REVERSE TAKEOVER ACQUISITION**

On June 26, 2020, the Company completed a reverse takeover acquisition transaction with Modern Meat whereby the Company acquired approximately 99.14% of the issued and outstanding shares of Modern Meat in exchange for an aggregate of 11,500,000 shares and 2,760,000 stock options exercisable at \$0.05 until August 22, 2021, and 50,000 share purchase warrants exercisable at a price of \$3.43 until June 30, 2022.

In connection with the completion of acquisition, the Company also completed a private placement of 2,800,000 Post-Split Shares at a price of \$0.25 per share for aggregate proceeds of \$700,000 (the "Offering").

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The Company did not meet the definition of a business; therefore the transaction is outside of the scope of IFRS 3 *Business Combinations*. Instead, the transaction was accounted for under IFRS 2 *Share-based Payment*. Under this basis of accounting, the consolidated entity is considered to be a continuation of Modern Meat, with the net identifiable assets of the Company deemed to have been acquired by Modern Meat. The results of operations from the Company are included in the financial statements since the date of acquisition.

The following table summarizes the consideration paid and the fair value of the identifiable assets acquired, and liabilities assumed as of the date of acquisition:

Fair value of consideration (14,006,498 shares at \$0.25 per share)*	\$	3,501,625
Allocated as follows:		
Identified fair value of net assets:		
Cash	\$	476,400
Receivable		5,032
Due from Modern Meat		45,000
Accounts payable		(239,745)
Accrued liabilities		(18,740)
State and local tax payable		(2,912)
Loans payable**		(150,000)
		115,035
<b>Listing Expense</b>	<b>\$</b>	<b>3,386,590</b>

\*The fair value of the 14,006,498 shares issued was estimated to be \$0.25 per share using the price of the concurrent private placement.

\*\* The Company received loans of \$100,000 from a company owned by a shareholder and \$50,000 from a shareholder. The loans remain outstanding at May 31, 2022 and are due on demand, unsecured and non-interest bearing. Subsequent to May 31, 2022, the Company settled this loan.

During the year ended August 31, 2020, the Company incurred \$168,769 of costs related to the transaction.

## **ACQUISITIONS**

### 1257189 BC Ltd.

On October 30, 2020, the Company completed its acquisition of 1257189 BC Ltd., which owns two Victoria's Health & Organic Bar retail locations in Vancouver, B.C., now branded as Modern Health and Wellness Bar.

In connection with the transaction, the Company issued 350,000 common shares with a fair value of \$952,000 to the shareholders of 1257189 B.C. Ltd. Furthermore, the Company has an option for five years to buy a third store for a cash purchase of \$3,000,000. The Company also issued 26,250 common shares with a fair value of \$71,400 as finder's fee for the transaction. The transaction costs incurred were expensed during the year ended August 31, 2021.

For accounting purposes, the transaction was considered a business combination under IFRS 3 and accounted for using the acquisition method. The results of operations from 1257189 BC Ltd are included in the consolidated financial statements since the date of acquisition. The fair value of the total consideration has been allocated as follows:

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Fair value of shares issued (350,000 shares*)	\$	952,000
Allocated as follows:		
Identified fair value of net assets:		
Merchandise	\$	164,624
GST receivable		6,481
Rent deposit		53,711
Capital assets		71,753
Right-of-use assets		424,050
Due to Victoria’s Health		(195,426)
Lease liability		(449,573)
Net assets acquired		75,620
<b>Goodwill</b>	<b>\$</b>	<b>876,380</b>

\* The fair value of 350,000 common shares issued was determined to be \$2.72 per share using the market price at acquisition date.

The goodwill recognized was primarily attributed to the expected synergies arising from the acquisition and the expertise and reputation of the assembled management and workforce.

From the date of the acquisition, the acquired business contributed \$671,695 in revenue and a net loss of \$397,909. If the acquisition had taken place at the beginning of the year, unaudited consolidated revenue for the year ended August 31, 2021 would have been \$2,592,451 and unaudited net loss of the Company would have been \$6,200,801. During the year ended August 31, 2021, directly attributable acquisition-related costs of approximately \$71,400 have been expensed and are included in transaction costs in the consolidated statement of loss and comprehensive loss.

During the nine months ended May 31, 2022, the acquired business contributed \$460,104 in revenue and a net loss of \$281,259.

The Company assessed that the goodwill was fully impaired as at August 31, 2021. An impairment loss of \$876,380 was recorded in the consolidated statement of loss and comprehensive loss during the year ended August 31, 2021.

JDW Distributors LLC

On November 17, 2020, the Company closed its acquisition of brands from JDW. As a result, the Company owns the trademarks and distribution rights to the “Snacks from the Sun” and “Sunsations” brands. The acquisition was accounted for as an acquisition of assets. The total purchase price for this acquisition was US\$450,000 payable in cash. Of this, \$295,505 (US\$225,000) was paid on closing and a further \$279,180 (US\$225,000) was payable based on the achievement of staged revenue targets during the 12 months after closing, all of which were met and paid by August 31, 2021. In relation to the acquisition of JDW, the Company incurred legal fees of \$34,460 which were recorded as part of the cost of the brands.

The Company assessed the brands for impairment as of August 31, 2021. An impairment loss of \$187,429 was recorded in the consolidated statements of loss and comprehensive loss during the year ended August 31, 2021.

As at May 31, 2022, the Company has net payable of \$50,645 to JDW in relation to its operations.

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Kitskitchen Health Foods Inc. (“Kitskitchen”)

On February 10, 2021, the Company completed its acquisition of Kitskitchen, a plant-based soup company with a portfolio of gourmet products that are currently available in many on-line and grocery retailers across British Columbia and Alberta.

In connection with the transaction, the Company obtained the distribution rights to the Kitskitchen brands. On closing, the Company issued 300,000 common shares to the vendor with a fair value of \$1,086,000. The Company also issued 9,000 common shares with a fair value of \$32,580 as a finder’s fee for this transaction. The transaction costs incurred were expensed during the year ended August 31, 2021.

For accounting purposes, the acquisition of Kitskitchen was considered a business combination under IFRS 3 and accounted for using the acquisition method. The results of operations from Kitskitchen are included in the consolidated financial statements since the date of acquisition. The fair value of the total consideration has been allocated as follows:

Fair value of shares issued (300,000 shares*)	\$	1,086,000
Total consideration paid		1,086,000
Allocated as follows:		
Identified fair value of net assets:		
Cash	\$	17,014
Accounts receivable		62,568
Inventory		58,016
Accounts payable and accrued liabilities		(37,447)
Liabilities to vendor		(135,084)
Trademarks and brands		242,349
Customer Relationships		58,927
Deferred tax liabilities		(81,345)
Net assets acquired		184,998
<b>Goodwill</b>	<b>\$</b>	<b>901,002</b>

\* The fair value of 300,000 common shares issued was estimated to be \$3.62 per share using the market price at the closing date.

The goodwill recognized was primarily attributed to the expected synergies arising from the acquisition and the expertise and reputation of the assembled management and workforce.

From the date of the acquisition, the acquired business contributed \$291,614 revenue and a net loss of \$86,953. If the acquisition had taken place at the beginning of the year, unaudited consolidated revenue for the year ended August 31, 2021 would have been \$2,592,451 and unaudited net loss of the Company would have been \$6,200,801. During the year ended August 31, 2021, directly attributable acquisition-related costs of approximately \$32,580 have been expensed and are included in transaction costs in the consolidated statement of loss and comprehensive loss.

During the nine months ended May 31, 2022, the acquired business contributed \$584,371 in revenue and a net loss of \$56,447.

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The Company assessed goodwill for impairment as at August 31, 2021. An impairment loss of \$300,000 was recorded in the consolidated statement of loss and comprehensive loss during the year ended August 31, 2021.

Vegables Food Inc.

On March 24, 2022, the Company completed its acquisition of Vegables, a plant-based company based in Vancouver, British Columbia, a portfolio of six proprietary products made from natural ingredients that are healthy, vegan and delicious. These include taco bowl kit, slider kit, falafel bowl kit, orange chicken kit, mac and cheese kit, and the meatloaf muffin. Vegables focused on providing healthy meal options for on-the-go families with simple plant-based lunch kits.

On closing, the Company issued 10,769,229 common shares with a fair value of \$5,707,691 for the acquisition of Vegables. The Company also issued 861,538 common shares with a fair value of \$456,615 as finder’s fee and incurred \$23,274 of costs related to the transaction. The transaction costs incurred were expensed during the nine months ended May 31, 2022.

The Company has accounted the acquisition of Vegables as an asset acquisition as it did not meet the definition of a business under IFRS 3, “Business Combinations”. The following table summarizes the total consideration, the fair value of the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

Fair value of shares issued (10,769,229 shares*)	\$	5,707,691
Total consideration paid		5,707,691
Allocated as follows:		
Identified fair value of net assets:		
Cash	\$	25,265
Recipes		5,892,426
Liabilities		(210,000)
<b>Net assets acquired</b>	<b>\$</b>	<b>5,707,691</b>

\* The fair value of 10,769,229 common shares issued was estimated to be \$0.53 per share using the market price at acquisition date.

**SELECTED FINANCIAL RESULTS**

	<b>Year ended</b>	<b>Year ended</b>
	<b>August 31, 2021</b>	<b>August 31, 2020</b>
Revenue	\$ 2,266,826	\$ 82,144
Gross profit	\$ 386,901	\$ 1,037
Net loss	\$ (6,188,175)	\$ (5,162,262)
Basic & diluted loss per share	\$ (0.21)	\$ (0.20)
Total assets	\$ 3,483,233	\$ 3,398,640
Long-term debt	\$ 269,172	\$ 70,843
Dividends	\$ -	\$ -

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**RESULTS OF OPERATIONS**

The Company reported revenue of \$2,266,826 for the year ended August 31, 2021 as compared to \$82,144 for the year August 31, 2020, as 2020 was the first year of production and selling products. The significant increase was attributable to the continuous effort by the Company to sell its plant-based products through effective marketing tools, channels and its retailer locations and the ability to increase the average order size in terms of total value when compared to prior year.

During the year ended August 31, 2021, the Company reported a net loss of \$6,188,175 (2020 - \$5,162,262). The majority of the expenses for the current year listed below increased from those expenses of the previous year. In addition, an impairment loss was incurred in the current year due to the impairment of some intangible assets of the Company which did not occur in the previous year. The Company's expenses included the following:

- Accretion expense of \$46,256 (2020 - \$Nil);
- Bad debts expense of \$17,386 (2020 - \$Nil).
- Contract labor and salaries of \$517,253 (2020 - \$51,404) consist of salaries paid to subcontractors, employees and chefs for production and operation;
- Consulting fees of \$66,465 (2020 - \$154,672) consist of expenses relating to consulting fees paid to consultants and other advisors of the Company;
- Depreciation of \$301,841 (2020 - \$11,816);
- General and administrative expenses of \$291,577 (2020 - \$44,734) consist of expenses relating to business activities;
- Investor communications of \$31,541 (2020 - \$5,378);
- Management and directors' fees of \$638,944 (2020 - \$166,746) were paid to directors of the Company;
- Professional fees of \$396,158 (2020 - \$185,453) consist of expenses relating to legal, audit and accounting fees;
- Rent of \$163,783 (2020 - \$29,285) mainly consists of the rental of kitchen facilities used to produce and package the Company's products;
- Research and development of \$311,056 (2020 - \$210,982) consists of the expenses relating to the research and development of recipes for plant-based products;
- Sales and marketing of \$1,877,680 (2020 - \$730,685) consists of expenses relating to the marketing and promotional activities of the Company's products;
- Share-based compensation of \$429,320 (2020 - \$Nil) for issuance and vesting of stock options to directors and employees of the Company;
- Transfer agent and regulatory fees of \$78,663 (2020 - \$16,682) consist of expenses in connection with regulatory and filing fees of the Company;
- Travel of \$4,270 (2020 - \$3,261);
- Listing expense of \$Nil (2020 - \$3,386,590) mainly relating to the completion of reverse takeover acquisition in the previous year; and
- Transaction costs of \$103,980 (2020 - \$168,769) for costs incurred relating to the acquisition of 1257189 BC Ltd and Kitskitchen.
- Impairment loss of \$1,363,809 (2020 - \$Nil) relating to the impairment of goodwill and brands acquired.

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**NON-CONTROLLING INTEREST (“NCI”)**

As at May 31, 2022, the carrying value of NCI was \$5,665 (August 31, 2021 - \$10,518) which was determined as follows:

Balance, August 31, 2020	\$	(1,659)
Net loss allocated to NCI		(8,859)
Balance, August 31, 2021		(10,518)
Net income allocated to NCI		4,853
<b>Balance, May 31, 2022</b>	<b>\$</b>	<b>(5,665)</b>

**SUMMARY OF FINANCIAL RESULTS**

	<b>For the three months ended May 31, 2022</b>	<b>For the three months ended February 28, 2022</b>	<b>For the three months ended November 30, 2021</b>	<b>For the three months ended August 31, 2021</b>
	\$	\$	\$	\$
Revenue	351,087	504,314	653,017	863,220
Gross profit	112,337	36,452	127,206	146,901
Net loss	(98,939)	(1,149,259)	(2,115,143)	(3,198,579)
Basic and diluted loss per share	(0.00)	(0.03)	(0.06)	(0.10)
Total assets	9,502,435	2,901,381	3,527,458	3,483,233
Long-term debt	173,499	177,453	238,921	269,172
Dividends	-	-	-	-
	<b>For the three months ended May 31, 2021</b>	<b>For the three months ended February 28, 2021</b>	<b>For the three months ended November 30, 2020</b>	<b>For the three months ended August 31, 2020</b>
	\$	\$	\$	\$
Revenue	718,034	491,239	194,333	57,914
Gross profit (loss)	173,151	35,218	31,631	(11,157)
Net loss	(861,863)	(1,142,648)	(985,085)	(4,724,595)
Basic and diluted loss per share	(0.03)	(0.04)	(0.03)	(0.17)
Total assets	3,752,234	3,515,970	3,622,633	3,398,640
Long-term debt	322,266	350,000	349,951	70,843
Dividends	-	-	-	-

**Three months ended May 31, 2022**

During the three months ended May 31, 2022, the Company reported revenue of \$351,087 and cost of sales of \$238,750.

During the three months ended May 31, 2022, the Company reported a net loss of \$98,939 as compared to \$861,863 for the three months ended May 31, 2021. Several expenses for the current period listed below decreased from those expenses of the same period of the previous year mainly due to the decrease in the Company’s activity in relation to the production and marketing of the Company’s products. The Company also recognized other income of \$1,000,344 as compared to \$1,617 for the three months

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ended May 31, 2021, mainly due from sale of rights and recipes for its Modern breakfast sausage. The Company's expenses included the following:

- Accretion and interest expense of \$12,819 (2021 - \$14,007);
- Contract labor and salaries of \$56,710 (2021 - \$160,710) consist of salaries paid to subcontractors, employees and chefs for production and operation;
- Consulting fees of \$30,420 (2021 - \$14,041) consist of expenses relating to consulting fees paid to consultants and other advisors of the Company;
- Depreciation of \$40,487 (2021 - \$83,416);
- General and administrative expenses of \$50,729 (2021 - \$86,657) consist of expenses relating to business activities;
- Investor communications of \$Nil (2021 - \$5,464);
- Management and directors' fees of \$88,338 (2021 - \$161,250) were paid to directors of the Company;
- Professional fees of \$5,208 (2021 - \$58,967) consist of expenses relating to legal, audit and accounting fees;
- Rent of \$21,032 (2021 - \$52,046) mainly consists of the rental of kitchen facilities used to produce and package the Company's products;
- Research and development of \$6,104 (2021 - \$103,978) consists of the expenses relating to the research and development of recipes for plant-based products;
- Sales and marketing of \$186,822 (2021 - \$196,661) consists of expenses relating to the marketing and promotional activities of the Company's products;
- Share-based compensation of \$178,630 (2021 - \$63,141) for the vesting of stock options to directors and employees;
- Transfer agent and regulatory fees of \$5,163 (2021 - \$32,402) consist of expenses in connection with regulatory and filing fees of the Company;
- Travel of \$352 (2021 - \$2,192);
- Foreign exchange loss of \$449 (2021 - \$1,654);
- Transaction costs of \$473,836 (2021 - \$Nil) for costs incurred relating to the acquisition of Vegables;
- Royalty expense of \$Nil (2021 - \$45);
- Royalty payment of \$15,000 (2021 - \$Nil) relating to royalties paid to previous shareholders of Kitskitchen;
- Written-off of inventories \$4,868 (2021 - \$Nil); and
- Loss on debt settlement of \$34,653 (2021 - \$Nil) relating to debt settlement agreement with former CEO and director of the Company.

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**Nine months ended May 31, 2022**

During the nine months ended May 31, 2022, the Company reported revenue of \$1,508,418 and cost of sales of \$1,232,423.

During the nine months ended May 31, 2022, the Company reported a net loss of \$3,363,341 as compared to \$2,989,596 for the nine months ended May 31, 2021. Several expenses for the current period listed below increased from those expenses of the same period of the previous year mainly due to the increase in the Company's activity in relation to the production and marketing of the Company's products. The Company also recognized other income of \$1,001,838 as compared to \$1,617 for the nine months ended May 31, 2021, mainly due from sale of rights and recipes for its Modern breakfast sausage. The Company's expenses included the following:

- Accretion and interest expense of \$41,364 (2021 - \$33,867);
- Contract labor and salaries of \$285,900 (2021 - \$321,315) consist of salaries paid to subcontractors, employees and chefs for production and operation;
- Consulting fees of \$809,325 (2021 - \$63,840) consist of expenses relating to consulting fees paid to consultants and other advisors of the Company;
- Depreciation of \$195,376 (2021 - \$199,192);
- General and administrative expenses of \$217,668 (2021 - \$222,810) consist of expenses relating to business activities;
- Investor communications of \$8,217 (2021 - \$26,350);
- Management and directors' fees of \$246,897 (2021 - \$474,956) were paid to directors of the Company;
- Professional fees of \$174,587 (2021 - \$274,574) consist of expenses relating to legal, audit and accounting fees;
- Rent of \$91,856 (2021 - \$125,294) mainly consists of the rental of kitchen facilities used to produce and package the Company's products;
- Research and development of \$79,736 (2021 - \$234,006) consists of the expenses relating to the research and development of recipes for plant-based products;
- Sales and marketing of \$1,037,384 (2021 - \$824,202) consists of expenses relating to the marketing and promotional activities of the Company's products;
- Share-based compensation of \$784,989 (2021 - \$255,612) for the vesting of stock options to directors and employees;
- Transfer agent and regulatory fees of \$61,516 (2021 - \$62,812) consist of expenses in connection with regulatory and filing fees of the Company;
- Travel of \$1,900 (2021 - \$4,165);
- Foreign exchange loss of \$7,214 (2021 - \$4,713);
- Transaction costs of \$479,889 (2021 - \$103,170) for costs incurred relating to the acquisition of Vegables and Kitskitchen;
- Royalty expense of \$49 (2021 - \$335);
- Royalty payment of \$25,000 (2021 - \$Nil) relating to royalties paid to previous shareholders of Kitskitchen;
- Written-off of inventories of \$55,059 (2021 - \$Nil); and
- Loss on debt settlement of \$34,653 (2021 - \$Nil) relating to debt settlement agreement with former CEO and director of the Company.

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**LIQUIDITY AND CAPITAL RESOURCES**

	Nine months ended May 31, 2022	Year ended August 31, 2021
Working Capital (Deficit)	\$ (64,437)	\$ 149,404
Deficit	\$ (14,966,911)	\$ (11,598,717)

As at May 31, 2022, the Company had working capital deficit of \$64,437, inclusive of cash of \$1,137,603, as compared to working capital of \$149,404, inclusive of cash of \$647,490 as at August 31, 2021.

Cash provided by operating activities were \$902,165 for the three months ended May 31, 2022, which was attributable to a net loss of \$98,939, depreciation of \$40,846, accretion and interest expense of \$12,819, share-based compensation of \$178,630, transaction cost of \$456,615, loss on debt settlement of \$34,653, write-off of inventories of \$4,868, and changes in working capital relating to decrease in inventories, decrease in amounts receivable, decrease in prepaid expenses and increase in accounts payable and accrued liabilities.

Cash provided by investing activity was \$25,265 for the three months ended May 31, 2022, which was attributable to cash acquired from acquisition of Vegables.

Cash provided by financing activities was \$97,729 for the three months ended May 31, 2022, which was attributable to net proceeds from loans of \$130,000, and partially offset by payments on lease of \$32,271.

Cash used in operating activities were \$722,814 for the nine months ended May 31, 2022, which was attributable to a net loss of \$3,363,341, depreciation of \$206,323, accretion and interest expense of \$41,364, share-based compensation of \$784,989, transaction cost of \$456,615, fair value of bonus shares issued of \$735,786, gain on sale of assets of \$2,452, loss on debt settlement of \$34,653, loss on transfer of lease assets of \$1,670, written-off of accounts receivable of \$3,377, written-off of inventories of \$55,059, and changes in working capital relating to decrease in inventories, increase in amounts receivable, increase in prepaid expenses and increase in accounts payable and accrued liabilities.

Cash provided by investing activities was \$43,332 for the nine months ended May 31, 2022, which was attributable to proceeds from sale of assets and cash acquired from acquisition of Vegables, offset by purchase of equipment.

Cash provided by financing activities was \$1,175,716 for the nine months ended May 31, 2022, which was attributable to proceeds from exercise of warrants of \$894,001 and net proceeds from loans of \$436,000, and partially offset by payments on lease of \$154,285.

The Company had cash of \$1,137,603 at May 31, 2022, but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors, renewing and obtaining new customers, achieving a profitable level of operations, and or private placement of common shares. Management is continuing to address the need to increase revenue, control costs, and maintain working capital. There can be no assurance that the Company will be able to complete such activities or obtain

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financing to continue; therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

## **CAPITAL STOCK**

The authorized capital stock of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series.

On June 26, 2020, in connection with the completion of the reverse takeover, the Company split its outstanding common shares on the basis of two post-split common shares for each one pre-split common share. All share figures have been retroactively adjusted to reflect the share split.

### Nine months ended May 31, 2022

On September 2, 2021, the Company closed its non-brokered private placement of 924,370 units at a price of \$1.19 per unit for gross proceeds of \$1,100,000. Each unit comprises both a common share and a common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company exercisable at a price of \$1.48 per warrant and have an expiry of two years from the date of issuance.

On September 15, 2021, the Company issued 250,000 shares for gross proceeds of \$277,500 on the exercise of share purchase warrants at \$1.11 per share.

On September 23, 2021, the Company issued 334,448 shares to former CEO and director as a bonus in accordance with an agreement with a fair value of \$735,786 and are included in consulting fees in the consolidated statement of loss and comprehensive loss.

On October 4, 2021, the Company issued 55,000 shares for gross proceeds of \$61,050 on the exercise of share purchase warrants at \$1.11 per share.

On November 1, 2021, the Company issued 280,180 shares for gross proceeds of \$311,000 on the exercise of share purchase warrants at \$1.11 per share.

On November 29, 2021, the Company issued 45,046 shares for gross proceeds of \$50,001 on the exercise of share purchase warrants at \$1.11 per share.

On November 30, 2021, the Company issued 180,180 shares for gross proceeds of \$200,000 on the exercise of share purchase warrants at \$1.11 per share.

On March 24, 2022, the Company issued 10,769,229 common shares with a fair value of \$5,707,691 for the acquisition of Vegables Food Inc. ("Vegables"). The Company also issued 861,538 common shares with a fair value of \$456,615 as finder's fee for the transaction.

On March 31, 2022, the Company issued 618,811 common shares with a fair value of \$284,654 pursuant to debt settlement agreement with former CEO and director of the Company to settle outstanding debt of \$250,000. A loss on debt settlement of \$34,653 was recognized in the consolidated statements of comprehensive loss during the nine months ended May 31, 2022.

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Year ended August 31, 2021

On October 29, 2020, the Company issued 350,000 shares with a fair value of \$952,000 for the acquisition of 1257189 BC Ltd. The Company also issued 26,250 common shares with a fair value of \$71,400 as a finder's fee for the transaction.

On November 30, 2020, the Company issued 10,000 shares for gross proceeds of \$500 on the exercise of options at \$0.05 per share.

On January 18, 2021, the Company issued 10,000 shares for gross proceeds of \$11,100 on the exercise of share purchase warrants at \$1.10 per share.

On February 16, 2021, the Company issued 300,000 shares with a fair value of \$1,086,000 for the acquisition of Kitskitchen. The Company also issued 9,000 common shares with a fair value of \$32,580 as a finder's fee for the transaction.

On April 9, 2021, the Company closed a non-brokered private placement of 400,000 units at a price of \$2.50 per unit for gross proceeds of \$1,000,000. Each unit comprises both a common share and a common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company exercisable at a price of \$3.00 per warrant and have an expiry of two years from the date of issuance.

On May 11, 2021, the Company issued 5,000 shares for gross proceeds of \$5,550 on the exercise of share purchase warrants at \$1.10 per share.

On July 21, 2021, the Company issued 1,355,000 shares for gross proceeds of \$67,750 on the exercise of options at \$0.05 per share.

On July 22, 2021, the Company issued 400,000 shares for gross proceeds of \$444,000 on the exercise of share purchase warrants at \$1.11 per share.

On August 20, 2021, the Company issued 1,395,000 shares for gross proceeds of \$69,750 on the exercise of options at \$0.05 per share.

On August 31, 2021, the Company issued 200,000 shares for gross proceeds of \$222,000 on the exercise of share purchase warrants at \$1.11 per share.

During the year ended August 31, 2021, the Company received \$1,105,550 in advance for common shares issued subsequent to August 31, 2021 pursuant to the closing of private placement and an exercise of warrants.

**Securities Held in Escrow**

Following the completion of the reverse takeover, 3,940,000 common shares and 1,375,000 options were held in escrow. As per the escrow agreement, 10% of the escrowed securities were released on June 26, 2020 and 15% will be released every six months thereafter over a 36-month period.

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During the year ended August 31, 2021, 1,375,000 options were exercised and 1,594,500 common shares in escrow were released pursuant to the escrow agreement. The 2,391,750 common shares remaining in escrow as at May 31, 2022 are scheduled to be released as follows:

<b>Date</b>	<b>Number of common shares</b>
June 26, 2022 (released as of MD&A date)	797,250
December 26, 2022	797,250
June 26, 2023	797,250

**Stock Options**

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. Unless otherwise determined by the board of directors of the Company (the “Board”), the exercise price of options equals at least the closing price of the common shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten-year term.

On September 2, 2020, the Company granted 100,000 stock options to a director exercisable for common shares of the Company at an exercise price of \$4.50 per share until September 2, 2021. The options are subject to vesting whereby 25% of the options are immediately exercisable and 25% of the total options will vest on the last day of each calendar quarter beginning on September 2, 2020 and ending on September 2, 2021. The fair value of the stock options was estimated to be \$125,488 and was determined using the Black-Scholes Option Pricing Model and the following weighted average assumptions: share price of \$2.91, expected share price volatility of 145.59%, expected life of 1 year and risk-free interest rate of 0.25% per annum.

On the same day, the Company granted 25,000 stock options to the director of sales exercisable for common shares of the Company at an exercise price of \$3.77 per share until September 2, 2021. The options are subject to vesting whereby 25% of the options are immediately exercisable and 25% of the total options will vest on the last day of each calendar quarter beginning on September 2, 2020 and ending on September 2, 2021. The fair value of the stock options was estimated to be \$34,412 and was determined using the Black-Scholes Option Pricing Model and the following weighted average assumptions: share price of \$2.91, expected share price volatility of 145.59%, expected life of 1 year and risk-free interest rate of 0.25% per annum.

During the year ended August 31, 2021, 125,000 stock options were cancelled and the fair value of \$159,900 was fully recognized during the year ended August 31, 2021.

On November 30, 2020, the Company issued 30,000 stock options to a member of the advisory board exercisable for common shares of the Company at an exercise price of \$3.05 per share. The options are subject to vesting whereby 25% of the options are immediately exercisable and 25% of the total options will vest on the last day of each calendar quarter beginning on November 30, 2020 and ending on November 30, 2021. The fair value of the stock options was estimated to be \$89,797 and was determined using the Black-Scholes Option Pricing Model and the following weighted average assumptions: share price of \$4.73, expected share price volatility of 145.54%, expected life of 1 year and risk-free interest rate of 0.24% per annum.

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On April 16, 2021, the Company issued 20,000 stock options to an employee exercisable for common shares of the Company at an exercise price of \$1.95 per share. The options are subject to vesting whereby 25% of the options are immediately exercisable and 25% of the total options will vest on the last day of each calendar quarter beginning on April 16, 2021. The fair value of the stock options was estimated to be \$33,615 and was determined using the Black-Scholes Option Pricing Model and the following weighted average assumptions: share price of \$1.96, expected share price volatility of 207.01%, expected life of 2 years and risk-free interest rate of 0.29% per annum.

On October 18, 2021, the Company granted 565,000 stock options to certain directors, officers, and consultants. The stock options are exercisable for common shares of the Company with an exercise price of \$2.85 per share until October 18, 2023, with 25% vesting immediately and 25% vesting on the last day of each calendar quarter beginning on January 18, 2022. The fair value of the stock options was estimated to be \$876,777 and was determined using the Black-Scholes Option Pricing Model and the following weighted average assumptions: share price of \$1.85, expected share price volatility of 213.22%, expected life of 2 years and risk-free interest rate of 0.73% per annum.

During the nine months ended May 31, 2022, the Company recognized stock-based compensation expense of \$784,989 (2021 - \$255,612) relating to the stock options that vested during the period.

The weighted average market price of the shares on the dates the options were exercised was \$1.81 during the year ended August 31, 2021.

A summary of the Company's outstanding stock options as at May 31, 2022 and as at August 1, 2022 is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding and exercisable, August 31, 2020	2,760,000	\$ 0.05
Granted	100,000	4.50
Granted	25,000	3.77
Granted	30,000	3.05
Granted	20,000	1.95
Cancelled/forfeited	(125,000)	(4.35)
Exercised	(2,760,000)	(0.05)
<b>Outstanding, August 31, 2021</b>	<b>50,000</b>	<b>2.61</b>
Granted	565,000	2.85
Expired	(30,000)	(3.05)
<b>Outstanding, May 31, 2022 and August 1, 2022</b>	<b>585,000</b>	<b>\$ 2.82</b>

The following summarizes information about stock options outstanding and exercisable at August 1, 2022:

<b>Number of Shares</b>		<b>Exercise</b>	<b>Remaining Life</b>	
<b>Under Option</b>	<b>Exercisable</b>	<b>Price</b>	<b>(Year)</b>	<b>Expiry Date</b>
20,000	20,000	\$ 1.95	0.71	April 16, 2023
565,000	383,611	2.85	1.21	October 18, 2023
<b>585,000</b>	<b>403,611</b>	<b>\$ 2.82</b>	<b>1.20</b>	

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**Warrants**

In connection with the share issuance on April 9, 2021, the Company issued 400,000 share purchase warrants with a fair value of \$458,106 using the Black Scholes Option Pricing Model with the following assumptions: expected life – 2 years; annualized volatility – 206.40%; risk-free interest rate – 0.27% per annum; dividend rate – 0%. Each warrant will entitle the holder to acquire one common share of the Company exercisable at a price of \$3.00 per warrant and have an expiry of two years from the date of issuance.

In connection with the share issuance on September 2, 2021, the Company issued 924,370 share purchase warrants with a fair value of \$520,923 using the Black Scholes Option Pricing Model with the following assumptions: expected life – 2 years; annualized volatility – 212.03%; risk-free interest rate – 0.38% per annum; dividend rate – 0%. Each warrant will entitle the holder to acquire one common share of the Company exercisable at a price of \$1.48 per warrant and have an expiry of two years from the date of issuance.

A summary of the Company's outstanding warrants as at May 31, 2022 and as at August 1, 2022 is as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding, August 31, 2020	10,327,777	\$ 1.24
Issued	400,000	3.00
Exercised	(615,000)	(1.11)
<b>Outstanding, August 31, 2021</b>	<b>10,112,777</b>	<b>1.32</b>
Issued	924,370	1.48
Exercised	(810,406)	(1.11)
<b>Outstanding, May 31, 2022</b>	<b>10,226,741</b>	<b>1.35</b>
Expired	(8,624,594)	1.12
Issued	2,040,816	0.58
<b>Outstanding, August 1, 2022</b>	<b>3,642,963</b>	<b>\$ 1.45</b>

The weighted average market price of the shares on the dates the warrants were exercised was \$1.75 (August 31, 2021 - \$1.78).

The following summarizes information about warrants outstanding and exercisable at August 1, 2022:

<b>Number of Warrants</b>	<b>Exercisable</b>	<b>Exercise Price</b>	<b>Remaining Life (Years)</b>	<b>Expiry Date</b>
277,777	277,777	\$ 5.50	0.02	August 10, 2022
400,000	400,000	3.00	0.69	April 9, 2023
924,370	924,370	1.48	1.08	September 2, 2023
2,040,816	2,040,816	0.58	1.93	July 7, 2024
<b>3,642,963</b>	<b>3,642,963</b>	<b>\$ 1.45</b>	<b>1.43</b>	

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**Contributed Surplus**

Contributed surplus records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**RELATED PARTY TRANSACTIONS**

Related parties and related party transactions are summarized below and include transactions with the following individuals or entities:

**Key Management Personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and companies owned by these individuals.

Remuneration attributed to key management personnel is summarized as follows:

<b>For the nine months ended May 31,</b>	<b>2022</b>	<b>2021</b>
Management and directors' fees	\$ 129,571	\$ 474,956
Interest expense	7,767	-
Sales and marketing fees	7,000	38,700
Share-based compensation	331,187	149,678
	<b>\$ 475,525</b>	<b>\$ 663,334</b>

As at May 31, 2022, the Company owed \$36,641 (August 31, 2021 - \$342,898) to officers and directors of the Company, which are included in accounts payable and accrued liabilities. The amounts due to related parties are non-interest bearing, unsecured and had no fixed terms of repayment.

As at May 31, 2022, the Company has receivable of \$569 (August 31, 2021 - \$25) to a director of the Company, which are included in amounts receivable.

On September 3, 2021, the Company received a loan of \$150,000 from a company controlled by a director of the Company. The loan is unsecured, bears interest at 7% per annum and is payable within one year. During the nine months ended May 31, 2022, the Company recognized interest expense of \$7,767 (2021 - \$Nil) related to this loan. As at May 31, 2022, the loan has balance including accrued interest of \$157,767 (August 31, 2021 - \$Nil). Subsequent to May 31, 2022, the Company settled this loan.

During the nine months ended May 31, 2022, the Company also received a loan of \$20,000 from former CEO and director of the Company. The loan is unsecured, non-interest bearing and is payable within one year. On March 31, 2022, the Company issued shares to settle this loan.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

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## **CHANGES IN ACCOUNTING POLICIES**

The Company's accounting policies are described in Note 4 of the unaudited condensed interim consolidated financial statements for the nine months ended May 31, 2022.

### **Future Accounting Pronouncements**

There are no other IFRS or International Financial Reporting Interpretations Committee interpretation that are not yet effective that are expected to have a material impact on the Company's consolidated financial statements.

## **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

### Critical Judgments

#### *Going concern*

The preparation of these condensed interim consolidated financial statements requires management to make judgments regarding the ability of the Company to continue as a going concern.

#### *Business combinations*

Judgement is required to determine if the Company's acquisitions represent a business combination or an asset acquisition. For acquisitions accounted as business combination, goodwill was recognized on the transactions and acquisition costs were expensed. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired and liabilities incurred or assumed. For acquisitions representing asset acquisition, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased. An allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired was calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

### Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the condensed interim consolidated financial statements include:

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*Fair value of stock options and warrants*

Determining the fair value of stock options and warrants requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

When warrants are issued as part of unit placement, proceeds from unit placement are allocated between shares and warrants issued using the relative fair value method. Proceeds are charged in proportion to the fair value of shares based on the stock prices at the time of issue and the fair value of the warrants determined using the Black-Scholes model. The fair value attributed to the warrant is recorded as contributed surplus. If the warrant is exercised, the value attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value remains in contributed surplus within equity.

*Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the success of the business operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

*Useful lives of property, plant and equipment and intangible assets*

The Company makes estimates and utilizes assumptions in determining the useful lives of property and equipment and intangible assets, and the related depreciation and amortization. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.

*Valuation and economic recoverability of intangible assets*

The Company has determined that intangible asset costs incurred which were capitalized may have future economic benefits and may be economically recoverable. The Company uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. Indefinite lived intangible assets are tested annually for impairment. The assessment of the recoverable amount used in the intangible asset impairment analysis requires the Company to make estimates and assumptions about expected sales volumes and prices, for which the Company considers historical prices and current market trends, as well as considering the Company's current projects, their expected output, costs and timing. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that a change in circumstances will alter these projections, which may impact the recoverable amount of the indefinite life assets.

*Incremental borrowing rate for leased assets*

The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the

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Company's creditworthiness, the original term of the lease, the quality of the underlying leased asset, and the economic environment where the leased asset is located. The fair value of the lease obligations was determined using current borrowing rates for similar debt instruments.

## **FINANCIAL AND CAPITAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. The Company has minimal credit risk from cash. At May 31, 2022, 41% of the Company's trade accounts receivable balance is over 90 days past due (August 31, 2021 - 4%). The carrying amount of trade and other receivables as at May 31, 2022 was \$269,593 (August 31, 2021 - \$222,878). The Company performs ongoing credit review on its customers before concluding sales transactions.

### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The Company has cash of \$1,137,603 at May 31, 2022, in order to meet short-term business requirements. At May 31, 2022, the Company has current payables of \$2,018,423. All of the Company's financial liabilities have contractual maturities of less than 90 days. Liquidity risk is assessed as low.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at May 31, 2022:

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Trade payables	\$ 1,298,507	\$ -	\$ -
Credit card and other payables	5,580	-	-
Loans payable	600,775	-	-
	<b>\$ 1,904,862</b>	<b>\$ -</b>	<b>\$ -</b>

### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at May 31, 2022, the Company is not exposed to interest rate risk.

### *Foreign currency risk*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will

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fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. The Company is exposed to currency exchange rate risk to the extent of its activities in the United States.

Management believes the foreign currency risk derived from currency conversions from the United States operations is not significant and assessed as low.

*Capital management*

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of working and share capital. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

*Classification of financial instruments*

The following table summarizes information regarding the carrying values and classification of the Company's financial instruments as at May 31, 2022 and August 31, 2021:

	May 31, 2022	August 31, 2021
Cash – FVTPL	\$ 1,137,603	\$ 647,490
Amounts receivable – Amortized cost	269,593	222,878
Accounts payable – Amortized cost	(1,298,507)	(986,191)
Credit card and other payables – Amortized cost	(5,580)	(6,181)
Loans payable – Amortized cost	\$ (600,775)	\$ (150,000)

*Fair value*

The fair value of the Company's financial assets and liabilities approximates their carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at May 31, 2022 and August 31, 2021:

	As at May 31, 2022		
	Level 1	Level 2	Level 3
Cash	\$ 1,137,603	\$ -	\$ -

  

	As at August 31, 2021		
	Level 1	Level 2	Level 3
Cash	\$ 647,490	\$ -	\$ -

## **BUSINESS RISK AND UNCERTAINTIES**

### **Relevant Risk Factors**

The occurrence of any of the following risks could harm the Company's business, results of operations, financial condition and/or growth prospects or cause the Company's actual results to differ materially from those contained in forward-looking statements it has made in this report. The risks and uncertainties described in this report are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected.

### **Speculative Nature of Investment**

An investment in the Company's common shares carries a high degree of risk, should be considered as a speculative investment by purchasers, and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for liquidity in their investment. An investment in the securities offered hereunder should not constitute a major portion of an individual's investments and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should carefully evaluate the risk factors set out in this section associated with an investment in the Company's securities prior to purchasing any of the Shares.

### **Limited or No Operating History**

The Company has limited or no history of earnings or sales, limited cash reserves, a limited operating history, have not paid dividends, and are unlikely to pay dividends in the immediate or near future. The Company is in the development and planning phases of its business and has only very recently offered some of its planned products for sale. Operations are not yet sufficiently established such that the Company can mitigate the risks associated with planned activities.

The Company also has limited or no history of operations in the food industry. The Company is therefore subject to many of the risks common to entering a new area of operation, including under-capitalization, limitations with respect to personnel, financial, and other resources lack of revenues, and uncertainty with respect to its ability to attract and retain paying clients. There is no assurance that the Company will be successful in operating its business, generate revenue, successfully implement its plans or achieving a return on its investment and the likelihood of success must be considered in light of the Company's lack of experience in the food industry and the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business.

### **Going Concern Risk**

The financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt or other financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

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**History of Losses**

The Company has a history of losses, and it may be unable to achieve or sustain profitability. It has experienced net losses in almost every period since incorporation. The Company anticipates that its operating expenses and capital expenditures will increase substantially in the foreseeable future as it continues to invest to research and develop its products, increase its customer base, supplier network and co-manufacturing partners, expand its marketing channels, invest in its distribution and manufacturing facilities, hire additional employees and enhance its technology and production capabilities. The Company's expansion efforts may prove more expensive than it anticipates, and it may not succeed in increasing the Company's revenues and margins sufficiently to offset the anticipated higher expenses. The Company incurs significant expenses in developing its innovative products, leasing or otherwise obtaining manufacturing facilities, obtaining and storing ingredients and other products and marketing the products it offers. In addition, many of the Company's expenses, including the costs associated with its existing and any future manufacturing facilities, are fixed. Accordingly, the Company may not be able to achieve or sustain profitability, and it may incur significant losses for the foreseeable future.

**Negative Operating Cash Flow**

The Company has negative operating cash flow. The failure of the Company to achieve profitability and positive operating cash flows could have material adverse effect on the Company's financial conditions and results of operations. To the extent that the Company has a negative cash flow in future periods, the Company may need to deploy a portion of its cash reserves to fund such negative cash flow. The Company expects to continue to sustain operating losses in the future until it generates revenue from the commercial production of its products. There is no guarantee that the Company will ever be profitable.

**Litigation**

The Company may become subject to various legal proceedings and claims that arise from time to time in the ordinary course of the Company's business. Such litigation may arise as a consequence of contractual or other disputes or as a consequence of the Company's listing and reporting issuer status and could adversely affect its business and operations. Litigation or legal proceedings could expose the Company to significant liabilities and have a negative impact on the Company's reputation or business. Should any litigation in which the Company becomes involved be determined against it such a decision could adversely affect its ability to continue operating and the market price for the Shares and could use significant resources. 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's brand.

The Company evaluates these claims and litigation proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, the Company may establish reserves, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from the Company's assessments and estimates.

**Legal Claims, Government Investigations and Regulatory Enforcement**

The Company operates in a highly regulated environment with constantly evolving legal and regulatory frameworks. Consequently, the Company is subject to heightened risk of legal claims, government investigations or other regulatory enforcement actions. Although the Company has implemented policies and procedures designed to ensure compliance with existing laws and regulations, there can be

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no assurance that its employees, temporary workers, contractors or agents will not violate its policies and procedures. Moreover, a failure to maintain effective control processes could lead to violations, unintentional or otherwise, of laws and regulations.

Legal claims, government investigations or regulatory enforcement actions arising out of the Company's failure or alleged failure to comply with applicable laws and regulations could subject it to civil and criminal penalties that could materially and adversely affect the Company's product sales, reputation, financial condition and operating results. In addition, the costs and other effects of defending potential and pending litigation and administrative actions against the Company may be difficult to determine and could adversely affect the Company's financial condition and operating results.

**Regulatory Risks**

The Company seeks to comply with applicable regulations through a combination of employing internal experience and expert personnel to ensure quality-assurance compliance (i.e., assuring that the Company's products are not adulterated or misbranded) and contracting with third-party laboratories that conduct analyses of products to ensure compliance with nutrition labeling requirements and to identify any potential contaminants before distribution. Failure by the Company or its co-manufacturers to comply with applicable laws and regulations or maintain permits, licenses or registrations relating to the Company's or its co-manufacturers' operations could subject the Company to civil remedies or penalties, including fines, injunctions, recalls or seizures, warning letters, restrictions on the marketing or manufacturing of products, or refusals to permit the import or export of products, as well as potential criminal sanctions, which could result in increased operating costs resulting in a material effect on the Company's operating results and business.

Changes in existing laws or regulations, or the adoption of new laws or regulations may increase the Company's costs and otherwise adversely affect the Company's business, results of operations and financial condition.

The manufacture and marketing of food products is highly regulated. The Company and its suppliers and co-manufacturers are subject to a variety of laws and regulations. These laws and regulations apply to many aspects of the Company's business, including the manufacture, packaging, labeling, distribution, advertising, sale, quality and safety of its products, as well as the health and safety of its employees and the protection of the environment.

The regulatory environment in which the Company operates could change significantly and adversely in the future. Any change in manufacturing, labeling or packaging requirements for the Company's products may lead to an increase in costs or interruptions in production, either of which could adversely affect its operations and financial condition. New or revised government laws and regulations could result in additional compliance costs and, in the event of non-compliance, civil remedies, including fines, injunctions, withdrawals, recalls or seizures and confiscations, as well as potential criminal sanctions, any of which may adversely affect the Company's business, results of operations and financial condition. In particular, recent federal, state and foreign attention to the naming of plant-based meat products could result in standards or requirements that mandate changes to the Company's current labeling.

**Permits and Governmental Regulations**

The future operations of the Company may require permits from various federal, provincial, and local governmental authorities and will be governed by laws and regulations governing food safety, taxes, labour standards, occupational health and other matters. There can be no guarantee that the Company

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will be able to obtain all necessary permits and approvals that may be required to for commercial production of its products and operation of its facilities.

**Supply and Demand Risk**

If the Company fails to effectively launch or develop its products, expand its manufacturing and production capacity, its business and operating results and its brand reputation could be harmed. If the Company does not have sufficient capacity to meet customers' demands and to satisfy increased demand, it will need to expand operations, supply and manufacturing capabilities. However, there is risk in the Company's ability to effectively scale production processes and effectively manage supply chain requirements. The Company must accurately forecast demand for products in order to ensure it has adequate available manufacturing capacity. The Company's forecasts are based on multiple assumptions which may cause estimates to be inaccurate and affect its ability to obtain adequate manufacturing capacity (whether the Company's own manufacturing capacity or co-manufacturing capacity) in order to meet the demand for products, which could prevent it from meeting increased customer demand and harm the Company's brand and its business and in some cases may result in fines the Company must pay customers or distributors if it is unable to fulfill orders placed by them in a timely manner or at all.

However, if the Company overestimates its demand and overbuilds capacity, it may have significantly underutilized assets and may experience reduced margins. If the Company does not accurately align its manufacturing capabilities with demand, if it experience disruptions or delays in its supply chain, or if it cannot obtain raw materials of sufficient quantity and quality at reasonable prices and in a timely manner, its business, financial condition and results of operations may be materially adversely affected.

**Reliance on Third-Party Suppliers**

Because the Company relies on a limited number of third-party suppliers, it may not be able to obtain raw materials on a timely basis or in sufficient quantities to produce its products or meet the demand for its products. The Company's financial performance depends in large part on its ability to arrange for the purchase of raw materials in sufficient quantities at competitive prices. The Company is not assured of continued supply or pricing of raw materials. Any of the Company's suppliers could discontinue or seek to alter their relationship with the Company.

Any disruption in the supply of pea protein from these suppliers would have a material adverse effect on the Company's business if it cannot replace these suppliers in a timely manner or at all.

Events that adversely affect the Company's suppliers of pea protein and other raw materials could impair its ability to obtain raw material inventory in the quantities that it desires. Such events include problems with the Company's suppliers' businesses, finances, labor relations, ability to import raw materials, costs, production, insurance and reputation, as well as natural disasters, fires or other catastrophic occurrences. The Company continuously seeks alternative sources of protein to use in its products, but it may not be successful in diversifying the raw materials it uses in its products.

If the Company needs to replace an existing supplier, there can be no assurance that supplies of raw materials will be available when required on acceptable terms, or at all, or that a new supplier would allocate sufficient capacity to the Company in order to meet its requirements, fill its orders in a timely manner or meet its strict quality standards. If the Company is unable to manage its supply chain effectively and ensure that its products are available to meet consumer demand, its operating costs could increase and its profit margins could decrease. This could also have a significant impact on the Company's capacity to complete certain of its current or projected research and development projects

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and, accordingly, would negatively affect its projected commercial and financial growth. Any significant increase in the price of raw materials that cannot be passed on to the customers could have a material adverse effect on the Company's results of operations or financial condition.

The Company's future business, results of operations and financial condition may be adversely affected by reduced or limited availability of pea protein that meets the Company's standards.

**Third-Party Supplier Compliance**

Failure by the Company's suppliers of raw materials or co-manufacturers to comply with food safety, environmental or other laws and regulations, or with the specifications and requirements of its products, may disrupt its supply of products and adversely affect its business.

If suppliers or partners fail to comply with food safety, environmental or other laws and regulations, or face allegations of non-compliance, their operations may be disrupted. In the event of actual or alleged non-compliance, the Company might be forced to find alternative suppliers or partners and it may be subject to lawsuits related to such non-compliance. As a result, the Company's supply of raw materials or finished inventory could be disrupted or its costs could increase, which would adversely affect its business, results of operations and financial condition. Additionally, actions the Company may take to mitigate the impact of any disruption or potential disruption in its supply of raw materials or finished inventory, including increasing inventory in anticipation of a potential supply or production interruption, may adversely affect its business, results of operations and financial condition.

**Limited Number of Distributors**

The Company uses a limited number of distributors for the substantial majority of its sales, and if it experiences the loss of one or more distributors and cannot replace them in a timely manner, results of operations may be adversely affected.

The Company expects that most of its sales will be made through a core number of distributors for the foreseeable future. Since these distributors act as intermediaries between the Company and the retail grocers or restaurants and foodservice providers, the Company does not have short-term or long-term commitments or minimum purchase volumes in its contracts with them that ensure future sales of its products. If the Company loses one or more of its significant distributors and cannot replace the distributor in a timely manner or at all, its business, results of operation and financial condition may be materially adversely affected.

**Transportation Providers**

Failure by the Company's transportation providers to deliver products on time, or at all, could result in lost sales. The Company currently relies upon third-party transportation providers for a significant portion of product shipments. Utilization of delivery services for shipments is subject to risks, including increases in fuel prices, which would increase its shipping costs, and employee strikes and inclement weather, which may impact the ability of providers to provide delivery services that adequately meet shipping needs. The Company periodically changes shipping companies, and could face logistical difficulties that could adversely affect deliveries. In addition, the Company could incur costs and expend resources in connection with such change. Moreover, the Company may not be able to obtain terms as favorable as those it receives from the third-party transportation providers that it currently uses, which in turn would increase costs and thereby adversely affect operating results.

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**Competition**

The Company may not be able to compete successfully in its highly competitive market. Numerous brands and products compete for limited retailer shelf space, foodservice and restaurant customers and consumers. In the Company's market, competition is based on, among other things, product quality and taste, brand recognition and loyalty, product variety, interesting or unique product names, product packaging and package design, shelf space, reputation, price, advertising, promotion and nutritional claims.

The Company competes with conventional animal-protein companies, who may have substantially greater financial and other resources than it and whose animal-based products are well-accepted in the marketplace today. They may also have lower operational costs, and as a result may be able to offer conventional animal meat to customers at lower costs than plant-based meat. This could cause the Company to lower its prices, resulting in lower profitability or, in the alternative, cause it to lose market share if it fails to lower prices.

The Company also competes with other food brands that develop and sell plant-based protein products, including, but not limited to, Boca Foods, Field Roast Grain Meat Co., Gardein, Impossible Foods, Lightlife, Morningstar Farms and Tofurky, and with companies which may be more innovative, have more resources and be able to bring new products to market faster and to more quickly exploit and serve niche markets such as lab-grown or "clean meat." The Company competes with these competitors for foodservice and restaurant customers, retailer shelf space and consumers.

Generally, the food industry is dominated by multinational corporations with substantially greater resources and operations than the Company. The Company cannot be certain that it will successfully compete with larger competitors that have greater financial, sales and technical resources. Conventional food companies may acquire the Company's competitors or launch their own plant-based protein products, and they may be able to use their resources and scale to respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities, among other things. Retailers also market competitive products under their own private labels, which are generally sold at lower prices and compete with some of the Company's products. Similarly, retailers could change the merchandising of the Company's products and it may be unable to retain the placement of its products in meat cases to effectively compete with animal-protein products. Competitive pressures or other factors could cause the Company to lose market share, which may require it to lower prices, increase marketing and advertising expenditures, or increase the use of discounting or promotional campaigns, each of which would adversely affect margins and could result in a decrease in operating results and profitability.

**Damage to the Company's Reputation**

The Company's brand and reputation may be diminished due to real or perceived quality or health issues with its products, which could have an adverse effect on the business, reputation, operating results and financial condition.

Real or perceived quality or food safety concerns or failures to comply with applicable food regulations and requirements, whether or not ultimately based on fact and whether or not involving the Company (such as incidents involving competitors), could cause negative publicity and reduced confidence in the Company, brand or products, which could in turn harm the Company's reputation and sales, and could materially adversely affect its business, financial condition and operating results. Although the Company believes that it has a rigorous quality control process, there can be no assurance that products will always comply with the standards set for the Company's products. For example, although the

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Company strives to keep its products free of pathogenic organisms, they may not be easily detected and cross-contamination can occur. There is no assurance that health risks will always be preempted by the Company's quality control processes.

The Company has no control over products once purchased by consumers. Accordingly, consumers may prepare the Company's products in a manner that is inconsistent with the directions or store products for long periods of time, which may adversely affect the quality and safety of the Company's products. If consumers do not perceive the Company's products to be safe or of high quality, then the value of the Company's brand would be diminished, and its business, results of operations and financial condition would be adversely affected.

Any loss of confidence on the part of consumers in the ingredients used in the Company's products or in the safety and quality of its products would be difficult and costly to overcome. Any such adverse effect could be exacerbated by the Company's position in the market as a purveyor of high-quality plant-based protein products and may significantly reduce its brand value. Issues regarding the safety of any of the Company's products, regardless of the cause, may have a substantial and adverse effect on its brand, reputation and operating results.

The growing use of social and digital media by the Company, its consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about the Company, its brands or its products on social or digital media could seriously damage the Company's brands and reputation. If the Company does not maintain the favorable perception of its brands, sales and profits could be negatively impacted.

**Maintaining the Brand**

If the Company fails to develop and maintain its brand, business could suffer. Maintaining, promoting and positioning the Company's brand and reputation will depend on, among other factors, the success of its plant-based product offerings, food safety, quality assurance, marketing and merchandising efforts and its ability to provide a consistent, high-quality customer experience, which the Company may not do successfully. The Company may introduce new products or services that customers do not like, which may negatively affect its brand and reputation. Any negative publicity, regardless of its accuracy, could materially adversely affect the business. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of customers, suppliers or co-manufacturers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of the Company's brand and significantly damage its business.

**Food Safety and Illness Incidents**

Food safety and food-borne illness incidents or advertising or product mislabeling may materially adversely affect the Company's business by exposing it to lawsuits, product recalls or regulatory enforcement actions, increasing its operating costs and reducing demand for its product offerings.

Selling food for human consumption involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding food safety. Unexpected side effects, illness, injury or death related to allergens, food-borne illnesses or other food safety incidents caused by products the Company sells, or involving its suppliers, could result in the discontinuance of sales of these products or relationships with such suppliers, or otherwise result in increased operating costs, regulatory enforcement actions or harm to the Company's reputation. Shipment of adulterated or misbranded products, even if inadvertent, can result in criminal or civil liability. Such incidents could also expose the Company to product liability, negligence or other lawsuits, including consumer class

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action lawsuits. Any claims brought against the Company may exceed or be outside the scope of its existing or future insurance policy coverage or limits. Any judgment against the Company that is more than its policy limits or not covered by its policies or not subject to insurance would have to be paid from cash reserves, which would reduce the Company's capital resources.

The occurrence of food-borne illnesses or other food safety incidents could also adversely affect the price and availability of affected ingredients, resulting in higher costs, disruptions in supply and a reduction in sales. Furthermore, any instances of food contamination or regulatory noncompliance, whether or not caused by the Company's actions, could compel it, suppliers, distributors or customers, depending on the circumstances, to conduct a recall. Food recalls could result in significant losses due to their costs, the destruction of product inventory, lost sales due to the unavailability of the product for a period of time and potential loss of existing distributors or customers and a potential negative impact on the Company's ability to attract new customers due to negative consumer experiences or because of an adverse impact on its brand and reputation. The costs of a recall could exceed or be outside the scope of its existing or future insurance policy coverage or limits.

The primary components of all of the Company's products are manufactured in the production facility at 1428 Vernon Drive, Vancouver, British Columbia, V6A 0B9 and any damage or disruption at these facilities may harm the business.

**Product Innovation and Development**

Failure to introduce new products or successfully improve existing products may adversely affect the Company's ability to continue to grow. A key element of the Company's growth strategy depends on development and marketing of new products that meet standards for quality and appeal to consumer preferences. The success of the Company's innovation and product development efforts is affected by its ability to anticipate changes in consumer preferences, the technical capability of innovation staff in developing and testing product recipes, including complying with applicable governmental regulations, and the success of management and sales and marketing teams in introducing and marketing new products. Failure to develop and market new products that appeal to consumers may lead to a decrease in growth, sales and profitability.

Additionally, the development and introduction of new products requires substantial research, development and marketing expenditures, which the Company may be unable to recoup if the new products do not gain widespread market acceptance. If the Company is unsuccessful in meeting its objectives with respect to new or improved products, business could be harmed.

**Acquiring and Retaining Customers**

The Company's success, and its ability to increase revenue and operate profitably, depends in part on its ability to cost-effectively acquire new customers, to retain existing customers, and to keep existing customers engaged so that they continue to purchase products. If the Company is unable to cost-effectively acquire new customers, retain existing customers or keep existing customers engaged, the business, financial condition and operating results would be materially adversely affected. Further, if customers do not perceive the Company's product offerings to be of sufficient value and quality, or if it fails to offer new and relevant product offerings, the Company may not be able to attract or retain customers or engage existing customers so that they continue to purchase products. The Company may lose loyal customers to competitors if it is unable to meet customers' orders in a timely manner.

If the Company fails to manage its future growth effectively, the business could be materially adversely affected.

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**Changing Consumer Preferences**

Consumer preferences for the Company's products are difficult to predict and may change, and, if the Company is unable to respond quickly to new trends, its business may be adversely affected.

The Company's business is focused on the development, manufacture, marketing and distribution of a line of branded plant-based protein products as alternatives to animal-based protein products. Consumer demand could change based on a number of possible factors, including dietary habits and nutritional values, concerns regarding the health effects of ingredients and shifts in preference for various product attributes. If consumer demand for products decreased, the Company's business and financial condition would suffer. In addition, sales of plant-based protein or meat-alternative products are subject to evolving consumer preferences that the Company may not be able to accurately predict or respond to. Consumer trends that the Company believes favor sales of its products could change based on a number of possible factors, including a shift in preference from plant-based protein to animal-based protein products, economic factors and social trends. A significant shift in consumer demand away from the Company's products could reduce its sales or market share and the prestige of its brand, which would harm the business and financial condition.

**Ingredient Risk**

The Company's profitability is dependent on, among other things, its ability to anticipate and react to raw material and food costs. Currently, the main ingredient in the Company's products is pea protein, which it sources from Ontario, Canada. The prices of pea protein and other ingredients the Company uses are subject to many factors beyond its control, such as the number and size of farms that grow peas, the vagaries of these farming businesses, including poor harvests due to adverse weather conditions, natural disasters and pestilence, and changes in national and world economic conditions. In addition, the Company may purchase some ingredients and other materials outside Canada, and the price and availability of such ingredients and materials may be affected by political events or other conditions in these countries or tariffs or trade wars. The Company is working to diversify its sources of supply and intends to enter into long-term contracts to better ensure stability of prices of its raw materials.

**Ingredient and Packaging Costs**

Ingredient and packaging costs are volatile and may rise significantly, which may negatively impact the profitability of the business. The Company purchases large quantities of raw materials, including ingredients derived from Canadian and European yellow peas, mung beans, sunflower seeds, rice, canola oil and coconut oil. In addition, the Company purchases and uses significant quantities of cardboard, film and plastic to package its products. Costs of ingredients and packaging are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, weather conditions, consumer demand and changes in governmental trade and agricultural programs. Volatility in the prices of raw materials and other supplies the Company purchases could increase its cost of sales and reduce its profitability. Moreover, the Company may not be able to implement price increases for its products to cover any increased costs, and any price increases it does implement may result in lower sales volumes. If the Company is not successful in managing its ingredient and packaging costs, if it is unable to increase its prices to cover increased costs or if such price increases reduce sales volumes, then such increases in costs will adversely affect its business, results of operations and financial condition.

**Staffing and Management**

Failure to retain management may adversely affect the Company's operations. Its success is substantially dependent on the continued service of certain senior management, including Ms. Haddad,

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the founder and former CEO. These executives have been primarily responsible for determining the strategic direction of the business and for executing the growth strategy and are integral to the brand, culture and the reputation the Company enjoys with suppliers, distributors, customers and consumers. The loss of the services of any of these executives could have a material adverse effect on the business and prospects, as the Company may not be able to find suitable individuals to replace them on a timely basis, if at all. In addition, any such departure could be viewed in a negative light by investors and analysts, which may cause the price of the Company's common stock to decline.

If the Company is unable to attract, train and retain employees, it may not be able to grow or successfully operate its business. The Company's success depends in part upon its ability to attract, train and retain a sufficient number of employees who understand and appreciate its culture and can represent its brand effectively and establish credibility with its business partners and consumers. If the Company is unable to hire and retain employees capable of meeting its business needs and expectations, its business and brand image may be impaired. Any failure to meet the Company's staffing needs or any material increase in turnover rates of employees may adversely affect the business, results of operations and financial condition.

**Conflicts of Interest**

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

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws and policies of the Company. For example, a director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it and absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. In accordance with applicable laws, the directors of the Company are required to act honestly and in good faith with a view to the best interests of the Company.

**Information Technology**

The Company relies on information technology systems and any inadequacy, failure, interruption or security breaches of those systems may harm its ability to effectively operate the business. The Company is dependent on various information technology systems, including, but not limited to, networks, applications and outsourced services in connection with the operation of the business. A failure of the Company's information technology systems to perform as it anticipates could disrupt the business and result in transaction errors, processing inefficiencies and loss of sales, causing the business to suffer. In addition, the Company's information technology systems may be vulnerable to damage or interruption from circumstances beyond its control, including fire, natural disasters, systems failures, viruses and security breaches. Any such damage or interruption could have a material adverse effect on the business.

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**Cybersecurity Incidents and Technological Disruptions**

A cybersecurity incident or other technology disruptions could negatively impact the business and relationships with customers. The Company uses computers in substantially all aspects of business operations. It also uses mobile devices, social networking and other online activities to connect with employees, suppliers, co-manufacturers, distributors, customers and consumers. Such uses give rise to cybersecurity risks, including security breaches, espionage, system disruption, theft and inadvertent release of information.

The Company's business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' information, private information about employees and financial and strategic information about it and its business partners. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with the Company's information technology systems or the technology systems of third parties on which it relies, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage all of which could have a material adverse effect on the business, financial condition or results of operations.

**Climate Change**

Climate change may negatively affect the Company's business and operations. There is concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. If such climate change has a negative effect on agricultural productivity, the Company may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for the Company's products, such as Canadian and European yellow peas, mung beans, sunflowers, rice, canola oil and coconut oil. Due to climate change, the Company may also be subjected to decreased availability of water, deteriorated quality of water or less favorable pricing for water, which could adversely impact its manufacturing and distribution operations.

**Global Pandemic**

The Company's ability to produce and supply products and its sales revenue, results of operations, cashflow and liquidity may be adversely impacted by the ongoing COVID-19 (coronavirus) outbreak.

As a result of the global outbreak of COVID-19 and its declaration by the World Health Organization to be a "pandemic", certain actions are being taken by governments and businesses in the United States, Canada, the UK, China and around the world to control the outbreak, including restrictions on public activities, travel and commercial operations. The Company has been managing certain supply delays. However, as the outbreak and the global response to it continue, the Company's operations may be materially adversely affected by reduced demand, additional supply delays, shortages of labour and components, and/or partial or complete closure of its facility (including to protect the health and safety of the Company's support staff), all which may continue for an extended time. Any inability to produce and deliver products to customers could result in a range of potential adverse consequences, including loss of business and reputational damage. The outbreak may also impact the financial viability of suppliers, and could cause them to exit certain business lines, or change the terms on which they are willing to provide products.

While the Company continues to be proactive and mitigate the adverse effects, impacts of the outbreak may significantly reduce the Company's cashflow, liquidity and its ability to maintain compliance with any of its creditors. In addition, the outbreak could adversely affect the Canadian economy in general,

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resulting in an economic downturn that could adversely affect demand for the Company's products. Given the ongoing and dynamic nature of the coronavirus outbreak, it is very difficult to predict the severity of the impact on the Company's business. The extent of such impact will depend on future developments, which are highly uncertain, including new information which may emerge concerning the spread and severity of the coronavirus and actions taken to address its impact, among others. The repercussions of this health crisis could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

**Intellectual Property Protection**

The Company may not be able to protect its intellectual property adequately, which may harm the value of its brand. The Company believes that its intellectual property has substantial value and has contributed significantly to the success of the business. The Company's trademarks are valuable assets that reinforce its brand and consumers' favorable perception of its products. The Company also relies on unpatented proprietary expertise, recipes and formulations and other trade secrets and copyright protection to develop and maintain its competitive position. The Company's continued success depends, to a significant degree, upon its ability to protect and preserve its intellectual property, including its trademarks, trade secrets and copyrights. The Company relies on confidentiality agreements and trademark, trade secret and copyright law to protect its intellectual property rights.

The Company's confidentiality agreements with its employees and certain of its consultants, contract employees, suppliers and independent contractors who use its formulations to manufacture its products, generally require that all information made known to them be kept strictly confidential. Nevertheless, trade secrets are difficult to protect. Although the Company attempts to protect its trade secrets, its confidentiality agreements may not effectively prevent disclosure of proprietary information and may not provide an adequate remedy in the event of unauthorized disclosure of such information.

The Company cannot assure you that the steps taken to protect its intellectual property rights are adequate, that its intellectual property rights can be successfully defended and asserted in the future or that third parties will not infringe upon or misappropriate any such rights. In addition, the Company's trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect trademark rights could prevent the Company in the future from challenging third parties who use names and logos similar to its trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of the brand and products. In addition, if the Company does not keep its trade secrets confidential, others may produce products with the Company's recipes or formulations. Moreover, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for management and significant expense, which may not be recoverable regardless of whether it is successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject the Company to liabilities, force it to cease use of certain trademarks or other intellectual property or force it to enter into licenses with others. Any one of these occurrences may have a material adverse effect on the business, results of operations and financial condition.

**Risks Related to Being a Public Company**

If the Company fails to maintain proper and effective internal controls, its ability to produce accurate financial statements on a timely basis could be impaired, investors may lose confidence in its financial reporting and the trading price of its common stock may decline.

Ensuring that the Company has adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort

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that needs to be re-evaluated frequently. Any failure to maintain internal control over financial reporting could severely inhibit the Company's ability to accurately report the financial condition, results of operations or cash flows. If it is unable to conclude that the Company's internal control over financial reporting is effective, or if its independent accounting firm determines that it has a material weakness or significant deficiency in its internal control over financial reporting investors may lose confidence in the accuracy and completeness of the Company's financial reports, the market price of its common stock could decline, and it could be subject to sanctions or investigations regulatory authorities.

**Increased Costs of Being a Public Company**

The requirements of being a public company will require the Company to incur increased costs and may strain its resources, divert management's attention and affect its ability to attract and retain qualified board members.

As a public company, the Company has incurred and will continue to incur significant legal, accounting and other expenses that it did not incur as a private company. The Company is subject to the reporting requirements which require, among other things, that it file quarterly and current reports with respect to its business and financial condition. The Company expects the rules and regulations applicable to public companies to continue to increase its legal and financial compliance costs and to make some activities more time-consuming and costly. If these requirements divert the attention of management and personnel from other business concerns, they could have a material adverse effect on the business, financial condition and results of operations. The Company cannot predict or estimate the amount or timing of additional costs it may incur to respond to these requirements.

**Evaluation of Disclosure Controls and Procedures**

The Company's senior management has evaluated the effectiveness of its disclosure controls and procedures. Based on that evaluation, senior management concluded that its disclosure controls and procedures were effective to provide reasonable assurance that information it is required to disclose in reports that are filed or submitted pursuant to securities legislation is recorded, processed, summarized, and reported within the time periods specified and that such information is accumulated and communicated to senior management, as appropriate, to allow timely decisions regarding required disclosure.

**Limitations on Effectiveness of Controls and Procedures**

Management does not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

**Future Financing**

Following the completion of the Acquisition, the Company may require additional financing to achieve its goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, may force it to delay, limit, reduce or terminate its product manufacturing and development, and other operations.

Since the Acquisition, substantially all of the Company's resources have been dedicated to the development of its product platforms including expenditures to support the development and production

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of the Modern Burger, the lease of its manufacturing facility, and manufacturing facility improvements and purchases of manufacturing equipment. The Company believes that it will continue to expend substantial resources for the foreseeable future as it expands its product lines and pursues additional markets. These expenditures are expected to include costs associated with research and development, manufacturing and supply, as well as marketing and selling existing and new products. In addition, other unanticipated costs may arise.

During the year ended August 31, 2021 and the nine months ended May 31, 2022, the Company started its revenue producing operations and may, from time to time, report a working capital deficit. To maintain its activities, the Company may need to seek additional funds through public or private equity or debt financings or other sources, such as strategic collaborations. Such financing may result in dilution to shareholders, imposition of debt covenants and repayment obligations, or other restrictions that may adversely affect the Company's business. In addition, the Company may seek additional capital due to favorable market conditions or strategic considerations even if it believes it has sufficient funds for its current or future operating plans.

There can be no assurance that financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs until the Company achieves positive cash flow. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. Failure to obtain additional financing could also result in delay or indefinite postponement of further research and product development.

**Risks Related to Ownership of Common Shares**

The Company's share price has been and may continue to be highly volatile, and you could lose all or part of your investment.

The market price of the Shares is likely to continue to be highly volatile and could be subject to wide fluctuations in response to many factors discussed in this "Business Risk and Uncertainties" section, including:

- actual or anticipated fluctuations in financial condition and operating results, including fluctuations in quarterly and annual results;
- announcements of innovations by the Company or competitors;
- overall conditions in the industry and the markets in which the Company operates;
- market conditions or trends in the packaged food sales industry or in the economy as a whole;
- addition or loss of significant customers or other developments with respect to significant customers;
- adverse developments concerning manufacturers or suppliers;
- changes in laws or regulations applicable to the Company's products;
- ability to effectively manage growth;
- ability to effectively research, develop and launch products;

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- actual or anticipated changes in growth rate relative to competitors;
- announcements by the Company or competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- competition from existing products or new products that may emerge;
- issuance of new or updated research or reports about the Company or the industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry;
- failure to meet the estimates and projections of the investment community or that the Company may otherwise provide to the public;
- fluctuations in the valuation of companies perceived by investors to be comparable to the Company;
- disputes or other developments related to proprietary rights, including patents, and the Company's ability to obtain intellectual property protection for its products;
- litigation or regulatory matters;
- announcement or expectation of additional financing efforts;
- cash position;
- sales of Shares by the Company or its shareholders;
- share price and volume fluctuations attributable to inconsistent trading volume levels of the Shares;
- changes in accounting practices;
- ineffectiveness of internal controls;
- general economic, market and political conditions; and
- other events or factors, many of which are beyond the Company's control.

Furthermore, financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Shares may be materially adversely affected.

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**Active Trading Market**

An active trading market may not be sustained. You may not be able to sell your Shares quickly or at a recently reported market price if trading in the Shares does not remain active. The lack of an active market may also reduce the fair market value the Shares and the liquidity of a shareholder's investment may be limited. An inactive market may also impair the Company's ability to raise capital to continue to fund operations by selling Shares.

**Public Market Sales**

Future sales of the Shares in the public market could cause the Share price to fall. Sales of a substantial number of Shares in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of Shares intend to sell Shares, could reduce the market price of the Shares.

**Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Shares will be affected by such volatility.

**Dividends**

The Company has never paid dividends on its Shares and does not intend to pay dividends for the foreseeable future. The Company anticipates that it will retain all future earnings for use in the operation of the business and for general corporate purposes. Accordingly, investors should rely on sales of their Shares after price appreciation, which may never occur, as the only way to realize any future gains on their investments. Consequently, any gains from an investment in the Shares will likely depend on whether the price of the Shares increases.

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's condensed interim consolidated financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The condensed interim consolidated financial statements were prepared by management in accordance with generally accepted Canadian accounting principles and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors reviews the consolidated financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the consolidated financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems

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and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

## **OUTLOOK**

As of May 31, 2022, the Company's focus is business expansion. To increase sales and distribution of its products, the Company entered into several agreements and acquisitions for retail locations, including an expansion for a retail distributor in the United States, Asia, and Australia.

## **CONTINGENCY**

The Company has a dispute with a former contractor who is claiming they are owed compensation for services performed. The Company is vigorously defending the claim and the outcome of this claim is uncertain.

An employee is claiming wrongful dismissal by the Company. The Company is vigorously defending the claim and the outcome of this matter is uncertain.

Accordingly, no amounts have been accrued in the financial statements with respect to these claims.

## **SUBSEQUENT EVENTS**

On June 9, 2022, the Company launched its products into select Whole Foods Market stores. Whole Foods Market IP Inc. is an American multinational supermarket chain known as the industry leader in organic and high-quality groceries. On July 13, 2022, the Company received additional interest from Ontario locations of the Whole Foods Market conglomerate chain aiming to expedite a national listing of its plant-based meat alternative products under the Modern Meat brand.

On June 17, 2022, Kitskitchen Health Foods Inc., a portfolio company of Modern Plant Based Foods Inc., has rolled out its preservative-free plant-based soups into the Loblaws supermarket chain, Canada's largest food retailer.

On June 23, 2022, the Company is in the process of expanding production in Canada to meet the unprecedented demand for its Snacks from the Sun products. The Company currently produces its product line in the United States before redistributing in Canada.

On July 4, 2022, Snacks from the Sun, a portfolio company of Modern Plant Based Foods Inc., has rolled out its vegan, gluten-free sun-baked chips into Asia beginning with Southeast Asia after receiving an initial order from a supermarket chain based in the Philippines through Global Brand and Export Development LLC.

On July 11, 2022, the Company closed a non-brokered private placement offering of 2,040,816 units at a price of \$0.49 per unit for gross proceeds of up to \$1,000,000.

Each unit comprises both a common share and a common share purchase warrant. Each transferrable warrant will entitle the holder to acquire one common share of the Company exercisable at a price of

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\$0.58 per warrant and have an expiry of 24 months from the date of issuance. A total of \$500,000 of the proceeds raised from this offering will be used by the Company for marketing and the remainder will be used for general working capital purposes, further acquisitions and developing the Company. On July 19, 2022, the Company's recently opened Modern Commissary kitchen facility has added two local favourites to its tenant list. The Modern Commissary specializes in the meal prep businesses and ghost kitchen access, successful in securing a wide variety of tenants, each with a success story.

Subsequent to May 31, 2022, the Company settled the outstanding loans payable including the accrued interest amounting to \$600,775.

Subsequent to May 31, 2022, 50,000 share purchase warrants with an exercise price of \$3.43 and 8,574,594 share purchase warrants with an exercise price of \$1.11 have expired without being exercised.

**ADDITIONAL INFORMATION**

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) or by contacting the Company's head office at 2500-700 West Georgia Street Vancouver, BC Canada V7Y 1B3, tel. +(604) 657 9010.