



Delivra Health Brands Inc.

Management's Discussion and Analysis

For the three and nine months ended March 31, 2025

INTRODUCTION

This management's discussion and analysis (this "MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes thereto of Delivra Health Brands Inc. ("Delivra Health" or "us" or "we" or "our" or the "Company") for the three and nine months ended March 31, 2025 (the "Interim Financial Statements"), and the audited annual consolidated financial statements for the year ended June 30, 2024, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in thousands of Canadian dollars, except for share and per share amounts, unless otherwise stated. This MD&A has been prepared as of May 21, 2025 and includes certain statements that may be deemed "forward-looking statements". Additional information relating to the Company is available under the Company's profile at www.sedarplus.ca.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, "Forward-Looking Statements") and the Company cautions investors about important factors that could cause the Company's actual results to differ materially from those expressed, implied or projected in any Forward-Looking Statements included in this MD&A. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "expects", "will continue", "is anticipated", "anticipates", "may", "could", "believes", "estimates", "intends", "plans", "forecast", "projection" and "outlook") are not historical facts and may be Forward-Looking Statements that involve projections, estimates, assumptions, known and unknown risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such Forward-Looking Statements or otherwise be materially inaccurate. No assurance can be given that these expectations or assumptions will prove to be correct and such Forward-Looking Statements included in this MD&A should not be unduly relied upon. These Forward-Looking Statements speak only to management's beliefs and expectations as of the date of this MD&A and will be updated only as required by applicable securities laws. Accordingly, any such statements are qualified in their entirety by reference to the information discussed throughout this MD&A.

Certain of the Forward-Looking Statements contained within this MD&A are based on third-party information from publicly available government sources, market research and industry analysis. While the Company is not aware of any misstatement regarding any industry or government data presented herein, we have not independently verified any such third-party information.

The Company's Forward-Looking Statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under the heading "Business Overview", as well as statements regarding the Company's objectives, plans, goals, future operating results, and economic performance may make reference to or involve Forward-Looking Statements. See the discussion in this MD&A under the heading "Risks and Uncertainties" for further details.

The Company cautions that the list and description of the Forward-Looking Statements, risks, assumptions and uncertainties set out above is not exhaustive.

OUR GLOBAL FOOTPRINT



Delivra Health is a leading global health and wellness company that is also uniquely positioned in the infused cannabis space. Delivra Health has positioned itself to provide products that help with pain, sleep, anxiety, and performance through its acquired brands LivRelief™ and Dream Water®. The Company has significant national penetration in the regulated infused cannabis markets and global penetration in the over-the-counter (“**OTC**”) markets. The Company is based in British Columbia, Canada and its common shares (the “**Common Shares**”) are listed on the TSX Venture Exchange (“**TSXV**”) under the symbol “DHB” and on the OTCQX® Best Market operated by OTC Market Group under the symbol “DHBUF”.

Our Brands



Dream Water® is a consumer goods brand that provides non-habit-forming sleep solution in convenient formats to suit various consumer needs. Developed as an alternative to traditional antihistamine-based over-the-counter and prescription sleep solution, Dream Water® products are designed for ease of use and feature the Dream Water®'s proprietary SleepStat™ blend, a combination of melatonin, gamma-aminobutyric acid (GABA), and 5-hydroxytryptophan (5-HTP), ingredients widely recognized for promoting effective sleep and relaxation.

Dream Water® Original Sleep Shots are certified by the National Sanitation Foundation (NSF), an independent organization that ensures products meet rigorous health, safety, and quality standards. This certification allows the brand to sell its products to professional athletes and sports teams that undergo drug testing, confirming that the ingredients and manufacturing processes meet the highest industry standards.

Delivra is a specialty biotechnology company that has a proprietary transdermal delivery system platform that can shuttle pharmaceutical and natural molecules through the skin in a targeted manner. Delivra manufactures and sells a growing line of topical creams with the proprietary transdermal delivery system platform under the LivRelief™ brand for conditions such as joint and muscle pain, nerve pain, varicose veins, and wound healing creams. In parallel with its consumer products business, Delivra also has a mandate to license its patent-pending, proprietary transdermal delivery technology platform to pharmaceutical companies globally for the repurposing of pharmaceutical molecules transdermally to treat a broad range of conditions, along with licensing its OTC products globally.

In March 2020, LivRelief™ Infused launched cannabidiol (“**CBD**”) and tetrahydrocannabinol (“**THC**”)-infused topical formulations through licensing agreements under the new Cannabis 2.0 regulations. LivRelief™ Infused topical products were one of the first topicals to enter the Canadian market under the new Cannabis 2.0 legislation and have already firmly established themselves as key products in the category. The topical creams are available in: (1) a CBD formulation containing 250mg of CBD; (2) a balanced 1:1 formulation containing 125mg of CBD and 125mg of THC; and (3) an Extra Strength 750mg CBD formulation.

During the three months period ended December 31, 2023, the Company’s licensee added the following three new products to its portfolio of licensed infused products:

- Transdermal 1:1 Cream- 250mg CBD: 250mg THC;
- Transdermal CBD Cream with Cooling - 500mg CBD; and
- Extra Strength Transdermal CBD Cream: 1200mg CBD.



Global Distribution



KEY FINANCIAL RESULTS

Select Financial Information	For the three months ended		For the nine months ended	
	March 31		March 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Net revenue	3,095	3,071	9,012	8,792
Gross profit	1,552	1,540	4,444	4,566
Expenses	1,834	1,719	5,777	4,960
Profit (Loss) from operations	(282)	(179)	(1,333)	(394)
Net profit (loss) attributable to common shareholders	(422)	(282)	(1,709)	(702)
Net profit (loss) per share – basic and diluted	(0.01)	(0.01)	(0.06)	(0.03)
Weighted average number of Common Shares - basic	31,261,781	31,261,781	31,261,781	27,670,545
Adjusted EBITDA ⁽¹⁾	124	246	(51)	845
Total assets			8,609	9,313
Total non-current liabilities			1,984	1,730

⁽¹⁾ Defined as earnings (or loss) from operations before interest, taxes, depreciation, and amortization and adjusted for share-based compensation, Common Shares issued for services, asset impairment and write-downs, discontinued operations and other non-cash items, and is a non-IFRS measure discussed in the "Adjusted EBITDA" section.

Select Statements of Financial Position Information	March 31	June 30
	2025	2024
	\$	\$
Cash	3,491	4,200
Current assets	8,292	8,757
Non-current assets	317	1,295
Current liabilities	2,415	3,073
Non-current liabilities	1,984	1,785
Equity	4,210	5,194

SIGNIFICANT AND RECENT DEVELOPMENTS

The following significant developments relating to the Company took place during the three months ended March 31, 2025 and to the date of this MD&A:

On May 8, 2025, the Company announced that its Kuwait-based Dream Water® brand distributor is launching the Company's new 60-Count Sleep Gummies in Middle Eastern markets. The Company's 60-Count Sleep Gummies are expected to be available in the distributor's local markets by July 2025.

On March 12, 2025, the Company announced that its Dream Water® brand is launching its new 6-Count Sleep Gummies in the Canadian market. This product launch builds on the strong market performance of the Company's 60-count Dream Water® Gummies launched in Canada in February 2024. 6-Count Sleep Gummies were made available to the Company's distributors, retailers and e-commerce channels in March 2025.

On February 21, 2025, the Company completed the Share Consolidation in which one (1) new Common Share was issued for each ten (10) outstanding Common Shares. Prior to this Share Consolidation, a total of 312,617,854 Common Shares were outstanding, which have since consolidated into 31,261,781 Common Shares. Except where otherwise indicated, all historical share numbers and per share amounts have been adjusted on a retroactive basis to also reflect this Share Consolidation.

On January 27, 2025, the Company's Board of Directors approved the consolidation of the Company's issued and outstanding Common Shares at a consolidation ratio of ten (10) pre-consolidation Common Shares for every post-consolidation Common Share (the "Share Consolidation"). The Share Consolidation was implemented with effect from February 21, 2025, to enhance the marketability of the Common Shares and provide flexibility for future corporate initiatives. In accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the change has been applied retrospectively, and as a result, all disclosures of Common Shares, per Common Share data and data related to stock

options and warrants of the Company in the accompanying consolidated financial statements and related notes reflect this Share Consolidation for all periods presented.

All information in these consolidated financial statements is presented on a post-Share Consolidation basis. As a result of the Share Consolidation, the number, exchange basis or exercise price of all stock options and warrants have been adjusted, to reflect the ten-for-one Share Consolidation.

OUTLOOK

Management anticipates sales volumes, net revenues, and adjusted EBITDA¹ to improve throughout the next fiscal year based on the Company's year over year growth and due to a full year of new innovative products such as the introduction of sleep gummies solution in Canada and new partnerships.

Consumer

Dream Water® continues to be forward-thinking with respect to internationally compliant formulas and line extensions in both the sleep-solutions and CBD markets, including lines of products with multiple delivery formats for both categories. Formulation of CBD-infused Dream Water® continues to advance and will enter the market when regulations allow in the US. The Company continues to build out a pipeline of innovation that addresses consumers' growing demand for effective sleep solutions, in both OTC and cannabinoid-infused formats. The Company recently introduced the sleep gummies solution in Canada and is in the process of launching its Immunity Support Sleep Shots based on the innovation tested earlier in the US and based on consumer insights and trends in Canada and the Company will continue its expansions in fiscal 2025 and beyond.

2.0 Licensed infused products (LivRelief™ Infused)

Delivra Health's initial 2.0 LivRelief™ Infused product offering includes a selection of pain relief topical creams. The licensed infused topical creams utilize Delivra's transdermal technology designed to penetrate the skin, enabling effective, fast absorption, and controlled release of active ingredients directly to the target area. The topical creams are currently available in six formats – a CBD-only formulation containing 250mg of CBD, a 1:1 format formulation with 125mg of THC and 125mg of CBD, and a CBD-only formulation containing 750mg of CBD.

During the three months period ended December 31, 2023, the Company added the following three new products to its portfolio of licensed infused products:

- Transdermal 1:1 Cream- 250mg CBD: 250mg THC;
- Transdermal CBD Cream with Cooling - 500mg CBD; and
- Extra Strength Transdermal CBD Cream: 1200mg CBD.

Additionally, the Company plans on selling its LivRelief™ Infused topical creams in the US marketplace when regulations permit.

FINANCIAL REVIEW

The table below outlines gross profit and gross margin for the three and nine months ended March 31, 2025 and 2024, respectively:

	For the three months ended		For the nine months ended	
	March 31		March 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Net revenue	3,095	3,071	9,012	8,792
Cost of sales	1,534	1,432	4,478	3,974
Inventory write-down/(reversal)	9	99	90	252
Gross profit	1,552	1,540	4,444	4,566
Gross margin	50%	50%	49%	52%

Net revenue

Net revenue is comprised of sales of: (1) the Dream Water® brand sales in both the US and Canada; (2) the Delivra LivRelief™ brand sales in the US and Canada; and (3) the LivRelief™ licensed cannabis-infused topical creams in Canada.

For the three and nine months ended March 31, 2025, net revenue was \$3,095 and \$9,012, compared to \$3,071 and \$8,792 in the same periods in the prior year. For the three months ended March 31, 2025, the \$24 increase is attributed to the \$428 increase

¹ This is a on-IFRS measure as discussed in the "Adjusted EBITDA" section.

in Dream Water® sales in the US due to timing of sales orders from the Company's largest customer, which was offset by a \$404 sales decrease in Canada as a result of decreased licensed LivRelief™ Infused sales activity. For the nine months ended March 31, 2025, the \$220 increase in net revenue was mainly due to the increase in Dream Water® sales in the US of \$1,118, which was offset by a \$898 sales decrease in Canada mainly as a result of reduced sales within the licensed LivRelief™ Infused channel, following the Company's ongoing evaluation and refinement of its go-to-market strategy in Canada.

Cost of sales

For the three and nine months ended March 31, 2025, cost of sales was \$1,534 and \$4,478, respectively, compared to \$1,432 and \$3,974 in the same period last year. For the three months ended March 31, 2025, the \$102 increase was primarily due to change in product and customer mix. For the nine months ended March 31, 2025, the \$504 increase in cost of sales was primarily due to change in product and customer mix as well. During the three and nine months ended March 31, 2025, the inventory write-down was \$9 and \$90, respectively (2024 - write-down \$99 and \$252). Inventory write-downs relate to slow moving and aging products.

Gross margin

The gross margin for the three and nine months ended March 31, 2025 was 50% and 49%, respectively, compared to 50% and 52% in the same periods in the prior year. The decrease is attributable to period over period change in customer and product mix and to increased third-party expenses related to the Company's ecommerce business and advertising and such expenses have been increasing as a result of an ecommerce industry trend and building brand awareness.

Expenses

	For the three months ended March 31		For the nine months ended March 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
General and administration	1,027	992	2,938	2,839
Sales and marketing	410	401	1,647	1,134
Depreciation and amortization	326	326	978	984
Share-based compensation	71	-	214	3
	1,834	1,719	5,777	4,960

Total expenses increased by \$115 and \$817 for the three and nine months ended March 31, 2025, respectively, compared to the same period last year. The increase is primarily due to higher sales and marketing and general and administration expenses as described below.

General and administration

General and administrative expenses increased by \$35 for the three months ended March 31, 2025, and by \$99 for the nine months ended March 31, 2025, compared to the same periods last year. The increase for the three months ended March 31, 2025 was primarily driven by higher insurance costs of \$36, reflecting increased renewal costs in the U.S. due to higher sales volumes, as well as increases in professional and consulting services of \$23 and travel expenses of \$15. These increases were partially offset by a \$23 decrease in office and administrative costs and a \$19 reduction in investor relations expenses due to the timing of activities. For the nine months ended March 31, 2025, the \$99 increase was mainly attributable to higher professional and consulting services \$56, salaries, bonuses, and benefits \$83, and travel expenses \$40. These increases were partially offset by decreases in office and general costs \$96 and investor relations expenses \$16. Except for the change in salaries, bonuses, and benefits, all fluctuations were primarily due to the timing of certain corporate projects and activities.

	For the three months ended March 31		For the nine months ended March 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Insurance	55	19	146	116
Investor relations	31	50	89	105
Office and general	77	100	239	335
Professional and consulting services	174	151	451	395
Regulatory	15	3	40	40
Rent	5	6	18	16
Salaries, bonus and benefits	624	632	1,821	1,738
Travel	46	31	134	94
	1,027	992	2,938	2,839

Sales and marketing

Sales and marketing expenses increased by \$9 and increased by \$513 for the three and nine months ended March 31, 2025, respectively compared to the same period last year. The increase in the nine months ended March 31, 2025, was planned and is primarily due to the Company's focus on investing in its marketing and e-commerce programs to expand its distribution reach and awareness of both brands. For instance, in November 2024, the Company released two major marketing campaigns, 'Shush Your Mind' for Dream Water® and 'Quiets Chronic Pain' for LivRelief™.

Depreciation and amortization decreased by \$nil and \$6 for the three and nine months ended March 31, 2025, respectively, compared to the same period last year. Depreciation and amortization did not materially change given that the Company did not have capital additions to its tangible and intangible assets, as a result of its tangible asset light model which prioritizes brand ownership, intellectual property, and innovation while leveraging third-party manufacturing partnerships to optimize operational efficiency and capital allocation.

Share-based compensation

Share-based compensation increased by \$71 and \$211 for the three and nine months ended March 31, 2025, respectively, compared to the same period last year. The increase is mainly attributable to the 14,000,000 options (Common Shares reserved for issue under stock options is 1,400,000 post-Share Consolidation) granted during the year ended June 30, 2024 (vesting 1/3 annually from date of grant), resulting in a higher overall share-based compensation expense during the three and nine months ended March 31, 2025.

Other (expense) income

Other (expense) income increased by \$37 and \$68 for the three and nine months ended March 31, 2025, respectively, compared to the same period last year. For the three months ended March 31, 2025, the increase is primarily attributable to an increase in the loss related to foreign exchange. For the nine months ended March 31, 2025, the increase is mainly related to accounts payable settlement loss related to prior periods and foreign exchange loss offset by lower interest and finance costs.

	For the three months ended		For the nine months ended	
	2025	March 31 2024	2025	March 31 2024
	\$	\$	\$	\$
Interest and finance costs	(64)	(103)	(229)	(268)
Gain (loss) from debt/accounts settlement	-	-	(58)	24
Foreign exchange gain (loss)	(80)	-	(89)	(64)
	(140)	(103)	(376)	(308)

Interest and finance costs

Interest and finance costs decreased by \$39 and \$39 for the three and nine months ended March 31, 2025, respectively, compared to same period last year, primarily as a result of the net change of interest income received and expensed.

Gain (loss) from debt/accounts payable settlement

\$Nil and \$58 debt settlement loss was realized during the three and nine months ended March 31, 2025, respectively, compared to \$nil and a gain of \$24 in the same period last year and such settlements relate to prior year accounts payable.

Adjusted EBITDA (non-IFRS measure)

Adjusted EBITDA is a metric used by management which is the loss from operations, as reported, before interest, taxes, depreciation and amortization and adjusted for share-based compensation, Common Shares issued for services, the fair value effects of accounting for biological assets and inventories, asset impairment and write-downs, discontinued operations and other non-cash items.

	For the three months ended		For the ninth months ended	
	2025	2024	2025	2024
	\$	\$	\$	\$
Loss from operations	(282)	(179)	(1,333)	(394)
Inventory write-down/(reversal)	9	99	90	252
	(273)	(80)	(1,243)	(142)
Depreciation and amortization	326	326	978	984
Share-based compensation	71	-	214	3
	397	326	1,192	987
Adjusted EBITDA	124	246	(51)	845

For the three and nine months ended March 31, 2025, adjusted EBITDA was \$124 and \$(51), respectively, compared to \$246 and \$845 in the same period last year. The \$122 and \$896 decrease in adjusted EBITDA for three months ended March 31, 2025 was primarily due to planned increases in sales and marketing expenses in addition to changes in customer and product mix as explained above.

LIQUIDITY AND CAPITAL RESOURCES

Management of the Company is consistently working to monitor and manage the Company's capital resources to assess if it has access to adequate liquidity to fund its operations. The Company's working capital requirements change frequently given the nature of the business, therefore, our primary liquidity requirement is for working capital and essential general corporate needs. Management's objectives with respect to liquidity and capital structure are to generate sufficient cash to fund the Company's existing operations and growth strategy.

	For the nine months ended	
	2025	2024
	\$	\$
Cash provided by (used in) operating activities	(1,317)	(48)
Cash provided by (used in) investing activities	-	11
Cash provided by (used in) financing activities	(32)	650
Effect of foreign exchange on cash	640	63
Change in cash during the period	(709)	676

Cash used by operating activities was \$(1,317) for the nine months ended March 31, 2025 compared to \$(48) used for the same period in the prior year. The \$1,269 net decrease is due to the decrease in adjusted EBITDA² compared to prior year in addition to changes in combined working capital requirements related to receivables, inventories, prepaids and payables in nine month ended March 31, 2025 compared to same period last year. Despite the change in cash used in operating activities this period compared to same period last year, the Company is not expecting a working capital deficiency in the remaining periods of this fiscal year based on its internal projections of revenue growth and market expansion initiatives. However, there can be no assurance that these measures and initiatives will be successful, and the Company continues to monitor its financial position closely.

Cash generated by investing activities was \$nil for the nine months ended March 31, 2025 compared to \$11 generated by investing activities for the same period in the prior year. The \$11 from last year was generated from the net proceeds on the sale of Cann Group shares.

Cash used by financing activities was \$(32) for the nine months ended March 31, 2025 compared to cash provided of \$650 for the same period in the prior year. The \$682 decrease was due to the Company not completing a private placement similar to the offering of units of the Company completed in December 2023, raising aggregate gross proceeds of \$900 (the "**Private Placement**").

The nature of the Company's current business and the source of revenue from operations is the production and sale of Dream Water®'s sleep aid products and Delivra's pain relief consumer packaged goods. However, the Company's ability to continue in the normal course of operations is dependent on actions by management achieving profitable operations and raising additional capital. Management believes it will be able to raise capital as required in the long-term, but recognizes the risks attached thereto including, without limitation, risks due to changing market conditions. Historically, the capital requirements of the Company have been met by offering securities of the Company and completing debt financings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in the dilution to the value of such interests. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable to the Company. If adequate financing is not available when required, the Company may be required to delay, scale back, or eliminate various projects and programs, and may be unable to continue in operation. If the Company is unable to achieve profitable operations or raise additional funds it may require, it could have a material adverse effect on the Company's financial condition and future profitability.

The Company had a consolidated net loss of \$422 and \$1,709 for the three months and nine months ended March 31, 2025, respectively, negative operating cash flows of \$1,317 for the nine months ended March 31, 2025, and an accumulated deficit of \$170,871 as at March 31, 2025. The Company had a working capital surplus of \$5,877 as of March 31, 2025. Generally, these fluctuations and conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the Interim Financial Statements. Management

² This is a on-IFRS measure as discussed in the "Adjusted EBITDA" section.

acknowledges that in the absence of securing additional capital when required there is uncertainty over the Company's ability to meet its funding requirements as they fall due.

As of the date of this MD&A, the Company is not aware of any trends and does not anticipate any fluctuations in its capital resources. The Company has not arranged any sources of financing that is not otherwise discussed in this MD&A. The Company has not committed to any material expenditures that are required to maintain its capacity and planned growth, and to fund its development activities.

SUMMARY OF QUARTERLY RESULTS

Net revenue for the third quarter of fiscal 2025 increased by \$341 compared to the second quarter of fiscal 2025 due to the higher US sales of Dream Water® in the third quarter of fiscal 2025 as a result of timing of purchase orders from Company's customers. Gross profit for the third quarter of fiscal 2025 increased by \$258 compared to the second quarter of fiscal 2025 primarily as a result of higher sales volume. Net loss from operations for the third quarter of fiscal 2025 was \$ (282) and compared with \$(647) of the previous quarter, the change of \$365 is primarily due to higher gross profit in the third quarter as a result of higher sales volume and higher expenses in the third quarter of fiscal 2025.

	Net revenue	Gross profit	Net profit (loss) from operations	Net profit (loss)	Basic gain (loss) per share
Quarter ended	\$	\$	\$	\$	\$
March 31, 2025	3,095	1,552	(282)	(422)	(0.01)
December 31, 2024	2,754	1,294	(647)	(812)	(0.03)
September 30, 2024	3,163	1,597	(405)	(476)	(0.02)
June 30, 2024	3,586	1,833	(318)	1,581	0.05
March 31, 2024	3,071	1,540	(179)	(282)	(0.01)
December 31, 2023	2,050	1,104	(486)	(649)	(0.02)
September 30, 2023	3,671	1,922	271	226	0.01
June 30, 2023	3,317	7	190	(8)	(0.00)

SHARE CAPITAL

The Company has an unlimited number of Common Shares authorized and the following securities outstanding:

	March 31 2025	As at the date of this MD&A
Common Shares	31,261,781	31,261,781
Shares reserved for issue under stock options	2,695,023	2,695,023
Shares reserved for issue under Private Placement Warrants	6,000,000	6,000,000

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The following expenses were paid to the directors and key management personnel of the Company:

	For the three months ended		For the nine months ended	
	March 31		March 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Salaries and benefits	174	167	508	541
Directors' fees	60	60	180	180
Share-based compensation	43	-	129	3
Total	277	227	817	724

a) Payments to related parties

As at March 31, 2025, included in accounts payable and accrued liabilities, there was \$160 in directors' fees as follows: \$40 to Andrew Bayfield, \$40 to Jason Bednar and \$80 to Frank Holler ((June 30, 2024 – management bonuses of \$225 and directors fees of \$100 as follows: \$25 to Andrew Bayfield, \$25 to Jason Bednar, and \$50 to Frank Holler).

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As of the date of this MD&A, the Company does not have any contractual obligations beyond the accounts payable and accrued liabilities reported in the financial statements of the Company. Furthermore, the Company does not have any material contingent considerations that will have a material adverse effect on the operations of the Company.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Company's board of directors (the "**Board**").

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at March 31, 2025, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD"). A 10% appreciation (depreciation) of USD against the CAD, with all other variables held constant, would result in an increase or decrease for the three and nine months ended March 31, 2025 of approximately \$214 and \$222, respectively (Three and nine months ended March 31, 2024 - \$171 and \$172) and of approximately \$632 and \$630, respectively (Three and nine months ended March 31, 2024 - \$274 and \$273) in the Company's profit (loss) and comprehensive profit (loss), respectively.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. As at March 31, 2025, the Company had two major customers whose balances were greater than 10% of total trade receivables and each customer accounting approximately for \$1,399 and \$362 (June 30, 2024 - \$2,132). The Company is exposed to credit concentration risk by holding cash. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at March 31, 2025, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2025, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date.

Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has current assets of \$8,292 (June 30, 2024 - \$8,757) and current liabilities of \$2,415 (June 30, 2024 - \$3,073). The Company has addressed its liquidity through debt or equity financing obtained through the sale of Common Shares and the sale of non-core assets. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Further, the Company's ability to fund operations, to execute its growth strategy and to meet scheduled financial commitments depends on the Company's future operating performance and cash flows as well as capital raising, all of which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond the Company's control. See also "Liquidity and Capital Resources" in this MD&A.

Fair value hierarchy

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.

During the three and nine months ended March 31, 2025, there were no transfers of amounts between fair value levels.

Cash and short-term investments are classified as a Level 1 financial instrument. The Company's other financial instruments, including accounts receivable, current portion of lease receivable, promissory note and accounts payable and accrued liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments. The carrying value of the Company's non-current portion of lease receivable, loans and borrowings approximate fair value as they bear a market rate of interest.

NON-IFRS MEASURES

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS. The non-IFRS measures presented may not be comparable to similar measures presented by other issuers.

Adjusted EBITDA is a non-IFRS measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines adjusted EBITDA as the loss from operations, as reported, before interest, taxes, depreciation and amortization and adjusted for share-based compensation, Common Shares issued for services, the fair value effects of accounting for biological assets and inventories, asset impairment and write-downs, discontinued operations and other non-cash items.

There are no comparable IFRS financial measures presented in the Interim Financial Statements. Reconciliations of the non-IFRS financial measure is presented in this MD&A. The Company provides the non-IFRS financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The supplemental non-IFRS financial measure is presented because management believes such measures provide information which is useful to shareholders and investors in understanding its performance and which may assist in the evaluation of the Company's business relative to that of its peers. Management believes the non-IFRS measure is a useful financial metric to assess the Company's operating performance on a cash basis before the impact of non-cash items, and on an adjusted basis as described above. However, such non-IFRS measure should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable IFRS financial measures.

RISKS AND UNCERTAINTIES

This section discusses factors relating to the business of Delivra Health that should be considered by both existing and prospective investors. The information in this section is intended to serve as an overview and should not be considered comprehensive, and Delivra Health may face additional risks and uncertainties not discussed in this section, or not currently known to the Company, or that the Company deems to be immaterial. All risks to Delivra Health's business have the potential to influence its operations in a materially adverse manner.

Imposition of Tariffs

Recent executive orders have been issued by the President of the United States, directing the U.S. to impose new or increased tariffs on certain of its trading partners, including Canada. Such executive orders, if implemented, contemplate the imposition of broad-based tariffs on imports from Canada, excluding certain energy resources, including oil and natural gas, which would be subject to a reduced tariff. In response, the Government of Canada announced retaliatory counter-tariffs. Such tariffs, if implemented, could have a material adverse effect on the Canadian economy and the Company. In addition to the tariffs on imports from Canada, the United States also announced additional tariffs on imports into the United States from Mexico and China, respectively. There is a risk that tariffs imposed by the United States will trigger broader global trade disruptions which could have a significant adverse impact on the Canadian, United States and global economies. The timing and implementation of new tariffs are uncertain. To the extent implemented, any such tariffs may have an adverse effect on the Company's overall revenue, cash flow and profitability. Changes in governmental regulation between Canada and the United States, including tariffs, taxes and other trade barriers, may adversely affect the Company's business, results of operations and financial condition.

Geopolitical Risk

The Company is exposed to geopolitical risks that may adversely affect its operations, financial performance, and strategic plans. Political instability, armed conflict, trade restrictions, economic sanctions, changes in government policies, and other geopolitical developments in regions where the Company operates or sources materials, products, or services could disrupt supply chains, increase costs, or limit market access. In particular, increasing global tensions, including but not limited to those involving the United States, China, Russia, and the Middle East, have resulted in heightened uncertainty around international trade, regulatory enforcement, and cross-border investment. In addition, domestic and foreign policy shifts—such as changes in taxation, tariffs, or foreign ownership restrictions—could have a material impact on the Company's business environment and competitive position.

The Company may also be affected by the extraterritorial application of foreign laws, restrictions on data flows or technology transfer, and the evolving landscape of cybersecurity and information warfare. These risks may be further compounded by volatility in global financial markets, fluctuations in currency exchange rates, and inflationary pressures triggered or exacerbated by geopolitical events.

Although the Company actively monitors global developments and maintains contingency plans, the nature and timing of geopolitical risks are inherently unpredictable, and the Company may be unable to fully mitigate their potential impacts.

Inflation Risk

General inflationary pressures may increase, the Company's operating costs and influence consumer behavior towards purchasing essentials goods, which could have a material adverse effect on the Company's financial condition, results of operations and the capital expenditures required to advance the Company's business plans. There can be no assurance that any governmental action will be taken to control inflationary or deflationary cycles, that any governmental action taken will be effective or whether any governmental action may contribute to economic uncertainty. Governmental action to address inflation or deflation may also affect currency values. Accordingly, inflation and any governmental response thereto may have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and the price of the Common Shares.

Additional Financing

There is no guarantee that the Company will be able to execute on its planned strategy. The continued development of the Company requires additional financing and failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

New well-capitalized entrants may develop large-scale operations

Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk exists that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could make strategic acquisitions. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources, and be larger and better capitalized. Larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While the approach of most laws and regulations seemingly deters this type of takeover, this industry remains nascent and as indicated above this trend is being observed, so what the landscape will be in the future remains largely unknown.

The Company's proposed business plan is subject to all business risks associated with new business enterprises, including the absence of any significant operating history upon which to evaluate an investment. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation of a new business, the development of new strategy and the competitive environment in which the Company operates. It is possible that the Company will incur losses in the future. There is no guarantee that the Company will be profitable.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC) and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Company's securities should not place undue reliance on such articles and reports. Future research studies may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions relating to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces the inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a manufacturer and distributor of adult-use and medical cannabis products, or in its role as a service provider to, an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis products, the Company may be subject to various product liability claims, including, among other things, that the cannabis product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the reputations of that product and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Consumer Behaviour and Digital Shift

Digital and e-commerce platforms have created additional competition and cost to what previously existed in a traditional retail context. Retail outlets must now incur expenses in connection with growing both their digital and brick-and-mortar presences. These costs are being driven down to suppliers with increased listing fees, sales fees and margin requirements from retailers. Consumers now regularly default to digital platforms for more assortment and better pricing. This continued pressure from digital retailers is causing store closures, especially from the small independent operator and this impacts some of the Company's distribution points.

Environmental, Social and Governance Legislation (ESG) Legislation and Climate-Related Disclosures

Environmental legislation has evolved in a manner that has resulted in stricter standards and enforcement, larger fines and liability for non-compliance and increased capital expenditures and operating costs. The environmental issues affecting the Company's operations include extended producer responsibility on plastics and packaging, electricity consumption, fossil fuel use in the transport of goods, air pollution laws and regulations, regulations relating to climate change, hazardous waste regulation, and restrictions against greenhouse gas emissions. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production, or a material increase in the costs of production activities that could adversely affect the Company's financial condition, results of operations or prospects. Changes in legislation, including carbon taxes and the implementation of other greenhouse gas reduction initiatives and regulations related to transitioning to a low carbon and more climate resilient future, could result in additional costs which could have a negative impact on the Company's financial performance if the Company is not able to identify offsetting cost reductions and efficiencies.

Supply chain legislation has also evolved in the jurisdictions in which the Company does business, which mandates disclosure of the steps taken by certain companies to prevent and reduce the risk that forced labour or child labour is used by them or in their supply chains. While the Company is not currently obliged to submit any reports under any supply chain legislation in the jurisdictions in which it conducts business, supply chain legislation is evolving, and the Company may be required to report if such legislative requirements change. Regardless of its obligation to report, however, the Company must implement effective supply chain management and oversight to ensure that the Company's suppliers are complying with the ethical standards and code of conduct set out by the Company, as failing to do so may result in legal and financial liability for the Company and operational difficulties resulting from the Company's inability to safeguard the sustainability of its business activities and interests of stakeholders. Aside from ensuring its compliance with evolving legislative obligations, the Company must also manage a number of other social and governance-related matters in order to safeguard the sustainability of its operations and the interests of its stakeholders. Such matters include ensuring product quality and safety, ethical testing and selling practices, and accurate and complete product labelling. The Company's failure to implement appropriate oversight practices to ensure the foregoing, particularly as the Company's operations continue to grow, may also result in legal and financial liability for the Company, lasting impacts on the Company's stakeholders, and subsequent long-term impact on the Company's operations. Please also see "Product Liability" and "Product Recalls" in this "Risks and Uncertainties" section for further information.

Global Economic Conditions

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult, and in general, negatively impacts overall share prices and market conditions. Global equity markets have experienced significant volatility and weakness as a result of COVID-19. Such volatility and weakness in the global economy and equity markets more specifically may adversely affect the Company's ability to raise necessary capital.

In addition to the above, the Company is also subject to the following risks and uncertainties that can significantly affect its financial condition and future operations. The following risk factors are described in greater detail in the Company's Annual Information Form dated March 2, 2021, for the year ended June 30, 2020 under the heading "Risks and Uncertainties" and in the Company's Annual Management and Discussion Analysis dated October 7, 2024, for the year ended under the heading "Risks and Uncertainties", available under the Company's profile at www.sedarplus.ca, and such risk factors are hereby incorporated by reference into this document and should be reviewed in detail by all readers:

- industry competition;
- additional financing;
- access to capital;
- history of net losses;
- credit, liquidity, interest, currency and commodity price risk;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- requirement to generate cash flow for financial obligations;
- profitability of the Company;
- ongoing costs and obligations;
- general business risk and liability;
- new well-capitalized entrants may develop large-scale operations;
- share price volatility;
- reliance on key inputs;
- reliance on facilities;
- results of future clinical research;
- holding company status;
- limited operating history;
- unfavourable publicity on consumer perception;
- product liability;
- product recalls;
- third -party transportation;
- management of growth;

- acquisition strategy risks;
- reliance on management;
- conflicts of interest;
- principal security holder;
- dividends;
- limited market for securities;
- litigation;
- perceived reputational risk for third parties;
- intellectual property;
- political and economic instability;
- ability to establish and maintain bank accounts;
- global economy risk;
- research and development;
- shelf life of inventory;
- maintenance of effective quality control system;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- logistical disruptions;
- client risks including customer concentration risk;
- no minimum orders;
- distribution risks;
- lack of long-term client commitment risk;
- risk as a result of international expansions;
- operations in foreign jurisdictions;
- reliance upon international advisors and consultants;
- significant sales of Common Shares;
- analyst coverage;
- tax risks and tariffs;
- tax issues;
- reliance on partner licences;
- general regulatory risks;
- packaging and labelling;
- advertising;
- restrictions on marketing;
- breaches of security;
- foreign jurisdiction risks;
- competition;
- product liability;
- product recalls;
- operating risk and insurance coverage;
- results of future clinical research;
- dependence on suppliers, manufacturers and contractors;

- co-investment risk;
- difficulty to forecast and reliability of data;
- competition from synthetic production and technological advances; and
- fraudulent or illegal activity by employees, contractors and consultants.

PROPOSED TRANSACTIONS

None as of the date of this MD&A.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reporting amounts of assets and liabilities at the date of the consolidated financial statements and reporting amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the Interim Financial Statements.

Areas that often require significant management estimates and judgement include biological assets and inventory, the estimated useful lives and depreciation of property, plant and equipment, the estimated useful lives and amortization of intangible assets, goodwill, share-based compensation, warrants, accruals, provisions and the determination of the functional currency. The following is an outline of the estimates that the Company considers as critical in the preparation of its consolidated financial statements:

- Inventory is valued at the lower of cost and net realizable value. Determining net realizable value requires the Company to make assumptions about estimated selling prices in the ordinary course of business and the estimated variable costs to sell. Determining cost requires the Company to make estimates surrounding capacity and to allocate both direct and indirect costs on a systematic basis.
- The assessment of any impairment on property, plant and equipment, right-of-use asset and intangible assets is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less costs of disposal and value in use, management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset specific risks.
- Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of the useful lives and when the asset is available for use is dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.
- In calculating share-based compensation expense, the Company includes key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's share price, and the risk-free interest rate.
- Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depends on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has not adopted any new standards for the period beginning July 1, 2024. The Company is evaluating the impact of standards and interpretations that have been issued, but are not yet effective, up to the date of issuance of the Interim Financial Statements. The adoption of these standards and interpretations are not expected to have a material impact on the Company's financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the Interim Financial Statements, is the responsibility of management. In the preparation of the Interim Financial Statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the Company's filings under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Management of the Company has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented. There have been no significant changes in the Company's disclosure controls and procedures, and management has not identified any material weaknesses in its disclosure controls and procedures during the three months and nine months ended March 31, 2025.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived 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, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.