AGRAFLORA ORGANICS INTERNATIONAL INC.

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Date: November 30, 2020

INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") of the operating results and financial condition of AgraFlora Organics International Inc. ("**AGRA**" or the "**Company**") for the nine months ended September 30, 2020 should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the nine months ended September 30, 2020, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Management is responsible for the preparation and integrity of the 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 financial statements and MD&A, are complete and reliable. The Company's board of directors (the "**Board**") 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 financial statements, the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filing on www.sedar.com.

This MD&A is prepared as at November 30, 2020. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

Forward-Looking Statements

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include, but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in MD&A include:

- the Company's use of proceeds and business objectives and milestones and the anticipated time of execution, see "Use of Proceeds";
- the performance of the Company's business and operations;
- the intention to expand the business, operations and potential activities of the Company;
- the methods used by the Company to deliver cannabis;
- the projected increase in production capacity;
- the competitive conditions of the cannabis industry;
- the competitive and business strategies of the Company;

INTRODUCTION (CONTINUED)

Forward-Looking Statements (continued)

- the Company's anticipated operating cash requirements and future financing needs;
- the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's expectations regarding its revenue, expenses and operations;
- impacts of potential litigation;
- the Company's intention to build brands and develop cannabis products targeted to specific segments of the market;
- the ongoing and proposed expansion of the Company's facilities, products or services, including associated costs and any applicable Health Canada licensing;
- the current political, legal and regulatory landscape surrounding medical and recreational cannabis and expected developments in any jurisdiction in which the Company operates or may operate;
- the receipt of any regulatory and stock exchange approvals required at any given time;
- the applicable laws, regulations and any amendments thereof;
- medical benefits, viability, safety, efficacy and dosing of cannabis;
- the expected growth in the number of patients;
- the expected number of grams of medical cannabis used by each patient;
- expectations with respect to the advancement and adoption of new product lines and ingredients;
- the acceptance by customers and the marketplace of new products and solutions;
- the ability to attract new customers and develop and maintain existing customers;
- expectations with respect to future production costs and capacity;
- expectations with respect to the renewal and/or extension of the Company's permits and licenses;
- the ability to protect, maintain and enforce the Company's intellectual property rights;
- the ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- anticipated labour and materials costs;
- the Company's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Company operates; and
- anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates or may operate.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to the Company. Readers should not place undue reliance on the Company's forward-looking statements, as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that such forward-looking statements will materialize. Unless required by applicable securities laws the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, see "Risk Factors".

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "Risk Factors".

OVERVIEW

The Company was incorporated on June 24, 2004 under the laws of the Province of British Columbia.

The Company trades on the Canadian Stock Exchange (the "**CSE**") under the symbol "AGRA". The Company also trades on the OTC Pink Sheets ("**OTCPK**") under the symbol "AGFAF" and the Frankfurt Stock Exchange under the symbol "PU3".

The Company is a vertically integrated cannabis company equipped with a robust portfolio of licensed upstream, downstream and product formulation assets. The Company owns and operates an ACMPR licensed indoor cultivation operation in London, ON, and controls a 70% interest in Propagation Service Canada and its large-scale, 2.2 million square foot greenhouse complex in Delta, B.C. The Company's Delta Greenhouse Complex is equipped with 2.2 million square feet of dedicated cultivation area under glass and is widely considered to be one of the most technically advanced and environmentally efficient greenhouse operations in the world. The Company is also retrofitting a 51,500-square-foot good manufacturing practice ("GMP") edibles manufacturing facility in Winnipeg, Manitoba (the "Winnipeg Edibles Facility"). The Company has a successful record of creating shareholder value and is actively pursuing other opportunities within the cannabis industry.

OVERALL PERFORMANCE

During the period ended September 30, 2020, the Company completed two key acquisitions in Sanna and Farmako, and continued to work on its Delta Greenhouse and Edibles Facility. On July 14, 2020, the Company's wholly owned subsidiary Sanna Health Corp. generated an inventory of 1,000 kg of CBD Crude Oil to ready for sale this quarter. On August 24, 2020, the Company's Delta Facility reported that it expects to move to first harvest by early next quarter and sales are expected in the first quarter of the next fiscal year. On August 27, 2020, the Company's Winnipeg Edibles Manufacturing facility commenced research and development trials. Further, the Company completed a non-brokered private placement on July 8, 2020, and raised gross proceeds of $870,900.

Propagation Services Canada

As at September 30, 2020 and the date of this MD&A, the Company controls 70% of PSC's flagship Delta Greenhouse Complex (the "Delta Facility"). The Company's investment in the Delta Greenhouse is widely considered to be one of the most technically advanced and environmentally-friendly greenhouse operations in the World, which boasts industry leading cultivation infrastructure including:

- Fully integrated on-site natural gas-powered power plant;
    - Providing ample heat and electricity, while repurposing carbon dioxide emissions to benefit the plants;
- Proprietary energy efficient air exchange to maintain stable climate conditions;
- Advanced climate and humidity control management infrastructure;
- Ebb and flow watering systems to enhance complete irrigation recapture and water treatment; 1.5-million-gallon hot water storage tank configured to store energy produced during the day, for redistribution during non-peak hours, thereby increasing operational efficiencies and reducing associated energy costs;
- Multistage supplemental lighting augmented by natural sunlight to foster an optimized illumination equilibrium; and,
- Proprietary ERP system to allow for efficient resource management and cost tracking.

On February 28, 2020. PSC entered into an agreement to acquire a portfolio of elite live-plant cannabis genetics (the "Live-Plant Genetics") from an award-winning Canadian cannabis cultivator with extensive experience in genetic development and commercialization for at-scale cannabis production. The acquisition of Live-Plant Genetics will accelerate PSC's go to market strategy and utilized along with the Company's Standard Cultivation License.

On May 19, 2020, PSC secured a Standard Cultivation License from Health Canada and has commenced cultivation of a curated portfolio of elite live plant genetics. The Delta Facility's first phase represents 422,828 square feet of cultivation space.

OVERALL PERFORMANCE (CONTINUED)

Propagation Services Canada (Continued)

During the period, PSC has commenced cultivation using a curated portfolio of live-plant genetics (the "Elite Genetics") with a focus on producing high potency cannabis with attractive strains, while maintaining a low cost. Management anticipates the combination of high potency and low cost will result in a product that is attractive to consumers in the retail and wholesale markets. The Delta facility expects to move to first harvest by early fourth quarter with first product available for sale of low-cost high-potency cannabis strains expected in Q1 2021 on a wholesale basis.

The Elite Genetics at the Delta Facility have been tailored to go to work with PSC's infrastructure and cultivation program and are expected to yield up to 44 varieties of strains to offer the Company's wholesale clients a robust product offering while maintaining strong cannabinoid and terpene content plant yield and crops per year.

On November 23, 2020, the Company announced that the Delta Facility has received an Agriculture Loan (the "Loan") to bring its cannabis cultivation to market and continue Phase 1 of the Company's cultivation strategy. As part of the Loan, the Delta Facility will receive $5,000,000 which will provide full funding to the licensed cultivation areas and will allow the PSC team to bring their first crop of low cost, high potency cannabis to market, on a wholesale basis, in Q1 2021. The curated portfolio of elite genetics at the Delta facility has been tailored to work with PSC's Delta based infrastructure and utilizing 422,828 sq. ft. of cultivation space with state-of-the-art semi pressurized, semi-open Venlo greenhouses.

The Edibles and Infusions Joint Venture

By way of an executed Asset Purchase Agreement (the "Agreement") with Organic Flower Investments Group Inc. ("Organic Flower"), the Company controls an 80% interest in The Edibles and Infusions Corp. ("Edibles and Infusions"), a joint venture ("JV") with one of North America's largest and most storied manufacturer and distributor of chocolate and sugar confectionary products. Upon successful receipt of appropriate Health Canada Licensing, the JV will produce an assort of both cannabinoid/terpene-infused products for medicinal, functional and adult use. Edibles and Infusions operates a 51,500 square foot edibles manufacturing facility located in Winnipeg, Manitoba ith over 30,000 square feet of dedicated edibles production space.

The Company's JV partner was established nearly a century ago and has since become North America's largest confectionary fruit slice manufacturer, supplying products to over 20,000 locations across North America, most prominently Costco and Wal-Mart.

Equipped with a roster of experienced chocolatiers and confectioners, as well as established industry relationships and best-in-class supply chain management infrastructure, the Company's JV partner currently manufactures and distributes several hundred unique stock keeping units ("SKUs").

The Company was awarded a 5-year cannabis research license from Health Canada under the Cannabis Regulations Act for the Winnipeg Edibles Facility. Upon receipt of appropriate Health Canada licensing, the Company will supply the JV with inputs for the edibles manufacturing process such as artisanal, ultra-premium dried cannabis flower, as well as premium cannabis trim from its Delta Greenhouse Complex and ACMPR licensed AAA Heidelberg facility.

Receipt of full-spectrum cannabinoid concentrates is expected post licensing to assist with product development and ancillary research and development activities. The Company has completed construction of its 750 square foot, pharmaceutical-grade research and development laboratory (the "R&D Laboratory") at the Winnipeg Edibles Facility.

OVERALL PERFORMANCE (CONTINUED)

The Edibles and Infusions Joint Venture (continued)

The Company's R&D Laboratory boasts a comprehensive suite of made-to-order cannabinoid-testing and product formulation equipment, including:

- High Performance Liquid Chromatography ("HPLC");
- Microbiological testing instruments;
- Custom confectionery testing, manufacturing and origination/formulation technologies;
- Deposit throughput in excess of 1000 pieces of premium chocolates or gummy edibles per hour;
- Proprietary triple shot depositor capable of producing infused chocolate or liquid filled center in shell pieces, as well as a full vacuum pressure confectionery-cooking system.

The Company's Winnipeg Edibles Facility is a state-of-the-art commercial scale edibles facility that features industry leading manufacturing equipment and automation for the production of cannabis edibles. The Company intends to focus initially on the production of THC and CBD infused cannabis gummies. The Winnipeg Edibles Facility is operated by a roster of third generation chocolatiers/confectioners and boasts state-of-the-art manufacturing equipment capable of producing an assortment of both cannabinoid/terpene-infused products for medicinal, functional and adult use.

Development of the Edibles facility was completed on June 3, 2020. On May 28, 2020, Edibles and Infusions submitted its Site Evidence Package for its Standard Processing and Cultivation License to Health Canada.

The Company has received a necessary CRA tax license and is now creating test cannabis edibles products through its Health Canada licensed Research and Development Lab ("**R&D Lab**") within its Facility.

On October 2, 2020, the Company submitted a formal response to Health Canada's first Request for More Information ("RMI") regarding the Standard Processing License (the "Manufacturing License") application for the Company's Winnipeg Edibles Facility. The RMI response is a key step towards achieving the Standard Processing License at the Edibles Facility.

Canutra Naturals Ltd.

Pursuant to the terms of an executed asset purchase and sale agreement between Organic Flower and the Company, the Company now owns 100% of Canutra Naturals Ltd. ("Canutra"). Canutra manufactures and distributes premium personal care, cosmetics and cannabinoid-infused product lines including a suite of trusted consumer brands such as Whole Hemp Health; a Canadian all-natural, hand-made skin care line, formulated with 100-per-cent-Canadian organic hemp seed oil. Canutra markets its Whole Hemp Health products by way of brick-and-mortar retail outlets, Amazon Prime, as well as direct to consumer, through an integrated Shopify e-commerce platform.

Canutra owns and operates 76 acres of unzoned, arid agricultural land, including 1,000 feet of river frontage in New Brunswick. The New Brunswick campus, formerly a federally owned farm and research facility, boasts over 17,500 square feet of commercial-grade production facilities, as well as 12 separate free-standing structures. This acquisition equips the Company with robust cultivation, extraction, manufacturing and distribution capabilities from the company's New Brunswick facility.

In September 2019, Canutra has been awarded a cannabis research licence (the "Research License") by Health Canada under the Cannabis Regulations Act. The Research License permits Canutra to pursue the development of proprietary cannabis genetics and phenotypes.

OVERALL PERFORMANCE (CONTINUED)

Canutra Naturals Ltd. (Continued)

Canutra continues to demonstrate its leadership with regards to cannabis-derived CPGs, due to its Health Canada awarded Research License and continued collaboration with UM. The company also continues to achieve material advancements throughout its IP development and aggregation initiatives, including:

- High CBD hemp cultivation techniques;
- Advanced extraction methodologies;
- Cultivar development;
- Inoculation formulations; and
- Proprietary cannabinoid profiles for future skin care product lines.

The Company received a purchase order from Tobmar Newstands ("TN") for its Whole Hemp Health organic lip balm SKU. TN's purchase order and subsequent listing of a secondary SKU secures additional high visibility Canadian shelf space for the Company's expanding line of organic cannabis sativa seed oil infused consumer packaged goods ("CPGs").

AAA- Heidelberg Inc.

AAA Heidelberg is a licensed cannabis cultivation facility under Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The AAA Heidelberg facility is equipped with five partitioned flower rooms, affording the Company ample canopy earmarked for ultra-premium craft cannabis cultivation. The Company is presently working to import a catalogue of premium craft cannabis genetics into its AAA Heidelberg facility, under a one-time declaration from Health Canada. Upon completion of a test harvest, as well as the associated test crop submissions and approvals from Health Canada, the Company plans to apply for both sales and processing licences at its AAA Heidelberg craft cannabis facility; with the objective of producing finished cannabis form factors for domestic distribution including, soft gels, tinctures, distillates and THC oils.

Sanna Health Corp.

On March 10, 2020, the Company closed the acquisition of 100% of the issued and outstanding common shares of Sanna Health Corp. ("Sanna") pursuant to a Share Purchase agreement dated March 10, 2020. As consideration, on March 10, 2020, the Company issued 76,666,666 common shares of the Company with a fair value of $4,600,000.

Sanna is a Canadian cannabis company based in the Toronto Canada and boasts the following licenses awarded under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"):

- Standard Cultivation License;
- Standard Processing License; and,
- Medical Sales License.

The acquisition of Sanna is a transformative acquisition that will provide four strategic advantages:

1. Double forecasted 2020 production capacity;
2. Sanna's existing on-site infrastructure will allow for complementary, margin rich extraction capabilities;
3. Access to proven and popular, market-leading brand/product portfolio; and,
4. Enhance high-visibility distribution across Canada.

Sanna's flagship facility is situated on 16 acres and includes 27,000 square feet of Health Canada licensed cultivation and processing space with an option to expand current production to 89,000 square feet. Sanna' has finalized distillate supply contracts and has ethanol extraction equipment on-site which will help realize sustainable near term cash flows. It is forecasted that Sanna's extraction facility will boast annual extraction capacity of 250,000 kilograms of dried cannabis and hemp biomass.

OVERALL PERFORMANCE (CONTINUED)

Sanna Health Corp. (Continued)

Sanna holds exclusive Canadian license for the award winning MUV portfolio of premium cannabis products developed and distributed by Florida-based Altmed Enterprises, LLC ("Altmed"). Altmed is a state-leading pharma-grade medical cannabis company.

Sanna has entered into a cultivation partnership (the "Cultivation Partnership" or the "Agreement") for hemp cultivation in Ontario. Pursuant to the Cultivation Partnership, SGCS has successfully planted fifty (50) acres of highquality hemp at a farm in Brinbrook Ontario (the "Binbrook Farm"). The Company anticipates the Binbrook Farm will yield approximately 50,000 kilograms of high CBD hemp in fall 2020.

Sanna has generated an inventory of 1,000 kg of CBD Crude Oil and Disillate (collectively "CBD Oil") in partnership with its biomass partner MicroC45 which it is readying for sale. The CBD oil was produced from approximately 10,000 kilograms of hemp biomass that was subject to the Company's proprietary preextraction processes. The Company has retained an inventory of approximately 10,000 kilograms of additional hemp biomass ready for extraction and processing.

The Good Company GmbH

The Company acquired 100% of the issued and outstanding shares of The Good Company GmbH ("The Good Company"). The Good Company is the parent company of German European Union good distribution practice medical cannabis distributor (EU-GDP) Farmako GmbH ("Farmako"). Farmako is a leading European medical cannabis distributor, headquartered in Frankfurt, Germany, with affiliated companies in the United Kingdom, Luxembourg and Denmark.

This acquisition expedited the Company's entrance into the European cannabis theatre by arming the Company with existing cannabis distribution infrastructure, supply and licenses/certifications, all while equipping the Company with experienced European cannabis operators. The combined AgraFlora-Farmako entity will function as a high-margin European distribution hub for the Company's medical cannabis flower and EU-GMP certified manufactured cannabis products produced from its Delta Greenhouse Facility, AAA Heidelberg craft cannabis facility and 27,000 square foot Scarborough, Ontario cultivation and processing facility.

On February 18, 2020, Farmako secured a special authorization from the German Federal Institute for Drugs and Medical Device for the distribution of medical cannabis flowers that have undergone an ionizing radiation treatment.

This is a critical milestone for Farmako, as Farmako can now important for sale in Germany medical cannabis that is EU-GMP certified.

On September 15, 2020, Famako secured an additional supply of EU-GMP Cannabis by execution of the binding supply agreement with ZenPharm Ltd., a subsidiary of Zenabis Global Inc. (TSX: ZENA). Pursuant to the Supply Agreement, ZenPharm will supply EU-GMP quality medical cannabis flower cultivated by Zenabis to Farmako for distribution to medical cannabis patients in Germany. The agreement is intended to facilitate the distribiton of 1,500 kilograms of cannabis flower by Farmako in Germany over a 3 year term. Farmako will distribute the products its established network of German pharmacies. The products will carry Farmako's branding, an important step in building brand awareness and loyalty with physicians, pharmacists and patients. The products initially include high potency THC flower and balanced THC and CBD flower, two product categories that management believes are in highest demand in Germany. Shipments to Farmako are expected to start in November 2020.

OVERALL PERFORMANCE (CONTINUED)

Health Canada Licensing

The Company and its associated subsidiaries have the following licenses:

- Standard cultivation and processing license at the Delta Greenhouse Facility;
- Industrial hemp license at its 2.2 million square foot Delta Greenhouse Facility;
- Cannabis research license at its Winnipeg Edibles Facility;
- Cannabis research license at its GMP-certified Toronto Bottling Facility;
- Cannabis research license at its 76-acre New Brunswick Cannabis Campus;
- Standard cultivation license at its Sustainable Growth Strategic Facility (Sanna);
- Standard processing license at its Sustainable Growth Strategic Facility (Sanna); and,
- Medical sales license at its Sustainable Growth Strategic Facility (Sanna).

Non-Alcoholic Cannabinoid-Infused Beers and Ciders Formulation

Through an exclusive partnership agreement with a leading Toronto-based brewery (the "Brewhouse"), the Company holds claim to the exclusive formulation, manufacturing and distribution rights for all cannabinoid-infused beverages developed at said Brewhouse. This exclusive partnership provides the Company with preeminent exposure to a collective of domestic and global brewery partners, as well as further crystallizes a leading production platform for the Company's cannabinoid-infused carbonated beverage product offering, including:

- Non-alcoholic beers;
- Seltzers; and,
- Ready-to-drink ("RTDs") beverages.

Equipped with custom production equipment and a captive research, development and testing facility, as well as a state-of-the-art brewing infrastructure, the Brewhouse is armed with annual output capacity capabilities of 120,000 hectolitres ("hl"). By comparison, Canadian brewer Steam Whistle Brewing produces approximately 95,000 hl on an annualized basis.

The Brewhouse is nearing completion of major facility retrofit initiatives, which are projected to increase its output capacity to over 200,000 hl per annum. Upon completion of the retrofit, aggregate capital expenditures deployed on the Brewhouse build out will exceed $20 million.

Nicorette-Inspired Sublingual Cannabinoid Product Line

The Company has secured the exclusive North American rights to a proprietary manufacturing system, enabling the production of cannabinoid-infused therapeutic gum, chewable tablets and capsules. The Company's next-generation line of medicinal-use cannabis products is inspired by popular demand of Nicorette's branded therapeutic products, boasts the following:

- Proprietary dual-delivery technology: advanced patented processes reduce surface tensions, increase binding of molecules and enable homogenous mixing;
- Rapid sublingual activation: optimized absorption methodologies facilitate a rapid onset within the first 15 minutes of application; and,
- Metabolism efficacy: metabolizes in the liver to create a more lasting effect.

OVERALL PERFORMANCE (CONTINUED)

Library of Patented Product Formulations

The Company has also obtained the Canadian exclusive rights to a catalogue of cannabinoid-infused product formulations from a global formulation provider with over three decades of experience working with leading consumer product goods ("CPG") brands. The Company has engaged a roster of food engineers, nutritionists and scientists to optimize bioavailability, consistent dosing protocols and flavoring of the Company's licensed formulations.

The Company will continue to leverage its production and processing assets, while further activating its downstream activities by launching cannabinoid-infused beverages, edibles and personal care products; specifically formulated with patented micro diffusion technologies. These proprietary formulation and manufacturing processes are specifically adapted to ensuring consistent dose delivery, while maintaining taste and texture integrity.

Beverage Bottling and Downstream Distribution

The Company holds claim to a complementary exclusive cannabinoid-infused beverage supply and distribution agreement with a Canadian bottling facility (the "Bottler" or the "Facility"). The Facility is strategically situated in the Greater Toronto Area ("GTA"), affording the Company unbridled access to the largest addressable Canadian marketplace. The Facility is equipped with state-of-the-art bottling equipment, configured to conduct rapid production runs, with minimal downtime for production line changeovers. Fully operational, the Facility has been granted the following industry certifications:

- Good manufacturing practices ("GMP");
- Certified vegan; and,
- Fair trade certification ("ISO 17065").

The Company will leverage the Facility to produce a suite of both cannabinoid-infused and functional beverages. The Facility is currently configured to produce formulations for water, coffee, tea, juice and carbonated sodas in a variety of formats, including glass bottles, polyethylene terephthalate ("PET") bottles and aluminum cans.

Trademark Portfolio

Pursuant to the terms of an executed asset purchase and sale agreement between Organic Flower and the Company, the Company now owns 100% Trichome Cannabrands Inc. ("Trichome"), which has aggregated portfolio of 57 registered trademarks in Canada for a diversified range of cannabis products and services, including:

- Medicinal cannabis: for the relief of nerve pain, treatment of muscle spasms caused by multiple sclerosis, relief of nausea caused by chemotherapy, temporary relief of seizures and cannabis oil for the treatment of cancer;
- Recreational cannabis: on-line and retail sale of cannabis, cannabis-related products, derivatives of cannabis and natural health products containing cannabis;
- CBD-infused performance products: CBD oil for medical purposes, topical anesthetics, antibiotic cream and anti-inflammatory ointments;
- Packaging and vape products: packaging of cannabis, cannabis-related products, derivatives of cannabis and natural health products containing cannabis, and cannabis oil for electronic cigarettes; • Cosmetics: makeup, beauty care cosmetics, eye cream, body creams, massage creams, massage oils, skin care preparations, body powders, body oils, bath soap, moisturizing skin lotions, body sprays used as personal deodorants and fragrances, non-medicated bath salts, exfoliating scrubs for the body, and bath oils;
- Candy, chocolate and edibles: cannabis oil for food and edible oils, chocolate bars infused with cannabis, brownies containing marijuana, chocolate, and sugar confectionery; • Beverages and bottling: non-alcoholic fruit-based beverages, carbonated soft drinks, sports drinks, beverage flavorings, beverages made of coffee and tea;
  Cannabinoid infused beers and ciders: alcoholic-based beverages, alcoholic fruit beverages and alcoholic tea-based beverages.

OVERALL PERFORMANCE (CONTINUED)

Trademark Portfolio (Continued)

The Company intends to leverage these registered trademarks throughout a wide array of corporate branding exercises.

THC Overdose Antidose

The Company has been granted the Canadian exclusive sublicense (the "sublicense") for True Focus Canada's product suite and proprietary IP portfolio, including its patent pending 'THC Overdose Antidote'. The sublicense permits the exclusive domestic marketing, distribution and development of the aforementioned THC Overdose Antidote for a period of ten years. The Company will market and distribute True Focus into the company's 17,500 North American points of distribution. Delivered to the end-consumer through a pocket-sized, user-friendly spray bottle, True Focus's revolutionary formulations are to be ingested in a sublingual (under the tongue) manner.

True Focus boasts nutraceutical formulations, coupled with an intuitive delivery system designed to mitigate the negative side effects associated with excessive THC consumption. The aforementioned product formulations are considered patent pending by way of a U.S. Patent and Trademark Office (USPTO) patent application.

True Focus's patent-pending formulation offers a unique solution to alleviating undesirable symptoms associated with a THC overdose. The Company holds the exclusive Canadian True Focus sublicense, which permits the domestic marketing, distribution and development of True Focus's product suite and proprietary intellectual property portfolio.

Strategic Investments

Eurasia Infused Cosmetics Inc.

The Company entered into a definitive agreement to acquire 50% of the issued and outstanding shares of Eurasia Infused Cosmetics Inc. Joint Venture ("Eurasia Infused"). Both companies will collaborate to integrate the Company's vertically integrated, farm-to-face CBD processing, manufacturing and distribution model into the Asia Pacific region.

Eurasia Infused, by way of a commercial concession with Hong Kong domiciled CBD Group Asia Limited ("CBD Group Asia") controls a distribution agreement for CBD and hemp-derived beauty and wellness products for the territories of People's Republic of China ("China") and Hong Kong Special Administrative Region. This distribution agreement extends to the Company's existing portfolio of CBD-infused and organic cannabis sativa seed oil derived product suite. Hong Kong domiciled CBD Group Asia Ltd., has previously distributed premium Canadian CPGs into China's largest retail chains and C-stores, including RT-Mart International Ltd. ("RT Mart") and Carrefour SA. RT Mart alone operates over 484 retail locations covering 233 cities and 29 provinces in China and generated $20 billion in sales in 2018.

Eurasia Infused issued the Company an initial purchase order to supply its organic cannabis sativa seed oil infused face serum and lip balm. This initial purchase order will secure high-visibility Asia Pacific shelf space for the Company's existing CPG product offering. The Company and CBD Group Asia have collaborated on a variety of product customization, branding and distribution initiatives, with the objective of tailoring the Company's product offering for rapid uptake into the Asian CPG markets. Eurasia's continuing CPG customization and distribution deliverables, culminating with this initial PO, include the following:

- Brand testing, focus groups and data mining initiatives;
- Successful YuShop Global (HK) Ltd. product listings for CBD-infused CPGs:
    - Active user footprint of over 500 million consumers; and
    - Permits immediate access to China/Hong Kong's burgeoning CBD-infused CPG marketplaces;
- National CPG listings, leveraging CBD Group Asia's high-traffic distribution channels, including the introduction of high-traffic retail channel partners, as well as 1,500 luxury health spas;
- Organic cannabis sativa certificate of analysis ("COA") authorization;
- Product and packaging customization;
- Development of a full-spectrum CBD facial serum, infused with hemp root oil;
- Initial three SKUs fully customized/import certified for the Chinese/Hong Kong marketplaces packaged for shipment from the Company's co-packer to fulfill POs;

OVERALL PERFORMANCE (CONTINUED)

Strategic Investments (Continued)

Eurasia Infused Cosmetics Inc. (Continued)

- Architecture of a network of Chinese Canutra/Whole Hemp Health-branded pop-up shops, further expanding the Company's retail footprint and brand presence in an economical and contemporary manner; and
- Integration into CBD Group Asia's proprietary direct to customer Asian sales WeChat platform providing unencumbered daily access to 1.08 billion current WeChat customers.

Eurasia Infused is positioned to capitalize on current and future market trends in the rapidly expanding global cannabinoid-infused CPG space. Existing turnkey cultivation/manufacturing capabilities further bolster the Eurasia Infused's ability to swiftly expand the breadth of its current product line to more than 40 SKUs.

Eurasia Infused will work to integrate Cannessence, the Company's recently announced terpene-infused, organic cannabis sativa seed oil formulation, into its distribution channels. Cannessence when coupled with organic cannabis sativa seed oil, will boast a uniquely formulated terpene profile resulting in amplification of the activation of the endocannabinoid system (the "ECS"), optimization of cannabinoid uptake and standardization of pharmacological effects within the ECS of both humans and pets. Eurasia Infused anticipates that it will market its Cannessence product portfolio in capsule, topical and tincture format and aims to position Cannessence within the marketplace as an over-the-counter (OTC) substitute to conventional CBD.

As of this MD&A, the Company has successfully completed several key milestones including the acquisition of Sanna and acquiring a Standard Cultivation and Processing License from Health Canada for the Delta Facility. The Company is eager to begin producing and cultivating at its Delta Facility and is looking to generate near term cash flows.

Outlook

Agraflora's upstream and downstream operating portfolio affords the company unmatched Cannabis 2.0 optionality as the industry continues to mature. 2019 was a transformational year for Agraflora and one that saw the Company evolve from a domestic cultivator to a vertically integrated, international cannabis company. Our world-class Delta greenhouse facility will catapult us into the ranks as a top five Canadian licensed producer, and when coupled with our scalable, Cannabis 2.0 manufacturing capabilities equips us with an opportunity to leverage our existing asset portfolio and licensed infrastructure to generate high-margin cash flows, while capture defendable market share.

EQUITY TRANSACTIONS

On January 6, 2020, the Company issued 800,000 common shares with a fair value of $68,000 pursuant to a supply agreement entered into with Vendure Genetics Labs Inc. dated December 26, 2018 and amended on December 16, 2019 for the supply of certain cannabis plants and intellectual property rights.

On January 17, 2020, the Company issued 58,823,529 shares with a fair value of $5,882,353 in relation to investment in SUHM.

On January 28, 2020, the Company issued 6,666,667 common shares of the Company upon conversion of the Special Warrants issued on September 19, 2019.

On March 10, the Company issued 76,666,666 common shares of the Company with a fair value of $7,900,000 for the acquisition of Sanna Health Corp.

On March 10, 2020, the Company closed the acquisition of 100% of the issued and outstanding common shares of Sanna Health Corp. pursuant to a Share Purchase agreement dated March 10, 2020. As consideration, on March 10, 2020, the Company issued 76,666,666 common shares of the Company with a fair value of $4,600,000.

EQUITY TRANSACTIONS (CONTINUED)

On April 7, 2020, the Company issued 3,731,846 common shares to settle debt of $362,508 and recorded a gain on debt settlement of $175,916.

On April 30, 2020, the Company closed a non-brokered private placement offering of 266,666,667 units of the Company at a price of $0.075 per Unit for gross proceeds of $20,000,000. Each Unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $0.10 per share. The $20,000,000 tranche, consisted of the settlement of a convertible debenture and debt owed to arm's length parties of $17,666,208 and $2,334,000 respectively. The fair value of the shares issued was $14,666,667 and a value of $5,333,541 was assigned to the warrants.

On May 4, 2020, the Company issued 2,692,905 common shares with a fair value of $148,110 to settle debt of $201,968 with certain creditors for past consulting and other services provided to the Company and recorded a gain on debt settlement of $53,858.

On May 25, 2020, the Company closed the second tranche of its non-brokered private placement offering of 20,700,000 units of the Company at a price of $0.075 per Unit for gross proceeds of $1,552,500. Each Unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $0.10 per share. In connection with the private placement, the Company paid a cash finder's fee of $3,150 and 42,000 Finder's Warrants. The Finder's Warrants have the same terms as the Unit warrants and are valued at $2,589 using Black-Scholes.

On June 5, 2020, the Company issued 22,802,938 common shares with a fair value of $1,500,00 for consulting services.

On July 8, 2020, the Company completed a non-brokered private placement of 11,612,000 units of the Company at a price of $0.075 per Unit for gross proceeds of $870,900. Each Unit consists of one common share and one transferable common share purchase warrant. Each Warrant entitles the holder thereof to purchase one additional common share for a period of five years from closing at a price of $0.10 per common share. The fair value of the shares issued was $580,600 and a value of $290,300 was assigned to the warrants.

On August 7, 2020, the Company issued 82,233,999 common shares pursuant to the Exchange Agreements with holders of the Company's 10% convertible debentures providing for the purchase of $3,000,000 aggregate principal amount of the debentures (the "Purchased Securities"). In exchange for the Purchased Securities, the Company issued 54,822,666 common shares at a price of $0.05472 per share. Further, the Company issued 27,411,333 common shares to satisfy the aggregate interest payment of $1,500,000 (the "Accrued Interest") owing on June 30, 2020 on a pro-rata basis to the holders of the Debentures. The Company recorded a gain on debt settlement of $182,715.

On August 7, 2020, the Company issued 4,000,000 common shares with a fair value of $210,000 to settle debt of $220,000 for services rendered and recorded a gain on debt settlement of $10,000.

On August 20, 2020, the Company returned 912,532 common shares to treasury which were previously issued on May 4, 2020 to a creditor for past consulting and other services valued at $68,440 and recorded a reversal of gain on debt settlement of $18,251. The Company and the creditor have agreed to an alternative to settle the debt at a future date.

On November 11, 2020, the company closed a share for debt transaction with a certain creditor for $450,000, for past services rendered to the Company. A total of 15,000,000 common shares will issued to the creditor with a fair value of $525,000 for full satisfaction of the debt owed by the Company.

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenue ($)	Loss for the period ($)	Loss per Share (Basic & Diluted) ($)
December 31, 2018	-	(458,515)	(0.00)
March 31, 2019	-	(6,656,302)	(0.02)
June 30, 2019	-	(12,323,239)	(0.03)
September 30, 2019	-	(38,002,761)	(0.05)
December 31, 2019	3,888	(44,708,868)	(0.08)
March 31, 2020	365,035	(9,689,125)	(0.01)
June 30, 2020	457,344	(7,087,545)	(0.01)
September 30, 2020	420,732	(5,091,944)	(0.00)

RESULTS OF OPERATIONS

The Company's loss for the nine months ended September 30, 2020 was $21,503,081 compared to a loss of $56,982,302 for the nine months ended September 30, 2019. In general, for the comparative period, the Company had less activity than the current period but the Company incurred higher expenditures primarily attributable to costs related to acquisitions and share-based payments. The previous period is therefore not indicative of the current period and therefore does not provide the reader with an appropriate benchmark to evaluate performance year over year. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below for the nine months ended September 30, 2020.

- Professional fees increased to $1,853,950 from $486,223. During the period ended September 30, 2020, the Company acquired two wholly owned subsidiaries resulting in increased professionals during the due diligence phase. The Company incurred legal, accounting, and other professional fees associated with the acquisitions.
- Consulting and management fees decreased to $4,511,115 from $9,782,490 as in the previous year, the Company hired consultants and various fees in connection with the acquisitions in 2019 and 2020. The decrease reflects the completion of the acquisitions in the current year. The Company relies heavily on Consultants to achieve its goals on all facets of business and these industry consultants bring a wide range of expertise and connections to the Company. Consultants include Management, Product Development Advisors, Technical Support and other support roles. The Company continues to receive unrivalled support from its best in class joint-venture partners and industry consultants. The Company owns two state of the art Cannabis production facilities in Canada and a significant portion of the expenditures relates to consulting fees paid to various vendors on the development of the project as well as negotiations for the other downstream assets purchased during the period.
- Due diligence increased to $7,000 from $Nil as a result of the Company's acquisitions completed during the period.
- Amortization increased to $569,051 from $393,763 as the Company added new property, plant and equipment in second half of 2019 and 2020. The Company incurred the vast majority of amortization due to accounting treatment under IFRS 16 – leases, and the Company amortized its two right-of-use lease assets by $239,721. The remainder of amortization expense is from amortization of property plant and equipment and intangible asset.
- Insurance increased from $52,452 from $Nil as the Company as the Company is continuing to grow.
- Investor communications fees increased to $23,184 from $Nil as the Company increased efforts to raise investor awareness.

RESULTS OF OPERATIONS (Continued)

- Corporate development expense decreased to $897,947 from $2,943,505. Corporate development consists of expenses incurred to increase the Company's global brand awareness and presence in the Cannabis industry in multiple countries. Q2 2019 was a crucial quarter for the Company, with the Company completing numerous acquisitions during and subsequent to the period.
- Office and sundry expenses decreased to $273,291 from $278,805 which is comparable to the prior period ending September 30, 2019.
- Wages and salary increased to $1,115,163 from $Nil as the Company hired employees in the second half of 2019 and during the period ended September 30, 2020. There were no employees during the comparative period ended September 30, 2019.
- Regulatory and transfer agent fees decreased to $183,846 from $417,771 as a result of the Company's preparations in the prior period to complete regulatory filings for its acquisitions.
- Rent expense increased to $72,180 from $Nil as a result of the Company's acquisitions of certain subsidiaries where rent expenses are incurred for property taxes and insurance on their commercial leases.
- Share based compensation decreased to $2,611,683 from $37,641,588 as the Company less granted stock options to directors, officers and consultants and completed various acquisitions through share-based transactions during the period ended September 30, 2020. The Company uses share-based compensation as an alternative to incentivize the management term to return shareholder wealth and as an alternative form of payment to preserve cash.
- Transaction costs increased to $5,898,353 from $780,000 and consists of non-cash transaction paid for acquisition of SUHM.
- Other general and operating costs increased to $488,713 from $Nil mostly from operating activities in Europe.
- The Company incurred finance and other costs of $4,310,767 (2019 - $52,826). Finance costs for the period ended September 30, 2020 include interests on convertible loan payable, lease liabilities and loan payables.
- The Company incurred decreased production costs of $272,559 from $4,841,323 mostly related to its manufacturing facility in Winnipeg for edible productions during the period ended September 30, 2020. In the comparative period ending September 30, 2019, the Company incurred production cost of $4,841,323 that arose from the acquisition of 11353675 Canada Corp ("11353675"). 11353675 is partied to an exclusive partnership agreement with a Toronto-based brewery to formulate, manufacture and distribute all cannabinoid infused beverages developed by the brewery.
- The Company incurred property taxes and fees of $112,792 which are related to the properties owned by its subsidiaries during the period ended September 30, 2020.
- The Company recognized a fair value movement on convertible loan receivable of $4,553,743 which is related to a new convertible loan entered into in late 2019.
- Loss on equity accounted investments increased to $1,821,447 from $529,592 as a result of equity accounted investments reporting higher losses.
- The Company recorded $404,690 gain on debt settlement (2019: $17,537) as a result of settling debts with certain creditors during the period ended September 30, 2020.
- The Company earned revenues of $1,243,111 from $Nil from sale of consumer cannabis products where no sales had occurred in the prior year.
- The Company had $Nil gain on assets (2019: $678,097), in the comparative period ended September 30, 2019, the Company sold certain investments and recognized a gain on sale of investment of $678,097.
- The Company write-off prepaid expenses of $350,000 (2019: $Nil) as a result of certain investments becoming inactive during the period ended September 30, 2020.
- The Company wrote-off accounts receivable of $875,011 (2019: $Nil) primarily due to the CRA denying the Company of GST/HST claims.
- The Company wrote-off $48,495 of assets (2019: $Nil) as a result of the Company's subsidiary expensing certain assets during the period.

(Expressed in Canadian Dollars)

RESULTS OF OPERATIONS (Continued)

Below is a break-down of the various consulting fees incurred by the Company:

	Nine-month period ended September 30	
	2020 **$**	**2019** **$**
Management fees	1,696,712	6,965,852
Research and development consulting fees	208,388	525,000
Advisory and business development consulting fees	2,282,284	1,826,666
Marketing consulting fees	313,581	429,688
Security consulting fees	10,150	-
Legal consulting fees	-	30,284
Total	4,511,115	9,782,490

REVENUE AND COST OF SALES ANALYSIS

	Nine-month period ending September 30	
	2020 **$**	**2019** **$**
Sales	1,243,111	-
Cost of goods sold	(772,409)	-
Gross profit	470,702	-
Gross profit %	38%	-

- The Company sales include various hemp health products and cannabis to medical and recreational customers.
- Cost of goods sold include all expenditures related to the products. This includes ingredients and manufacturing costs.
- During the nine-month period ended September 30, 2020, revenues increased from $Nil to $1,243,111. In the comparative period ended September 30, 2019, the Company did not have any revenues. The Company has a gross profit % of 38% which reflects the Company's growth and initiation of sales during the current fiscal year.

LIQUIDITY

Liquidity and Capital Resources

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to execute the Company's business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise the Company's business programs depending on its working capital position.

The Company has financed its operations to date through the issuance of common shares.

	September 30, 2020 **$**	**December 31, 2019** **$**
Working capital (deficit)	(7,529,303)	(3,892,638)
Liabilities	55,851,096	41,517,146
Deficit	(134,036,667)	(123,209,175)

LIQUIDITY (CONTINUED)

Liquidity and Capital Resources (Continued)

Other than the above-mentioned current liabilities, the Company has no short-term capital spending requirements and future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's future revenues, if any, are expected to be from the sale of hemp and cannabis and their related derivatives. The economics of developing and producing cannabis are affected by many factors including the cost of operations, variations in the quality of cannabis, and the price of cannabis and related derivatives. There is no guarantee that the Company will be able to successfully develop its production facilities and distribution channels.

Liquidity and Capital Resources – Cash Flow

Operating Activities:

During the nine months ended September 30, 2020, $4,817,459 (2019 - $8,173,754) cash was used in operating activities. This consisted mainly of cash paid for consulting, corporate development, due diligence and day to day expenditures related to the various acquisitions completed during the period. Extensive due diligence was performed over the course of the nine month period for the acquisitions completed and the Company notes the overall change in the market place. In the comparative period ending September 30, 2019, the Company incurred a higher net loss due to overall higher operating activities, therefore it is reasonable that the cash used was higher comparatively.

Financing Activities:

During the nine months ended September 30, 2020, $12,068,885 (2019 - $23,983,566) of cash was provided by financing activities. The Company issued convertible loan for gross proceeds of $9,770,000, issued common shares with proceeds of $2,420,250, received government loans of $120,000, received loans from an arm's length party of $95,000 of which $80,000 was repaid during the period, and repaid lease liability of $281,365 as a result of implementation of IFRS 16 in 2019.

Investing Activities:

During the nine months ended September 30, 2020, $11,076,413 (2019 - $14,540,482) was used in investing activities. This primarily consists of payments made on investments made in PSC, and property plant and equipment and receipt of a dividend payment of $350,000. The Company is also working on funding the needs of the Company's subsidiaries.

Management's current strategy is to continue vertical integration through acquisition and partnership with different companies. The Organic Flower acquisition in Q2 and Q3 2019 and the Sanna and The Good Company acquisitions in 2020 has made the company truly vertically integrated and will allow the Company to achieve high margins on the sales of cannabis as well as expand the company's distribution capabilities. Edible prices generate extremely attractive margins and this market segment will allow the company to be very profitable. The edibles industry in the US and Canada is expected to double in the next 3 years and the Company through the Organic Flower acquisition now has assets in every part of the value chain. The Company will also issue shares to raise funds as necessary.

In the event that proceeds from any future financings are insufficient to cover planned expenditures, Management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a significant reduction in the scope of existing and planned operations.

(Expressed in Canadian Dollars)

Liquidity and Capital Resources – Cash Flow (Continued)

These financial statements do not reflect any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the condensed interim consolidated financial statements for the nine months ended September 30, 2020.

INVESTOR RELATIONS

The Company has not entered into any investor relations contracts and all investor relation activity is carried out by directors and officers of the Company.

COMMITMENTS

During the year ended December 31, 2019, the Company entered into Supply Agreement with Vendure Genetics Labs Inc. ("Vendure") to purchase from Vendure certain plants, plant matter, related plant-based products and Vendure's right, title and interest, including the intellectual property rights in the products for a purchase price of $200,000 (paid) and 281,690 common shares (issued with a fair value of $146,478). Under the agreement, the Company is committed to issue a further $200,000 worth of common shares at the time of awarding Cannabis Cultivation license, and a further number of shares equal to $150,000 per year on each of March 31, 2020, March 31, 2021, March 31, 2022, and March 31, 2023. During the period ended September 30, 2020, the Company terminated the agreement with Vendure and settled $220,000 of debt with Vendure with the issuance of 4,000,000 common shares and recorded a gain on debt settlement of $10,000.

During the year ended December 31, 2019, the Company entered into a Lease Agreement for a leased facility in Manitoba. The lease expires on May 31, 2029 and has the following estimated annual payments:

2020 – May 2024	$309,510 per annum
June 2024 – May 2029	$340,461 per annum

During the period ended September 30, 2020, the Company acquired from Sanna a right-of-use asset for the lease manufacturing facility in Ontario in the interim condensed statement of financial position as at September 30, 2020.

The lease expires on October 31, 2029 with option to extend the lease term of two additional terms of five years each and has the following estimated annual payments:

2020 – Oct 2020	$364,425 per annum
Nov 2020 – Oct 2022	$381,375 per annum
Nov 2022 – Oct 2024	$398,325 per annum
Nov 2024 – Oct 2026	$415,275 per annum
Nov 2026 – Oct 2029	$432,225 per annum

(Expressed in Canadian Dollars)

CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US$209,403 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company retained Peruvian legal counsel who advised that the Company is not responsible for this obligation.

The most recent contact from Peru indicates that the order has been dropped but the Company has not received formal notice of such release. No amounts have been recorded in the Company's books and records regarding this issue.

RELATED PARTY TRANSACTIONS

The Directors and Executive Officers of the Company as of the date of this report are as follows:

Brandon Boddy	CEO and Chairman and Corporate Secretary
Peter Nguyen	CFO
Brian O'Neill	Director
Jerry Habuda	Director
Joseph Perino	Director

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the nine months ended September 30, 2020 and 2019:

Nine months ended September 30, 2020	Consulting and Management Fees	Share-based Compensation
Legal fees paid/accrued to a private company controlled by a director	7,950	56,433
Consulting fees paid to current directors	-	112,866
Consulting fees paid/accrued to a former director	66,000	-
Consulting fees paid/accrued to a company controlled by the former Corporate Secretary	34,978	-
Consulting fees paid/accrued to a private company controlled by the CFO	56,000	-
Consulting fees paid/accrued to a private company controlled by the CEO	180,000	135,440
	$ 365,428	$ 304,739

(Expressed in Canadian Dollars)

RELATED PARTY TRANSACTIONS (CONTINUED)

Nine months ended September 30, 2019	Consulting and Management Fees	Share-based compensation
Consulting fees paid/accrued to a company controlled by the former CFO	59,955	70,355
Consulting fees paid/accrued to a private company controlled by the former CEO	3,775,483	89,128
Consulting fees paid/accrued to a private company controlled by a former director	230,000	678,127
Consulting fees paid/accrued to a director	90,000	161,956
Consulting fees paid/accrued to a private company controlled by a director	19,340	158,385
Directors	-	196,596
Former Corporate Secretary	85,200	18,449
Consulting fees paid/accrued to a private company controlled by the CFO	15,000	-
Consulting fees paid/accrued to a private company controlled by the CEO	150,000	1,005,385
	$ 4,424,978	$ 2,378,381

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At September 30, 2020, $340,019 (December 31, 2019 - $123,341) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.
IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash, marketable securities and accounts payable and accrued liabilities are measured using level 1 inputs.

(Expressed in Canadian Dollars)

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (Continued)

The following is an analysis of the Company's financial assets measured at fair value as at and September 30, 2020 and 2019:

	As at September 30, 2020		
	Level 1	**Level 2**	**Level 3**
Cash	$ 226,308	-	-
Convertible debenture receivable	-	$ 29,210,671	-
Derivative liability	-	-	$ 9,491,171
Investments	-	-	$ 67,600

	As at December 31, 2019		
	Level 1	**Level 2**	**Level 3**
Cash	$ 4,076,295	-	-
Convertible debenture receivable	-	$ 24,636,507	-
Derivative liability	-	-	$ 1,465,129
Investments	-	-	$ 88,022

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loan receivable exposes the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with the construction of its cannabis facilities in Ontario and British Columbia. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. The Company will need additional funding through equity or debt financing, or a combination thereof, to complete its facilities. Subsequent to the period end, the Company completed a non-brokered private placement offering of 11,612,000 units of the Company at a price of $0.075 per Unit for gross proceeds of $870,900. Each Unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $0.10 per share. The proceeds of the Offering are planned to be used by AgraFlora for general ongoing working capital and corporate purposes.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (Continued)

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. The Company does not have significant items in other currencies.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, and the experience of management. The Company is not subject to any external covenants on its capital.

ADDITIONAL SHARE INFORMATION

As at the date of this MD&A, the Company had 1,490,807,232 common shares outstanding, 428,948,300 warrants outstanding with exercise prices ranging from $0.05 to $0.65 and expiring at various dates to May 25, 2025 and 122,490,000 stock options outstanding with exercise prices ranging from $0.075 to $0.460 and expiring at various dates to April 30, 2025.

NEW SIGNIFICANT ACCOUNTING POLICIES

Amendments to IFRS 3, Business Combinations ("IFRS 3")
In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business.

The amendments are effective for business combinations and asset acquisitions occurring on or after January 1, 2020.

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

OTHER RISKS AND UNCERTAINTIES

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's interests.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments.

Risks Related to the Company's Business

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

Reliance on Licensing

The ability of the Company to continue its business of growth, storage and distribution of medical marijuana is dependent on the good standing of all licenses, including the licenses to produce and sell cannabis and hemp derivatives, and adherence to all regulatory requirements related to such activities. Any failure to comply with the terms of the licenses, or to renew the licenses after their expiry dates, would have a material adverse impact on the financial condition and operations of the business of the Company.

Although the Company believes that it will meet the requirements of future extensions or renewals of the licenses, there can be no assurance that the regulating bodies will extend or renew the licenses, or if extended or renewed, that they will be extended or renewed on the same or similar terms. Should the regulatory bodies not extend or renew the licenses, or should they renew the licenses on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Change in Law, Regulations and Guidelines

The Company's business is subject to a variety of laws, regulations and guidelines relating to marketing, distribution, cultivation, management and sale and disposal of medical marijuana but also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Company's operations. The Liberal Party of Canada, which has formed the current federal Government of Canada, has made electoral commitments to legalize, regulate and tax recreational cannabis use in Canada. On April 13, 2017, the Government of Canada introduced the Cannabis Act. On June 19, 2018, Prime Minister Justin Trudeau announced that the Cannabis Act and its regulations will come into force in Canada on October 17, 2018, on order to provide the provinces and territories time to prepare for retail sales. The Cannabis Act passed its final legislative step and received Royal Assent on June 21, 2018. The legislative framework pertaining to the Canadian recreational cannabis market will be subject to significant provincial and territorial regulation.

Regulatory Risk

Achievement of the Company's business objectives are contingent, in part, upon compliance with the regulatory requirements, enacted by these government authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operation and financial condition.

Realization of Growth Targets

The Company's ability to produce marijuana is affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in materials or labour costs, construction performance falling below expected levels of output or efficiency, environmental pollution, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labour disputes, as well as factors specifically related to indoor agricultural practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on the facility, such as fires, explosions, earthquakes or storms.

Limited Operating History and No Assurance of Profitability

The Company is subject to all of the business risks and uncertainties associated with any early stage enterprise, including under-capitalization, cash shortages, limitation with respect to personnel, financial and other resources, and lack of revenues. The Company has incurred operating losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future.

In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

Unfavorable Publicity or Consumer Perception

The success of the medical marijuana industry may be significantly influenced by the public's perception of marijuana's medicinal applications. Medical marijuana is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favorable. The medical marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on our operational results, consumer base and financial results.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Additional Financing

There is no guarantee that the Company will be able to execute on its strategy. The continued development of the Company may require additional financing. The 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 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.

Uninsured or Uninsurable Risk

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Key Personnel

The Company's success will depend on its directors' and officers' ability to develop and execute on the Company's business strategies and manage its ongoing operations, and on the Company's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants now that production and selling operations have begun. The loss of any key personnel or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

Strategic Alliances

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

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

New Product Development

The medical cannabis industry is, and the recreational cannabis industry will be, in its early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

Litigation

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. While the Company has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.

Agricultural Operations

Since the Company's business will revolve mainly around the growth of medical marijuana, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and insect pests, among others. Although the Company expects to grow its product in a climate controlled, monitored, indoor location, there is no guarantee that changes in outside weather and climate will not adversely affect production. Further, any rise in energy costs may have a material adverse effect on the Company's ability to produce medical marijuana.

Transportation Disruptions

The Company will depend on fast, cost-effective and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the courier service used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Fluctuating Prices of Raw Materials

The Company's revenues will be derived from the production, sale and distribution of marijuana. The price of production, sale and distribution of marijuana will fluctuate widely due to how young the marijuana industry is and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Growth Expansion Efforts

There is no guarantee that the Company's intentions to acquire and/or construct additional cannabis production and manufacturing facilities in Canada and in other jurisdictions with federal legal cannabis markets, and to expand the Company's marketing and sales initiatives will be successful. Any such activities will require, among other things, various regulatory approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all. There is also no guarantee that the Company will be able to complete any of the foregoing activities as anticipated or at all. The failure of the Company to successfully execute its expansion strategy (including receiving required regulatory approvals and permits) could adversely affect the Company's business, financial condition and results of operations and may result in the Company failing to meet anticipated or future demand for its cannabis-based pharmaceutical products, when and if it arises. Moreover, actual costs for construction may exceed the Company's budgets. As a result of construction delays, cost overruns, changes in market circumstances or other factors, the Company may not be able to achieve the intended economic benefits from the construction of the new facilities, which in turn may materially and adversely affect its business, prospects, financial condition and results of operations.

Execution of Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the results of operations, business prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Market Risk for Securities

The market price for the Common Shares of the Company could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of the early stage of the industry in which the Company intends to operate, the Company expects to face additional competition form new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To be competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially affect the business, financial condition and results of operations of the Company.

Global Economy

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares on the Exchange.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the SEDAR at www.sedar.com.