



AGRA VENTURES LTD.

Management's Discussion and Analysis

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

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(Expressed in Canadian Dollars)

Date: May 1, 2023

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Agra Ventures Ltd. ("AGRA" or the "Company") for the years ended December 31, 2022 and 2021 should be read in conjunction with the consolidated financial statements and accompanying notes for the years ended December 31, 2022 and 2021, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). On July 26, 2021, the Company changed its name to Agra Ventures Ltd. from AgraFlora Organics International Inc.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the 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 May 1, 2023. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

The Company undertook a share consolidation on a 150:1 basis in August 2021. The effects of that share consolidation have been applied retrospectively to all share and per share amounts in this MD&A.

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 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".

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OVERVIEW

The Company was incorporated on June 24, 2004 under the laws of the Province of British Columbia. It currently trades on the Canadian Stock Exchange (the "CSE") under the symbol "AGRA". The Company also trades on the OTC Pink Sheets ("OTC") under the symbol "AGFAF". The Company is focused on the cannabis industry. It owns a 70% interest in Propagation Services Canada Inc. ("PSC"), which currently utilizes approximately 140,000 square feet of a 2.2 million square foot greenhouse complex in Delta, B.C. (the "Delta Facility").

Effective on September 17, 2021, the Company changed its auditor from Dale Matheson Carr-Hilton Labonte LLP to Baker Tilly LLP.

OVERALL PERFORMANCE

During the year ended December 31, 2022, the Company settled some of the convertible debenture payables through the conversion features exercised by the convertible debenture payables holders totaling \$4,370,000 of the principal amounts, and also recognized a gain on debt modification relating to the extension of the maturity date on the convertible debenture payables. The Company also recovered \$382,669 from its sale of subsidiaries in the prior year and sold some of its marketable securities for gross proceeds of \$8,312. Additionally, the Company appointed Mr. Nick Kuzyk as the CEO and Director of the Company and Mr. Anthony Carnevale as Director of the Company. Mr. David Grand resigned as the CEO, Director and Chair of the Board and Ms. Elise Coppens resigned as CEO, Director and Chair of the Board. Mr. Jerry Habuda, Mr. Joseph Perino and Mr. Brian O'Neill resigned as Directors of the Company.

Propagation Services Canada

As at December 31, 2022 and the date of this MD&A, the Company controls 70% of PSC. The Company's investment in PSC includes access to the Delta Facility, which is widely considered to be one of the most technically advanced and environmentally friendly greenhouse operations in the world.

On May 19, 2020, PSC secured a Standard Cultivation License from Health Canada.

In 2020, PSC 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. The Delta facility had its first product available for sale this fiscal year 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. In the prior year, the Company received the test result from the four successful batches that comprise the recent crop of cannabis grown and harvested at its Delta greenhouse complex. For the Mimosa strain, as an example, the THC level was reported to be 21.17%, with accompanying CBD and moisture levels appropriate for the sample.

In 2021, the Company engaged a Master Growing Consultant to assist it with the development of Boundary Bay Cannabis products at the Delta greenhouse complex.

On February 9, 2022, PSC recorded over \$318,000 in revenue from the sale of dried cannabis flower on a wholesale basis over the two-month period from December 7, 2021 to February 8, 2022. For the year ended December 31, 2022, PSC recorded revenues of \$1,718,123.

During the year ended December 31, 2022, the Company recognized an impairment of its 70% equity interest in the Propagation Services Canada ("PSC") joint venture, as a result of the termination of the management agreement by the operator of PSC. Should the sale of the investment in PSC not follow, the Company's intention is to consider abandoning its interest in the joint venture. Thus, the sale of interest meets the definition of a discontinued operation per IFRS *Non-current assets held for sale and discontinued operations, the results of the discontinued operations* for the years ended December 31, 2022 and 2021 are disclosed in Note 11 of the consolidated financial statements for the year ended December 31, 2022.

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AgraFlora Europe GmbH (formerly 'The Good Company GmbH')

The Company acquired 100% of the issued and outstanding shares of AgraFlora Europe GmbH ("AgraFlora Europe"). AgraFlora Europe 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.

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 was arranged to function as a European distribution hub for the Company's medical cannabis flower.

In 2021, Farmako began supplying STADAPHARM GmbH ("STADAPHARM") with its proprietary tetrahydrocannabinol ("THC") Testkits (the "THC Testkits") and also offered a new model (the "New Testkit") that tests for both THC and cannabidiol ("CBD"). In late 2021, Farmako also conducted the first commercial import of cannabis extracts from Poland to Germany, which is the largest medical cannabis market in Europe. Separately, Farmako signed a large wholesale contract for its THC Testkits with a cannabis producer that will offer the Testkits together with their own cannabis products.

As of 2022, Farmako is well positioned to benefit from Germany's planned legalization of recreational cannabis. The legalization of recreational cannabis in Germany would enable Farmako to expand its offering of cannabis extracts and dried flower as well as CBD and THC Testkits.

OUTLOOK

The Company primarily operates within the challenged economic landscape that currently is the Canadian recreational cannabis industry. Its near-term outlook includes focusing on the collection of receivables to increase the stability of its current cash position.

Additionally, the Company is positioned to earn approximately 43% of up to two additional share-based earnout milestone payments relating to the sale of its Edibles & Infusions Corp. ("EIC") subsidiary in the prior year. The two potential EIC milestone payments are: \$7,000,000 in common shares of Organigram upon EIC earning \$15,000,000 in net revenue during the 12 months ended December 31, 2022 and \$2,500,000 in common shares of Organigram on the generation of \$7,000,000 in adjusted earnings before interest, taxes, depreciation and amortization for the 12 months ended December 31, 2022.

The Company remains open to business opportunities including but not limited to acquisitions, divestitures, joint ventures, partnerships and other such transactions or commercial arrangements. However, the Company intends to exit the PSC joint venture by selling its interest in 2023.

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EQUITY TRANSACTIONS

On February 9, 2022, the Company issued 552,609 common shares with a fair value of \$262,489 to the former President and CEO of Sanna and cash of \$200,000 to settle debts of \$450,000. The Company recorded a loss on debt settlement of \$12,489.

On March 17, 2022, the Company issued 26,698 common shares with a fair value of \$10,946 to settle interest payments of \$10,946 with a creditor of the Company and recognized \$Nil gain or loss on debt settlement.

On April 5, 2022, the Company satisfied the aggregate accrued interest on the convertible debentures of \$2,100,000 by the issuance of 1,200,000 common shares with a fair value of \$468,000 pursuant to the Second Amendment and recognized a gain on debt settlement of \$1,632,000.

On June 2, 2022, the Company issued 54,636 common shares with a fair value of \$5,190 to settle interest payments of \$5,190 with a creditor of the Company and recognized \$Nil gain or loss on debt settlement.

On August 11, 2022, the Company issued 240,420 common shares with a fair value of \$4,808 to settle interest payments of \$4,808 with a creditor of the Company and recognized \$Nil gain or loss on debt settlement.

On October 7, 2022, the Company granted 8,885,187 Restricted Share Units to Directors and Officers of the Company for a total fair value of \$88,852. All of the Restricted Share Units ("RSUs") vest immediately and expire 5 years after the grant date.

On October 7, 2022, the Company issued 6,663,890 common shares on conversion of RSUs. On conversion of the RSUs, the Company transferred \$66,639 from share-based payment reserves.

On October 25, 2022, the Company issued 911,590 common shares with a fair value of \$13,674 to settle interest owed to a creditor of the Company and recognized \$Nil gain or loss on debt settlement.

During the year ended December 31, 2022, pursuant to the Second Amendment, the Company issued an aggregate of 84,580,670 common shares on conversion of the convertible loans with a fair value of \$3,128,719 pursuant to the conversion of \$4,370,000 of convertible debentures and also satisfied aggregate interest of \$520,758 on the conversions and recognized a gain on debt settlement of \$1,762,040.

During the year ended December 31, 2022, the Company issued a total of 1,785,953 common shares with a fair value of \$297,108 to settle debts.

During the year ended December 31, 2022, an amount of \$467,354 was transferred from option reserve to accumulated deficit for options expired.

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SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for the last three fiscal years as follows, as expressed in Canadian dollars:

	As at December 31, 2022 (\$)	As at December 31, 2021 (\$)	As at December 31, 2020 (\$)
Total revenues	673,416	928,208	1,491,678
Net loss	41,934,737	2,413,719	103,203,264
Comprehensive loss	41,969,746	2,354,780	103,195,077
Net loss per share	(0.77)	(0.20)	(11.83)
Total assets	1,094,736	46,216,990	61,732,883
Total liabilities	20,033,183	27,168,370	58,004,320

During the year ended December 31, 2022, the Company recorded gains on debt settlement of \$3,381,551, a gain on modification of debt of \$1,529,911, a gain on fair value movement of investments of \$16,790, realized losses of \$1,528 on sale of marketable securities, recovered \$382,669 from sale of subsidiaries from the prior year, impaired intangible assets by \$802,261, impaired investments by \$15,612,428, recorded provision on loan receivable of \$18,088,318, and wrote-off investments of \$1,288,600 which increased its overall net loss for the year. In the prior year, the Company incurred sold subsidiaries which reduced its net assets and recorded gains on sale, recorded transaction costs for amendment of a prior year agreement, recorded gains on debt settlement, gains on extinguishment of debt, and recorded a gain on fair value movement of investments.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Total Assets (\$)	Revenue (\$)	Comprehensive Income (loss) for the period (\$)	Income (loss) per Share (Basic & Diluted) (\$)
March 31, 2021	63,699,380	306,220	2,242,443	0.21
June 30, 2021	49,726,879	285,638	(3,576,877)	(0.30)
September 30, 2021	47,675,400	183,317	(356,102)	(0.03)
December 31, 2021	46,216,990	153,033	(664,244)	(0.05)
March 31, 2022	43,841,189	181,617	1,442,190	0.11
June 30, 2022	40,187,585	137,174	(4,065,581)	(0.14)
September 30, 2022	37,443,603	172,794	(2,363,181)	(0.03)
December 31, 2022	1,094,736	181,831	(36,983,174)	(0.35)

Fluctuations in assets are mostly due to cash from financing activities and the acquisition of certain businesses and assets during a specific quarter. The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the availability of funding from investors or collaboration partners. A substantial decline in the Company's total assets and the significant increase in comprehensive loss for the quarter ended December 31, 2022 is a result of the impairment of investment, provisions on loan receivable, impairment of intangible assets, and write-off of accounts receivable in the quarter.

RESULTS OF OPERATIONS

The Company's net and comprehensive loss for the year ended December 31, 2022 was \$41,969,746 compared to a net and comprehensive loss of \$2,354,780 for the year ended December 31, 2021. In general, for the comparative period ending December 31, 2021, the Company had a higher gross margin due to higher revenues, had higher general and administrative costs and recorded overall gains in other items which resulted in a lower comprehensive loss. In the current period the Company recorded gains on debt modification and unrealized losses on marketable securities, and also recorded write-off of amounts receivable, write-off of investments, impairment on intangible assets, impairment of investments and provisions on loans receivable which contributed to a higher comprehensive loss. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below for the year ended December 31, 2022:

- Professional fees decreased to \$635,392 from \$2,020,510. During the period ended December 31, 2021, the Company completed one acquisition and incurred costs relating to transactions for the sale of its subsidiaries.
- Consulting and management fees decreased to \$631,394 from \$1,360,433. 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 decrease during the current period relates to a decrease in complex transactions as compared to the prior year comparative period and the Company's efforts to reduce cash spent as a cost-saving measure.
- Amortization decreased to \$145,524 from \$368,721 as the Company sold SUHM in the prior year and derecognized the Right of Use asset associated with the Manitoba lease and the Company terminated its Ontario lease in the current period. The Company incurred the vast majority of amortization due to accounting treatment under IFRS 16 – leases, and the Company amortized its right-of-use lease asset. The remainder of amortization expense is from amortization of property and equipment and intangible assets.
- Development and compliance expense decreased to \$1,413 from \$36,401. Development and compliance expenses incurred relate to the Company's costs to ensure it is compliant with the various jurisdictions of its operations. More compliance costs were incurred in the prior year related to the transactions that occurred.
- Corporate development expense decreased to \$47,798 from \$236,811. Corporate development consists of expenses incurred to increase the Company's global brand awareness and presence in the Cannabis industry in multiple countries. In the prior year, the Company completed an acquisition and sold two of its subsidiaries. During the year ended December 31, 2022, the Company has reduced its corporate development expense as a cost-cutting measure.
- Office and sundry expenses decreased to \$65,374 from \$191,648. The decrease is a result of the Company's efforts to reduce cash spent as a cost-saving measure.
- Wages and salary decreased to \$254,800 from \$579,470 as the Company recovered some costs of wages and salaries per the Supply Agreement with Farma C. Additionally, in the prior year the Company sold its investment in SUHM, which further explains the decrease in the current period.
- Regulatory and transfer agent fees increased to \$176,834 from \$158,930 as a result of the Company's preparations in the prior period to complete regulatory filings for its acquisitions and the shares issued. The increase is not material, the two periods are comparable.
- Rent expenses increased to \$62,000 from rent recoveries of \$17,535 in the prior period as a result of the Company's Supply Agreement with Farma C relating to the sale of SGSC. In the current period, the Company terminated the Ontario lease and has thus no longer recovered any additional rent expenses.
- Transaction costs decreased to \$Nil from \$6,023,229, transaction costs in the prior year consisted of non-cash transaction paid for costs of prior year acquisitions of Organic Flower.
- Other general and operating costs decreased to \$174,623 from \$362,750 and consist mostly of operating activities in Europe. A decrease is expected as the Company sold two subsidiaries in the prior year, and no longer incurs costs from those subsidiaries.

RESULTS OF OPERATIONS (CONTINUED)

- The Company incurred decreased production costs of \$Nil from \$28,193. Costs in the prior year comparative period related to the Winnipeg facility, which was sold as part of the sale of SUHM in the prior year.
- The Company incurred property taxes and fees of \$Nil, a decrease from \$304,882 in the prior period. The decrease is due to the sale of SUHM which was completed in the prior year, the Company has not incurred other property taxes and fees in the current period.
- Insurance costs decreased to \$51,064 from \$112,966 in the prior period as a result of the sale of two of the Company's subsidiaries in the prior year.
- The Company incurred share-based compensation of \$88,852 from \$Nil in the prior period as a result of the issuance of RSUs during the year.
- Loss on equity accounted investments increased to \$Nil from \$77,844 as a result of the losses recorded in the Company's equity accounted investments. The Company sold its investment in JJ Wolf in the prior year, which explains the decrease in losses for the current period.
- Fair value movement gain on investments increased to \$16,790 from \$195,351 as a result of the foreign exchange differences for the Twenty One investment in the current period. In the prior year, the Company recorded a fair value gain as a result of the revaluation of the convertible loan receivable.
- The Company recorded a \$3,381,551 gain on debt settlement (2021: \$13,578,840). In the prior year, the Company settled debts with certain creditors and convertible debenture holders converted their debentures to shares of the Company which resulted in the gain. In the current period, the Company has settled amounts owed to a former related party of Sanna and interest expenses owed to a creditor, and holders of convertible debentures of the Company converted their debentures into common shares.
- The Company recorded a \$1,529,911 gain on debt modification (2021: \$Nil) as a result of the extension of the maturity date of convertible debentures.
- The Company earned decreased revenues of \$673,416 from \$928,208 from sale of consumer cannabis products, which had costs of \$369,449 and \$522,985 respectively. In the current period, the Company has not been able to earn higher revenues as a result of the current global economic situation.
- The Company wrote off accounts receivable of \$225,699 (2021: \$19,180) primarily due to amounts receivable from Farma C which were deemed uncollectible and the CRA denying the Company of GST/HST claims. In the prior period, the write-off consisted of denied GST/HSTs only.
- The Company recorded \$247,400 for write-off of accounts payable (2021: \$384,822) as a result of the Company writing off statute-barred accounts payable.
- The Company recorded interest income of \$657,651 (2021: \$649,789) as a result of interest earned on its loan receivables during the year.
- The Company recorded government grant revenue of \$23,746 (2021: \$70,147) as a result of the Company receiving government CEBA loans during the year ended December 31, 2020 and recording the revenue earned during the period. Additionally, the Company repaid one of its loans and recognized the government grant revenue on repayment in the prior year which results in a lower government grant revenue in the current period.
- The Company recorded royalty revenues of \$52,600 (2021: \$155,025) as a result of the Royalty Agreement with Farma C relating to the sale of SGSC and the Farma C Supply Agreement with SGSC in 2020.
- The Company recognized a loss on write-off of inventory of \$18,160 (2021: \$Nil) as a result of damage or obsolescence of its inventories.
- The Company recorded a loss on sale of marketable securities of \$1,528 (2021: \$1,275,473) as a result of the sale of marketable securities.
- The Company recorded an unrealized loss of marketable securities of \$664,813 (2021: \$Nil) as a result of the change in fair value of the securities during the period.
- The Company recorded a gain on termination of lease of \$159,614 (2021: \$Nil) as a result of the termination of the Ontario lease.
- The Company recorded a loss on write-off of investments of \$1,288,600 (2021: \$Nil) as a result of the termination of the Twenty One agreement.

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RESULTS OF OPERATIONS (CONTINUED)

- The Company recovered \$382,669 (2021: \$Nil) from tax and GST/HST refunds of Edibles through the sale of SUHM in the prior year.
- The Company recorded impairment of \$802,261 (2021: \$550,098) on property and equipment, intangible assets and goodwill. In the current period, the Company impaired its intangible assets held by Sanna to \$Nil as a result of the subsidiary being essentially inactive. In the prior year, the Company recognized impairment losses on assets held by AgraFlora Europe and Agra Holdings.
- The Company recorded a gain on sale of subsidiary of \$Nil (2021: \$4,110,527) as a result of the sale of its remaining ownership in SUHM Investments Inc. to OGI and the sale of 100% of its shares of AAA Heidelberg Inc. to a third party in the current period.
- The Company recorded a gain on disposal of \$Nil (2021: \$938,031) as a result of selling various property, plant and equipment. In the prior period, the Company sold its Ontario for a discharge of its mortgage to the lender for a gain of \$938,031 disposed of other property, plant and equipment.
- The Company recognized a loss on sale of investments of \$Nil (2021: \$475,212) as a result of the sale of its 50% ownership of JJ Wolf in the prior year.
- The Company recognized a gain on lease forgiveness of \$Nil (2021: \$126,875) as a result of the lessor of the Ontario lease forgiving certain amounts of the lease payments due to COVID-19 in the prior year.
- The Company recorded an impairment of investment of \$15,612,428 (2021: \$Nil) as a result of the termination of the PSC management agreement.
- The Company recorded a provision on loan receivable of \$18,088,318 (2021: \$Nil) as a result of the impairment of the convertible loan receivable of \$945,351 and the loan receivable from PSC of \$17,142,967. The Company determined that the convertible loan receivable was uncollectible at year end, and the loan receivable from PSC was impaired due to the termination of the management agreement.
- The Company recorded a write-off of \$25,350 (2021: \$Nil) for prepaid expenses as the services were no longer expected to be received.

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

	Year ended December 31,	
	2022	2021
	\$	\$
Management fees	469,622	507,618
Advisory and business development consulting fees	120,682	799,654
Marketing consulting fees	41,090	53,161
Total	631,394	1,360,433

REVENUE AND COST OF SALES ANALYSIS

	Year ended December 31,	
	2022	2021
	\$	\$
Sales	673,416	928,208
Cost of goods sold	(369,449)	(522,985)
Gross profit	303,967	405,223
Gross profit %	45%	44%

- The Company sales include various hemp health products and cannabis to pharmacies, medical and recreational customers. The majority of the sales were earned in the Company's subsidiary, AgraFlora Europe.
- Cost of goods sold include all expenditures related to the products. This includes ingredients and manufacturing costs, as well as cost of purchasing the products.

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REVENUE AND COST OF SALES ANALYSIS (CONTINUED)

- The Company's revenues decreased to \$673,416 from \$928,208 in the prior period. The Company has a gross profit percentage of 45%, which reflects the current state of the economy and the market the Company operates in, which has been impacted by the global economic situation. Despite the economic challenges, the Company has been able to slightly improve its gross profit percentage in the current year, due to the Company being able to manage its inventories proportionate to the expected sales.

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.

	December 31, 2022	December 31, 2021
	\$	\$
Working capital (deficit)	(18,938,447)	(20,194,836)
Total liabilities	20,033,183	27,168,370
Deficit	(247,710,719)	(206,243,336)

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 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 period ended December 31, 2022, \$1,873,264 (2021 - \$6,219,327) cash was used in operating activities. This consisted mainly of cash paid for consulting, corporate development, and day to day expenditures related to the various transactions and acquisitions completed during the period. In the comparative period, the Company had more non-cash transactions, including settlement of debt by the issuance of common shares, gains on modification of debt, impairment of investments, provision on loans receivable, impairment of property and equipment, goodwill and intangible assets, unrealized losses on marketable securities, write-off of investments, and write-off of amounts receivable. Additionally, \$6,291,709 (2021: \$4,086,946) of losses included in the Company's income statement are from discontinued operations. The Company spent more cash in the prior year comparative period to pay vendors and repay creditors.

LIQUIDITY (CONTINUED)

Liquidity and Capital Resources (Continued)

Financing Activities:

During the period ended December 31, 2022, \$382,669 cash was provided by financing activities (2021 - \$1,136,331) which consists of cash recovered from Edibles' tax and GST/HST returns from the prior year SUHM sale. In the prior year comparative period, the Company repaid lease liabilities of \$180,662 and received loan proceeds of \$308,000 and received cash of \$998,168 for the sale of subsidiaries and a corporate tax refund of \$10,825. In the prior year, the Company also sold its investment in SUHM and thus derecognized the lease liability recorded in Edibles. In the current period, the Company did not make any payments for its Ontario lease held by Sanna and has terminated the lease.

Investing Activities:

During the period ended December 31, 2022, \$1,263,498 was used in investment activities (2021 - \$7,843,024 received from investment activities). In the current period, the Company paid \$1,271,810 (US\$1,000,000) to acquire 15.38% of Twenty One which was also terminated during the period and received \$8,312 from the sale of marketable securities. In the prior year comparative period, the Company spent \$8,393 on equipment, purchased \$23,000 in patents, purchased marketable securities of \$1,250,000, purchased convertible notes of \$750,000, received \$9,224,417 from the sale of marketable securities, and received proceeds of \$650,000 from the sale of JJ Wolf equity accounted investments.

Management's current strategy is to continue vertical integration through acquisition and partnership with different companies. The Organic Flower acquisition in 2019 and the Sanna and AgraFlora Europe 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.

The Company also anticipates receipt of earnout milestones in 2023 related to the sale of Edibles through the sale of SUHM Investments Inc. in the prior year.

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.

The consolidated 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 consolidated financial statements for the year ended December 31, 2022.

AGRA VENTURES LTD.
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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, 2020, the Company acquired from Sanna a right-of-use asset for a leased manufacturing facility in Ontario. On April 2, 2022, the Ontario lease for Sanna was terminated and the Company no longer has commitments for lease amounts subsequent to the termination.

Legal Claims

The Company had legal claims related to Sanna's past termination of its former President and CEO before Sanna was acquired by the Company. The former President and CEO was claiming accrued and unpaid amounts of \$137,976, total damages of \$1,300,000, and entitlement to 6,000,000 restricted share units and 6,800,000 fully-vested shares (with a strike price of \$0.16) in Sanna, as well as punitive damages of \$250,000. During the year ended December 31, 2022, the Company settled outstanding legal claims totaling \$450,000 with the former President and CEO through the issuance of common shares and payment of cash.

Release of Claims

On March 17, 2021, an arm's length consultant (the "Consultant") acknowledged receipt and sufficiency of the payment of \$27,500 ("settlement amount") from the Company and/or AAA Heidelberg Inc., and the issuance of 2,467 common shares of the Company (issued in the prior year). The Consultant released the Company and AAA Heidelberg Inc. and their respective officers, directors, shareholders, agents from any and all claims, liens, demands, contracts, debts, actions, and causes of action that the Consultant has, shall, or may have in connection with:

- i) the design and construction of a medical cannabis facility;
- ii) the agreement for consulting, construction and design services; and
- iii) the Claim for Lien registered by the Consultant against the Project Lands on April 16, 2020.

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.

AGRA VENTURES LTD.
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RELATED PARTY TRANSACTIONS

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

Nick Kuzyk	CEO and Director
Elise Coppens	Former CEO and Director
David Grand	Former CEO and Director
Fiona Fitzmaurice	CFO and Director
Brandon Boddy	Former CEO and Chairman and Corporate Secretary
Peter Nguyen	Former CFO
Anthony Carnevale	Director
Brian O'Neill	Former Director
Jerry Habuda	Former Director
Joseph Perino	Former 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 periods ended December 31, 2022 and 2021:

Year ended December 31, 2022		
	Share-based Payments	Consulting and Management Fees
	\$	\$
Consulting fees paid/accrued to a private company controlled by the CFO	28,877	85,400
Directors 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	28,877	88,725
Consulting fees paid/accrued to a private company controlled by the former CEO	-	28,250
Directors fees paid/accrued to a private company controlled by a Director	8,885	6,000
Consulting fees paid/accrued to a private company controlled by the former CEO	22,213	135,600
	88,852	399,975
Year ended December 31, 2021		
	Share-based Payments	Consulting and Management Fees
	\$	\$
Consulting fees paid/accrued to a private company controlled by the former CFO	-	42,500
Consulting fees paid/accrued to a private company controlled by the CFO	-	36,160
Consulting fees paid/accrued to a private company controlled by the former CEO	-	226,000
	-	304,660

RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand. At December 31, 2022, \$162,148 (December 31, 2021 - \$74,641) 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 is measured using level 1 inputs and marketable securities are measured using level 2 inputs.

For the Company's derivative liabilities at level 3, the fair value was determined on a binomial lattice methodology considering both expected values with and without the conversion features of the derivative liabilities. The inputs used were the stock price on the valuation date, the risk-free rate, and a risk-adjusted discount rate, dividend yield, stock volatility and trading restrictions.

For the Company's convertible loan receivable at level 3 as of December 31, 2021, the fair value of the debt component of the convertible loan receivable was calculated using the present-value of future cash flows, using the coupon interest of 10% per annum and a discount rate of 12.42%. The convertibility feature was valued using a Binomial Tree model, using the stock price of the issuer of \$1.00 AUD, stock volatility of 60.8%, a risk-free-rate of 0.09%, remaining life estimated between 0.667 and 1.0 years of the convertible loan receivable, a strike price between \$0.75 and \$1.00, and the number of options for the convertible loan receivable of 814,500. During the year ended December 31, 2022, management assessed the collectability of the convertible loan receivable as low and impaired the convertible loan to \$Nil as management assessed the collectability of debt component to be low, and convertibility feature has expired.

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

At December 31, 2022, the Company's loans receivable have carrying values that approximate their recoverable amounts. As at December 31, 2021, the loan receivable from PSC approximated its fair value, as the interest free loan has been discounted at a market rate of interest for a similar loan of 15%, and is being accreted over the term using the effective interest rate method. During the year ended December 31, 2022, the Company recognized a provision on the loan receivable from PSC of \$17,142,967 as a result of the discontinued operations of the PSC investment and impaired the loan receivable to \$Nil.

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

	As at December 31, 2022		
	Level 1	Level 2	Level 3
Cash	\$ 304,255	-	-
Marketable securities	\$ 75,347	\$ 500,000	-
Derivative asset	-	-	-
Convertible loan receivable	-	-	-
Derivative liabilities	-	-	\$ 28

	As at December 31, 2021		
	Level 1	Level 2	Level 3
Cash	\$ 3,093,357	-	-
Marketable securities	-	\$ 1,250,000	-
Derivative asset	-	-	\$ 203,157
Convertible loan receivable	-	-	\$ 742,194
Derivative liabilities	-	-	\$ 28

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, convertible loan receivable and loans receivable. The Company's maximum exposure to credit risk associated with those financial instruments is \$304,255, being the face value of those instruments at December 31, 2022 (December 31, 2021 - \$18,997,274). The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The Company actively manages its exposure to credit risk, reducing the amount and duration of credit exposures, through close monitoring of relevant accounts. The Company's management of credit risk has not changed materially from that of the prior year.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company must raise 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. Cash on hand at December 31, 2022 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs for the coming year. The Company will need additional funding through equity or debt financing, or a combination thereof, to complete its facilities. The Company's management of liquidity risk has not changed materially from that of the prior year.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates, and commodity and equity prices.

a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For the Company, 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 a change in fair value of the financial instruments. Assuming all other variables remain constant, a 1% (December 31, 2021 – 1%) change in the interest rate would result in approximately increase of \$8,796 (December 31, 2021 – increase of \$50,855) in interest expense in the consolidated statement of comprehensive loss.

b) *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 currencies. One of the Company's subsidiary's business is primarily conducted in Euros. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar and the Euro. Assuming all other variables remain constant, a 15% (December 31, 2021 – 15%) weakening or strengthening of the Euro against the Canadian dollar would result in approximately \$4,410 (December 31, 2021 - \$15,350) foreign exchange loss or gain in the consolidated statement of comprehensive loss. The Company has not hedged its exposure to currency fluctuations.

c) *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate or foreign currency risk). The Company's investments in marketable securities were with entities that did not have their shares listed on a stock exchange at December 31, 2021. The Company is exposed to risk of loss of those investments in the amount recorded on the consolidated statement of financial position, should those investments become listed on a stock exchange and suffer a decline in fair value, and or fail to have a market develop where those investments can be sold.

During the year ended December 31, 2022, the Company had investments with entities that had shares listed on a stock exchange. Based upon the Company's investment portfolio at December 31, 2022, a 75% increase or decrease in the fair value of the securities held would result in an increase/decrease to profit or loss of approximately \$18,837.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (Continued)

Market risk (continued)

d) 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 shareholders' deficit, which totaled \$18,938,447 at December 31, 2022 (December 31, 2021 – equity of \$19,048,620). 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

On August 27, 2021, the Company completed a share consolidation where all of its issued and outstanding share capital were consolidated on the basis of one (1) post-consolidation share for each one hundred and fifty (150) pre-consolidation common shares of the Company.

As at the date of this MD&A, the Company had 132,858,797 common shares outstanding, 2,284,710 warrants outstanding with exercise prices ranging from \$15.00 to \$22.50 and expiring at various dates to July 8, 2025; 709,266 stock options outstanding with exercise prices ranging from \$11.25 to \$69.00 and expiring at various dates to April 30, 2025; and 2,221,297 RSUs outstanding with expiry dates of October 7, 2027.

Subsequent to the year ended December 31, 2022, 44,444 warrants with an exercise price of \$75 expired without being exercised.

On January 25, 2023, the Company issued 2,856,449 common shares with a fair value of \$28,564 to settle interest owed to a creditor.

On March 2, 2023, the Company issued 22,383,332 common shares with a fair value of \$223,833 pursuant to the Second Amendment of conversion of convertible debentures of \$1,119,167, including interest of \$111,917.

On April 24, 2023, the Company's Board of Directors approved the issuance of 3,079,774 common shares with an approximate fair value of \$15,399 to settle interest owed to a creditor. The shares have not yet been issued as of the date of these consolidated financial statements.

NEW SIGNIFICANT ACCOUNTING POLICIES

The Company continues to review changes to IFRS standards. There are no pending IFRSs or IFRIC interpretations that are expected to be relevant to 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.

OTHER RISKS AND UNCERTAINTIES (Continued)

Going concern

The Company's consolidated 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 cannabis 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.

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 cannabis 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, in 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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Realization of Growth Targets

The Company's ability to produce cannabis through the joint venture 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 revenue. 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, if the Company's revenues do not increase to offset its costs and operating expenses, then 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 cannabis industry may be significantly influenced by the public's perception of cannabis' medicinal applications. Medical cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical cannabis will be favorable. The medical cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical cannabis may have a material adverse effect on our operational results, consumer base and financial results.

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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

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.

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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

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 cannabis, 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 cannabis.

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 cannabis. The price of production, sale and distribution of cannabis will fluctuate widely due to how young the cannabis 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 the product(s) produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

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.

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 from new entrants. If the number of users of medical cannabis 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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

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.