

**Digicann Ventures Inc. (formerly AGRA VENTURES LTD.)**

**Management's Discussion and Analysis**

**For the Years Ended December 31, 2023 and 2022**

**(Expressed in Canadian Dollars)**

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**Date: April 29, 2024**

**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, 2023 and 2022 should be read in conjunction with the consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

Management is responsible for the preparation and integrity of the condensed interim 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.sedarplus.ca](http://www.sedarplus.ca).

This MD&A is prepared as at April 29, 2024. 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.sedarplus.ca](http://www.sedarplus.ca).

**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

On August 8, 2023, the Company changed its name to Digicann Ventures Inc. from Agra Ventures Ltd. 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 "DCNN". The Company also trades on the OTC Pink Sheets ("OTC") under the symbol "AGFAF" unless temporarily trading under the symbol "AGFAD" during the 20 business days after a share consolidation event. The diversified Company is focused on opportunities within and outside of the cannabis industry.

## OVERALL PERFORMANCE

During the year ended December 31, 2023, the Company had the following activities:

- Partial settlement of the Company's convertible debenture payables through the conversion features exercised by the convertible debenture payables holders totaling \$14,218,000 of the principal amounts, and also recognized a gain on debt settlement on conversion of the convertible debenture payables.
- Amended the convertible debenture maturity date to March 12, 2024 (the "Third Amendment") by the issuance of common shares to settle \$1,200,000 of aggregate interest owed at March 12, 2023. Subsequent to the year ended December 31, 2023, the holders of the debentures granted forbearance until April 30, 2024 and agreed to extend the maturity date of the loans to March 12, 2025
- Sale of the Company's 70% interest investment in Propagation Services Canada Inc. ("PSC") to the operating of the Facility on June 16, 2023 for aggregate cash of \$250,000.
- Sale of the Company's wholly owned subsidiary, AgraFlora Europe GmbH ("AgraFlora Europe") for aggregate cash of \$608,220, of which \$608,220 was received during the year.
- JJ Wolf Investments Ltd. ("JJ Wolf") agreed to forgive loans from the prior year with the Company, resulting in total loan forgiveness of \$752,703.
- Receipt of 2,278,133 common shares of OrganiGram Holdings Inc. ("OGI") with a fair value of \$2,354,691 pursuant to the sale of SUHM Investments Inc. in the prior year. The Company received aggregate cash of \$2,349,038 from its sale of its marketable securities which includes all 2,278,133 OGI shares and 2,511,576 Cult Food Science Corp. shares.
- Sale of investment of \$225,000 as a result of the sale of the convertible loan receivable ("C Notes") on August 17, 2023.
- Terminated the sale of SGSCC Agreement and recorded a gain of \$297,001.

### Propagation Services Canada

As at December 31, 2023 and the date of this MD&A, the Company no longer has ownership of PSC. The Company's investment in PSC included access to the Delta Facility, which was widely considered to be one of the most technically advanced and environmentally friendly greenhouse operations in the world. The Company mutually agreed with the operator of the Facility to effectively terminate and exit the investment in PSC on June 16, 2023 and sold its investment in PSC for aggregate cash of \$250,000.

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 followed, the Company's intention was 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 year ended December 31, 2022 and 2021 are disclosed in Note 11 of the consolidated financial statements for the year ended December 31, 2022. The discontinued operations are disclosed in Note 27 of the condensed interim consolidated financial statements for the year ended December 31, 2023.

For the period ended June 16, 2023, PSC recorded revenues of \$857,230 compared to \$1,718,123 for the year ended December 31, 2023.

As at December 31, 2023, the Company has Nil% (December 31, 2022 – 70%) ownership interest in PSC.

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**OVERALL PERFORMANCE (CONTINUED)**

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

As at December 31, 2023 and the date of this MD&A, the Company no longer has ownership of AgraFlora Europe GmbH ("AgraFlora Europe"). The Company entered into a Share Purchase Agreement on September 7, 2023 to sell all shares of AgraFlora Europe to a third party for aggregate cash of \$608,220.

**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 divestment of assets to increase the stability of its current cash position.

Additionally, the Company was positioned to earn approximately 43% of up to two share-based earnout milestone payments relating to the sale of its SUHM Investments Inc. ("SUHM") subsidiary, which wholly owned Edibles & Infusions Corp. ("EIC") in the fiscal year 2021. The two potential EIC milestone earnout payments were a) \$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 b) \$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.

On May 19, 2023, the Company received 1,642,540 common shares of Organigram Holdings Inc. ("OGI") with a fair value of approximately \$969,098 relating to the SUHM and EIC sale as part of the Final Earnout Milestone Payment of the sale.

On September 18, 2023, the Company received an additional 635,593 common shares of OGI with a fair value of approximately \$1,385,593 as part of the Final Earnout Milestone Payment of the sale. The Company has received all of the Final Earnout Milestone Payments for the sale of SUHM.

The Company remains open to business opportunities including but not limited to acquisitions, divestitures, joint ventures, partnerships and other such transactions or commercial arrangements.

**EQUITY TRANSACTIONS**

On January 25, 2023, the Company issued 114,258 common shares with a fair value of \$28,565 to settle interest payments of \$28,565 with a creditor of the Company and recognized \$Nil gain or loss on debt settlement.

On May 2, 2023, the Company issued 123,191 common shares with a fair value of \$15,399 to settle interest payments of \$15,399 with a creditor of the Company and recognized \$Nil gain or loss on debt settlement.

On June 6, 2023, the Company satisfied the aggregate accrued interest on the convertible debentures of \$1,200,000 by the issuance of 960,000 common shares with a fair value of \$72,000 pursuant to the Third Amendment and recognized a gain on debt settlement of \$1,128,000 (Note 18).

On June 22, 2023, the Company issued 134,242 common shares with a fair value of \$15,102 to settle interest payments of \$15,102 with a creditor of the Company and recognized \$Nil gain or loss on debt settlement.

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**EQUITY TRANSACTIONS (CONTINUED)**

On September 14, 2023, the Company issued 718,327 common shares with a fair value of \$17,958 pursuant to the conversion of Restricted Share units granted on September 14, 2023. On issuance of the shares, the Company transferred \$17,958 from share-based payment reserves.

On October 30, 2023, the Company issued 1,542,559 common shares with a fair value of \$23,138 pursuant to the conversion of Restricted Share units granted on October 27, 2023. On issuance of the shares, the Company transferred \$23,138 from share-based payment reserves.

During the year ended December 31, 2023, pursuant to the Second Amendment, the Company issued an aggregate of 9,959,333 common shares on conversion of the convertible loans with a fair value of \$374,643 pursuant to the conversion of \$1,412,000 of convertible debentures and also satisfied aggregate interest of \$160,366 on the conversions and recognized a gain on debt settlement of \$1,197,723.

During the year ended December 31, 2023, 13,428 warrants with exercise prices from \$562.50 to \$1,875.00 expired without being exercised. On expiry of the warrants, \$12,025,608 was transferred out of reserves.

During the year ended December 31, 2023, an amount of \$501,762 was transferred from option reserve to accumulated deficit for options that were cancelled and expired.

**SELECTED ANNUAL INFORMATION**

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

	<b>As at December 31, 2023</b>	<b>As at December 31, 2022</b>	<b>As at December 31, 2021</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Total revenues	-	673,416	928,208
Net income (loss)	17,809,552	(41,934,737)	(2,413,719)
Comprehensive income (loss)	17,771,282	(41,969,746)	(2,354,780)
Net income (loss) per share	1.30	(19.73)	(5)
Total assets	739,192	1,094,736	46,216,990
Total liabilities	1,359,552	20,033,183	27,168,370

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 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, recorded gains on extinguishment of debt, and recorded a gain on fair value movement of investments.

During the year ended December 31, 2023, the Company recorded gain on modification of debt of \$643,019, a gain on debt settlement of \$16,157,433, an unrealized loss on marketable securities of \$499,550, gain on loan forgiveness of \$754,383, write-off of accounts payable of \$679,417, gain from write-off of deferred revenue of \$297,001 and gain from sale of investments of \$225,000, which resulted in an overall net income from operations in 2023. During 2023, the Company also sold its wholly owned subsidiary AgraFlora Europe GmbH, and recorded net income from discontinued operations of \$0.23.

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**SUMMARY OF QUARTERLY RESULTS**

<b>Quarter Ended</b>	<b>Total Assets (\$)</b>	<b>Revenue (\$)</b>	<b>Comprehensive Income (loss) for the period (\$)</b>	<b>Income (loss) per Share (Basic &amp; Diluted) (\$)</b>
March 31, 2022	43,841,189	181,617	1,442,190	2.75
June 30, 2022	40,187,585	137,174	(4,065,581)	(3.50)
September 30, 2022	37,443,603	172,794	(2,363,181)	(0.75)
December 31, 2022	1,094,736	181,831	(36,983,174)	(8.75)
March 31, 2023	885,089	132,550	10,712	0.00
June 30, 2023	2,773,346	142,781	3,891,887	0.64
September 30, 2023	3,092,209	113,742	920,755	0.11
December 31, 2023	739,192	-	12,947,928	1.30

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 comprehensive income of \$1,442,190 for the period ended March 31, 2022 was noted primarily due to the gain on modification on the Company's amendment of convertible debentures.

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.

For the period ended March 31, 2023, the Company's operating losses before other items was offset primarily by the gain on debt settlement from the conversion of its convertible debentures payable, recorded income from discontinued operations and realized gains and unrealized losses on marketable securities.

A comprehensive income was noted for the three months period ended June 30, 2023, the Company had a gain on debt settlement of \$1,128,000, gain on loan forgiveness of \$752,703, gain on sale of subsidiary of \$1,969,099 which is part of discontinued operations, a loan recovery of \$225,000 which offset the net operating loss of \$1,101,146.

A comprehensive income was noted for the three months period ended September 30, 2023, the Company had a gain on sale of subsidiary of \$1,322,958 in relation to the sale of SUHM from prior years which is recorded in discontinued operations, termination of sale of SGSCC agreement and the sale of AgraFlora Europe, a gain on debt settlement of \$179,190 related to conversion of debentures payable, which was offset by the net operating loss of \$992,936.

A comprehensive income was noted for the period ended December 31, 2023, the Company recorded gain on debt settlement of \$13,945,910 related to conversion of debentures payable, a gain on write-off of deferred revenue of \$297,001 and gain from write-off of accounts payable of \$213,595, which was offset by the net operating loss of \$510,0396.

## **RESULTS OF OPERATIONS**

The Company's net and comprehensive income for the year ended December 31, 2023 was \$17,771,282 compared to a net and comprehensive loss of \$41,969,746 for the year ended December 31, 2022. In general, for the comparative year ended December 31, 2022, the Company had higher general and administrative costs and the primary gains in other items related to the gain on modification of debt subsequent to the amendment of the convertible debentures which resulted in net comprehensive income. In the current year the Company recorded gains on settlement of debt, realized gains on the sale of marketable securities and unrealized losses on marketable securities, realized a gain on modification of debt, recorded a gain on loan forgiveness and a gain on sale of subsidiary. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below for the year ended December 31, 2023:

- Professional fees decreased to \$382,852 from \$635,592. The decrease during the current year 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.
- Consulting and management fees decreased to \$491,472 from \$631,394. 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. The decrease during the current year 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.
- Regulatory and transfer agent fees decreased to \$152,018 from \$176,834 as a result of the Company's preparations in the prior period to complete regulatory filings for its acquisitions and the shares issued. The decrease is not material; the two periods are comparable.
- Rent expenses decreased to \$Nil from \$62,000. In the prior year, the Company terminated the Ontario lease and has thus not incurred additional rent expenses.
- Other general and operating costs decreased to \$Nil from \$3,545 and consists of operating activities. AgraFlora Europe was sold during the year, thus no further expenses are expected.
- Insurance costs increased to \$126,367 from \$51,064 in the prior year. The increase relates to the renewal of the insurance for the year.
- Fair value movement losses on investments increased to \$Nil from a gain of \$16,790 as a result of the termination of the for the Twenty One Investment Holdings Inc. ("Twenty One") investment in the year. In the prior year comparative period, the Company recorded a fair value loss on investment as a result of the fluctuation of the exchange rates.
- The Company recorded a \$16,157,433 gain on debt settlement (2022: \$3,381,551). In the prior year, the Company settled debts with Sanna's former President and CEO by issuance of shares and recorded a loss on debt settlement of \$12,489 and recorded gain on debt settlement as a result of conversion of debentures by holders of the convertible debentures into common shares of the Company. During the year ended December 31, 2023, the Company issued an aggregate of 9,959,333 common shares with a fair value of \$374,643 pursuant to the conversion of \$1,412,000 of convertible debentures and also satisfied aggregate interest of \$160,366 on the conversions.
- The Company earned revenue of \$Nil (2022: 199). In the current year, the Company sold AgraFlora Europe and sales have only been accounted for until the sale date of September 7, 2023, and have reclassified the revenue earned in discontinued operations.
- The Company recorded government grant revenue of \$Nil (2022: \$23,746) 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. The deferred revenues relating to the CEBA loans were fully accreted as at December 31, 2022 and thus it is reasonable that no additional revenues are recognized in the current period.



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**RESULTS OF OPERATIONS (CONTINUED)**

- The Company recorded royalty revenues of \$Nil (2022: \$52,600) 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. No further revenues were recognized as the agreement was terminated during the year ended December 31, 2022.
- The Company recorded a loss on sale of marketable securities of \$81,000 (2022: \$1,528) as a result of the sale of marketable securities received from the sale of SUHM in prior years.
- The Company recorded an unrealized loss of marketable securities of \$499,550 (2022: \$664,813) as a result of the change in fair value of the securities during the period.
- The Company recognized a gain on lease forgiveness of \$Nil (2022: \$159,614) 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 a gain on loan forgiveness of \$754,383 (2022: \$Nil) as JJ Wolf agreed to forgive loans with the Company from prior years and the Company repaid CEBA loans subsequent to period end.
- The Company recorded a gain on modification of debt of \$643,019 (2022: \$1,529,911). In the current year, the Company extended the maturity date of the convertible debentures to March 12, 2024 and recognized a gain on modification of \$643,019. In the prior year, the Company extended the maturity date to March 12, 2023 and recognized a gain on modification of debt of \$1,529,911.
- The Company recorded income from discontinued operations of \$3,206,402 (2022: loss of \$21,904,137) related to the equity investment in PSC, gain from sale of SUHM Investments and sale of AgraFlora Europe. In the current period, the Company did not record any share of PSC's losses as the investment was impaired to \$Nil in the prior year. The Company sold the investment in PSC on June 16, 2023 for aggregate cash of \$250,000, which is reflected as income for discontinued operations. In the prior year comparative period, the Company recorded its share of PSC's losses of \$6,291,709 and impairment of \$15,612,428 on the equity investment.
- The Company recorded a sale of investments of \$225,000 which relates to the sale of the C Notes on August 17, 2023 for aggregate cash of \$225,000 to a third party.
- The Company wrote off inventories of \$Nil (2022 - \$18,160) due to inventory obsolescence or damage.
- The Company recorded a loss on write-off of investments of \$Nil (2022: \$1,288,600) as a result of the termination of the Twenty One agreement in the prior year.
- The Company recorded impairment of \$Nil (2022: \$802,261) on property and equipment, intangible assets and goodwill. In the prior year comparative period, the Company impaired its intangible assets held by Sanna to \$Nil as a result of the subsidiary being essentially inactive.
- The Company recorded a provision on loan receivable of \$Nil (2022: \$18,088,318). In the prior year, the provision was 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 \$121 (2022: \$25,350) for prepaid expenses as the services were no longer expected to be received.
- The Company recorded a write-off of accounts payable of \$679,417 (2022: \$247,400) for statute-barred accounts payables and accrued liabilities that management deemed would not be collected by vendors.

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

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Management fees	475,145	469,622
Advisory and business development consulting fees	16,327	120,682
Marketing consulting fees	-	41,090
<b>Total</b>	<b>491,472</b>	<b>631,394</b>

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**DISCONTINUED OPERATIONS: REVENUE AND COST OF SALES ANALYSIS**

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Sales	389,073	673,416
Cost of goods sold	(190,532)	(369,449)
Gross profit	198,541	303,967
Gross profit %	51%	45%

- The Company sales recorded in discontinued operations 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. During the year ended December 31, 2023, the Company sold AgraFlora Europe and thus no longer had sales revenue in Europe subsequent to the sale.
- Cost of goods sold include all expenditures related to the products. This includes ingredients and manufacturing costs, as well as the cost of purchasing the products.
- The Company's revenues decreased to \$389,073 from \$673,416 in the prior year. The Company has a gross profit percentage of 51%, which reflects the current state of the economy and the market in which the Company operates. Despite the economic challenges, the Company has been able to significantly improve its gross profit percentage in the current year, due to the Company being able to manage its inventories proportionate to the expected sales. During the year ended December 31, 2023, the Company sold AgraFlora Europe and thus no longer had sales revenue in Europe subsequent to the sale.

**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.

	<b>December 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Working capital (deficit)	(620,360)	(18,938,447)
Total liabilities	1,359,552	20,033,183
Deficit	(217,414,551)	(247,710,719)

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.

## **LIQUIDITY (CONTINUED)**

### **Liquidity and Capital Resources (Continued)**

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 year ended December 31, 2023, \$2,747,771 (2022 - \$1,873,264) of cash was used in operating activities from continuing operations. 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 year, the Company had non-cash transactions related to the gains on modification of debt and interest income from the PSC loan and the equity losses from PSC. In the current year, the Company had more non-cash transactions such as gain on modification of debt. For operating activities, \$3,206,402 of income (2022: \$21,904,137 of losses) are included in the Company's income statement are from discontinued operations. Overall, the Company spent more cash in the prior year comparative period to pay vendors and repay creditors.

#### **Investing Activities:**

During the year ended December 31, 2023, \$3,182,258 was received from investment activities (2022 - \$1,271,810 used in investment activities). In the current year, the Company sold marketable securities for proceeds of \$2,349,038, received \$608,220 for the sale of AgraFlora Europe and sold the C Notes to a third party for \$225,000. In the prior year comparative period, the Company paid \$1,271,810 (US\$1,000,000) to acquire 15.38% of Twenty One which was also terminated during the year ended December 31, 2022.

The Company also received earnout milestones during the period related to the sale of Edibles through the sale of SUHM Investments Inc. in prior years.

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.

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**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, 2023.

**INVESTOR RELATIONS**

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

**COMMITMENTS**

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.

**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:

Nick Kuzyk	CEO and Director (Appointed as CEO on March 1, 2023, formerly Interim CEO)
Elise Coppens	Former CEO and Director
David Grand	Former CEO and Director
Fiona Fitzmaurice	CFO and Director
Anthony Carnevale	Director (Appointed June 27, 2022)
Jerry Habuda	Former Director (Resigned June 27, 2022)
Joseph Perino	Former Director (Resigned June 27, 2022)
Jonathan Hirsch	Director (Appointed June 5, 2023)

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**RELATED PARTY TRANSACTIONS (CONTINUED)**

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 year ended December 31, 2023 and 2022:

<b>Year ended December 31, 2023</b>		
	<b>Share-based payments</b>	<b>Consulting and Management Fees</b>
	<b>\$</b>	<b>\$</b>
Consulting fees paid/accrued to a private company controlled by the CFO	10,275	94,920
Consulting fees paid/accrued to a private company controlled by the CEO	20,548	372,225
Consulting and Directors fees paid/accrued to a private company controlled by a Director	5,137	8,000
Share-based payments to a Director	5,137	-
	<b>41,097</b>	<b>475,145</b>
<b>Year ended December 31, 2022</b>		
	<b>Share-based payments</b>	<b>Consulting and Management Fees</b>
	<b>\$</b>	<b>\$</b>
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 CEO	-	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
	<b>88,852</b>	<b>399,975</b>

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand. At December 31, 2023, \$56,325 (December 31, 2022 - \$162,148) 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, 2023, management assessed the collectability of the convertible loan receivable as low and impaired the convertible loan to \$Nil as the collectability of debt component was assessed to be low, and convertibility feature has expired.

At December 31, 2023, the Company's loans receivable had carrying values that approximate their recoverable amounts. 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. On June 16, 2023, the Company sold its investment in PSC (Notes 1, 5 and 11) and the loan receivable was discharged.

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**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 December 31, 2023 and December 31, 2022:

	As at December 31, 2023		
	Level 1	Level 2	Level 3
Cash	\$ 739,394	-	-
Marketable securities	-	\$ 450	-
Derivative liabilities	-	-	\$ 28

  

	As at December 31, 2022		
	Level 1	Level 2	Level 3
Cash	\$ 304,255	-	-
Marketable securities	\$ 75,347	\$ 500,000	-
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 \$739,394 being the face value of those instruments at December 31, 2023 (December 31, 2022 - \$304,255). 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.

***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 or debt financing. Cash on hand at December 31, 2023 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.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Financial risk management (Continued)**

***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, 2022 – 1%) change in the interest rate would result in approximately increase of \$7,398 (December 31, 2022 – increase of \$8,796) in interest expense in the consolidated statement of comprehensive income (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. During the year ended December 31, 2023, the Company sold AgraFlora Europe. As such, the Company is no longer exposed to foreign currency risk in fluctuations among the Euro and the Canadian dollar. Assuming all other variables remain constant, a 15% (December 31, 2022 – 15%) weakening or strengthening of the Euro against the Canadian dollar would result in approximately \$Nil (December 31, 2022 - \$4,410) foreign exchange loss or gain in the consolidated statement of comprehensive income (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 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, 2023, the Company had immaterial investments with private entities, which would not have increased or decreased profit or loss by a material amount if the fair value increased or decreased by 10%.

**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 \$2,035,026 at December 31, 2023 (December 31, 2022 – deficit of \$18,938,447). 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.



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**ADDITIONAL SHARE INFORMATION**

On August 8, 2023, the Company consolidated its shares on a twenty-five (25) pre-consolidated to one (1) post-consolidation share basis.

As at the date of this MD&A, the Company had 21,631,090 common shares outstanding, 79,739 warrants outstanding with exercise prices ranging from \$375.00 to \$562.50 and expiring at various dates to July 8, 2025; 24,3714 stock options outstanding with exercise prices ranging from \$281.25 to \$1,725.00 and expiring at various dates to April 30, 2025; and 88,852 RSUs outstanding with expiry dates of October 7, 2027.

On April 4, 2024, the Company granted 1,695,815 RSUs to certain Directors and Officers of the Company with a fair value of \$33,936. The RSUs vest 100% immediately and expire 5 years after the grant date.

On April 5, 2024, the Company issued 848,407 common shares with a fair value of \$16,968 pursuant to the conversion of RSUs granted on April 4, 2024.

On April 8, 2024, the Company issued 424,204 common shares with a fair value of \$8,484 pursuant to the conversion of RSUs granted on April 4, 2024.

On April 24, 2024, the Company issued 2,501,807 common shares with a fair value of \$50,036 to settle interest owed on the convertible debentures of \$125,090.

**NEW SIGNIFICANT ACCOUNTING POLICIES**

The Company continues to review changes to IFRS standards. There are no pending IFRS or IFRIC interpretations that are expected to be relevant to the Company's condensed interim 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 condensed interim 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.

## **OTHER RISKS AND UNCERTAINTIES (CONTINUED)**

### **Reliance on Licensing (Continued)**

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.

### **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.

## **OTHER RISKS AND UNCERTAINTIES (CONTINUED)**

### **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.

### **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.

## **OTHER RISKS AND UNCERTAINTIES (CONTINUED)**

### **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.

### **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.

## **OTHER RISKS AND UNCERTAINTIES (CONTINUED)**

### **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.

### **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.

## **OTHER RISKS AND UNCERTAINTIES (CONTINUED)**

### **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.

### **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.sedarplus.ca](http://www.sedarplus.ca).