Management's Discussion and Analysis

Gaia Grow Corp.

For the years ended December 31, 2019 and 2018

The following management discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes ("Financial Statements") of Gaia Grow Corp. (the "Company") for the year ended December 31, 2019. Results have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts are reported in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information. See "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.

Introduction

The following discussion of performance and financial condition should be read in conjunction with the audited year end consolidated financial statements of Gaia Grow Corp. (the "Company" or "Gaia Grow") for the year ended December 31, 2019. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's reporting currency is Canadian dollars unless otherwise stated. This Management's Discussion and Analysis ("MD&A") is dated April 28, 2020.

Major transactions

Gaia Grow Corp. (formerly Spirit Bear Capital Corp.) (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 8, 2011. The Company was listed on the TSX Venture Exchange ("TSX-V") until April 15, 2020 when it was subsequently delisted and commenced trading on the Canadian Securities Exchange ("CSE"). The Company's head and registered office is located at 10th Floor, 595 Howe Street, Vancouver, BC, Canada.

On July 23, 2019, the Company completed a reverse takeover transaction (the "RTO"), which was effected pursuant to an amalgamation agreement between Spirit Bear and Gaia Holdings Corp. (formerly Gaia Investments Inc.) ("Gaia Holdings"), a privately held arm's length company continued under the laws of the *Business Corporations Act* (British Columbia).

Pursuant to the RTO, the Company issued an aggregate of 120,000,000 common shares of the Company in exchange for all of the issued and outstanding shares of Gaia Holdings. Upon closing of the transaction, the shareholders of Gaia Holdings owned 80% of the common shares of the Company and, as a result, the transaction is considered a reverse acquisition of the Company by Gaia Holdings. The Company changed its year end from January 31st to December 31st in order to align the fiscal year period to that of Gaia Holdings.

Concurrent with the completion of the RTO, the Company completed a private placement financing of 44,076,969 common shares at a price of $0.10 per share for proceeds of $4,407,697. The Company paid finders' fees of $140,632.

Subsequent to the RTO, the Company is in the business of developing a facility and infrastructure for the manufacturing and marketing of hemp-based products in Canada.

On March 22, 2019, prior to the RTO, Gaia Holdings acquired all of the issued and outstanding common shares of Gaia Bio-Pharmaceuticals Inc. ("Gaia Bio"), a privately held arm's length company continued under the laws of the *Business Corporations Act* (Alberta), for the following consideration:

(a) $200,000 to the shareholders of Gaia Bio;
(b) the issuance of 8,400,000 common shares, at a fair value of $840,000, of the issued and outstanding common shares of Gaia Holdings;

(c) The shareholders of Gaia Bio may be entitled to an additional payment in the event the 8,400,000 common shares issued by the Company to acquire Gaia Bio are valued at less than $2,000,000 at any time during the sixty-day period following the date at which Gaia Bio receives a license to produce and sell cannabis by Health Canada under the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). In such a case, an additional payment of $1,600,000 will be owing to the former shareholders of Gaia Bio, to be satisfied in cash or through the issuance of common shares of the Company based upon the greater of: (i) the thirty-day volume-weighted average trading price of the common shares of the Company on the Exchange at the time of issuance, and (ii) $0.10 per share. At December 31, 2019, the Company has not applied or received a license to sell cannabis from Health Canada under ACMPR.

On April 16, 2020, the common shares of the Company commenced trading on the Canadian Securities Exchange. In connection with completion of the listing, the common shares were delisted from the TSX Venture Exchange effective at the closing of markets on April 15, 2020.

As at December 31, 2019, the Company had working capital of $5,711,754 (December 31, 2018 – deficit of $169) and accumulated shareholders deficit of $3,492,484 (December 31, 2018 – deficit of $220). During the year ended December 31, 2019, the Company incurred a net loss of $3,492,262. The continuing operations of the Company are dependent upon its ability to continue to achieve profitable operations in the future, and raise additional funds as and when required. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Business Development

In the beginning of the summer of 2019 the Company purchased a plot of land located in Lamont County, Alberta for the purpose of growing hemp at a price of $190,000. Around the same time Gaia entered into a consulting agreement with Core Ag Inputs for a seven-month term in which Core AG Inputs provided a series of services involving agronomy, land preparation for farming hemp, crop optimization and oversight for the 2019 planting and harvest year. The team at Core AG Inputs also offers agronomy services to additional farmland that Gaia may bring under contract in future years.

Meanwhile the Company updated its investors on the planting progress. Seeds arrived in the second week of June and it was a very rainy spring – great conditions for seed germination. The process of fertilizing, seeding and rolling the expansive 1,494 acres in southern Alberta was spread over two weeks. Thanks to intermittent rains the crop has started off well. Post-production of a drone fly-over video of the seeding process was underway and was uploaded on Gaia's social media channels (Twitter, YouTube and Instagram – links available on www.GaiaGrow.com).

In September 2019 the Company announced that it had successfully grown 1,494 acres of hemp from seed and was finishing harvest and logistical plans for the end of the year. The contracted harvest team was an experienced group that works across North America with a variety of equipment and crops, and more specifically, had recent experience in working with various hemp crops across the continent.

In October 2019 the Company announced the completion of its inaugural 2019 hemp harvest from its Rockyview County, Alberta Fields. Multiple stages of harvest were completed, ensuring a whole-plant harvest and efficient separation of the various parts of the hemp plants for effective and efficient use by their intended offtake partners in different sales channels. Gaia's custom harvesting and hauling teams successfully deployed harvesting machinery, baling equipment, loaders and transport trucks to arrange and prepare the harvested product for sale to its end users. The multi-stage harvest included effectively passing over the approximately 1,500 acres of land several times to separate the harvest components. The inaugural hemp crop yielded almost 4,200 bales of hemp tips and 500 bales of fiber stalks. 1,950 of the bales of the tips were trucked to a secondary location for further processing.

The test results received from multiple labs came back with the most positive results:

- Cannabinoid Potency: Within the upper percentiles of the limits of X59 genetics
- Microbiology: Pass
- Pesticides (full Health Canada required spectrum): Pass
- Heavy Metals: Pass.

In January 2020 Gaia Grow announced that the potential CBD percentage from its biomass increased to just under 6% through a drying process known as milling. The Company was working to achieve this result using an exclusive third-party technology. With this technology, Gaia Grow can process between half and a full ton of biomass per hour and increase CBD quality in biomass by over 300%. In addition, Gaia successfully delivered its first biomass shipment of 21,220 pounds or 9,645 kilograms (one full truck) to its offtake partner, further demonstrating Gaia's ability to execute quickly for its partners.

In February 2020 Gaia Grow announced that it signed a binding letter of intent with Enagon Inc. dated January 29, 2020. Enagon is a privately held Alberta corporation which owns the "milling" technology. "Milling" is not a new process—it is a mechanical method of separating "straw", "hurd", "shiv" and CBD rich flower from hemp bales. Enagon's proprietary milling technology is high-capacity and consistently operates between 0.5 -1 tonne per hour and achieves a finished product with up to a 300% CBD increase. This method quickly and efficiently separates each revenue generating portion of the hemp bale and in doing so, maximizes the profitability of the entire crop. Pursuant to the terms of the LOI, the parties intend for Enagon to mill industrial hemp to be sold exclusively by Gaia to fibre suppliers and licenced processors of cannabis in Canada pursuant to Gaia's industrial hemp licence. For industrial hemp supplied to Enagon by Gaia, the revenue for the sale of the milled product will be split 30% to Enagon and 70% to Gaia. For industrial hemp supplied by Enagon pursuant to Gaia's licence, the revenue for the milled product will be split 70% to Enagon and 30% to Gaia. Gaia will be responsible for all sales of milled hemp and the distribution of revenue from such sales. Any revenue generated by the sale of milled product produced from industrial hemp supplied by third parties will be split 50% to Enagon and 50% to Gaia. Each party will cover its own expenses from its own resources and cash flow and the industrial hemp will be milled at Enagon's milling facility located in Lacombe County, Alberta. Once revenue is achieved from initial sales, Enagon intends to expand its milling operations by installing and operating two additional "Enagon Mills" for a total of three machines in a Gaia-supplied facility. This will increase Enagon's milling capacity to 1.5 to 3 tons of hemp biomass per hour, allowing Gaia to keep up to anticipated demand.

In February 2020, the Company entered into a Share Exchange Agreement with Blackhawk Resource Corp. ("Blackhawk"), a privately held arm's length company continued under the laws of the *Business Corporations Act* (Alberta). Blackhawk is the owner of all the issued and outstanding shares of certain companies (the "target entities"). Pursuant to the Share Exchange Agreement, the Company acquired all of the issued and outstanding shares of the target entities for a purchase price of $1,500,000, which was satisfied through the issuance of 30,000,000 common shares of the Company (subsequently issued) at a price of $0.05 per share.

In March 2020 Gaia Grow reported that it signed an agreement with CannGroup Development Corp. for the sale of 15,000 kilograms of milled hemp powder to CannGroup for processing into CBD oil and distillate. Milled hemp powder is an ideal feedstock for the production of CBD oil and distillate and is produced by separating the CBD-rich elements of the hemp plant (such as flowers and leaves) from the low-CBD elements (such as stalks and branches) and grinding them into a powder. Gaia Grow agreed to sell 15,000 kilograms of milled hemp powder to CannGroup for $110 per kilogram. Pursuant to the agreement, Gaia will deliver 1,000 kilograms of milled hemp powder to CannGroup every week until the aggregate 15,000 kilograms has been delivered. CannGroup operates a Health Canada licensed extraction facility and operates an ethanol extraction lab. Gaia Grow is a licenced hemp producer under the Industrial Hemp Regulations (Canada), with approximately 4.2 million lbs of hemp biomass from its 2019 harvest and the capacity to mill 1 tonne of hemp biomass into milled hemp powder per hour.

In the beginning of April, the Company announced that in relation to its purchase agreement with CannGroup Development Corp., Gaia has sent out its first shipment in preparation to have its milled product converted into Cannabidiol concentrate. In addition, Gaia is working to expand on its agreement with Enagon Inc. Gaia has found suitable premises for Enagon to employ all three of its mills and anticipates a lease to be signed in the coming weeks allowing Gaia and Enagon to increase capacity. Demand has remained strong and Gaia has been in negotiations with several groups seeking to purchase Gaia's product.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Selected Annual Information

The following selected financial information is derived from the audited consolidated financial statements of the Company. The figures have been prepared in accordance with IFRS.

	Year ended December 31, 2019	Period from incorporation, June 22, 2018, to December 31 2018
Total revenues	$ -	$ -
General and administrative expenses	$ 2,036,020	$ 220
Net loss	$ 3,492,262	$ (220)
Total assets	$ 6,015,220	$ 10,331
Total liabilities	$ 113,466	$ 10,500
Basic and diluted – comprehensive (loss) per share	$ (0.03)	$ (0.00)
Cash dividends declared per share	Nil	Nil

Note: The Company has not presented annual information for the past three years as it was incorporated on June 22, 2018.

Selected quarterly information

	Three-month period ended			
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Net revenue	$ -	$ -	$ -	$ -
Net comprehensive gain (loss)	296,251	(3,327,219)	(456,824)	(4,470)
Basic and diluted – comprehensive (loss) per share	$ 0.001	$ (0.05)	$ (0.00)	$ (0.00)

	Three-month period ended		
	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Net revenue	$ -	$ -	$ -
Net comprehensive loss	$ (220)	$ -	$ -
Basic and diluted – comprehensive (loss) per share	$ (0.00)	$ 0.00	$ 0.00

Note: The Company has not presented quarterly information for its past eight quarters as it was incorporated on June 22, 2018.

RESULTS OF OPERATIONS

For the year ended December 31, 2019

Comprehensive loss for the year ended December 31, 2019 was $3,492,262 compared to the loss of $220 for the period from June 22, 2018, the incorporation date, to December 31, 2018. The comprehensive loss incurred during the year ended December 31, 2019 was mainly attributable to the following:

- Expense of $2,804,317 related to the listing expense of the Gaia Grow.
- Expense of $1,112,405 related to acquisition of Gaia Bio;
- Share based compensation expense of $444,190 related to stock options issued by the Company;
- $729,448 in consulting fees related to the Transaction; and
- $2,404,615 in unrealized gain on change in fair value of biological assets.

For the three months ended December 31, 2019

During the three months ended December 31, 2019 the Company recorded a net gain of $296,251 as compared to $220 comprehensive loss for the same period in 2018. The comprehensive gain was mainly attributable to the following:

- Listing expense of $418,814 related to the listing expense;
- Consulting fees of $245,146 related to the Transaction;
- Directors' fee of $67,500 and office and administration of $138,613 as the Company started active business during the last six months of the year ended December 31, 2019;
- $184,652 in legal and audit fees included in professional fee; and
- $2,404,615 in unrealized gain on change in fair value of biological assets.

Liquidity and Capital Resources

At December 31, 2019, the Company has $1,924,135 (December 31, 2018 - $31) of cash to settle current liabilities of $113,466 (December 31, 2018 - $nil).

Related Party Transactions

During the year ended December 31, 2019:
(a) $103,947 (2018 - $nil) was paid to directors of the Company of which $82,500 (2018 - $nil) was recorded as director fees and $21,447 (2018 - $nil) was recorded as consulting expenses;

(b) $34,500 (2018 - $nil) in administrative fees, which has been recorded in office and administrative expenses, was paid to a company of which officers of the Company are employees; and

(c) $278,082 (2018 - $nil) was recorded as share-based compensation.

As at December 31, 2019 $14,269 (December 31, 2018 - $nil) is payable to a director of the Company and included in trade payables.

Outstanding Share Data

Authorized: Unlimited number of common shares without par value.

As at December 31, 2019 the Company had 202,501,981 and April 28, 2020 had 232,501,981 common shares issued and outstanding.

Stock Options

The Company adopted a stock option plan (the "Stock Option Plan") pursuant to which it can grant options to directors, officers and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

On August 23, 2019 the Company granted 1,000,000 stock options to consultants of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $72,200 on grant date using the Black-Scholes Option Pricing Model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 151.72% volatility; risk free interest rate of 1.21; and a dividend yield of 0%.

On August 28, 2019 the Company granted 3,850,000 stock options to directors and officers of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $277,970 on grant date using the Black-Scholes Option Pricing Model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 151.86% volatility; risk free interest rate of 1.17; and a dividend yield of 0%.

On August 29, 2019 the Company granted 300,000 stock options to a consultant of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $21,670 on grant date using the Black-Scholes Option Pricing Model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 151.94% volatility; risk free interest rate of 1.18; and a dividend yield of 0%.

On August 30, 2019 the Company granted 500,000 stock options to a consultant of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $36,150 on grant date using the Black-Scholes Option Pricing Model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 152.01% volatility; risk free interest rate of 1.18; and a dividend yield of 0%.

On September 10, 2019 the Company granted 500,000 stock options to consultants of the Company. The stock options have an exercise price of $0.10 per share and are exercisable for a period of five years. The stock options vested immediately. The fair value of the stock options was determined to be $36,200 on grant date using Black-Scholes option pricing model with the following weighted average assumptions: 5 years expected life; share price at the grant date of $0.08; 152.31% volatility; risk free interest rate of 1.44; and a dividend yield of 0%.

During the year 2,300,000 stock options were exercised raising $230,000.

The movement in the Company's stock options for the year ended December 31, 2019 are as follows:

	Number of options	Exercise price
Outstanding, December 31, 2018	-	$ -
Granted	6,150,000	0.10
Exercised	(2,300,000)	0.10
Outstanding and exercisable, December 31, 2019	3,850,000	$ 0.10

As at December 31, 2019 and April 28, 2020 the Company has the following stock options outstanding:

Number of options outstanding and exercisable	Exercise price	Expiry date
3,850,000	$0.10	August 29, 2024

Warrants

As at December 31, 2019 and April 25, 2020 the Company does not have warrants outstanding.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, trade payables. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The preparation of the consolidated financial statements requires management to make judgments regarding going concern of the Company as discussed in Note 1 in the audited financial statements for the year ended December 31, 2019.

The following are the estimates and assumptions made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements:

Biological assets and inventory
Determination of the fair value of biological assets requires the Company to make a number of estimates, including estimating the stage of growth of the plants up to the point of harvest, harvesting costs, selling costs, sales prices, wastage, oil conversion factor and expected yields of the plant. In determining final inventory values, the Company estimates spoiled or expired inventory in determining net realizable value. Refer to the audited financial statements for the year ended December 31, 2019 for further information.

Share-based payments
In determining the fair value of options and related expenses, the Company makes such estimates as the expected life of the option, the volatility of the Company's share price, the risk-free interest rate, and the rate of forfeitures. Refer to Note 13 in the audited financial statements for the year ended December 31, 2019 for further information.

Reverse take-over
Refer to Note 12 in the audited financial statements for the year ended December 31, 2019 for disclosure on the reverse takeover transaction, which included estimates on the fair value of consideration paid, along with an assessment of fair value of net assets acquired.

Recognition and valuation of deferred tax assets
The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

Adoption of New and Revised Standards and Interpretations

The Company has adopted the following new standard, with a date of initial application of January 1, 2019:

IFRS 16, Leases ("IFRS 16") IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was effective for annual periods beginning on or after January 1, 2019.
The Company has no leases and therefore the adoption of this amendment has not had an impact on the financial statements.

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the period.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of Management. In the preparation of these statements estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements.

Risk Factors

The Investment in the common shares must be regarded as highly speculative due to the proposed nature of the Company's business and its present stage of development.

There can be no assurance that an active and liquid market for the Company's common shares will develop and an investor may find it difficult to resell the common shares.

The hemp industry involves significant risks. In addition to the risk factors described elsewhere in this MD&A, the risk factors that should be taken into account in considering the Company's business include, but are not limited to, those set out below. Any one or more of these risks could have a material adverse effect on the future prospects of the Company and the value of its securities.

Current Global Financial Condition

Current global financial conditions have been subject to increased volatility and turmoil. These factors may affect Gaia Bio's ability to obtain equity financing in the future or, if obtained, to do so on terms favorable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations as well as the trading price of its common shares could be adversely affected.

Industry and Hemp Product Manufacturing Risk

Hemp product manufacturing is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that the Company's commercial efforts will be successful. At present, Gaia Bio has not begun production.

The Company may be subject to risks that could not reasonably be predicted in advance. Events such as labour disputes, environmental issues, natural disasters or estimation errors are prime examples of industry related risks. Gaia Bio attempts to balance these risks through insurance programs where required and ongoing risk assessments conducted by its management team.

Commodity Prices

Gaia Bio is in the business of hemp products, the market prices of which can fluctuate widely. Hemp prices ultimately depend on demand in the end markets for which hemp products are used. Demand is affected by numerous factors beyond the Company's control, including the overall state of the economy, general level of industrial production, trends in demand and government regulation. In the course of its current operations, the Company does not enter into price hedging programs.

Environmental

Cultivation projects and operations are subject to the environmental laws and applicable regulations of the jurisdiction in which Gaia Bio operates. Environmental standards continue to evolve and the trend is to a longer, more complete and rigid process. The Company reviews environmental matters on an ongoing basis. If and when appropriate, the Company will make appropriate provisions in its financial statements for any potential environmental liability.

Reliance upon Key Personnel

The Company is dependent upon a number of key management and operational personnel, including the services of certain key employees. Its ability to manage activities, and hence its success, will depend in large part on the efforts of these individuals. During times when metals prices are strong, the Company faces intense competition for qualified personnel, and there can be no assurance that Gaia Bio will be able to attract and retain such personnel at any time. Gaia Bio does not maintain "key person" life insurance. Accordingly, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company.

Insurance

Gaia Bio's insurance will not cover all the potential risks associated with its operations. In addition, although certain risks are insurable, it might be unable to maintain insurance to cover these risks at economically feasible premiums. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration is not generally available to Gaia Bio or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that it may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Requirements to Obtain Government Permits

Government approvals and permits are currently required in connection with Gaia Bio's activities, and further approvals and permits may be required in the future. The duration and success of the Company's efforts to obtain permits are contingent upon many variables outside of its control. Obtaining government permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and if obtained, that the costs involved will not exceed Gaia Bio's estimates or that it will be able to maintain such permits. To the extent such approvals are required and not obtained or maintained, the Company may be prohibited from proceeding with planned activities.

Joint Ventures

From time to time Gaia Bio may enter into one or more joint ventures. Any failure of a joint venture partner to meet its obligations could have a material adverse effect on such joint ventures. In addition, the Company might be unable to exert influence over strategic decisions made in connection with properties that are involved in such joint ventures.

Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports.

Outlook

Although current management has demonstrated its ability to raise funds in the past, with the current financial market conditions and global economic uncertainty, there can be no assurance they will be able to do so in the future. The financial results and discussion do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Caution Regarding Forward Looking Statements

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially, from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.