



Management's Discussion and Analysis

Gaia Grow Corp.

For the years ended December 31, 2021 and 2020

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 years ended December 31, 2021 and 2020. 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.

Gaia Grow Corp.

Management's Discussion and Analysis of Financial Results

For the year ended December 31, 2021

Introduction

The following discussion of performance and financial condition should be read in conjunction with the audited consolidated financial statements of Gaia Grow Corp. (the "Company" or "Gaia Grow") for the years ended December 31, 2021 and 2020. 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 May 2, 2022.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The Company's operations have not been significantly adversely affected by the COVID-19 pandemic. However, the Company cannot accurately predict the impact COVID-19 will have on its future operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries.

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.

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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.

In accordance with IFRS 3 *Business Combinations*, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition did not meet the definition of a business combination as the primary asset was an intangible asset for license under Health Canada's ACMPR, which was still in the application stage and not operational at the time of acquisition. Consequently, the transaction was recorded as an acquisition of an asset. The results of operations from Gaia Bio were included in the consolidated financial statements since the date of acquisition.

The details of the consideration paid and the assets and liabilities of Gaia Bio were as follows:

Consideration paid:	\$ 1,040,000
Less: Value of net assets acquired	
Cash	8
Receivables	5,389
Trade payables	(71,532)
Loan payable	(6,270)
Net assets acquired	(72,405)
Excess of consideration over net assets acquired	\$ 1,112,405

The excess of consideration over net assets was initially capitalized as an intangible. At December 31, 2019, the Company was no longer pursuing the license application and recognized an impairment of the intangible of \$1,112,405 in fiscal 2019.

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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.

On April 21, 2020, the Company entered into a share exchange agreement with Blackhawk Growth Corp. ("Blackhawk"), a public company with directors in common. Blackhawk is the owner of all of the issued and outstanding shares of 1202465 B.C. Ltd. ("Nelson Store") and Patriot Cannabis Brands Inc. ("Powell River Stores"), two private companies incorporated in British Columbia (the "target entities"). Pursuant to this agreement, the Company acquired all of the issued and outstanding shares of the target entities for the issuance of 30,000,000 common shares of the Company, at a fair value of \$1,050,000.

In accordance with IFRS 3 *Business Combinations*, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition did not meet the definition of a business combination as the primary asset acquired was leases. The target entities had minimal assets, liabilities nor an integrated set of activities and assets that were capable of being conducted and managed to generate an economic return. Consequently, the transaction was recorded as an acquisition of an asset. The results of operations from the target entities were included in the consolidated financial statements since the date of acquisition.

The details of the consideration paid and the assets and liabilities of the target entities were as follows:

Consideration paid:	\$ 1,050,000
Less: Value of net assets acquired	
Prepays	10,056
Right-of-use assets	245,168
Lease liabilities	(245,168)
Net assets acquired	10,056
Excess of consideration over net assets acquired	\$ 1,039,944

Upon acquisition of the target entities, the Company evaluated the impact of a remeasurement as new leases and the recording of an intangible asset or liability for any favourable or unfavourable terms of the leases. The cost of the acquisition, as a result, was allocated to the right-of-use asset and the excess of consideration was initially capitalized as a lease intangible. The Company could not substantiate recognition of a lease intangible or other type of asset at the date of acquisition and, as such, the Company recognized an impairment of the intangible of \$1,039,944 in fiscal 2020.

As a result of this acquisition, the Company is now also involved in cannabis retail sales.

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Canna Stream Solutions Ltd. (the "CSS")

Pursuant to the Option to Purchase Agreement with CSS, the Company acquired all of the issued and outstanding shares of CSS for the issuance of 12,500,000 common shares of the Company, at a fair value of \$687,500.

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition did not meet the definition of a business combination as the primary asset of CSS was an intangible asset for the technologies of storing, transportation and processing of cannabis and a patent-pending environmentally friendly solvent system.

CSS has minimal assets, liabilities nor an integrated set of activities and assets that were capable of being conducted and managed to generate an economic return.

Consequently, the transaction was recorded as an acquisition of an asset. The results of operations from CSS were included in the consolidated financial statements since the date of acquisition.

The details of the consideration paid and the assets and liabilities of CSS were as follows:

Consideration paid:	\$ 687,500
Less: Value of net assets acquired	
Cash	23,371
Receivable	23,398
Equipment	33,740
Liabilities	(27,924)
Net assets acquired	52,585
Excess of consideration over net assets acquired	\$ 634,915

The excess of consideration over net assets was initially capitalized as an intangible. As at December 31, 2021, the patent is still in the application stage and not operational and there is significant uncertainty whether the Company will continue to pursue the patent application. The Company recognized an impairment of the intangible of \$634,915 during the year ended December 31, 2021.

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TruExtracts Inc. ("True" or "TruExtracts")

Pursuant to the Share Exchange Agreement with True, the Company acquired all of the issued and outstanding shares of True for the following consideration:

- (i) the issuance of 30,000,000 common shares of the Company at a fair value of \$1,650,000 and 3,000,000 shares were issued to finders, at a fair value of \$165,000.
- (ii) the shareholders of True may be entitled an one-time cash earn-out, up to a maximum of \$1,000,000 for performance benchmarks. The earn-out period is in the twenty-four months following the closing date;
- (iii) the shareholders of True may be entitled a share earn-out, to be satisfied through the issuance of common shares of the Company up to a maximum amount of \$1,000,000 for hitting performance benchmarks. The earn-out period is in the twenty-four months following the closing date;
- (iv) maximum payment of \$500,000 to retire the existing shareholder loans, of which no more than \$150,000 will be payable in cash and the remaining balance will be settled through the issuance of additional common shares of the Company. As of December, 31, 2021, the Company has paid \$150,000 in cash and did not issue additional common shares to the existing shareholders of True.

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition did not meet the definition of a business combination as the primary asset was an intangible asset for the processing license under Health Canada.

Consequently, the transaction was recorded as an acquisition of an asset. The results of operations from True were included in the consolidated financial statements since the date of acquisition.

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The details of the consideration paid and the assets and liabilities of True were as follows:

Consideration paid:	
Common shares of the Company issued:	\$ 1,650,000
Cash paid:	150,000
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	\$ 1,800,000
Less: Value of net assets acquired	
Cash	19,631
Receivable	85,243
Prepaid	35,754
Computer software	25,069
Payables	(165,697)
Right-of-use assets	1,055,434
Lease liabilities	(1,055,434)
Net assets acquired	<hr/>
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Excess of consideration over net assets acquired	<hr/>
	\$ 1,800,000

As the transaction does not constitute a business combination, it has been accounted in accordance with guidance provided in IFRS 2 Share Based Payment and was treated as an issuance shares by the Company for the net monetary assets of True. The excess of consideration over net assets was allocated to specifically identified asset, which is the license. The Company could not substantiate the value of licenses and thus support recognition of intangible assets in relation to the license. The value of the acquired licenses was unknown either, as such, the Company recognized an impairment of the intangible of \$1,800,000. Share issued to the finder at a fair value of \$165,000 were recognized as share issuance costs.

In addition, the Company determined that the probability of reaching the performance benchmarks and paying the potential earn-outs has been reduced to a nominal amount due to \$Nil revenue were generated from True post acquisition. Accordingly, the Company estimated the fair value of the contingent consideration to be \$Nil.

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Regenco Technology Inc. ("Regenco")

Pursuant to the Option to Purchase Agreement with Regenco (note 1), the Company acquired all of the issued and outstanding shares of Regenco for the issuance of 35,000,000 common shares of the Company at a fair value of \$1,925,000, and 3,500,000 shares were issued to finders, at a fair value of \$192,500.

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition did not meet the definition of a business combination as the primary asset acquired were leases. The target entity had minimal assets liabilities nor an integrated set of activities and assets that were capable of being conducted and managed to generate an economic return. Consequently, the transaction was recorded as a business combination. The results of operations from the target entity were included in the consolidated financial statements since the date of acquisition.

The details of the consideration paid and the assets and liabilities of Regenco were as follows:

Consideration paid:	\$ 1,925,000
Right-of-use assets	168,819
Lease liabilities	(168,819)
Net assets acquired	-
Excess of consideration over net assets acquired	\$ 1,925,000

Upon acquisition of the target entity, the Company evaluated the impact of a remeasurement as new leases and the recording of an intangible asset or liability for any favourable or unfavourable terms of the leases. The cost of the acquisition, as a result, was allocated to the right-of-use asset and the excess of consideration was initially capitalized as a lease intangible. The Company could not substantiate recognition of a lease intangible or other type of asset at the date of acquisition and, as such, the Company recognized an impairment of the intangible of \$1,925,000. Shares issued to the finder at a fair value of \$192,500 were recognized as share issuance costs.

Shares issued during the years ended December 31, 2021 and 2020:

On June 11, 2021, the Company issued 30,000,000 shares, at a fair value of \$1,650,000, for acquisition of TruExtracts (Calgary) Inc. 3,000,000 shares at a fair value of \$165,000 were issued to finders.

On June 11, 2021, the Company issued 12,500,000 shares, at a fair value of \$687,500, for acquisition of Canna Stream Solutions Ltd.

On June 18, 2021, the Company issued 35,000,000 shares, at a fair value of \$1,925,000, for acquisition of Regenco Technology Inc. 3,500,000 shares at a fair value of \$192,500 were issued to finders.

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On July 29, 2021, the Company closed an initial tranche of a non-brokered private placement for issuance of 16,720,000 units at a price of \$0.05 per unit for gross proceeds of \$836,000. Each unit is comprised of one common share and one common share purchase warrant with each warrant entitling the holder to purchase an additional common share at a price of \$0.055 for a period of thirty-six months after the date of issue.

The Company paid \$17,500 cash commission and issued 350,000 agents' warrants to purchase common shares at \$0.055 per share until July 29, 2024. The agents' warrants were valued using the Black-Scholes model resulting in fair value of \$12,793 which was recorded as share issuance costs.

On August 30, 2021, the Company closed the final tranche of its non-brokered private placement for issuance of 4,650,000 units at a price of \$0.05 per unit for additional gross proceeds of \$232,500. Each unit is comprised of one common share and one common share purchase warrant with each warrant entitling the holder to purchase an additional common share at a price of \$0.055 for a period of thirty-six months after the date of issue.

The Company paid \$16,275 cash commission and issued 325,500 agents' warrants to purchase common shares at \$0.055 per shares until August 30, 2024. The agents' warrants were valued using the Black-Scholes model resulting in fair value of \$10,188 which was recorded as share issuance costs.

On August 31, 2021, the Company issued 934,500 shares to settle outstanding consulting fee of \$46,725, resulting in a gain from debt settlement of \$9,345.

On September 29, 2021, the Company entered into a share subscription purchase agreement ("Agreement") with a U.S. institutional investor. Pursuant to Agreement, the Company will place up to \$3,000,000 worth of its common shares ("Shares") to the investor. The placement will be way of a lump sum prepayment of the subscription price of shares ("Placement Shares"), in three tranches. The first tranche will raise \$1,000,000 in proceeds for \$1,090,000 worth of Placement Shares. The second tranche will raise \$1,000,000 in proceeds for \$1,090,000 worth of Placement Shares. Additionally, the Company may elect to raise \$1,000,000 in proceeds for Placement Shares worth the same amount in a third tranche, with the consent of the investor. The purchase price for the issue of Placement Shares will be the greater of the fixed price of \$0.05 ("Fixed Price") (for the first tranche) or (for the second and third tranches) the closing price of the Shares immediately prior to the funding of that tranche and the market price of the Shares at the time of their issue, being the average of the five daily volume-weighted average prices selected by the investor during the twenty consecutive trading days immediately prior to the date of the investor's request to issue shares, less a 10% discount ("Market Price").

The investor will not be obligated to provide the second tranche, and/or may reduce the size of the second tranche, if the market price of the Company's Share is below \$0.02 and does not recover to above that level within two months after the investor notified the Company so. Separately, each party will have the right to postpone the second tranche by up to three months.

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The investor will be entitled to receive a make-whole payment in relation to an issue of Placement Shares if the market price of the Share is less than the Fixed Price, which payment will be equal to the value of Shares foregone as a result of the Fixed Price being the purchase price rather than such market price. The Company may elect to make this payment in Shares in lieu of cash, in the Company's sole discretion.

In September 2021, the Company received \$1,000,000 from the investor as a lump sum prepayment for the subscription price of \$1,090,000 worth of Placement Shares. On October 12, 2021, the Company issued initial 2,480,000 common shares towards the ultimate number of Placement Shares to be issued and issued 4,800,000 warrants exercisable until October 12, 2025 at a price of \$0.05 entitling the investor to subscribe for one share per warrant for a period of forty-eight months following the closing date. Because the investor will be entitled to receive a make-whole payment if the market price of the Share is less than the Fixed Price, 2,480,000 shares issued to the investor was recognized at its fair value of \$49,600. The remaining proceeds amount of \$950,400 were presented as liabilities as at December 31, 2020. The Company also incurred \$124,000 share issuance costs in connection with the private placement.

On December 09, 2021, the Company issued 250,000 shares to settle accounting fee of \$12,500, resulting in a gain from debt settlement of \$6,250.

On April 21, 2020 the Company issued 30,000,000 shares, at a fair value of \$1,050,000, for acquisition of 1202465 B.C. Ltd. and Patriot Cannabis Brands Inc.

Overall Performance

As at December 31, 2021, the Company had working capital of \$144,750 (2020 – \$546,852) and accumulated shareholders deficit of \$16,218,396 (2020 - \$9,697,120). During the year ended December 31, 2021, the Company incurred a net loss of \$6,521,276 (2020 - \$6,204,638). 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 about the Company's ability to continue as a going concern.

Business Development

Manufacturing and marketing of hemp-based products

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.

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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 started off well. Post-production of a drone fly-over video of the seeding process was underway and was uploaded on Gaia's website at 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 fibre biomass shipment of 21,220 pounds or 9,645 kilograms (one full truck) to an offtake partner, further demonstrating Gaia's ability to execute quickly for its partners.

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In April 2020 Gaia Grow signed a Milling Agreement with Enagon Inc. 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 agreement, Enagon will mill industrial hemp to be sold exclusively by Gaia to fibre suppliers and licensed processors of cannabis in Canada pursuant to Gaia's industrial hemp license. 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 license, the revenue for the milled product will be split 70% to Enagon and 30% to Gaia. Gaia is 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. In April 2021, the agreement with Enagon was terminated and the parties are currently reassessing the structure and the future plans for the hemp operations.

In March 2020 Gaia Grow reported that it signed an agreement with CannGroup Development Corp. ("CDC") for the sale of 15,000 kilograms of milled hemp powder to CannGroup for processing into CBD oil and distillate. On May 27, 2020 Gaia Grow Corp. announced the expansion of the companies have come to an agreement to expand their business relationship to allow for the addition of an exclusive-use extraction line in CDC's new subsidiary Site 2 license in Calgary. No sales have been completed to date as Gaia is still working on reconfiguring the processing facilities and improving the quality of extraction process

In June 2020 Gaia Grow Corp. successfully sourced and leased an industrial facility to expand its existing joint venture with Enagon Inc. for post-harvest bale breaking and milling in order to increase its production capacity of saleable milled hemp flower product. The lease of the industrially-zoned 4,500 square foot facility in Lacombe, Alberta started on June 18, 2020 and is for one year with rolls and extensions possible, providing flexibility to expand operations to another location if required after this first year. After reviewing many options of purchasing, building or leasing facilities over the past year, Gaia's management selected this new facility that had just recently come on the market as it offered the best mix of cost, location, size, upgraded power and utility access. The site was formerly the home of a pallet manufacturer that operated in the building for the past 24 years. It allows for large transportation vehicle access, has enough power for the foreseeable needs of the milling operation expansion, and also offers a large 1-acre lot which will allow for both unprocessed bale storage as well as rebaling of the fibre once separated from the flower and non-viable seed.

Upon taking possession, Gaia and Enagon have begun outfitting the facility with equipment and completing some minor renovations in order to achieve the proper floorplan and dust-management systems required to optimize bale breaking, milling operations, rebaling of separated hemp fibre, material handling and storage of finished product. All required permits have been received.

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Due to a decline in hemp prices in the latter part of 2020, the Company determined that the value of its inventory of hemp biomass and CBD powder is impaired and recorded an impairment write-down of \$3,206,335 in 2020 (2019 - \$Nil). Due to minimal sales during the year ended December 31, 2020, the Company also recorded a provision for slow-moving inventory of \$825,889 and an impairment write-down on equipment at Lacombe of \$80,505 in 2020.

In 2020 and to today's date Gaia has been in negotiations with several groups seeking to purchase Gaia's product.

In June 2021 the Company entered into an agreement to purchase all issued and outstanding shares of TruExtracts (Calgary) Inc. ("TRU"). TRU is one of Western Canada's largest cannabis and hemp processors. Their 12,500 square foot state of the art facility in Calgary has the ability to process with supercritical carbon dioxide CO₂, ethanol, butane, and pentane and solventless extraction. The facility is also Health Canada licensed and fully operational and has an expansion capability of an additional 6,000 to 12,000 additional square feet. Services include toll processing, THC, CBD extractions and isolates, as well as white label service and cannabis THC and CBD products.

In June 2021 the Company entered into a definitive share purchase agreement (the "Purchase Agreement") with Regenco Technologies Inc. ("Regenco"), and each of the shareholders of Regenco. Regenco operates a licensed recreational cannabis retail store located in Squamish, British Columbia.

Pursuant to the terms of the Purchase Agreement, the Company intends to acquire all of the outstanding share capital of Regenco in consideration for 35,000,000 common shares of the Company to be issued to the existing shareholders of Regenco. In addition, the Company will be required to issue 3,500,000 common shares to an arms-length party in satisfaction of an obligation of Regenco to compensate a third party who assisted with facilitating the acquisition.

The acquisition of Regenco is not expected to constitute a fundamental change for the Company, nor will it result in a change of control of the Company, within the meaning of applicable securities laws and the policies of the Canadian Securities Exchange. Completion of the acquisition remains subject to delivery of customary closing materials and applicable filings with the Canadian Securities Exchange. The shareholders of Regenco include Pelsco Holdings Corp., and 1962800 Alberta Ltd., holding companies controlled by Frederick Pels and Marc Lowenstein, respectively. Messrs. Pels and Lowenstein are directors of the Company and have abstained from voting on all matters pertaining to approval of the acquisition of Regenco. If completed, Pelsco Holdings Corp., and 1962800 Alberta Ltd., would be entitled to receive a total of 4,987,500 Consideration Shares in consideration for their respective interests in Regenco. The acquisition of Regenco is not considered a related party transaction within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

In addition, Gaia entered into a definitive purchase agreement to acquire all of the issued and outstanding share capital of Canna Stream Solutions Ltd. ("CSS"). Pursuant to the terms of the purchase agreement, the Company intends to acquire CSS in consideration for the issuance of 12,500,000 common shares of the company to the existing shareholders of CSS.

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CSS is developing critical technologies for storing, transportation and processing of cannabis waste (physical and chemical). Most notably, they have filed a US provisional patent application in the chemical extraction and fractionation of Cannabinoids and monoterpenes from cannabis flower and biomass utilizing their solvent system that is significantly more efficient than ethanol. This gives CSS the ability to significantly manage costs of high throughput processing and extraction of cannabis and Hemp biomass.

Utilizing CSS's patent-pending environmentally friendly solvent, the Company's wholly owned subsidiary, TruExtracts, will be able to process Gaia's CBD rich product more cost effectively, providing a significant competitive advantage.

Using CSS's environmentally green technologies and processes to prepare the non-CBD rich milled fibre product for "low volume, high dollar" end products to be sold to existing CSS industry partners who have unique plant-based product needs for their next level of finished goods manufacturing.

The Company is at arms-length from CSS, and each of its shareholders. The acquisition of CSS is not expected to constitute a fundamental change for the Company, nor will it result in a change of control of the Company, within the meaning of applicable securities laws and the policies of the Canadian Securities Exchange. Completion of the acquisition remains subject to delivery of customary closing materials and applicable filings with the Canadian Securities Exchange.

Founders of CSS are Doctors: Usukuma Ekuere, Krista Leicht, John Vidmar, and Behzad Ahvazi are the founders of CSS. Dr Ekuere has a PhD in Plant Genetics and an MBA focused on Tech Commercialization. He has extensive experience working with companies at a senior management level. Dr Leicht is a Canadian-trained and Alberta-licensed Medical Doctor and Psychiatrist, who brings over twenty years of Clinical experience to the team. Dr Vidmar has a PhD in Botany and has worked with several start-ups in the food and cannabis industries (as CEO, CSO, and Lead scientist). Dr. Behzad Ahvazi, is a chemist with over 25 years of experience with expertise in added value processing in plant materials. Dr Behzad Ahvazi has focused on green technologies for converting and processing biomass components from sustainable, renewable agricultural and forestry resources into creating value-added, novel bioproducts. He has held numerous positions in R&D departments for private and government research facilities and holds an Adjunct Professor position at the University of Alberta.

Cannabis retail sales

On April 21, 2020, the Company entered into a share exchange agreement with Blackhawk Growth Corp. ("Blackhawk"), a public company with directors in common. Blackhawk is the owner of all of the issued and outstanding shares of 1202465 B.C. Ltd. ("Nelson Store") and Patriot Cannabis Brands Inc. ("Powell River Stores"), two private companies incorporated in British Columbia (the "target entities").

Gaia Grow Corp.

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A license to operate a cannabis retail store for the Nelson Store, located at 306B Victoria Street in Nelson, British Columbia, has been previously issued by the Liquor & Cannabis Regulation Branch of British Columbia to CFPM, a company with a director and officer in common. This license is currently in the process of being transferred to 1202465 B.C. Ltd., which is now a subsidiary of Gaia Grow Corp. Subsequent to the share exchange agreement, the Company has applied for the Powell River Stores to operate licensed cannabis dispensaries at the premises located at Unit No. 3, 4296 Joyce Avenue and 6239 Walnut Street in Powell River, British Columbia.

In satisfaction of the purchase price, Gaia has issued 30,000,000 common shares to Blackhawk, at a \$0.035 per common share. Prior to completion of the transaction, Blackhawk did not hold any securities of Gaia. Blackhawk now has ownership and control of a total of 30,000,000 common shares of Gaia representing approximately 12.9% of the issued and outstanding shares.

In October 2020, the Company announced opening of its Green Room's store. The store was opened through CFPM while Gaia is waiting for the license to be transferred over to Gaia. On October 1, 2020, the Company entered into an Agreement (the "Agreement") with CFPM Management Services Ltd. a company with a director in common. Pursuant to the Agreement, the Company is entitled to a fee for promotional services in the amount equal to net profits earned from business conducted at the Company's leased retail premise. To December 31, 2021, the Company has not earned nor recorded any such fees. To date, the application for transfer has been completed in April 2022.

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, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Total revenues	\$ 6,678	\$ -	\$ -
General and administrative expenses	\$ 2,302,485	\$ 886,139	\$ 2,036,020
Net loss and comprehensive loss	\$ 6,521,276	\$ 6,204,638	\$ 3,492,262
Total assets	\$ 2,158,637	\$ 1,261,170	\$ 6,015,220
Total liabilities	\$ 2,666,342	\$ 514,054	\$ 113,466
Basic and diluted – comprehensive (loss) per share	\$ (0.02)	\$ (0.03)	\$ (0.03)
Cash dividends declared per share	Nil	Nil	Nil

Gaia Grow Corp.

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General and administrative expenses increased by \$1,416,346 from \$886,139 in 2020 to \$2,302,485 in 2021 as the company expanded and acquired several subsidiaries. Consulting fees increased from \$50,987 in 2020 to \$551,109 in 2021, depreciation on PPE and ROA increased from \$Nil to \$12,646 and \$49,331 to \$175,608, respectively, in 2021, interest went from \$27,728 in 2020 to \$148,121 in 2021, and office and administration went from \$110,772 in 2020 to \$714,078 in 2021. Consulting fees, depreciation, interest, office and administration, and payroll in 2021 related to sourcing of new business opportunities and acquisitions of subsidiaries, whereas in 2020 the Company did not incur any such expenses.

Total assets increased from \$1,261,170 in 2020 to \$2,158,637 mainly due to the right-of-use assets of \$1,284,836 acquired during several acquisitions. During the year ended December 31, 2021, the Company recorded impairment of intangibles of \$4,359,915 as 1) the CSS patent is still in the application stage and not operational and there is significant uncertainty whether the Company will continue to pursue the patent application as at December 31, 2021; 2) the Company could not substantiate the value of operating license and lease intangible or other type of assets under True and Regenco and thus support recognition of intangible assets in relation to the acquisition.

During the year ended December 30, 2020, the Company recorded an impairment of \$4,032,224 (2021 - \$Nil), which includes \$3,206,335 in an impairment write-down of finished goods and raw materials due to a decline in market prices and therefore a decline in the estimated recoverable amount of inventory, as well as \$825,889 in a provision for slow-moving inventory due to minimal sales in 2020.

Selected quarterly information

	Three-month period ended			
	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
Net revenue	\$ -	\$ 6,678	\$ -	\$ -
Net comprehensive loss	(4,845,463)	(963,677)	(472,660)	(239,476)
Basic and diluted – comprehensive loss per share	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)

	Three-month period ended			
	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Net revenue	\$ -	\$ -	\$ -	\$ -
Net comprehensive gain (loss)	(4,362,397)	(198,860)	(1,377,950)	(265,431)
Basic and diluted – comprehensive (loss) per share	\$ (0.02)	\$ (0.00)	\$ (0.01)	\$ (0.00)

The net loss for the quarter ended December 31, 2021 was \$4,845,463 as compared to \$963,677 for the previous quarter ended September 30, 2021. The loss was higher in the current period mainly due to the impairment of intangibles of \$4,359,915.

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RESULTS OF OPERATIONS

For the years ended December 31, 2021 and 2020

During the years ended December 31, 2021 and 2020 the Company recorded a net loss and comprehensive loss of \$6,521,276, which is higher than the loss of \$6,204,638 incurred during the year ended December 31, 2020. The increase in net loss and comprehensive loss incurred during the year ended December 31, 2021 was mainly attributable to the following:

- Consulting fee during the year ended December 31, 2021 was \$551,109 as compared to \$50,987 in 2020 due to the sourcing of new business opportunities and acquisitions of subsidiaries during the year ended December 31, 2021.
- Depreciation on ROA and PPE during the year ended December 31, 2021 were \$175,608 and \$12,646 respectively in 2021 as compared to \$49,311 and \$Nil respectively in 2020 due to the acquisitions of subsidiaries during the year ended December 31, 2021.
- Office and administration during the year ended December 31, 2021 was \$714,078 in 2021 as compared to \$110,772 in 2020 due to the acquisitions of subsidiaries during the year ended December 31, 2021.
- Professional fees during the year ended December 31, 2021 was \$251,329 in 2021 as compared to \$194,619 in 2020 due to the sourcing of new business opportunities and acquisitions of subsidiaries during the year ended December 31, 2021.
- Impairment of intangibles during the year ended December 31, 2021 was \$4,359,915 in 2021 as compared to \$1,039,944 in 2020 due to the CSS patent being still in the application stage and not operational as at December 31, 2021.
- Impairment of property and equipment decreased from \$125,865 to \$Nil in the current year, and impairment of inventory decreased from \$4,032,224 to \$Nil in the current period, due to an impairment write-down of inventory and an impairment write-down recorded in 2020.

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For the three months ended December 31, 2021 and 2020

During the three months ended December 31, 2021 the Company recorded a net loss and comprehensive loss of \$4,845,463 which is \$483,806 more than the loss of \$4,362,397 incurred during the three months ended December 31, 2020. The increase in net loss and comprehensive loss incurred during the three months ended December 31, 2021 was mainly attributable to the following:

- Consulting fees during the three months ended December 31, 2021 was \$127,191 as compared to \$40,000 in 2020 due to the sourcing of new business opportunities and acquisitions of subsidiaries
- Interest during the three months ended December 31, 2021 was \$53,068 as compared to \$22,330 in 2020 due to the lease liabilities taken in business development and acquisitions of subsidiaries
- Professional fees during the three months ended December 31, 2021 was \$62,063 as compared to \$10,337 in 2020 due to the sourcing of new business opportunities and acquisitions of subsidiaries.
- Impairment of intangibles during three months ended December 31, 2021 was \$4,359,915 in 2021 as compared to \$Nil in 2020 due to the Company could not substantiate the value of patent, license and lease intangible or other type of assets from the acquisitions of CSS, True and Regenco and thus support recognition of intangible assets.
- Impairment of \$Nil in 2021 as compared to \$4,032,224 in 2020, which includes \$3,206,335 in an impairment write-down of finished goods and raw materials due to a decline in market prices and therefore a decline in the estimated recoverable amount of inventory, as well as \$825,889 in a provision for slow-moving inventory due to minimal sales in 2020.

Liquidity and Capital Resources

At December 31, 2021, the Company has \$429,598 (2020 - \$774,754) of cash to settle current liabilities of \$542,273 (2020 - \$337,512).

During the years ended December 31, 2021 and 2020, the Company experienced cash outflows of \$1,991,845 (2020 – \$986,967) from operating activities. The cash outflows were higher in the comparative period mainly due higher cash expenses in the comparative period during 2021.

Net cash generated from financing activities was \$1,646,689 (2020 – used \$81,909). The increase is mainly due to the shares issued for cash through the private placement during the year ended December 31, 2021.

Net cash used in investing activities was \$Nil (2020 – \$80,505) due to the subsidiaries purchasing equipment during the period.

Overall, cash decreased by \$345,156 during the year ended December 31, 2021 as compared to an increase of \$1,149,381 in the comparative period mostly due to high cash expenditures during the year ended December 31, 2021.

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The Company is not subject to any externally imposed capital requirements. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. As a young growth company, issuance of equity has been the primary source of capital to date. Debt and/or equity financing may be pursued in the future as deemed appropriate to balance debt and equity. To maintain or adjust the capital structure, the Company may issue new shares, take on debt or sell assets to reduce debt. While management plans to generate revenues and to continue financing the Company through the issuances of additional equity securities or debt instruments, there can be no assurance that enough revenue or financing will occur to meet our cash needs for the next 12 months. The ability to achieve the projected future operating results is based on several assumptions which involve significant judgments and estimates, which cannot be assured. If the Company is unable to achieve the projected operating results, the Company's liquidity could be adversely impacted, and the Company may need to seek additional sources of financing. Operating results could adversely affect our ability to raise additional capital to fund operations and there is no assurance that sufficient debt or equity financing will be available, on acceptable terms, or in a timely basis.

Related Party Transactions

During the years ended December 31, 2021 and 2020, the Company recorded:

- a) \$218,500 (2020 - \$193,500) in management fees paid or payable to directors of the Company;
- b) \$229,295 (2020 - \$60,000) in administrative fees recorded in office and administrative expenses, and paid to the officers or a company of which officers of the Company are employees;
- c) \$Nil (2020 - \$10,987) in consulting fees paid to a company with a director in common;
- d) \$Nil (2020 - \$21,447) in consulting fees paid to a company with officers in common;
- e) \$72,822 (2020 - \$Nil) in rental incomes from subleasing the office space to a company with a director in common;

On October 1, 2020, the Company entered into an Agreement (the "Agreement") with CFPM Management Services Ltd. a company with a director in common. Pursuant to the Agreement, the Company is entitled to a fee for promotional services in the amount equal to net profits earned from business conducted at the Company's leased retail premise. To December 31, 2021 and 2020, the Company has not earned nor recorded any such fees. General advances made to CFPM are non-refundable and, as such, the Company has recorded total advances of \$Nil (2020 - \$124,911) in the statement of operations and comprehensive loss. Advances designated for the use of inventory purchases by CFPM are to be settled upon the transfer of a cannabis retail license from CFPM to the Company. The total of such advances at December 31, 2021 was \$17,145 (2020 - \$23,591). To December 31, 2021 and 2020, the application for transfer is in progress, however has not been completed.

As at December 31, 2021, \$85,298 (2020 - \$12,476) is due from a company with a director in common and included in receivables

All related party transactions are in the normal course of business.

Gaia Grow Corp.

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Outstanding Share Data

Authorized: Unlimited number of common shares without par value.

On June 11, 2021, the Company issued 30,000,000 shares, at a fair value of \$1,650,000, for acquisition of TruExtracts (Calgary) Inc. 3,000,000 shares at a fair value of \$165,000 were issued to finders.

On June 11, 2021, the Company issued 12,500,000 shares, at a fair value of \$687,500, for acquisition of Canna Stream Solutions Ltd.

On June 18, 2021, the Company issued 35,000,000 shares, at a fair value of \$1,925,000, for acquisition of Regenco Technology Inc. 3,500,000 shares at a fair value of \$192,500 were issued to finders.

On July 29, 2021, the Company closed an initial tranche of a non-brokered private placement for issuance of 16,720,000 units at a price of \$0.05 per unit for gross proceeds of \$836,000. Each unit is comprised of one common share and one common share purchase warrant with each warrant entitling the holder to purchase an additional common share at a price of \$0.055 for a period of thirty-six months after the date of issue.

The Company paid \$17,500 cash commission and issued 350,000 agents' warrants to purchase common shares at \$0.055 per share until July 29, 2024. The agents' warrants were valued using the Black-Scholes model resulting in fair value of \$12,793 which was recorded as share issuance costs.

On August 30, 2021, the Company closed the final tranche of its non-brokered private placement for issuance of 4,650,000 units at a price of \$0.05 per unit for additional gross proceeds of \$232,500. Each unit is comprised of one common share and one common share purchase warrant with each warrant entitling the holder to purchase an additional common share at a price of \$0.055 for a period of thirty-six months after the date of issue.

The Company paid \$16,275 cash commission and issued 325,500 agents' warrants to purchase common shares at \$0.055 per shares until August 30, 2024. The agents' warrants were valued using the Black-Scholes model resulting in fair value of \$10,188 which was recorded as share issuance costs.

On August 31, 2021, the Company issued 934,500 shares to settle consulting fee of \$46,725, resulting in a gain from debt settlement of \$6,250.

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On September 29, 2021, the Company entered into a share subscription purchase agreement (“Agreement”) with a U.S. institutional investor. Pursuant to Agreement, the Company will place up to \$3,000,000 worth of its common shares (“Shares”) to the investor. The placement will be way of a lump sum prepayment of the subscription price of shares (“Placement Shares”), in three tranches. The first tranche will raise \$1,000,000 in proceeds for \$1,090,000 worth of Placement Shares. The second tranche will raise \$1,000,000 in proceeds for \$1,090,000 worth of Placement Shares. Additionally, the Company may elect to raise \$1,000,000 in proceeds for Placement Shares worth the same amount in a third tranche, with the consent of the investor. The purchase price for the issue of Placement Shares will be the greater of the fixed price of \$0.05 (“Fixed Price”) (for the first tranche) or (for the second and third tranches) the closing price of the Shares immediately prior to the funding of that tranche and the market price of the Shares at the time of their issue, being the average of the five daily volume-weighted average prices selected by the investor during the twenty consecutive trading days immediately prior to the date of the investor’s request to issue shares, less a 10% discount (“Market Price”).

The investor will not be obligated to provide the second tranche, and/or may reduce the size of the second tranche, if the market price of the Company’s Share is below \$0.02 and does not recover to above that level within two months after the investor notified the Company so. Separately, each party will have the right to postpone the second tranche by up to three months.

The investor will be entitled to receive a make-whole payment in relation to an issue of Placement Shares if the market price of the Share is less than the Fixed Price, which payment will be equal to the value of Shares foregone as a result of the Fixed Price being the purchase price rather than such market price. The Company may elect to make this payment in Shares in lieu of cash, in the Company’s sole discretion.

In September 2021, the Company received \$1,000,000 from the investor as a lump sum prepayment for the subscription price of \$1,090,000 worth of Placement Shares. On October 12, 2021, the Company issued initial 2,480,000 common shares towards the ultimate number of Placement Shares to be issued and issued 4,800,000 warrants exercisable until October 12, 2025 at a price of \$0.05 entitling the investor to subscribe for one share per warrant for a period of forty-eight months following the closing date. Because the investor will be entitled to receive a make-whole payment if the market price of the Share is less than the Fixed Price, 2,480,000 shares issued to the investor was recognized at its fair value of \$49,600. The remaining proceeds amount of \$950,400 were presented as liabilities as at December 31, 2020. The Company also incurred \$124,000 share issuance costs in connection with the private placement.

On December 09, 2021, the Company issued 250,000 shares to settle accounting fee of \$12,500, resulting in a gain from debt settlement of \$6,250.

On April 21, 2020 the Company issued 30,000,000 shares, at a fair value of \$1,050,000, for acquisition of 1202465 B.C. Ltd. and Patriot Cannabis Brands Inc.

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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.

No stock options were granted during the years ended December 31, 2021 and 2020.

The movement in the Company's stock options for the years ended December 31, 2021 and 2020 are as follows:

	Number of options	Exercise price
Outstanding and exercisable, December 31, 2020	3,850,000	\$ 0.10
Granted	-	0.10
Outstanding and exercisable, December 31, 2021	3,850,000	\$ 0.10

As at December 31, 2021, the Company has the following stock options outstanding:

Number of options outstanding and exercisable	Exercise price	Expiry date	Weighted average life
3,850,000	\$0.10	August 28, 2024	2.66 years

Warrants

On July 29, 2021, the Company issued 16,720,000 warrants exercisable at a price of \$0.055 expiring on July 29, 2024, in connection with the initial tranche of the private placement. The Company also issued 350,000 warrants to the finder.

The fair value of the agents' warrants granted in July 2021 was determined using the Black-Scholes option pricing model with the following weighted average assumption:

Stock price	\$0.45
Risk-free interest rate	0.55%
Expected term (in years)	3
Estimated dividend yield	0%
Weighted-average estimated volatility	157.87%

On August 30, 2021, the Company issued the additional 4,650,000 warrants exercisable at a price of \$0.055 and expiring on August 30, 2024. The Company also issued 325,500 warrants to the finder.

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The fair value of the agents' warrants granted in August 2021 was determined using the Black-Scholes option pricing model with the following weighted average assumption:

Stock price	\$0.40
Risk-free interest rate	0.55%
Expected term (in years)	3
Estimated dividend yield	0%
Weighted-average estimated volatility	152.13%

On October 12, 2021, the Company issued 4,800,000 warrants exercisable in connection with the placement of its commons shares to a U.S. institutional investor.

The movement in the Company's warrants for the years ended December 31, 2021 and 2020 are as follows:

	Number of warrants	Weighted Exercise price
Outstanding and exercisable, December 31, 2020	-	\$ -
Granted	26,845,000	0.05
Outstanding and exercisable, December 31, 2021	26,845,000	\$ 0.05

As at December 31, 2021, the Company has the following warrants outstanding:

Number of warrants outstanding and exercisable	Weighted Exercise price	Expiry date	Weighted average life
	\$		
17,070,000	0.055	July 29, 2024	2.58 years
4,975,000	0.055	August 30, 2024	2.67 years
4,800,000	0.05	October 12, 2025	3.78 years
26,845,000	0.05		2.81 years

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.

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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.

Significant judgments are as follows:

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding going concern of the Company.

Business acquisitions

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition.

Subleases

Judgment is used in determining whether the sublease is an operating lease or a financing lease.

Significant areas requiring the use of estimates relate to the following:

Inventory

In determining final inventory values, the Company estimates spoiled or expired inventory in as well as future selling price in determining net realizable value.

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.

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.

Off-Balance Sheet Arrangements

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

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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 Grow'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 Grow 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 Grow attempts to balance these risks through insurance programs where required and ongoing risk assessments conducted by its management team.

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Commodity Prices

Gaia Grow 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 Grow 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 commodity prices are strong, the Company faces intense competition for qualified personnel, and there can be no assurance that Gaia Grow will be able to attract and retain such personnel at any time. Gaia Grow 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 Grow'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 operations is not generally available to Gaia Grow or to other companies in the commodity industry on acceptable terms. The Company might also become subject to liability for 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.

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Requirements to Obtain Government Permits

Government approvals and permits are currently required in connection with Gaia Grow'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 Grow'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 Grow 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 mitigated these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports.

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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.

Subsequent Events

Subsequent to 31 December 2021, the Company has the following events:

- On February 3, 2022, Transcend Capital Inc., a company controlled by Etienne Moshevich, has transferred ownership of 9,409,500 common shares of Gaia Grow Corp., representing approximately 2.75 per cent of the issuer's current issued and outstanding common shares. Following completion of the transfer, Transcend and Mr. Moshevich have ownership and control of 25,092,000 common shares of the issuer, representing approximately 7.35 per cent of the issuer's current issued and outstanding common shares.
- On March 3, 2022, the Company issued 375,500 shares to settle consulting fee of \$18,750 with an arm-length party.

Additional Information

Additional information about the Company and its business activities is available under the Company's profile on the Canadian SEDAR website at www.sedar.com.