

**BC Craft Supply Co. Ltd. (Formerly, Pasha Brands Ltd.)**  
**Management Discussion and Analysis**  
**For the period ended December 31, 2020 and 2019**  
**Prepared by management - Unaudited**  
**(Expressed in Canadian Dollars)**

**BC Craft Supply Co. Ltd. (formerly Pasha Brands Ltd.)**  
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This Management’s Discussion & Analysis (“MD&A”) of BC Craft Supply Co. Ltd. (formerly, Pasha Brands Ltd.) (the “Company”) has been prepared by management and should be read in conjunction with the condensed interim consolidated financial statements (the “Financial Statements”) and accompanying notes for the period ended December 31, 2020. The Financial Statements, together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. The Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and include the operating results of the Company.

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 1, 2021.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management’s expectations regarding the Company’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target” or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include, but are not limited to:

- Assumption and expectations described in the Company’s critical accounting policies and estimates;
- The Company’s expectations regarding the adoption and impact of certain accounting pronouncements;
- The Company’s expectations regarding legislation, regulations and licensing related to cultivation, production and sale of cannabis products;
- The expected number of users of medical cannabis or the size of legal medical cannabis market in Canada and internationally;
- The ability to enter and participate in market opportunities;
- The Company’s expectations with respect to the Company’s future financial and operating performance;
- Inventory and production capacity expectations including plans or potential expansion facilities;
- Expectations with respect to future expenditures and capital activities; and,
- The Company’s ability to achieve profitability without future equity or debt financing.

The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company’s forward-looking statements. In addition, any forward-looking statements represent the Company’s estimates only as of the date of this MD&A and should not be relied upon as representing the Company’s estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in MD&A include: (a) execution of the Company’s existing plan to produce and distribute licensed cannabis and cannabis related products for medical and recreational purposes. Forward looking statements are based on a number of assumptions that may prove to be incorrect including but not limited to assumptions about: the impact of competition; the ability to obtain new financing on acceptable terms; the ability to retain skilled management and staff; currency, exchange and interest rates; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS (CONTINUED)**

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

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

**COMPANY OVERVIEW**

BC Craft Supply Co. Ltd. (Formerly, Pasha Brands Ltd.) (the "Company" or "BC Craft") was incorporated in the province of British Columbia on April 5, 2018.

The Company's registered records office is Suite 810, 789 Pender Street West, Vancouver, British Columbia, V6C 2V6. The Company is a listed issuer on the Canadian Securities Exchange ("CSE") under the symbol "CRFT", the Frankfurt Stock Exchange (FSE) trading under the ticker symbol "ZZD" and on OTC Markets, under the symbol "CRFTF". On November 28, 2019, the Company was halted due to regulatory non-compliance. On March 31, 2020, the Company resumed trading on the CSE. On May 12, 2020, the Company changed its name to BC Craft Supply Co. Ltd.

The Company's principal business is the production and distribution of licensed craft cannabis and craft cannabis related products for recreational and medical purposes. The Company's goal is to become North America's largest cannabis craft brand house through leveraging reputable intellectual properties (the "Brands") of several Cannabis producers in BC. The Company intends to leverage the expertise of these craft producers and utilize management expertise to provide resources, experience, strategic partnerships and distribution networks to build The Company's reputation of providing high quality cannabis and cannabis related products.

**SUPPLY AND DISTRIBUTION STRATEGY**

On May 13, 2020, the Company signed a Master Processing Agreement (the "MPA") with Indiva Limited ("Indiva") (TSXV:NDVA) to manufacture and distribute pre-rolls and jarred flowers curated from the Company's network of artisan cannabis growers. The Company intends to sell premium products under the brand "Artisan Batch." Indiva will assist with processing and the sale of the Company's products.

In July 28, 2020, the Company purchased 29kg of BC Original Glue, which is pure organic, hand-trimmed, dried flower produced by Coast Mountain Cannabis, which will be packaged in 3.5 gram jars and in premium pre rolls.

The Company's product will be distributed through Indiva, who is partnered with Green Hedge Education & Distribution Services Ltd, who has national distribution across Canada.

On September 23, 2020, the Company announced a new and exciting BC cultivar into its supply chain; Island Pinkhead from newly licensed micro cultivator Dunn Cannabis Inc. ("Dunn Cannabis"). 20.5kg of Island Pinkhead has been purchased by BC Craft and shipped to Indiva Limited ("Indiva") (TSXV:NDVA) (OTCQX:NDVAF) for processing under a master processing agreement ("MPA") that was announced on May 13, 2020.

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**SUBSEQUENT HIGHLIGHTS**

On January 15, 2021, the Company announce that it entered into a binding letter of intent (“LOI”) on January 15, 2021, to acquire 100% of the issued and outstanding shares of Ava Pathways Inc. (“Ava Pathways”), from arm’s length parties (the “Acquisition”). Based in Vancouver, BC, Ava Pathways is an innovative company that is exploring the therapeutic scientific benefits of proprietary formulations, using compounds from mushrooms.

On February 8, 2021, the Company appointed Ms. Regan McGrath as the Chief Financial Officer (“CFO”) of the Company.

On February 11, 2021, the Company announce that the Financial Regulatory Authority has accepted the Company's Form 211 for filing and its common shares have begun trading on the OTC Pink Market in the United States under the symbol "CRFTF".

On February 18, 2021, the Company announce a new product into its supply chain grown by Canada’s first licensed micro cultivator, Canandia. 45kg of Death Bubba has been purchased by BC Craft and shipped to Indiva Limited (“Indiva”) (TSXV:NDVA) (OTCQX:NDVAF) for processing into Indiva’s new premium brand, Artisan Batch.

Subsequent to the period end, the Company issued total of 1,285,788 common shares pursuant to exercise of options for total gross proceeds of \$128,579. The Company also issued total of 4,270,586 common shares pursuant to exercise of warrant for total proceeds of \$427,059.

**BRANDS**

As at December 31, 2020, the Company have the following brands. As of the date of this MD&A, the Company has yet to operate and sell product under these brands.

**BC CRAFT SUPPLY CO.**



The Company continues to develop BC Craft Supply Co. (“BC Craft”). BC Craft Supply’s vision is to become a BC-based, craft focused brand working with a network of select craft growers, manufacturers and retailers as part of the The Company Brand’s family to give smaller companies the advantage they need to stay competitive. By leveraging management’s expertise, The Company will assist select craft growers and make the world-famous BC cannabis available to the world.

The Company’s team of industry veterans offers craft cultivators one-on-one support for growing techniques, quality assurance, facility design, security clearances, health and safety standard compliance, staff training, product distribution, and more. We support our clients through the transition into the new, legal market so that they can stay focused on the growth of their company and get onto the market with the best possible price for their product.

Health Canada has created new opportunities for Micro Cultivators (MC) who will have to sell to LP or Micro Processors (“MP”). Under Canada’s new regulations, growers under the MMAR as well as Registered and

Designated Persons under the ACMPR will be able to apply to become MC and MP. Micro Cultivations will see benefit using The Company’s processing facility to gain access to Canada’s legal market.

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**BRANDS(CONTINUED)**

Also, BC Craft Supply is currently finalizing exclusive agreements with some of the industry's most influential retailers and distributors that cover private and government retailers coast to coast in addition to international sales outlets.

As part of the The Company family, our partners have full access to our resources, experience, strategic partnerships and vast distribution network.

BC Craft Supply Co. will be Canada's most productive craft brand, as craft producers will use The Company's facility, processing and sales license to enter the legal cannabis market.

On May 8th, 2019, Health Canada announced it was changing its process for issuing cannabis licences, in a bid to reduce wait times, after a review found a "significant amount" of its resources was used to approve numerous applications for facilities that have yet to materialize years later. Effective immediately, new applicants for licences to cultivate, process or sell cannabis — for either medical or recreational purposes — must now have a fully built site that meets the regulations when they submit their application, the government agency said. Prior to this, cannabis licence applicants could submit an application with their plans and get approval before building.

Health Canada stated they were "implementing these adjustments following a review of its current licensing process.... A significant amount of resources are being used to review applications from entities that are not ready to begin operations, contributing to wait times for more mature applications and an inefficient allocation of resources," The agency said, for example, more than 70 per cent of licensing applicants that passed its initial paper-based review over the past three years have yet to submit the required evidence to demonstrate they have built a facility that meets the regulatory requirements. "The new approach responds to feedback from applicants about the time it can take to become licensed and the fact that there is now a larger number of applicants seeking to enter a growing and maturing legal market," Health Canada said.

On June 14th 2019, the Government of Canada announced amendments to the Cannabis Regulations setting out the rules governing the legal production and sale of edible cannabis, cannabis extracts and cannabis topicals. In keeping with the federal government's public health approach to the legalization and strict regulation of cannabis. At the same time, the amendments provide for a broad diversity of cannabis products.

As required by the Cannabis Act, the amended regulations will come into force on October 17, 2019. However, it will take time, after that date, before new cannabis products become available for purchase.

It is expected that a limited selection of products will appear gradually in physical or online stores, and no earlier than December 2020. Federal licence holders will need to provide 60-days notice to Health Canada of their intent to sell new products, as they are currently required to do. Additionally, as with any new regulatory framework, federally licensed processors will need time to become familiar with and prepare to comply with the new rules and to produce new products. Provincially or territorially authorized distributors and retailers will also need time to purchase and obtain the new products and make them available for sale.

The Company continues to work on developing products that will become available under these new regulations, which will be processed and packaged in the Medcann facility.

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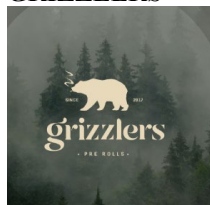
**BRANDS (CONTINUED)**

**BEARD BROTHERS COLLECTIVE**



Beard Brothers Collective (“BeardBros”) is a premier medicinal provider, providing flower, concentrates and edibles. Beardbros is focused on helping their patient’s quality of life, medicine and providing reasonable access to medicinal cannabis products. More information and product lines can be found on BeardBros website: <https://beardbros.ca/>.

**GRIZZLERS**



Grizzlers is a premier brand of packaged pre-rolled cannabis. Since 2017, Grizzlers has grown to be the most widely pre-roll maker in the country and prior to the Cannabis Act, the Company was widely distributed in Canada, with a sales network of over 70 retail outlets in British Columbia, Alberta, and Ontario.

Grizzler is focused on high quality pre-rolls and hand select their cannabis with a focus on genetics, flavours, and effects to create the best experience. Grizzler aims to build a world class reputation by giving cannabis consumers the chance to experience the very best.

**EARTH DRAGON ORGANICS**



Earth Dragon Organics was born in 2015 and has grown into an award-winning innovative cannabis wellness and lifestyle brand. Created by Tessa Serra, the company brings a youthful, modern and scientific perspective to wellbeing through their premium artisan products.

Infused with the wild earth energy and the natural beauty of Salt Spring Island, British Columbia, Earth Dragon organics brings a bit of west coast living to the world. From humble beginnings, the company now boasts a line of premium cannabis-infused products designed to provide safe alternatives for significant pain relief and nourishing treatments for many skin conditions.

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**BRANDS (CONTINUED)**

**ROLL MODEL**



Roll model is a premium Canadian craft cannabis brand based out of Vancouver, BC. Their mission is to provide smokers with a premium cannabis experience, reduce the stigma associated with cannabis.

**ACQUISITION OF MEDCANN HEALTH PRODUCTS LTD.**

On June 4, 2019, the Company acquired Medcann Health Products Ltd (“MedCann”). MedCann has approximately 10,000 square feet of growing space on Vancouver Island.

With approximately 10,000 square feet of space, on an acre of land on Vancouver Island, Medcann was granted its seed processing, cultivation and sales licence by Health Canada in March 2019. Medcann provides The Company with an immediate pathway to bring craft cannabis products to market under Health Canada's new micro-cultivation/processor licence category. The Medcann facility will test, process and package high quality craft flower, and package this flower for distribution throughout Canada. In addition to flower sales, it is expected that Medcann will process cannabis for Canada's emerging oil, topical and edible market through an extraction lab and processing rooms to be developed at the facility. The Company will develop and distribute products under the leading brands we own throughout Canada.

The facility is currently undergoing some modifications in order to facilitate the necessary required equipment and processing requirements. In consideration for this work, we anticipate spending approximately \$500,000 on building modification and equipment to complete phase 1 of the project. It is anticipated that this work will be completed in 2021 Q3 with processing and distribution happening immediately on completion.

Medcann also holds the right to acquire the property on which its facility is located in consideration for a further cash payment of \$1,080,000. The property is currently subject to a lease arrangement which permits the operation of the facility.

**ACQUISITION OF OLYMPIC VIEW BOTANICALS LTD.**

On December 2, 2020, the Company announce that it has acquired (the “Acquisition”) a 100% interest in Olympic View Botanicals Ltd. (“OVB”), a Vancouver Island, British Columbia based company. OVB is currently in the process of building an indoor micro cannabis cultivation facility, while it concurrently submits an application to Health Canada for a Micro Cultivation License (“MC License”). As part of the application process for a MC License, Health Canada allows applicants to utilize a one-time declaration for cannabis genetics that will allow OVB to bring in highly sought after west coast genetics that the Canadian cannabis market has yet to experience. OVB has signed a purchase and processing agreement with Sitka Weed Works Inc. a cannabis processing facility also located on Vancouver Island. These agreements in place will allow for increased cultivation and processing capacity for BC Craft’s supply chain.

On December 2, 2020, the Company issued 15,000,000 common shares with a fair value of \$1,500,000. The Company acquired a purchase and processing agreement with Sitka Weed Works Inc., \$40,000 in cash and a facility lease.

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**FACILITY DEVELOPMENT**

The Company is considering building a state of the art 10,000 square feet processing facility in Nanaimo, BC. The Company's application with Health Canada to become a Licensed Producer ("LP") was submitted on July 17, 2013. The Company was the 24th applicant to submit an application. The application has been approved and is given the Readiness for a License under the ACMPR, meaning our facility needs to be built, and on completion a processing and sales license will be granted. Due to the addition of the Medcann facility in June 2019, The Company decided to postpone the completion of the Nanaimo facility to the mid 2021 as the Company intends to complete further equity financings.

**RESULTS OF OPERATIONS**

**For the period ended December 31, 2020 and 2019**

During the period ended December 31, 2020, the Company recorded a loss and comprehensive loss of \$3,900,372 compared to a net loss of \$17,081,345 in the comparative period. In general, the decrease in losses are related to non-cash transactions as the Company is evaluating its opportunities and is re-position itself within the industry. The Company recorded a gain (loss) on settlement of debt of \$136,188 (2019 - (\$13,292,678)), change in fair value of consideration payable of \$398,518 (2019 - \$Nil), share based compensation of \$1,098,373 (2019 - \$735,279) and consideration paid in excess of identifiable assets of \$1,460,000 (2019 - \$Nil). The Operating expenses for the period can be attributed mainly to the following items:

- Accretion and interest decreased to \$106,321 (2019 - \$361,091) and \$145,196 (2019 - \$394,788), respectively. During fiscal 2020, the Company converted a significant portion of convertible debentures, resulting in an overall decrease in accretion and interest expense.
- Consulting fees of \$602,428 (2019 - \$763,468), as the Company hires consultants on an ad hoc basis to assist with strategic planning and to assist with the execution of the Company's business plan. Consulting fees include strategic management, advisory fees that assist with several facets of the Company's ongoing business. The Company continues to pivot within the industry and as a result, had a lower consulting expense relative to the comparative period.
- Travel expenditures decreased to \$8,370 (2019 - \$61,527) as a result of cost-cutting measures. The Company's management continues to travel to several seminar, conventions and events to grow the Company's business.
- Corporate development decreased to \$200 (2019 - \$66,296) includes brand awareness and the development of promotional material. The Company is in its startup stage with big plans in the craft cannabis industry and various derivatives. Brand awareness and positioning the Company in the craft cannabis space is an important step for the Company to meet its business targets as the Company requires capital to grow. Corporate development decreased as the Company is working to re-position within the industry.
- Professional fees of \$73,626 (2019 - \$620,607), as the Company paid fees in connection to general legal, accounting, and due diligence fees. The Company continues to consult professionals to meet business objectives.
- Salaries and benefits of \$189,029 (2019 - \$676,867), as the Company decreased number of employees as a result of COVID-19. Relative to the comparative period, the Company had less employees in the current period than in the comparative period resulting in an overall decrease in salaries and benefits.
- The Company recorded depreciation of \$23,286 (2019 - \$60,703) as the Company adopted IFRS 16 – Leases. The Company's leases consist of property, plant and equipment and vehicles. The overall decrease relates to some of the right-of-use assets and liabilities being impaired during the year ended September 30, 2020.

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**RESULTS OF OPERATIONS (CONTINUED)**

**For the period ended December 31, 2020 and 2019 (continued)**

- During the period ended December 31, 2020, the Company issued 11,000,000 stock options to various directors, officers and consultants of the Company with an exercise price of \$0.10 with a term of 5 years. The Company recognized \$1,098,373 in share-based compensation expense related to these stock options.
- During the period ended December 31, 2020, the Company issued 6,809,380 common shares with a fair value of \$544,750 and settled accounts payable of \$680,939. The Company recorded a gain on settlement of debt of \$136,188.
- Because of the overall decrease in share price in the market place, the Company recorded a change in fair value of consideration payable of \$430,561 (2019 - \$Nil).
- Revenue consists of consulting services provided to other cannabis licensed producers. During the period ended December 31, 2020, the Company recorded revenues of \$244,495. Cost of sales consists of the expenses incurred to provide such services. During the period ended December 31, 2020, the Company recorded cost of sales of \$207,082.

**QUARTERLY FINANCIAL INFORMATION**

The following table presents selected unaudited consolidated financial information for the previous quarters:

<b>Period Ending</b>	<b>2021</b>		<b>2020</b>	
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
Revenue	244,495	253,901	45,138	47,396
Net income (loss)	(3,900,372)	(10,641,159)	1,303,674	(4,646,328)
Basic income (loss) per Share	(0.03)	(0.60)	0.02	(0.28)
Diluted income (loss) per Share	(0.03)	(0.60)	0.01	(0.28)
Assets	9,282,112	10,271,061	16,154,231	15,454,748
Long term liabilities	653,574	299,961	568,428	-

<b>Period Ending</b>	<b>2020</b>		<b>2019</b>	
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
Revenue	60,417	-	-	-
Net loss	(17,081,345)	(29,929,732)	(19,648,318)	(2,820,469)
Basic loss per Share	(1.08)	(4.80)	(2.28)	(0.24)
Diluted loss per Share	(1.08)	(4.80)	(2.28)	(0.24)
Assets	21,696,061	36,467,060	57,875,665	47,415,656
Long term liabilities	-	-	-	-

The quarterly financial information for the 2020 and 2019 fiscal periods, are presented in accordance with IFRS.

Expenditures increased significantly quarter over quarter, as the Company's operations ramped up with various strategic acquisitions. During the fourth quarter of fiscal 2019, the Company recorded losses of \$29,929,709, which primarily consisted of non-cash transactions such as a change in consideration payable of \$5,326,237 and impairment to leasehold improvements and intangible assets of \$18,605,054. During Q1 and Q2, the Company's net loss reduced dramatically, which reflects the Company's cost cutting measures.

The Company recorded a net income of \$1,303,674 during Q3, 2020, which is attributed to a non-cash gain on settlement of debt of \$2,690,674. During Q1, 2021, the Company's net loss decreased significantly quarter over quarter, as the Company continues to prioritize cash flow and re-organize its business.

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## **LIQUIDITY AND CAPITAL RESOURCES**

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

The Company's liquidity depends on existing cash reserves, to be supplemented as necessary by equity and/or debt financings. As of December 31, 2020, the Company had current assets of \$974,336 (September 30, 2020 - \$1,014,566) and current liabilities of \$17,958,834 (September 30, 2020 - \$17,654,429). The Company has a working capital deficiency of \$16,984,498 (September 31, 2020 - \$16,639,863). During the period ended December 31, 2020, the Company has worked to pivot its business and finance businesses through promissory notes.

Other than the above-mentioned current liabilities, the Company has plans to build its facility in Nanaimo, with an estimated capital cost of \$2,000,000 and make improvements to Medcann's facility to be in compliance with Health Canada. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation.

The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's future revenues, if any, are expected to be from the sale of hemp and cannabis and their related derivatives. The economics of developing and producing cannabis are affected by many factors including the cost of operations, variations in the quality of cannabis, and the price of cannabis and related derivatives. There is no guarantee that the Company will be able to successfully develop its production facilities and distribution channels.

### **Cash flow from operating activities**

During the period ended December 31, 2020, the Company cash outflow from operations was \$241,312 (2019 - \$1,105,340). This consists mainly of cash paid for consulting, professional fees, regulatory, salaries and due diligence on the various brands and opportunities the Company is pursuing.

### **Cash flow from investing activities**

Cash inflow (outflow) from investing activities was \$527,000 (2018 - (\$80,634)). During the period ended December 31 2020, the Company sold land for gross proceeds of \$527,000.

### **Cash flow from financing activities**

During the period ended December 31, 2020, the Company financed operations via, promissory notes for net proceeds of \$108,094 and paid mortgage on the Company's land for \$300,000. The promissory notes bear interest of 12%. In the comparative period, the Company raised gross proceeds of \$1,265,489 through promissory notes.

The Company has relied on funding through the issuance of common shares and promissory notes.

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**LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)**

**Cash flow from financing activities (continued)**

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures and cannabis development costs, which are adjusted as input variables change. These variables include, but are not limited to, the ability of the Company to generate revenue from current and prospective customers, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing.

**LEASES**

The Company has lease contracts for various facilities used in the Company's operations. Lease of land generally have a lease term between 3 to 5 years. The discount rate used was 5%.

Set out below are the carrying amounts of right of use assets and lease liabilities recognized and the movements during the year:

	<b>Right-of-use assets</b>	<b>Lease Liabilities</b>
	\$	\$
October 1, 2019	-	-
Additions	872,356	872,356
Depreciation	(232,995)	-
Write-off	(539,175)	-
Accretion	-	55,364
Recorded in accounts payable	-	(193,318)
Payments	-	(103,591)
As at September 30, 2020	100,186	630,811
Additions	395,278	395,278
Depreciation	(23,286)	-
Accretion	-	12,718
Payments	-	(18,356)
Recorded to accounts payable	-	(55,648)
As at December 31, 2020	472,178	964,803

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at December 31, 2020:

	\$
2021	297,495
2022	331,464
2023	275,678
2024	180,279
2025	16,500
	1,101,416

The Company is unaware of any material contingencies as at December 31, 2020.

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**COMMITMENTS**

During the year ended September 30, 2019, the Company entered into agreements with a number of suppliers as follows. To date no product has been delivered from suppliers to the Company.

- a) Ten of these agreements have the following key terms:
  - i) The Company has the right to purchase all or any portion of cannabis produced by the supplier; and
  - ii) The Company will reimburse the supplier for up to \$100,000 in regulatory consulting fees related to the supplier's application for a micro-cultivation or micro-processor license, to be reimbursed \$25,000 for every 50kg of product delivered to the Company.
- b) Another five agreements have the following key terms:
  - i) The Company has the right to purchase any and all product from the supplier during the initial term, ranging from 12 to 18 months from the date of first delivery;
  - ii) The product will be purchased at a minimum price of \$6.50/gram during the initial term for product with a minimum tetrahydrocannabinol (THC) content of 15%; and
  - iii) After the initial term, the Company has first right of refusal to purchase the supplier's product.
- c) One agreement obligates the Company to pay a one-time signing bonus of \$100,000 to the supplier (paid) and a one-time fee of \$23,350 upon the supplier delivering the first 100kg of product to the Company.

Should the Company enter into a supply agreement with a supplier introduced by 10050432 Manitoba Ltd. During the term, the Company shall pay a referral fee of 1% of the proceeds paid by the Company to that supplier for the supply of cannabis products.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company is unaware of any off-balance sheet arrangements as at December 31, 2020.

**RELATED PARTY TRANSACTIONS**

*Theo van der Linde - CFO*

*Tomas English – Director*

*Matthew Watters – CEO*

*Kevin Taylor – Director*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Consulting fees paid or accrued to former management of RGAM	-	52,500
Salaries paid to the former CEO	-	62,500
Salaries paid to the former Chief Scientific Officer	-	50,000
Professional fees paid to companies controlled by the CFO	34,756	19,500
Consulting fees paid to current management of RGAM	76,500	-
Consulting fees paid to CEO	12,500	-
Consulting fees accrued to a former director	-	62,500
Share based compensation	149,778	336,009
	<b>273,534</b>	<b>583,009</b>

As at December 31, 2020, the Company owed current and former management \$382,075 (2019 - \$Nil) and \$Nil (2019 - \$54,001), respectively.

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## **FINANCIAL AND CAPITAL RISK MANAGEMENT**

### **Financial Risk Management**

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, currency risk, and interest rate risk.

### **Credit Risk**

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits. The Company's cash deposits are primarily held with a Canadian chartered bank.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financings. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year. The Company manages liquidity risk as part of its overall "Management of Capital" as described below.

### **Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and has no material exposure related to foreign exchange rate risk.

### **Interest Rate Risk**

When the Company has sufficient cash, it is invested in term deposits which can be reinvested without penalty after thirty days should interest rates rise. As at December 31, 2020, the Company did not have any variable interest-bearing loans or interest-bearing investments. Accordingly, the Company does not have significant interest rate risk.

### **Management of Capital**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the development of its production facility. The Company relies mainly on equity issuances to raise new capital. In the management of capital, the Company includes the components of equity. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without penalty. The Company is not subject to any externally imposed capital requirements.

## **OUTSTANDING SHARE DATA**

As at the date of this document, the Company had the following number of securities outstanding:

- 146,911,863 common shares issued and outstanding;
- 32,287,045 options outstanding; and,
- 19,738,212 warrants outstanding.

## **RISK FACTORS**

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

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**RISK FACTORS (CONTINUED)**

*COVID-19*

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 impact on the Company is not currently determinable but management continues to monitor the situation.

*Regulatory Risk*

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

*Reliance on Licensing*

The ability of the Issuer to continue its business of growth, storage and distribution of medical marijuana is dependent on the good standing of all licenses, including the licenses to produce and sell cannabis and hemp derivatives, and adherence to all regulatory requirements related to such activities. Any failure to comply with the terms of the licenses, or to renew the licenses after their expiry dates, would have a material adverse impact on the financial condition and operations of the business of the Issuer. Although the Issuer believes that it will meet the requirements of future extensions or renewals of the licenses, there can be no assurance that the regulating bodies will extend or renew the licenses, or if extended or renewed, that they will be extended or renewed on the same or similar terms. Should the regulatory bodies not extend or renew the licenses, or should they renew the licenses on

different terms, the business, financial condition and operating results of the Issuer would be materially adversely affected.

*Change in Law, Regulations and Guidelines*

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

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**RISK FACTORS (CONTINUED)**

*Limited Operating History and No Assurance of Profitability*

The Issuer is subject to all of the business risks and uncertainties associated with any early stage enterprise, including under-capitalization, cash shortages, limitation with respect to personnel, financial and other resources, and lack of revenues. The Issuer has incurred operating losses in recent periods. The Issuer may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Issuer expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Issuer's revenues do not increase to offset these expected increases in costs and operating expenses, the Issuer will not be profitable. There is no assurance that the Issuer will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

*Unfavourable Publicity or Consumer Perception*

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

*Realization of Growth Targets*

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

*Uninsured or Uninsurable Risk*

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

*Key Personnel*

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

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**RISK FACTORS (CONTINUED)**

*Strategic Alliances*

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

*Additional Financing*

There is no guarantee that the Issuer will be able to execute on its strategy. The continued development of the Issuer may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Issuer ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Issuer. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Issuer may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Issuer's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Issuer would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Issuer may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Issuer's ability to pursue its business objectives.

*New Product Development*

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

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**RISK FACTORS (CONTINUED)**

*Litigation*

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

*Agricultural Operations*

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

*Transportation Disruptions*

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

*Fluctuating Prices of Raw Materials*

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

*Competition*

There is potential that the Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Issuer. Because of the early stage of the industry in which the Issuer intends to operate, the Issuer expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To be competitive, the Issuer will require a continued high level of investment in research and development, marketing, sales and client support. The Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially affect the business, financial condition and results of operations of the Issuer.

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**RISK FACTORS (CONTINUED)**

*Growth Expansion Efforts*

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

*Difficulty Implementing Business Strategy*

The growth and expansion of the Issuer is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Issuer will be successful in the implementation of its business strategy.

*Global Economy*

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

*Conflicts of Interest*

Certain of the Issuer's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Issuer intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Issuer's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Issuer are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Issuer's best interests. However, in conflict of interest situations, the Issuer's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Issuer. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Issuer.

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**RISK FACTORS (CONTINUED)**

*Intellectual Property*

The success of the Issuer will depend, in part, on the ability to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Issuer. The Issuer may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Issuer. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.