



BC Craft Supply Co. Ltd.
Management Discussion and Analysis
For the Years September 30, 2021 and 2020
Prepared by Management
(Expressed in Canadian Dollars)

Management Discussion & Analysis

This Management Discussion & Analysis ("MD&A") of BC Craft Supply Co. Ltd. (the "Company") has been prepared by management and should be read in conjunction with the consolidated financial statements (the "Financial Statements") and accompanying notes for the year ended September 30, 2021. 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 September 16, 2022.

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 existing and new market opportunities;
- The Company's expectations with respect to the Company's future financial and operating performance;
- Inventory and production capacity expectations including plans for 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 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.

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”.

Additional information about the Company, including the September 30, 2021 Consolidated Financial Statements, news releases and the Company’s long-form prospectus can be accessed at www.sedar.com and at www.bccraftsupplyco.ca.

CORPORATE OVERVIEW

BC Craft Supply Co. Ltd. (the “Company” or “BC Craft”) was incorporated in the province of British Columbia, Canada on April 5, 2018.

The Company’s registered records office is 6014 Vedder Rd. #1178, Chilliwack, BC V2R 5P5. 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”.

BC Craft is a diversified health, wellness, and safety company whose operations include the development and/or acquisition of various nutritional product formulae, cannabinoid brands for the adult recreational cannabis market, and safety market. Its current operations include:

- **CRFT** - a curator and aggregator of craft-cannabis, providing advocacy and access for premium small-batch growers to Canada’s cannabis market, and;
- Licensing and marketing of **Grizzlers™** and **Roll Model** branded pre-rolls for sale in Ontario and Alberta
- R&D into certain sectors of the safety market.

BC Craft works with local cultivators and national Licensed Producers, and remains fervently committed to keeping the art, technique, and purity of their pursuit. Its principal business is currently the licensing and marketing of its Grizzlers and Roll Model branded pre-rolls and bringing products to the adult use recreational cannabis market in conjunction with its licensing partner, Safari Flower Co.

The Company’s goal is to increase its vertical integration in any revenue category to accrete further margin, expand its product portfolio to include powders and capsules, and to become North America’s largest craft brand house through leveraging reputable intellectual properties (the “Brands”) of multiple craft producers. The Company intends to leverage the cultivation expertise of these craft producers and utilize Craft management expertise to provide them resources including market experience, strategic partnerships, and distribution networks to increase existing sales channel penetration as well as expand into new markets. The Company also seeks to diversify revenue and mitigate further downside risk in the national cannabis markets by investigating additional opportunities in the safety sector.

HIGHLIGHTS

August 31, 2022 - The Company announced the appointment of Ms. Ilona Kiss to the Board of Directors and the resignation of Mrs. Susan Chapel effective August 25, 2022.

May 10, 2022 - The Court granted an order approving the Proposal under the BIA. The Proposal contemplates that the Issuer will pay each Affected Creditor (as defined in the Proposal) with a proven claim a cash distribution of 25% of its proven claim over eight equal quarterly tranches starting in Q2 2023 and ending in Q1 2025, with certain election options available to each Affected Creditor and the Issuer. Each Claim of an Affected Creditor under the Proposal is subject to the following options:

a) By no later than June 1, 2023, which date may be extended by the written consent of the Proposal Trustee and the inspectors, either the Issuer or the Affected Creditor may elect to convert 50 percent of the aforesaid cash distribution to common shares of the Issuer at a deemed issue price of \$0.50 a share, upon the commencement of the Issuer's trading on the Canadian Securities Exchange; and

b) An Affected Creditor may elect to receive cash payment equalling 12.5% of their claim exercisable by the Issuer instead of being subject to the above equity option. The cash distributions will be funded from sales revenues, however, the payment of cash distributions may be accelerated in the event the Issuer is successful in raising capital and able to fund the cash distributions sooner than anticipated. The Issuer intends to implement the Proposal in accordance with its terms.

April 26, 2022 - The Company announced the unanimous approval of its proposal to its creditors (the "Proposal") at the meeting (the "Meeting") of certain of its creditors (the "Affected Creditors"). The proposal was approved by 100% in number of Affected Creditors who represent 100% in value of the eligible voting claims of Affected Creditors who were present and voted in person or by proxy on the Proposal at the Meeting and who were entitled to vote at the Meeting in accordance with the Proposal and Bankruptcy and Insolvency Act (Canada) ("BIA"). This approval represents a "Required Majority" under the Proposal.

April 21, 2022 - The Company signed an engagement agreement with Kingston Ross Pasnak, LLP (KRP) to conduct an audit of its 2021 Financial statements.

April 8, 2022 - The Company announced that it has filed a proposal (the "Proposal") pursuant to the Bankruptcy and Insolvency Act (Canada) (the "BIA") with the Official Receiver, with Crowe MacKay & Company Ltd acting as proposal trustee (the "Proposal Trustee").

March 31, 2022 - The Company announced it elected to let expire its Cultivation, Sales (Medical) and Processing License issued by Health Canada to Medcann Health Products Ltd. in connection with the termination of the Medcann facility lease on March 31, 2022 and it has terminated the previously announced service agreement with Think Ahlot Corporation effective January 25, 2022.

March 3, 2022 - During the month of March, the Issuer entered into a Licensing Agreement with Safari. Pursuant to the Licensing Agreement, CRFT will supply Safari with bulk cannabis to process into cannabis products by packaging and labelling the bulk cannabis in a form compliant for sale to Canadian consumers, following which Safari will sell and distribute the resulting cannabis products on behalf of the Issuer.

February 22, 2022 - The Company announced that an order extending the stay of proceedings and time to file a proposal to its creditors was granted by the Supreme Court of British Columbia on February 22, 2022.

February 4, 2022 - Announcing the appointment of Brett Walker to its board of directors and the resignation of Dr. Brigitte Simons from its board of directors on February 4, 2022.

February 4, 2022 - The company announced a regulatory trading halt pursuant to CSE Policy 3. The suspension is considered a Regulatory Halt as defined in National Instrument 23-101 Trading Rules. A cease trade order has been issued by the British Columbia Securities Commission resulting in a trading halt.

January 27, 2022, The company announced that it has secured an interim financing facility from Avro Capital Corp. ("Avro") which was approved by the Supreme Court of British Columbia pursuant to the terms of a debtor-in-possession financing term sheet between the Issuer and Avro. The Interim Facility was initially in the maximum principal amount of \$415,000, which will be comprised of an initial advance of \$215,000, with subsequent advances in an amount not exceeding \$200,000

January 26, 2022, a Notice of Intention ("NOI") to make a proposal under the Bankruptcy & Insolvency Act (Canada). The filing of the NOI has the effect of imposing an automatic 30-day stay of proceedings that will protect the Company and its assets from the claims of creditors while the Issuer pursues its restructuring efforts.

December 24, 2021, The company consolidated its issued and outstanding share capital on the basis of 100 old Common Shares for 1 new Common Shares.

September 17, 2021, Mr. Anthony Laud was appointed as the Company's Chief Financial Officer ("CFO").

August 27, 2021, Mr. Matthew Watters was appointed as the interim CFO while a suitable replacement is being sought.

August 24, 2021, Ms. Regan McGrath resigned as the Company's Chief Financial Officer ("CFO").

On August 23, 2021, the Company announced that it has appointed Susan Chapelle, EMBA to the board of directors. Ms. Chapelle has been on the Company's advisory committee since May 3, 2021. At the same time, the company announced the departure of Ms. Regan McGrath from the Company's board of directors.

On July 27, 2021, the Company announced their Alberta launch of Grizzlers™, a legacy brand of pre-rolled craft cannabis, in association with Think AHLOT Corporation ("AHLOT") and their \$1 "Buck a Joint" SAMPLE by AHLOT program.

On July 26, 2021, the Company announced a private placement of secured convertible promissory notes (the "Notes"), in the aggregate principal amount of up to \$3,000,000 (the "Private Placement").

On July 26, 2021, the Company announced it has filed a provisional patent application in the United States Patent and Trademark Office (USPTO), for a custom cannabis micro-dosing tablet dispenser for its brand CLIX and other commercial licensing applications.

On July 20, 2021, the Company announced the launch of their 'General Principle' Brand in Association with Gary Payton and Payton's Place LLC. The new General Principle collection features performance-inspired cannabis products, driven by natural food ingredients, medicinal herbs and supplements, and premium cannabis and hemp extracts. The result is a series of functional, sports-oriented cannabis products designed to taste great, feel great, and be effective

On July 06, 2021, the Company's subsidiary Feelwell Brands and their owned California based cannabis wellness brand Clix launched partnership with OMURA's™ heat-not-burn devices. The CLIX x OMURA product line soft-launched within the clix influencer network in June 2021, with distribution into California dispensaries debuting July 2021.

On June 29, 2021, the Company announced an operational update and strategic expansion into the United States national CBD market. These actions will expand brand presence in both recreational cannabis and national CBD markets in North America, solidify sales and distribution, and streamline operations. The Company will look to raise up to \$10MM to fund ongoing expansion.

On June 14, 2021, the Company announced that the advisory and development agreement with Jordache Commodities Ltd. dated May 5, 2021 (the "Advisory Agreement") to manage and develop the Company's MedCann facility located in Chemainus, British Columbia has been terminated in accordance with the provisions of the Advisory Agreement.

On June 10, 2021, the Company announced the launch of Grizzlers™, its flagship legacy cannabis brand into the markets of Ontario and Alberta.

On May 13, 2021, the Company announced that it has appointed Dr. Brigitte Simons to the board of directors of the Company effective immediately. Dr. Simons received her Ph.D. in Chemical Biology at the University of Ottawa and a Kellogg-Schulich Executive M.B.A. in operational business strategy. Dr. Simons is a quality and regulatory compliance professional in support of science study-backed cannabis product development, laboratory services, and data management tools for the development of safe cannabis. Presently, Dr. Brigitte Simons is the Chief Operating Officer at Safari Flower Co., a craft-at-scale license cultivator in Fort Erie, Ontario.

On April 20, 2021, the Company announced that it has signed a share exchange agreement (the "Definitive Agreement") to acquire 100% of Somo Industries Inc. dba Feelwell Brands ("Somo Industries"). The Definitive Agreement is the result of negotiations between BC Craft and Somo Industries subsequent to the letter of intent between the parties, as announced on March 23, 2021.

On April 20, 2021, the Company entered into a definitive agreement to acquire 100% of Somo Industries Inc. dba Feelwell Brands. ("Somo"). Somo is based in California and operates Clix, a licensed cannabis brand operation in the state of California. Pursuant to the terms of the arrangement, on May 11, 2021, the Company issued 30,812,320 Units. Each Unit consists of one common share and one-half of a share purchase warrant. Each Whole Warrant is exercisable to acquire one additional common share at a price of \$0.12075 for a period of two years.

On April 20, 2021, the Company entered into a definitive agreement to acquire 100% of Somo Industries Inc. dba Feelwell Brands. ("Somo"). Based in Victoria, BC, Somo is a holding company owning IP, Patents, Trademarks for its California- based in brands including Clix, a licensed cannabis brand operation in the state of California. Pursuant to the terms of the arrangement, on May 11, 2021, the Company issued 30,812,320 Units. Each Unit consists of one common share and one-half of a share purchase warrant. Each Whole Warrant is exercisable to acquire one additional common share at a price of \$0.12075 for a period of two years.

On April 6, 2021, the Company issued 1,562,000 common shares to Mr. Daniel Petrov, pursuant to Mr. Petrov's appointment to the Company's advisory board. The common shares vest over a period of twelve months from the date of issuance.

On April 6, 2021, the Company completed a strategic private placement for gross proceeds of \$500,000. The Company issued 5,952,380 Units. Each Unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant is exercisable to acquire one additional common shares for a period of 24 months with an exercise price of \$0.126.

On March 5, 2021, the Company acquired 100% of the issued and outstanding common shares of Ava Pathways Ltd. ("Ava"). As consideration, the Company issued 41,000,000 common shares with a fair value of \$4,715,000. 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 18, 2021, the Company announced 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.

On February 11, 2021, the Company announced 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 8, 2021, the Company appointed Ms. Regan McGrath as the Chief Financial Officer ("CFO") of the Company.

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.

Creditor Proposal Under the Bankruptcy and Insolvency Act

In January 2022 the Company entered into the Notice of Intention to Make a Proposal ("NOI"), a procedure under the Canadian Bankruptcy and Insolvency Act ("BIA") in an attempt to restructure the Company's financial affairs through a formal "Proposal" whereby the creditors of the corporation must vote on and approve the settlement terms and conditions. BC Craft successfully completed their Proposal on May 10th, 2022, when the BC Supreme Court approved the Proposal with 100% of voting shareholders in favor of same. As a result of the successful proposal, the Company eliminated in excess of \$7 million in debt and liabilities from its balance sheet.

The Proposal contemplates that the Company will pay each Affected Creditor (as defined in the Proposal) with a proven claim a cash and/or stock distribution of up to 25 percent of its proven claim over eight equal quarterly tranches starting in June 2023 and ending in Q1 2025, with certain election options available to each Affected Creditor and the Company.

Each Claim of an Affected Creditor under the Proposal is subject to the following options:

a) By no later than June 1, 2023, which date may be extended by the written consent of the Proposal Trustee and the inspectors, either the Company or the Affected Creditor may elect to convert 50 percent of the aforesaid 25% distribution to common shares of the Company at a deemed issue price of \$0.50 a share, upon the commencement of the Company's trading on the Canadian Securities Exchange; and

b) An Affected Creditor may elect to receive cash payment equaling 12.5 percent of their claim exercisable by the Company instead of being subject to the above equity option.

The cash distributions will be funded from sales revenues, however, the payment of cash distributions may be accelerated in the event the Company is successful in raising capital and able to fund the cash distributions sooner than anticipated.

Bridge & Debtor In Possession ("DIP") Financing

In order to finance the ongoing operations of the Company and to fund the Proposal, the Company secured an interim financing facility (the "Interim Facility") from Avro Capital Corp. ("Avro") which was approved by the Supreme Court of British Columbia pursuant to the terms of a debtor-in-possession financing term sheet between the Company and Avro.

The Interim Facility was in the maximum principal amount of \$415,000, which was comprised of an initial advance of \$215,000, with subsequent advances from time to time as agreed upon between the Company and Avro, in an amount then not exceeding \$200,000. The Interim Facility will finance the continuation of the Company's operations and allow the Company to meet its obligations in the normal course of business as they become due. In addition, the Interim Facility will assist the Company in funding certain growth initiatives that the Company's management believes will generate significant revenues through increased sales of products by its distribution partner and other possible channels.

The Interim Facility is secured by a priority Court-ordered charge in the maximum principal amount of \$415,000, plus interest of 11.5% per annum, costs, fees and disbursements, ranking in priority to all other encumbrances on the Company's assets, properties and undertakings, other than an administrative charge. The Interim Facility will mature and be fully repayable on the date that is six (6) months from the date of the first advance, which may be extended if Avro agrees to such extension.

BRANDS

As of September 16, 2022 BC Craft Supply Co. Ltd. has the following brands under operational control.

BC CRAFT SUPPLY CO. LTD.

BC CRAFT are social entrepreneurs and change agents, committed to transitioning legacy cannabis operators into Canada's legal markets through operational support from seed to sale. BC CRAFT is the voice of craft cannabis on both sides of the aisle, fighting for fair access and representation of the most premium and well-known legacy cultivars and brands.

BC CRAFT brings together the collective expertise of the best minds in industry; an ambitious and persistent group which come to work every day ready to tackle major social issues and offer new ideas for wide-scale change. The brand bridges the gap between commerce and art, and is committed to fostering a mutually beneficial relationship driving business success and enhancing local communities.

Operationally, BC CRAFT acts as a craft cannabis aggregator, working hand in hand with a network of select craft growers, manufacturers, and retailers; providing access to Canada's cannabis markets through support with licensing, compliance, and distribution.

The team of industry veterans offers craft cultivators one-on-one support in a variety of disciplines from seed to sale; including cultivation and growing techniques, quality assurance, facility design, security clearances, health and safety standard compliance, staff training, sales strategy, marketing support, and distribution.

The brand is committed to being on the right side of history with regards to cannabinoids and psychedelics. They support craft's 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.

Read more: www.bccraftsupplyco.ca | @bccraftsupplyco

GRIZZLERS

The Company's flagship legacy cannabis brand, Grizzlers™ is a premier brand of packaged pre-rolled cannabis; offering access to premium grown, hang dried, hand trimmed, and hand packed cannabis. Since inception in 2017, Grizzlers quickly grew to be the most widely Available grey market pre-roll producer in the country; achieving national distribution with acute scale in the provinces of British Columbia, Alberta, and Ontario.

The brand was recently re-launched into the Alberta market to widespread acclaim, with a very strong first order of over 27,000 units. Offering access to premium cannabis brands at an incredible value - the company has partnered with AHLOT and SAFARI to expand distribution nationally and restore access to customers.

Grizzlers has become synonymous for premium flower at accessible prices – launching a "\$1 Buck a Joint" in Alberta with a similar like for like pricing scheme in Ontario; driving customers in-store, encouraging trial and repeat purchase of the Grizzlers franchise.

As of Sept 1, 2022, Grizzlers is currently in market in Ontario and Alberta with plans to scale nationally upon capital injection with the intention of it becoming CRFT's flagship cannabis brand in market. The Company is also actively seeking a US based licensing agreement to commercial Grizzlers IP in the United States in anticipation of future Federal Legalization.

EARTH DRAGON ORGANICS

The Company also boasts the return to the market for coveted health and beauty brand Earth Dragon Organics - one of the most well-known cannabinoid beauty brands in the industry.

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.

The Company is actively exploring partnerships to bring Earth Dragon Organics to market under a licensing and marketing agreement.

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. Earth Dragon remains incredibly popular on social channels and will be launched in the back half of 2021. The IP from this early acquisition is currently fueling R&D in our future wellness lines in the United States.

FEELWELL BRANDS

Somo Industries Inc (DBA Feelwell Brands) is a holding company incorporated in the province of British Columbia, with a unique capital structure allowing the company to hold any number of licensed cannabis portfolio investments in the United States.

The company also controls the IP over brands, assets, technologies, recipes, and SOPs for various premium consumer packaged goods in the United States. The acquisition provides accretion for investors, as it represents a proven pathway to growth, via access to one of the most lucrative cannabis markets in the world.

The acquisition of Feelwell Brands did not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – Business Combination and the remaining unidentifiable asset did not meet the intangible asset criteria for capitalization. Accordingly, the Company expensed \$2,245,884 in the Statement of Loss and Comprehensive Loss.

The loan receivable acquired from Feelwell Brands was structured as a call option and bears interest of 8.5% and is compounded monthly. The call option gave the lender right to acquire 100% of the outstanding shares of the borrower and is due on demand. Interest is accrued and payable when the loan is called. The maximum borrowing amount was \$10,000,000.

Post acquisition the Somo Group, and the Clix brand, has ceased operations. Clix products were making negative margins. As a result, the Company has impaired the loan receivable asset and the Intangible Intellectual Property associated with the brand. Accordingly, the balance was written off.

ROLL MODEL CANNABIS

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, reducing the stigma associated with cannabis.

The roll model brand was born out of necessity to create a smoking experience that is premium in quality and convenience. cannabis has been kept in the dark for too long. we're proudly bringing it out of the shadows and to your front door.

Roll model's strain-specific pre-rolls feature only premium craft flowers from the best growers out of Nelson, British Columbia. each joint individually packaged in re-sealable tubes for freshness and on-the-go convenience. Available in three-packs or single rolls, with .5g and 1.0g joints and new strains always changing.

As of Sept 2022, Roll Model has one accepted Sku with the Ontario Cannabis Store through a licensing deal with Safari and the company is currently awaiting to hear when a Purchase Order will be placed with Safari.

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.

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.

In February 2022, the company determined that building out the Medcann Facility to bring it to a Health Canada Compliant standard would be overly expensive and onerous after having Heather Brae Buldigs assess the needed upgrades to the facility. In March 2022, the company terminated its lease and let its license to produce Cannabis under the Cannabis Act expire.

ACQUISITION OF AVA PATHWAYS

On March 5, 2021, the Company acquired 100% of the issued and outstanding common shares of Ava Pathways Ltd. ("Ava"). Ava is a life sciences company leveraging a strong pre-clinical and clinical experimental program to drive the next generation of psychiatric medicine using psychedelic compounds derived from mushrooms.

Through evidence-based research, the Company is a global leader in developing new psychoactive therapies to accelerate patient access. Ava's safe and effective psychedelic compounds, coupled with novel formulation and protocol IP aim to redefine the future of psychotherapy. Ava was founded by scientists and researchers focused on neuroplasticity and alternative ways to treat common and debilitating medical conditions such as depression, anxiety, PTSD, and substance use disorder, through the use of psychedelic-based treatments.

Under the terms of the agreement, BC Craft has acquired all of the ownership interests in Ava, and Ava Pathways has become a wholly owned subsidiary of BC Craft. BC Craft issued 41,000,000 units to the shareholders of Ava at a deemed value of CDN\$0.105 per unit.

Each unit is comprised of one common share and one transferable common share purchase warrant that can be exercised to acquire one additional share at a price of CDN\$0.14 for a period of two years.

Ava was an early-stage business, the remaining unidentifiable asset did not meet the intangible asset criteria for capitalization. As of September 30th 2021 Ava Pathways has no tangible value and did not at the time of acquisition. The only value on this transaction was in the two founders who were the Ph.D. researchers, who had the ability to use their proprietary research and leverage their academic institutional relationships in order to build out a research based psychedelic company. The company was unable to lock down the researchers to employment contracts and the company has sat dormant since acquisition.

Accordingly, the Company expensed \$8,323,000 in the Statement of Loss and Comprehensive Loss at the date of acquisition.

ACQUISITION OF OLYMPIC VIEW BOTANICALS LTD.

On December 2, 2020, the Company announced 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., \$70,000 in cash and a facility lease.

As of Sept 1, 2022, due to funding limitations and the Company did not build out the facility post acquisition. In addition, due to the facility not being built out, the lease on the facility was not triggered. As a result, the Company has fully impaired the right of use asset and written off the associated lease liability.

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 I 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.

On 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.

As of Sept 2021, the MPA with indiva effectively was terminated due to lack of funds required to continue to purchase input material for Artisian Batch.

March 3, 2022, the Issuer entered into a Licensing Agreement with Safari. Pursuant to the Licensing Agreement, CRFT will supply Safari with bulk cannabis to process into cannabis products by packaging and labelling the bulk cannabis in a form compliant for sale to Canadian consumers, following which Safari will sell and distribute the resulting cannabis products on behalf of the Issuer.

RESULTS OF OPERATIONS

For the Period Ended September 30, 2021 and 2020

During the twelve months ended September 30, 2021, the Company recorded a loss and comprehensive loss of \$16,714,783 compared to a net comprehensive loss of \$35,589,088 in the comparative period. In the comparative period, losses were largely due to one-time debt settlements. In the current period, losses were largely due to consideration paid for acquisitions in excess of the fair market value of the assets acquired of \$12,000,046 (2020 - \$Nil), impairment of the Medcann Licence of \$6,869,252, and impairment of the loan receivable of \$1,459,963. The remainder of losses in the twelve months ended September 30, 2021, were due to operating expenses attributed mainly to the following items:

- Accretion and interest expenses of \$417,017 (2020 - \$1050,737) and \$664,537 (2020 - \$1,235,317), respectively. In the current period, the Company converted a significant portion of convertible debentures, resulting in an overall decrease in accretion and interest expense.
- Consulting fees of \$890,597 (2020 - \$2,192,567), 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 and advisory fees.
- Corporate development increased to \$277,870 (2020 - \$80,893) which includes brand awareness and the development of promotional material. The Company is in its startup stage and brand awareness and positioning is an important step for the Company to meet its business targets.
- Professional fees of \$575,114 (2020 - \$1,118,635) were incurred as the Company paid fees in connection to general legal, accounting, public filing, and due diligence fees. The Company continues to consult professionals to meet business objectives.
- Salaries and benefits of \$494,105 (2020 - \$1,706,230) were incurred. 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 \$66,792 (2020 - \$232,995) as the Company adopted IFRS 16 – Leases. The Company’s leases consist of property, plant and equipment. The overall decrease relates to some of the right-of-use assets and liabilities being impaired during the year ended September 30, 2020.
- The Company issued various tranches of stock options, and recognized \$1,205,850 (2020 - \$1,830,777) in share-based compensation.

- Revenue consists of product sales to various provincial cannabis boards. The Company recorded revenues of \$1,078,538 in the period (2020 - \$298,311). Cost of sales consists of the expenses incurred to manufacture such products. The Company recorded cost of sales of \$1,002,748 (2020 - \$269,514).
- The Company settled contingent consideration via the issuance of 1,052,000 stock options with a fair value of \$1,004,987. The Company recorded a gain on settlement of contingent consideration of \$8,268,347 (2020 – \$Nil).
- The Company acquired Ava Pathways, Olympic View Botanicals, and Feelwell Brands. Because these entities were early-stage entities, the Company recorded consideration paid in excess of identifiable assets of 12,000,046.

QUARTERLY FINANCIAL INFORMATION

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

Period Ending	2021			
	Q4	Q3	Q2	Q1
Revenue	263,662	216,319	354,062	244,495
Net income (loss)	(14,434,564)	(2,159,499)	3,695,000	(3,900,372)
Basic income (loss) per Share	(0.045)	(0.01)	(0.02)	(0.03)
Diluted income (loss) per Share	(0.045)	(0.01)	(0.02)	(0.03)
Assets	797,827	10,542,482	8,933,099	9,282,112
Long term liabilities	243,031	380,812	420,314	653,574

Period Ending	2020			
	Q4	Q3	Q2	Q1
Revenue	253,901	45,138	47,396	60,417
Net loss	(10,641,159)	1,303,674	(4,646,328)	(17,081,345)
Basic loss per Share	(0.06)	(0.02)	(0.28)	(0.09)
Diluted loss per Share	(0.06)	(0.02)	(0.28)	(0.09)
Assets	9,477,350	16,154,231	15,454,748	21,696,061
Long term liabilities	18,050,397	568,428	47,396	60,417

The quarterly financial information for the 2021 and 2020 fiscal periods, are presented in accordance with IFRS.

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.

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.

The Company's liquidity depends on existing cash reserves, to be supplemented as necessary by equity and/or debt financings. As of September 30, 2021, the Company had current assets of \$430,515 (September 30, 2020 - \$1,014,566) and current liabilities of \$8,235,399 (September 30, 2020 - \$17,654,429). The Company has a working capital deficiency of \$7,804,884 (September 30, 2020 - \$16,639,863).

Cash Flow from Operating Activities

During the twelve months ended September 30, 2021, the Company cash outflow from operations was \$1,429,189 (2020 - \$3,540,738). 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 (2020 - (491,702)). During the twelve months ended September 30, 2021, the Company sold land for gross proceeds of \$527,000.

Cash Flow from Financing Activities

During the twelve months ended September 30, 2021, the Company received cash inflows from financing of \$736,702 (2020 - \$3,126,876). The Company financed operations via promissory notes for gross inflows of \$576,210 (2020 - \$1,240,614) and received \$500,000 (2020 - \$1,695,082) from a private placement. The Company also received cash from exercise of warrants and options \$484,785 and \$131,704 respectively. Offsetting outflows included payments made against promissory notes of \$671,370 (2020 - \$Nil) and mortgage payment of \$300,000 (2020 - \$136,229). The Company has relied on funding through the issuance of common shares and promissory notes.

COMMITMENTS

Prior to September 30, 2020, 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 September 30, 2021.

RELATED PARTY TRANSACTIONS

Matthew Watters – CEO, Anthony Laud - CFO Regan McGrath – former CFO

Theo van der Linde – former CFO; Tomas English – former Director; Kevin Taylor – Director; Brigette Simmons - Director

The Company entered into a number of transactions with key management personnel. The Company considers the executive officers and directors as the key management of the Company. The remuneration of key management personnel includes those persons having the authority and responsibility for the planning, directing and controlling of the activities of the Company.

As at September 30, 2021, the Company owed current and former management \$294,135 (2020 - \$41,654) and \$Nil (2020 - \$642,750), respectively.

	Sept 30, 2021 \$	Sept 30, 2020 \$
Consulting fees paid or accrued to former management of RGAM	-	210,000
Salaries paid to the former CEO	-	62,500
Salaries paid to the former Chief Scientific Officer	-	-
Professional fee paid or accrued to companies controlled by CFO	145,738	116,397
Consulting fees paid or accrued to CEO	100,756	100,000
Consulting fees accrued to a former director	-	583,471
Share based compensation	298,157	239,277
	544,651	1,311,655

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 September 30, 2021, 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:

- 2,276,456 common shares issued and outstanding
- 202,382 options outstanding
- 911,311 warrants outstanding

On December 24th, 2021, the Company completed a share consolidation on a 100:1 basis (the "Consolidation Ratio"). Outstanding stock options and warrants have been adjusted by the Consolidation Ratio. All common shares and per common share amounts have been restated to reflect the share consolidation

RISK FACTORS

This section discusses factors relating to the business of the 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.

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 and the industry as a whole is not currently determinable however management successfully navigated it to the extent possible.

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.

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.

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, in order to provide the provinces and territories time to prepare for retail sales. The Cannabis Act passed its final legislative step and received Royal Assent on June 21, 2018. The legislative framework pertaining to the Canadian recreational cannabis market will be subject to significant provincial and territorial regulation.

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 favorable. 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.

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.

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.

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.

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 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.

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.

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 unfavorable to the Issuer.

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.