FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Agra Ventures Ltd. (the "Issuer").

Trading Symbol: AGRA

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Second Quarter (six-month period) ended **June 30, 2021**. The condensed consolidated interim financial statements of the Issuer for the period ended **June 30 2021** as filed with the securities regulatory authorities, are attached to this Form 5 – Quarterly Listing Statement as Appendix "A".

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.

(c) The recorded amount of the transactions classified by financial statement category.

(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.

(e) Contractual obligations with Related Persons, separate from other contractual obligations.

(f) Contingencies involving Related Persons, separate from other contingencies.

With respect to related party transactions for information supplementary to that contained in the notes to the condensed consolidated interim financial statements, which are attached hereto, please refer to Management's Discussion & Analysis for the period ended **June 30, 2021** as filed with securities regulatory authorities and attached to this Form 5 - Quarterly Listing Statement as Appendix B.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
April 19, 2021	Common shares	Debt Settlement	12,272,000	$0.05 per share	N/A	Settlement of $163,600 in debt	Arm's Length	N/A
May 28, 2021	Common shares	Debt Settlement	7,645,481	$0.05 per share	N/A	Settlement of $382,274.05 in debt	Arm's Length	N/A

(b) summary of options granted during the period,

There were no stock options granted during the period.

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

As at June 30, 2021, the authorized capital of the Issuer consisted of an unlimited number of common shares without par value, and without any special rights or restrictions, of which 1,947,152,259 common shares were issued and outstanding.

Each holder of a common shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each common share held by such holder.

The holders of common shares shall be entitled to receive dividends if and when declared by the directors.

In the event of any liquidation, dissolution or winding-up of the Company or other distribution of the assets of the company among its shareholders for the purpose of winding-up its affairs, the holders of Common shares shall be entitled, subject to the rights of the holders of shares of any class ranking prior to the common shares, to receive the remaining property or assets of the Company.

(b) number and recorded value for shares issued and outstanding,

Date	Share Class	Number of Shares	Recorded value of shares
June 30, 2021	**Common**	**1,947,152,259**	**$199,449,936**

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Options

Options to purchase common shares in the capital of the Issuer are granted by the Issuer's Board of Directors to eligible persons pursuant to the Issuer's Stock Option Plan.

As at June 30, 2021, the following options were outstanding entitling holders to purchase common shares in the capital of the Issuer as summarized below:

Date of Grant	Number of Options	Exercise Price	Expiry Date
Oct 31, 2018	1,250,000	$0.142	Oct 31, 2023
May 21, 2019	2,200,000	$0.46	May 21, 2024
May 30, 2019	1,000,000	$0.39	May 30, 2024
Aug 1, 2019	2,850,000	$0.31	Aug 1, 2024
Jul 11, 2019	4,090,000	$0.33	May 17, 2024
Jan 6, 2020	100,000	$0.15	Jan 6, 2022
Jan 30, 2020	15,000,000	$0.15	Jan 30, 2022
Jan 31, 2020	1,000,000	$0.10	Jan 31, 2022
Apr 30, 2020	95,000,000	$0.075	Apr 30, 2025
TOTAL	**122,490,000**		

Warrants

As at June 30, 2021, the following warrants were outstanding entitling holders to purchase common shares in the capital of the Issuer as summarized below:

Number of Warrants	Exercise Price	Expiry Date
43,685,818	$0.08	Aug. 23, 2021
266,666,667	$0.10	Apr 30, 2025
20,700,000	$0.10	May 25, 2025
42,000	$0.10	May 25, 2025
6,666,667	$0.50	Jan 28, 2023
11,612,000	$0.10	Jul 8, 2025
TOTAL: 349,373,152		

(a) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

As at June 30, 2021 14,616,889 (March 31, 2021 - 61,178,051) shares were held in escrow.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name of Director/Officer	Position with Issuer
Elise Coppens	Director & CEO
Fiona Fitzmaurice	CFO
Brian O'Neill	Director
Joseph Perino	Director
Jerry Habuda	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion & Analysis for the period ended June 30, 2021, as filed with securities regulatory authorities, is attached to this Form 5 - Quarterly Listing Statement as Appendix "B".

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated August 30, 2021

Elise Coppens
Name of Director or Senior Officer

"Elise Coppens"
Signature

Director & CEO
Official Capacity

Issuer Details Name of Issuer Agra Ventures Ltd.	For Quarter Ended June 30, 2021	Date of Report YY/MM/D 21/08/30
Issuer Address Suite 810 - 789 West Pender Street		
City/Province/Postal Code Vancouver, BC V6C 1H2	Issuer Fax No. 604-687-3141	Issuer Telephone No. 604-687-2038
Contact Name Elise Coppens	Contact Position Director & CEO	Contact Telephone No. 604-687-2038
Contact Email Address elise@agraflora.ca	Web Site Address www.agraventures.com	

APPENDIX A

AGRA VENTURES LTD.

Condensed consolidated interim financial statements for the period ended June 30, 2021

AGRA VENTURES LTD.
(formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)

Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Agra Ventures Ltd. for the six months ended June 30, 2021 and 2020 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company’s management and have been approved by the Board of Directors. The Company’s independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

(Expressed in Canadian Dollars)

	Notes	June 30, 2021	December 31, 2020 (audited)
ASSETS			
Current assets			
Cash		$ 4,385,876	$ 274,390
Amounts receivable	4	205,627	148,856
Inventory	20	122,875	111,226
Prepaids and deposits	6	20,494	27,308
		4,734,872	561,780
Non-current assets			
Investments	9,10	26,972,773	30,003,716
Property and equipment	7	2,773,996	16,699,784
Loans receivable	5	14,222,238	13,300,936
Intangible assets and goodwill	8, 12	1,023,000	1,166,667
TOTAL ASSETS		**$ 49,726,879**	**$ 61,732,883**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	$ 1,308,796	$ 8,489,438
Current portion of lease liability	15	92,637	206,048
Deferred revenue	25	297,001	323,891
Deferred grant revenue	17	18,776	26,294
Loans payable	17	1,057,853	896,725
Contingent consideration payable	12	-	5,000,000
Derivative liabilities	12,16	28	10,138,800
		2,775,091	25,081,196
Non-current liabilities			
Convertible loan payable	16	21,759,475	28,382,844
Deferred grant revenue	17	14,435	45,018
Mortgage payable	17	1,516,779	1,443,000
Long-term lease liability	15	1,352,127	3,052,262
TOTAL LIABILITIES		**27,417,907**	**58,004,320**
SHAREHOLDERS' EQUITY			
Share capital	18	199,449,936	178,875,214
Obligation to issue shares	18	-	1,500,000
Reserves	18	25,511,665	31,741,363
Accumulated other comprehensive income		30,546	8,187
Deficit		(202,512,550)	(207,377,315)
Attributable to shareholders		22,479,597	4,747,449
Non-controlling interest	11	(170,625)	(1,018,886)
TOTAL SHAREHOLDERS' EQUITY		**22,308,972**	**3,728,563**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 49,726,879**	**$ 61,732,883**

Nature and continuance of operations (Note 1)
Commitments (Note 23)
Sale of subsidiaries (Note 26)
Subsequent events (Note 27)

AGRA VENTURES LTD. (formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

		Three months ended		Six months ended	
	Notes	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Sales		$ 285,638	$ 457,344	$ 591,858	$ 822,379
Cost of goods sold		(135,466)	(231,767)	(287,458)	(456,846)
		150,172	225,577	304,400	365,533
Expenses					
Amortization	7,8	59,104	260,266	170,378	403,465
Consulting and management	19	892,186	2,635,678	919,610	4,023,473
Corporate development		72,655	(35,392)	125,726	718,134
Finance and other costs	16	908,802	1,409,623	4,703,417	3,084,378
Foreign exchange loss (gain)		9,427	434,521	7,764	403,879
Development and compliance		-	206,801	36,401	206,801
Distribution expenses		-	54,700	1,695	56,700
Investor communications		-	7,120	-	23,184
Insurance		33,602	-	61,419	-
Office and sundry		43,248	104,320	160,563	226,979
Other general and operating costs		47,570	99,348	123,286	209,883
Production costs		-	(629,920)	28,193	635,378
Professional fees		782,081	505,039	1,173,661	810,900
Property taxes and fees		287,720	-	304,882	-
Regulatory and transfer agent fees		59,050	83,676	88,710	151,208
Rent expense (recoveries)		(32,865)	23,985	(164,505)	47,970
Repairs and maintenance		339	-	839	-
Research and development		-	-	-	118,000
Share-based compensation	11,18	-	2,144,457	-	2,611,683
Transaction costs	6, 9,11,16,18	-	-	6,023,229	5,898,353
Wages and salary		140,627	352,015	370,667	636,699
		(3,303,546)	(7,656,237)	(14,135,935)	(20,267,067)
Loss before other items		(3,153,374)	(7,430,660)	(13,831,535)	(19,901,534)
Other items					
Fair value movement on investments	13	-	975,407	-	4,140,428
Gain (loss) on debt settlement	14,18	1,134,976	230,225	15,103,430	230,225
Gain on disposal of PPE		6,309	-	6,309	-
Gain on write-off of accounts payable	14	519,745	29,039	537,264	29,039
Gain on loan payable	17	-	-	19,546	-
Gain on sale of subsidiary	26	143,138	-	143,138	-
Loss on sale of marketable securities	26	(1,203,157)	-	(1,203,157)	-
Government grant revenue	17	52,641	-	60,682	-
Interest income	5	150,070	2,992	321,476	5,984
Loss on dilution of interest in subsidiary	11	-	-	(210,494)	-
Royalty revenues	21	40,481	-	94,456	-
Share of losses in equity accounted investments	9,10	(1,265,858)	(668,971)	(2,386,915)	(915,279)
Write-off of accounts receivable	4	(6,248)	-	(19,180)	-
Write-off of inventory		945	-	-	-
Net income (loss) for the period		**(3,580,332)**	**(6,861,968)**	**(1,364,980)**	**(16,411,137)**
Other Comprehensive Income (Loss)					
Foreign Exchange gain on translating foreign operations		3,455	-	30,546	-
Net income (loss) and comprehensive income (loss) for the period		**$ (3,576,877)**	**$ (6,861,968)**	**$ (1,334,434)**	**$ (16,411,137)**
Net income (loss) attributable to:					
Shareholders of Agra Ventures Ltd.		$ (3,580,285)	$ (6,533,585)	$ (1,364,933)	$ (16,082,754)
Non-controlling interests	11,12	(47)	(328,383)	(47)	(328,383)
		$ (3,580,332)	**$ (6,861,968)**	**$ (1,364,980)**	**$ (16,411,137)**
Net and comprehensive income (loss) attributable to:					
Shareholders of Agra Ventures Ltd.		$ (3,576,830)	$ (6,533,585)	$ (1,334,387)	$ (16,082,754)
Non-controlling interests	11,12	(47)	(328,383)	(47)	(328,383)
		$ (3,576,877)	**$ (6,861,968)**	**$ (1,334,434)**	**$ (16,411,137)**
Net income (loss) per share – basic and diluted		**$ (0.30)**	**$ (0.81)**	**$ (0.12)**	**$ (2.16)**
Weighted average number of common shares outstanding		**12,107,918**	**8,518,548**	**10,747,751**	**7,602,770**

AGRA VENTURES LTD. (formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share capital								
	Number of shares[1]	Amount	Share-based payment reserves	Warrant reserve	Non-controlling interest	AOCI	Obligation to issue shares	Deficit	Total
Balance at December 31, 2019	**6,228,817**	**149,515,773**	**12,531,446**	**27,933,339**	**(671,830)**	-	-	**(123,209,175)**	**66,099,553**
Net and comprehensive loss for the period	-	-	-	-	(328,383)	-	-	(16,082,755)	(16,411,138)
Fair value of options exercised / expired	-	-	(10,406,747)	-	-	-	-	10,406,747	-
Fair value adjustment (Notes 8, 12)	-	(6,828,125)	-	-	-	-	-	-	(6,828,125)
Transaction cost	392,157	5,882,353	-	-	-	-	-	-	5,882,353
Conversion of special warrants (Note 18)	44,444	2,000,000	-	(2,000,000)	-	-	-	-	-
Shares issued for services (Note 18)	157,353	1,568,000	-	-	-	-	-	-	1,568,000
Shares issued for acquisition (Note 18)	511,111	7,900,000	-	-	-	-	-	-	7,900,000
Shares for debt settlement (Note 18)	42,832	334,702	-	-	-	-	-	-	334,702
Private placements (Note 18)	1,915,778	16,219,167	-	5,333,541	-	-	-	-	21,552,708
Private placement – finders fee	-	(3,150)	-	-	-	-	-	-	(3,150)
Private placement – finders warrants	-	(2,589)	-	2,589	-	-	-	-	-
Share-based compensation (Notes 11 and 18)	-	-	2,611,683	-	-	-	-	-	2,611,683
Balance at June 30, 2020	9,292,492	$ 176,586,131	$ 4,736,382	$ 31,269,469	$ (1,000,213)	$ -	$ -	$ (128,885,183)	$ 82,706,587
Balance at December 31, 2020	**10,041,183**	**$ 178,875,214**	**$ 5,492,112**	**$ 26,249,251**	**$ (1,018,886)**	**$ 8,187**	**$ 1,500,000**	**$ (207,377,315)**	**$ 3,728,563**
Net and comprehensive loss for the period	-	-	-	-	848,261	22,359	-	(1,364,933)	(494,313)
Fair value of warrants expired	-	-	-	(6,229,698)	-	-	-	6,229,698	-
Transaction cost (Note 18)	1,003,871	6,023,229	-	-	-	-	-	-	6,023,229
Shares issued to settle floor protection liability (Note 12 and 18)	133,333	1,500,000	-	-	-	-	-	-	1,500,000
Shares for services (Note 14 and 18)	11,852	100,469	-	-	-	-	-	-	100,469
Shares for acquisition (Note 18)	66,667	500,000	-	-	-	-	-	-	500,000
Shares for debt settlement (Note 14 and 18)	137,867	635,161	-	-	-	-	-	-	635,161
Obligation to issue shares (Note 18)	331,119	1,500,000	-	-	-	-	(1,500,000)	-	-
Amendment of convertible debentures and interest payments (Note 16 and 18)	360,000	4,050,000	-	-	-	-	-	-	4,050,000
Conversion of debentures (Note 16 and 18)	895,122	6,265,863	-	-	-	-	-	-	6,265,863
Balance at June 30, 2021	**12,981,014**	**$ 199,449,936**	**$ 5,492,112**	**$ 20,019,553**	**$ (170,625)**	**$ 30,546**	**$ -**	**$ (202,512,550)**	**$ 22,308,972**

On August 27, 2021, the Company consolidated its shares on a one hundred and fifty (150) pre-consolidated to one (1) post-consolidation share basis. These condensed interim consolidated financial statements reflect the post-consolidated shares.

AGRA VENTURES LTD. (formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Six months ended June 30, 2021	June 30, 2020
Operating activities		
Net income (loss) for the period	$ (1,334,434)	$ (16,411,137)
Adjustments for:		
Amortization	170,378	403,465
Interest income	(321,476)	-
Accrued interest	(5,621,375)	2,987,483
Consulting fees	100,469	1,568,000
Gain on loan payable	(19,546)	-
Gain on sale of subsidiary	(143,138)	
Gain on debt settlement	-	(230,225)
Government grant revenues	(38,101)	-
Deferred revenues recognized	(26,890)	-
Share of losses in equity investments	2,386,915	915,729
Fair value change on movement in investments	-	(4,140,428)
Foreign exchange adjustments on PPE	51,543	-
Transaction cost	6,023,229	5,882,353
Loss on dilution	210,494	-
Loss on sale of marketable securities	1,203,157	-
Loss (gain) on debt settlement	(15,103,430)	-
Share-based compensation	-	2,611,683
Conversion of debentures	3,713,981	-
Foreign exchange loss (gain)	7,764	403,879
Write-off of amounts receivable	19,180	-
Changes in non-cash working capital items:		
Accounts receivables	(24,020)	(366,114)
Prepaids	6,814	423,106
Inventory	(11,649)	(164,582)
Accounts payable and accruals	(1,038,588)	1,456,676
Net cash flows used in operating activities	(9,788,723)	(4,660,112)
Financing activities		
Proceeds from convertible debt	-	9,770,000
Repayment of lease liability	(189,879)	(281,365)
Proceeds from loan received	180,674	160,000
Proceeds from sale of subsidiaries	948,168	-
Proceeds on issuance of common shares, net of subscriptions received / receivable	-	1,549,350
Net cash flows provided by financing activities	938,963	11,197,985
Investing activities		
Recoveries (expenditures) on equipment	5,172,238	(5,640,009)
Dividend payment received	-	350,000
Purchase of patents	(46,000)	-
Sale of marketable securities	7,850,924	-
Investment in and advances to PSC	(7,729)	(5,005,136)
Net cash flows used in investing activities	12,969,433	(10,295,145)
Change in cash	4,119,673	(3,757,272)
Cash, beginning	274,390	4,076,295
Effect of change in foreign currency	(8,187)	-
Cash, ending	**$ 4,385,876**	**$ 319,023**

Non-cash transactions (Note 22)

1. NATURE AND CONTINUANCE OF OPERATIONS

Agra Ventures Ltd. (formerly AgraFlora Organics International Inc.) (the "Company" or "Agra Ventures") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). The diversified Company focused exclusively on the cannabis industry. On July 26, 2021, the Company changed its name to Agra Ventures Ltd. from AgraFlora Organics International Inc.. The Company's flagship assets include its 70% equity interest in Propagation Services Canada, a 2,200,000 sq. ft. greenhouse complex in Delta, B.C. In addition, Agra Venture's wholly owned subsidiary Farmako GmbH is a distributor of medical cannabis in Europe. The Company's corporate office is located at Suite 810, 789 West Pender Street, Vancouver, British Columbia V6C 1H2. The Company trades on the Canadian Stock Exchange (the "CSE") under the symbol "AGRA". The Company also trades on the OTC Pink Sheets ("OTCPK") under the symbol "AGFAF" and the Frankfurt Stock Exchange under the symbol "PU3".

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 23. At June 30, 2021, the Company has a working capital of $1,959,781 (December 31, 2020 – working capital deficiency of $24,519,416), and an accumulated deficit of $202,512,550 (December 31, 2020 - $207,377,315).

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's annual consolidated financial statements, except for the adoption of new accounting standards and/or estimates identified in Note 3. Given that certain information and disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended December 31, 2020, including the accompanying notes thereto.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Basis of preparation (continued)

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 30, 2021.

Basis of Consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its principal subsidiaries:

	Ownership Interest 2021	Ownership Interest 2020	Jurisdiction
AAA Heidelberg Inc. (Note 26)	100%	100%	Canada
Potluck Potions and Edibles Inc.	80%	80%	Canada
Canutra Naturals Ltd.	100%	100%	Canada
SUHM Investments Inc. (Note 11 and 26)	0%	100%	Canada
The Edibles and Infusions Corp. (Note 11 and 26)	0%	80%	Canada
11122347 Canada Corp d/b/a Canada Cap Corp	80%	80%	Canada
1180782 B.C. Ltd. d/b/a Delta Organic Cannabis Corp.	100%	100%	Canada
11353675 Canada Corp. d/b/a CanaBeer	80%	80%	Canada
11353705 Canada Corp. d/b/a Canada Gum Corp.	80%	80%	Canada
Trichome Canabrands Inc.	100%	100%	Canada
Sanna Health Corp.	100%	100%	Canada
The Good Company GmbH	100%	100%	Germany
11406426 Canada Corp. d/b/a Canada Formulations Corp	80%	80%	Canada
1274744 BC Ltd. (Note 11)	100%	0%	Canada

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Presentation and functional currency
The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency is the Canadian dollar for the Company's Canadian subsidiaries and the Euro for The Good Company GmbH.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date). Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the statement of comprehensive loss.

Foreign operations:
The financial results and financial position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

2. BASIS OF PREPARATION (continued)

Basis of Consolidation (continued)

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the foreign operation is disposed

Significant accounting judgments and estimates
The preparation of these consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimates and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: fair value allocation in business combination and asset acquisitions, value of marketable securities and other financial instruments; impairment of non-financial assets; discount rate used, and share-based compensation.

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its cannabis assets. This includes estimating the fair value of intangible assets held relating to the cannabis operations.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements. The continuation of the Company as a going concern requires judgment and factors used are disclosed in Note 1.

Management has applied significant estimates and judgements related to the following:

Business combination and asset acquisition
Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that most of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of the purchase prices.

2. BASIS OF PREPARATION (continued)

Significant accounting judgments and estimates (continued)

Convertible debenture receivable
Management is required to make a number of estimates when determining the valuation of its convertible debenture receivable, which used option pricing models that involved various estimates and assumptions.

Investment in associates
The Company uses judgment in its assessment of whether the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, including but not limited to, the ability to exercise significant influence through board representation, material transactions with the investee, provision of technical information, and the interchange of managerial personnel. Whether an investment is classified as an investment in associate can have a significant impact on the entries made on and after acquisition

COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company’s operations during the period ended June 30, 2021. The production and sale of cannabis has been recognized as essential services across Canada and Europe. As at June 30, 2021, we have not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our business, financial position and operating results in the future. In addition, it is possible that estimates in the Company’s financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

3. SIGNIFICANT ACCOUNTING POLICIES

Equity accounted investments
Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity accounted investments (continued)

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

At June 30, 2021 and December 31, 2020, the Company accounts for the following entities using the equity method as the Company does not have control over these entities:

	Ownership Interest	Jurisdiction
Propagation Services Canada Inc.	70%	Canada
Eurasia Infused Cosmetics Inc.	50%	Canada
JJ Wolf Investment Ltd.	50%	Canada

IFRS 15 – Revenue from contracts with customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), amended revenue recognition requirements and established principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sale of hemp health products and cannabis to medical and recreational customers are recognized when the Company transfers control of the good to the customer. In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

Royalty Revenue

Royalty revenue is recognized pursuant to the terms of the applicable royalty agreement and when collection is reasonably assured.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly adopted accounting standards

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's consolidated financial statements.

4. AMOUNTS RECEIVABLE

	June 30, 2021 $	December 31, 2020 $
Current:		
Government sales tax recoverable	1,803	133,666
Other receivable	203,824	15,190
	205,627	148,856

During the period ended June 30, 2021, the Company wrote off $19,180 (2020 - $Nil) of government sales tax recoverable on the basis that the amounts were denied by the Canada Revenue Agency.

5. LOANS RECEIVABLE

	$
Loans receivable, December 31, 2019	**205,721**
Loan to PSC	12,708,230
Accrued interest	324,018
Promissory note for sale of land	275,000
Provision on loan receivable	(212,033)
Loans receivable, December 31, 2020	**13,300,936**
Accrued interest	921,302
Total loans receivable, June 30, 2021	**14,222,238**

On July 10, 2019, the Company advanced $200,000 by way of a loan to an arm's length party. The loan is due July 10, 2020 and bears interest at 6% per annum. At December 31, 2019, a balance of $205,721 was receivable, including accrued interest. During the year ended December 31, 2020, the Company recorded accrued interest of $6,312 on the loan and record a provision of $212,033 against the loan and impaired the loan receivable to $Nil.

On December 10, 2020, the Company's subsidiary entered into a promissory note with an arm's length party. for a total of $275,000 relating to the sale of land (Note 8). The promissory note matures on June 4, 2022, accrues interest at 9% per annum and is payable to the Company in monthly instalments starting from January 4, 2021. During the period, the Company accrued interest of $1,261 on the loan. The balance of the loan is $276,261 as at June 30, 2021 ($275,000 as at December 31, 2020).

On November 6, 2020, the Company entered into a definitive loan agreement with PSC. The loan agreement has a maximum facility amount of $50,000,000, and includes previous advances made to PSC of $38,604,344. The loan has an interest rate of nil per annum which increases to 10% per annum upon an event of default.

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE (CONTINUED)

The balances are secured by a General Security Agreement, the loan has no stated maturity date and is repayable monthly out of 50% of PSC's EBITDA until PSC's loan outstanding with Houweling Nurseries Property Ltd ("HNL") is settled, after which the loan becomes repayable monthly out of 100% of PSC's EBITDA until the outstanding balance is settled.

As a result of executing the definitive loan agreement, the original advances are considered extinguished and replaced with the new loan, which has been advanced to PSC at a below-market interest rate. The fair value of the loan on initial recognition of $12,708,263 has been determined by discounting the estimated cash flows at a rate of 15%. The difference between the original advances and the fair value of the new loan is $25,896,081 which is included in the investment account and is considered a contribution to PSC (Note 10).

Subsequent to initial recognition, the loan will be measured at amortised cost using the effective interest method. During the year ended December 31, 2020, the Company has recorded $317,706 in interest income relating to the loan. The Company eliminated $222,394 of inter-company interest income, reducing the interest income by $222,394 to $95,312 and reducing the investment in PSC by $222,394.

During the period ended June 30, 2021, the Company has recorded $920,041 in interest income relating to the loan. The Company eliminated $644,029 of inter-company interest income, reducing the interest income by $644,029 to $276,012 and reducing the investment in PSC by $644,029.

The loan balance as of June 30, 2021 is $13,945,977 ($13,025,936 as of December 31, 2020).

6. PREPAID EXPENSES

	June 30, 2021 $	December 31, 2020 $
Current:		
Advances to third-party suppliers	20,494	27,308
Total	20,494	27,308

On October 22, 2019, the Company entered into a Share Purchase Agreement and an Assignment and Assumption of Share Purchase Agreement to purchase 100% of the issued and outstanding shares of The Good Company GmbH ("The Good Company"), a German limited liability company on a pro-rata basis. As consideration, the Company paid cash consideration of $1,000,000, issued 319,444 common shares on November 4, 2019 (which were held in escrow) with an initial fair value of $10,302,083 and repayment of certain shareholder loans. A further $300,000 was also advanced during the year ended December 31, 2019. The cash paid and shares issued are recorded in prepaid expenses as the acquisition had not closed as of December 31, 2019. During the year ended December 31, 2020, the acquisition closed and the cash paid and shares issued were removed out of prepaid expenses.

On August 27, 2019, the Company entered into Letter of Intent to acquire 100% of all of the issued and outstanding common shares of 11371436 Canada Corp for a purchase price of $250,000. As consideration, the Company paid $150,000 during the year ended December 31, 2019 and paid $50,000 during the year ended December 31, 2020. The amounts recorded in prepayment of $200,000 were impaired during the year ended December 31, 2020 as the acquisition has become inactive, resulting in impairment in investment expense of $200,000.

During the year ended December 31, 2019, the Company advanced $150,000 towards potential acquisition of Farma Swiss S.A.S. The amounts recorded in prepayment of $150,000 were impaired during the year ended December 31, 2020 as the acquisition became inactive, resulting in impairment in investment expense of $150,000.

During the year ended December 31, 2020, the Company also recorded a write-off of $203,668 for other prepaid expenses.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

Property and equipment are held by the Company and its subsidiaries. The buildings, certain furniture and equipment, computers and leasehold improvements are currently not available for use and have therefore not been amortized.

	Furniture & equipment $	Building $	Computers $	Right of use asset $	Leasehold improvements $	Land $	Total $
Cost:							
December 31, 2019	2,032,608	4,211,473	78,474	1,931,548	387,563	373,700	9,015,366
Additions	3,772,442	3,323,458	-	-	395,630	-	7,491,530
Impairment	(101,980)	(1,037,164)	-	-	(2,127,714)	-	(3,266,858)
Sale or disposal of assets	(377,604)	-	-	-	-	(373,700)	(751,304)
Acquired from business combinations / asset acquisitions	152,271	1,014,000	-	1,569,411	2,325,906	-	5,061,588
December 31, 2020	5,477,737	7,511,767	78,474	3,500,959	981,385	-	17,550,322
Additions	7,529	-	-	-	864	-	8,393
FX adjustments on PPE	-	(51,543)	-	-	-	-	(51,543)
Sale or disposal of assets	-	-	-	-	(3,168)	-	(3,168)
Acquired from business combinations / asset acquisitions	500,000	-	-	-	-	-	500,000
Derecognized on sale of subsidiary (Note 26)	(5,423,332)	(6,446,224)	(78,474)	(1,931,548)	(780,889)	-	(14,660,467)
June 30, 2021	**561,934**	**1,014,000**	**-**	**1,569,411**	**198,192**	**-**	**3,343,537**
Amortization:							
At December 31, 2019	(31,903)	-	(32,841)	(112,674)	-	-	(177,418)
Charge for the year	(58,223)	(50,024)	(16,818)	(323,961)	(198,192)	-	(647,218)
Acquired from business combinations	-	-	-	(25,902)	-	-	(25,902)
At December 31, 2020	(90,126)	(50,024)	(49,659)	(462,537)	(198,192)	-	(850,538)
Charge for the period	(3,799)	(28,919)	(2,225)	(129,991)	-	-	(164,934)
Derecognized on sale of subsidiary (Note 26)	36,710	-	51,884	357,337	-	-	445,931
June 30, 2021	**(57,215)**	**(78,943)**	**-**	**(235,191)**	**(198,192)**	**-**	**(569,541)**
Net book value:							
December 31, 2020	5,387,611	7,461,743	28,815	3,038,422	783,193	-	16,699,784
June 30, 2021	**504,719**	**935,057**	**-**	**1,334,220**	**-**	**-**	**2,773,996**

The right-of-use asset relates to the leased building and land in Winnipeg, Manitoba for the purpose of production of edibles and infusion products containing CBD and THC as well as leased manufacturing facility in Ontario upon acquisition of Sanna Health Corp. ("Sanna") (Note 11). The Manitoba and Ontario leases are reflected on the consolidated statement of financial position as right-of-use assets, with an associated lease liability (Note 15). The discount rate applied to the lease is 11.34% and 9.85%.

During the year ended December 31, 2020, the Company recorded an impairment of assets of $1,037,164 related to its subsidiary AAA Heidelberg Inc. and $2,127,714 related to its subsidiary Sanna.

During the year ended December 31, 2020, the Company sold land with a cost of $373,700 for total proceeds of $682,372 and record a gain on sale of $308,672. The Company entered into a promissory note of $275,000 with the purchaser relating to the sale (Note 5).

During the year ended December 31, 2020, the Company forfeited its right to certain equipment with a cost of $377,604 to offset corresponding accounts payable of $248,423 and recorded a loss on disposal of $129,181.

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

During the period ended June 30, 2021, the Company acquired 1274744 BC Ltd. and as a result of the acquisition obtained equipment of $500,000 (Note 11).

During the period ended June 30, 2021, the Company sold its subsidiary AAA Heidelberg Inc. and derecognized property and equipment of $1,002,997 as a result (Note 26).

During the period ended June 30, 2021, the Company sold its subsidiary SUHM Investments Inc. and derecognized property and equipment of $13,211,539 as a result (Note 26).

8. INTANGIBLE ASSETS AND GOODWILL

	Licenses $	Customer Relationships $	Intangible Agreement $	Non-Compete Agreement $	Goodwill $	Total $
Balance, December 31, 2019	**1,302,521**	**-**	**-**	**188,889**	**3,759,646**	**5,251,056**
Acquired from business combinations / asset acquisitions	12,466,581	795,132	-	-	13,393,384	26,655,097
Additions	22,189	-	-	-	-	22,189
Amortization	(273,463)	(88,348)	-	(22,222)	-	(384,033)
Impairment	(12,517,828)	(706,784)	-	-	(17,153,030)	(30,377,642)
Balance, December 31, 2020	**1,000,000**	**-**	**-**	**166,667**	**-**	**1,166,667**
Additions	46,000	-	-	-	-	46,000
Amortization	-	-	-	(5,556)	-	(5,556)
Derecognized on sale of subsidiary (Note 26)	(23,000)			(161,111)		(184,111)
Balance, June 30, 2021	**1,023,000**	**-**	**-**	**-**	**-**	**1,023,000**

During the years ended December 31, 2020 and 2019, the Company acquired intangibles and goodwill as disclosed in Notes 9, 11 and 12.

The Health Canada licenses arose as a result of acquisition of AAA Heidelberg Inc. and Sanna (Note 11). The distribution licenses arose as a result of acquisition of The Good Company (Note 12). The distribution licenses have an indefinite life and will not be amortized.

The Health Canada licenses that arose from the acquisition of Sanna are amortized on a straight-line basis over 10 years, resulting in amortization of $273,463 for the year ended December 31, 2020.

The non-compete agreement arose as a result of the acquisition of SUHM Investments Inc. (Note 11) and is amortized on a straight-line basis over the 9-year term of the agreement, resulting in an amortization of $22,222 for the year ended December 31, 2020. During the period ended June 30, 2021, the Company recorded amortization of $5,556 on the non-compete agreement. On April 6, 2021, the Company sold SUHM Investments Inc. to a third party and thus derecognized the non-compete agreement of $161,111 as a result (Note 26).

The goodwill and customer relationships arose as a result of the acquisition of The Good Company (Note 12). The goodwill will not be amortized as it has an indefinite life. The customer relationships will be amortized on a straight-line basis over its life of 6 years, resulting in an amortization amount of $88,348 for the year ended December 31, 2020. During the year ended December 31, 2020, the Company recognized an impairment loss on the customer relationships of $706,784. As at December 31, 2020 and June 30, 2021, the balance of the goodwill and customer relationships is $Nil.

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The goodwill arose as a result of acquisition of Canutra Naturals Ltd and The Good Company. The Company determined the fair value of Canutra Naturals Ltd. on the acquisition date to be $3,759,646 and recognized an impairment loss on goodwill of $3,759,646 for the year ended December 31, 2020. The Company determined the fair value of other goodwill acquired from acquisition of The Good Company to be $13,393,384 and recognized an impairment loss on goodwill of $13,393,384 for the year ended December 31, 2020. The balance of the goodwill is $Nil as at December 31, 2021 and June 30, 2021.

During the year ended December 31, 2020, the Company recorded an impairment of $1,302,522 on the AAA Heidelberg Inc. Health Canada license as result of the realized value on sale of the subsidiary (Note 27), an impairment of $5,263,537 on the Sanna Health Canada license as a result of revaluation, and an impairment loss of $5,951,770 on the licenses acquired from The Good Company as a result of revaluation.

During the period ended June 30, 2021, the Company obtained 2 Health Canada licenses for its subsidiaries for a total cost of $46,000. On May 20, 2021, the Company sold its subsidiary AAA Heidelberg Inc. and has derecognized the Health Canada license of $23,000.

As at June 30, 2021, the Sanna Health license has a value of $1,023,000 ($1,000,000 – December 31, 2020), and the TGC license has a value of $Nil ($Nil – December 31, 2020).

9. INVESTMENTS

Investment in JJ Wolf Investments Ltd

During the year ended December 31, 2019, the Company entered into a share exchange agreement with JJ Wolf, whereby the Company sold certain assets valued at $4,658,482 to JJ Wolf in exchange for the issuance of 10,000,000 common shares in the capital of JJ Wolf, valued at $2,266,236, resulting in a realized loss on sale of $2,392,236. At June 30, 2021, the Company owns 50% (December 31, 2020 - 50%) of the common equity of JJ Wolf and the other 50% interest is owned by a former director. The Company commenced equity accounting its investment in JJ Wolf and recorded a loss on its equity investment of $9,542 for the period ended June 30, 2021 (Year ended December 31, 2020 – loss of $486,781). The investment balance as at June 30, 2021 is $1,193,555 (December 31, 2020 - $1,203,096).

The Company transferred the assets listed below to JJ Wolf:

Asset	Shares transferred
Sire Bioscience Inc.	9,973,670 shares
Roughrider Capital Corp.	4,260,000 shares
Volt Energy Corp.	625,000 shares
Cannabis Clonal Corp.	3,000,000 shares
Empower Clinics Inc.	10,000,000 shares
Empower Clinics Inc.	10,000,000 warrants
1205293 B.C. Ltd.	5,000,000 shares
1205293 B.C. Ltd.	2,500,000 warrants
Transnational Cannabis Ltd.	1,000,000 shares
Mindful Capital Inc.	888,889 shares
Eurolife Brands Inc.	3,616,000 shares
Glow Lifetech Ltd.	3,750,000 shares

9. INVESTMENTS (CONTINUED)

Eurasia Infused Cosmetics Inc.

On August 19, 2019, the Company entered into a Share Purchase Agreement with Eurasia Infused Cosmetics Inc. ("Eurasia"), a private company in British Columbia, whereby the Company purchased 50% of the outstanding common and preferred shares of Eurasia. On August 21, 2019, the Company issued 100,000 common shares with a fair value of $4,050,000 and 10,000 finder's shares with a fair value of $405,000 for the common shares of Eurasia. The consideration received had a fair value of $Nil. Therefore, the Company expensed the $4,455,000 as transaction costs in the consolidated statement of comprehensive loss for the year ended December 31, 2019.

During the year ended December 31, 2019 the Company advanced $67,599 (US$50,000) to Eurasia as a shareholder loan. The loan is non-interest bearing and is to be repaid out of proceeds from the sale of products before the distribution of any dividends. The balance of this loan was impaired to $Nil as at December 31, 2020 resulting in impairment of investment expense of $67,599 during the year ended December 31, 2020.

10. PROPAGATION SERVICES CANADA INC.

During the year ended December 31, 2018, the Company acquired a 40% interest in PSC, a joint venture which has ownership of the Houwelings Delta Propagation Facility ("Facility"), consisting of 2,200,000 square feet of greenhouse space and 1,700,000 square feet of irrigation space. On April 25, 2019, the Company issued 20,588,235 common shares with a fair value of $6,000,000 to acquire an additional 10% interest in PSC.

The Company entered into an earn-in agreement with Delta Organics Cannabis Corp. ("DOCC") whereby DOCC can acquire an equity interest in the Company by committing $40,000,000 for the furtherance of the Facility's lease obligations, construction expenses, and operational expenses. As consideration the Company will grant to DOCC the option to acquire up to 19.9% of the outstanding common shares of the Company and a 20% interest in class B non-voting shares of PSC pursuant to the terms of the agreement. DOCC had acquired 594,427 of the common shares of the Company for proceeds of $40,000,000 and received 20% of class B non-voting shares in PSC. As a result of granting 10% interest in class B non-voting shares in PSC on March 20, 2019 to DOCC, the Company recorded loss on disposal of $994,672.

On July 11, 2019, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with Organic Flower Investments Group Inc. ("OFIG") whereby the Company acquired 100% of all of issued and outstanding common shares of DOCC with a fair value of $12,000,000, which gave the Company an additional 20% equity interest in PSC. The Company now has a 70% equity interest in PSC. As of December 31, 2019, the Company had advanced $33,599,176 to PSC. This advance was unsecured, due on demand and was presented within the equity accounted investment.

During the year ended December 31, 2020, the Company entered into an amended and restated Shareholders Agreement with the shareholders of PSC. As a result, the Company's level of influence in PSC has gone from significant influence to joint control. The interest in PSC will continue to be accounted for under the equity method as PSC is considered a joint venture.

On November 6, 2020, the Company entered into a definitive Loan Agreement with PSC (Note 6). As the terms to this Loan Agreement are substantially different than those for previous advances made to PSC, the Company has accounted for the modification as an extinguishment of the original advances made to PSC and has recognized a new loan receivable. The difference between the fair value of the new loan and the original advances is being recognized as a contribution to PSC in the amount of $25,896,081.

(Expressed in Canadian Dollars)

10. PROPAGATION SERVICES CANADA INC. (CONTINUED)

At December 31, 2020, the Company considered certain indications to determine whether its investment in PSC was impaired and identified impairment indicators. As a result, the Company performed an impairment test and determined the recoverable amount of its investment in PSC. The recoverable amount is the higher of the fair value less cost of disposal ("FVLCD") and value in use ("VIU"). The FVLCD is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less cost to dispose. The VIU is the present value of the future cash flows expected to be derived from the investment. Due to the current significant loss position of PSC, the Company believes the VIU to be higher than its FVLCD. Therefore, the Company has used VIU as the recoverable amount. As a result, an impairment loss of $8,042,217 on the investment in PSC was recognized for the year ended December 31, 2020. The impairment loss was recognized based on management's assessment of PSC's present value of expected future cash flows discounted at 15%.

Under equity accounting, the Company's share of PSC's losses for the period ended June 30, 2021 totaled $2,377,374 (Year ended December 31, 2020 - $4,245,695).

The table below provides a continuity of the PSC investment:

	June 30, 2021 $	December 31, 2020 $
Opening balance	28,800,620	49,014,021
Acquisition of additional interests	-	-
Loss on disposal of interest	-	-
Adjustment of intercompany interest	(644,029)	(222,362)
Advances	-	5,005,136
Extinguishment of original advances (Note 6)	-	(38,604,344)
Contribution to joint venture (Note 6)	-	25,896,081
Loss on equity investment	(2,377,374)	(4,245,695)
Impairment on investment in joint venture	-	(8,042,217)
Ending balance	**25,779,217**	**28,800,620**

The tables below provide a summary of PSC's financial position and profit and loss:

Summary statements of financial position as at	June 30, 2021 $	December 26, 2020 $
Non-current assets	34,996,066	36,324,920
Total assets	38,523,785	40,157,399
Current liabilities	3,552,563	2,875,571
Non-current liabilities	28,074,573	29,900,418
Shareholders' equity (deficiency)	6,896,649	10,256,981
Total liabilities and shareholders' equity (deficiency)	38,523,785	40,157,399

Summary statements of comprehensive loss for the periods ended	June 30, 2021 $	June 30, 2020 $
Operating general and administration expenses	3,782,467	1,372,329
Other income (expenses)	(386,219)	58,379
Net loss and comprehensive loss	3,396,248	1,430,708

11. ACQUISITIONS

OFIG Acquisitions

On July 11, 2019, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with OFIG whereby the Company acquired certain assets listed below from OFIG ("Vendor"). As consideration the Company issued 2,320,728 common shares with a fair value of $39,164,369 on July 11, 2019.

- Exclusive Distribution Agreement dated May 8, 2019 between the Vendor and Transnational which gives the Company access to a European distribution network of retail outlets and pharmacies, as well as commercial rights for cannabis processing / finishing at select European-GMP certified facilities. The Company assessed the fair value of this to be $Nil at acquisition date.
- Exclusive Sub-License Agreement dated May 30, 2019 between the Vendor and 1205293 B.C. Ltd. operating as True Focus Canada, which gives the Company rights to True Focus Canada's IP portfolio. The Company assessed the fair value of this to be $Nil.
- 80% of all of issued and outstanding common shares of 11353675 Canada Corp., which is party to an exclusive partnership agreement with a Toronto-based brewery to formulate, manufacture and distribute all cannabinoid-infused beverages developed by the brewery. The Company assessed the fair value of this to be $Nil at acquisition date.
- 100% of all of issued and outstanding common shares of SUHM Investments Inc. ("SUHM"). SUHM is an 80% partner of the Edibles and Infusions Joint Venture. The Company accounted for the acquisition as an asset acquisition.
- 80% of all of issued and outstanding common shares of Potluck Potions and Edibles Inc. ("Potluck"), a party to an exclusive cannabinoid-infused bottling and manufacturing agreement with a Toronto bottling facility. The Company assessed the fair value of this to be $Nil at acquisition date.
- 80% of all of issued and outstanding common shares of 11122347 Canada Corp., which is party to a distribution agreement and licensing agreement (collectively, the "Definitive Agreements") with Health Cap Holdings, Inc. ("HealthCap") whereby, subject to obtaining applicable licenses, HealthCap will manufacture, supply and license certain dosing caps. The Company assessed the fair value of this to be $Nil at acquisition date.
- 100% of all of issued and outstanding common shares of 1180782 B.C. Ltd. ("DOC"), which owns a 20% equity stake in PSC (Note 11).
- 80% of all of issued and outstanding common shares of 11353705 Canada Corp., which controls the rights to a proprietary manufacturing process and formulation catalogue for a Nicorette-inspired medicinal cannabinoid product line. The Company assessed the fair value of this to be $Nil at acquisition date.
- 80% of all of issued and outstanding common shares of 11406426 Canada Corp., which holds Canadian exclusive rights to a portfolio of cannabinoid-infused product formulations. The Company assessed the fair value of this to be $Nil at acquisition date.
- 100% of all of issued and outstanding common shares of Trichome Cannabrands Inc., which holds the rights to a portfolio of 57 registered trademarks in Canada for a diversified range of cannabis products and services. The Company assessed the fair value of this to be $Nil at acquisition date.
- 100% of all of issued and outstanding common shares of Canutra Naturals Ltd. ("Canutra"), which has operations in the cultivation, extraction, manufacturing, and marketing of premium skincare, cosmetics and cannabinoid product lines from its flagship facility in eastern Canada. The Company accounted for the acquisition as a business combination under IFRS 3 (Note 13).

The Company issued a finder's fee of 87,027 common shares with a fair value of $4,503,663 to an arm's length party for facilitating the acquisition. The finder fees were expensed as transaction costs. The Company also granted 40,267 stock options with a fair value of $1,110,733 and 866,184 warrants with a fair value of $25,123,830 as part of the consideration paid to acquire the assets from OFIG. The Company expensed the fair value of the warrants and options as share-based compensation expense.

(Expressed in Canadian Dollars)

11. ACQUISITIONS (CONTINUED)

OFIG Acquisitions (Continued)

The fair value above represents the price for a batch of assets and the allocations of the purchase price has been determine below, using the relative costing method.

	Relative fair value applied **$**
DOCC (Note 11)	12,000,000
SUHM (Edibles and Infusions)	17,440,000
Canutra Naturals Ltd. (Note 13)	9,724,369
Total	39,164,369

During the year ended December 31, 2020, the Company incurred transactions of $16,000 related to the acquisition of OFIG.

The Edibles and Infusions Corp.

On July 11, 2019, the Company acquired 100% of the issued and outstanding shares of SUHM. SUHM is an 80% partner of The Edibles and Infusions Corp. Joint Venture ("Edibles"). SUHM controls the joint venture. Edibles is developing an edibles manufacturing facility in Winnipeg, Manitoba. This acquisition has been accounted for as an asset acquisition as Edibles does not meet the definition of a business under IFRS 3, Business Combinations. During the period ended June 30, 2021, the Company's ownership of SUHM was diluted from 100% to 0% and ownership of Edibles was diluted from 80% to 0% pursuant to the transactions discussed below. On April 6, 2021, the Company sold its ownership of SUHM to a third party.

As consideration, the Company issued common shares with a fair value of $17,440,000.

Consideration paid	**$**
Shares issued	17,440,000
Implied value of Edibles	17,478,272
Net assets acquired	
Cash	56,636
Accounts receivable	100,515
Property, plant and equipment	847,543
Intangible asset – non-compete agreement (Note 9)	200,000
Accounts payable and accrued liabilities	(813,334)
Total net assets acquired	391,360
Non-controlling interest	(38,272)
Transaction cost	17,086,912
Total	**17,440,000**

(Expressed in Canadian Dollars)

11. ACQUISITIONS (CONTINUED)

The Edibles and Infusions Corp. (Continued)

The non-controlling interest of 20% in Edibles as at December 31, 2020 and to February 12, 2021 and 56.66% from February 12, 2021 to April 5, 2021 is held by the joint venture partner. As at June 30, 2021, the Company has 0% ownership in Edibles and thus total non-controlling interest is $Nil.

	$
Non-controlling interest, December 31, 2018	-
Fair value of non-controlling interest on acquisition at	38,272
Non-controlling interest in loss of Edibles to December 31 2019 at 20%	(540,707)
Total non-controlling interest, December 31, 2019	(502,435)
Non-controlling interest in loss of Edibles to December 31, 2020 at 20%	(345,873)
Total non-controlling interest, December 31, 2020	(848,308)
Non-controlling interest in loss of Edibles to February 12, 2021 at 20%	(200,359)
Dilution of interest in Edibles at February 12, 2021	1,845,494
Non-controlling interest in loss of Edibles from February 12, 2021 to April 5, 2021 at 56.66%	(152,437)
Total non-controlling interest, April 5, 2021	644,390
Non-controlling interest in Edibles eliminated on April 6, 2021 on sale of subsidiary (Note 26)	(644,390)
Total non-controlling interest, June 30, 2021	-

The tables below provide a summary of Edibles' financial position and profit and loss before intergroup eliminations, prior to deconsolidation on April 6, 2021:

Summary statements of financial position as at	April 6, 2021 $	December 31, 2020 $
Current assets	201,458	94,545
Non-current assets	13,211,539	13,309,364
Total assets	13,412,997	13,403,909
Current liabilities	13,202,976	13,975,678
Non-current liabilities	1,621,178	1,669,770
Equity attributable to AGRA	-	(1,393,231)
Equity	(1,411,157)	
Non-controlling interests	-	(848,308)
Total liabilities and shareholders' deficiency	13,412,997	13,403,909

Summary statements of comprehensive loss for the period ended	April 6, 2021 $	March 31, 2020 $
Gross profit	-	(6,858)
Operating general and administration expenses	(879,119)	(2,696,675)
Other items	74,516	-
Net loss and comprehensive loss	(804,603)	(2,703,533)

On February 8, 2021, the Company issued 1,003,871 common shares pursuant to the third amending agreement with Mulberry Capital Corp. ("Mulberry") related to the acquisition of SUHM in the year ended December 31, 2019 (Note 18). Pursuant to the third amending agreement, the Company is obligated to pay the remaining unpaid portion of the purchase price on the Joint Venture Agreement being an aggregate amount of $27,500,000. This payment will be forgiven by Mulberry in consideration for the following:

- the Company transferred a 26.5% ownership interest in SUHM (transferred); and

(Expressed in Canadian Dollars)

11. ACQUISITIONS (CONTINUED)

The Edibles and Infusions Corp. (Continued)

- the Company issuing 10% of the issued and outstanding shares of the Company to Mulberry on the date that is the later of it issuing shares pursuant to the Joint Venture Agreement and the date it has satisfied its interest payment in common shares to holders of convertible debentures (issued) (Note 16).

On February 11, 2021, SUHM has completed a non-brokered private placement (the "Offering") of 3,270,000 common shares of SUHM ("Common Shares") at a price of $0.50 per Common Share for gross proceeds of $1,635,000.

On February 12, 2021, the Company transferred 7,420,875 shares of SUHM to Mulberry pursuant to the third amending agreement.

On March 26, 2021, the Company transferred 2,263,190 shares of SUHM to Mulberry pursuant to the third amending agreement.

Immediately prior to the transfer of shares, the net assets of SUHM are as follows:

	$
Common shares	1,635,100
Retained earnings	2,392,370
Total net assets of SUHM	**4,027,470**

Upon transfer of the SUHM shares, the Company recognized a dilution of NCI of $1,845,494, and a loss on dilution of $210,494 relating to the change in NCI of SUHM.

On April 6, 2021, the Company and other owners of Edibles completed a transaction to sell Edibles to a third party (Note 26).

As at June 30, 2021, the Company has Nil% (December 31, 2020 – 100.00%) ownership of SUHM and Nil% (December 31, 2020 – 80.00%) ownership of Edibles.

The net change in non-controlling interest ("NCI") is as follows:

	Edibles $	11122347 $	Potluck $	Total $
As at December 31, 2018	-	-	-	-
Initial recognition of NCI	38,272	-	-	38,272
Loss attributable to NCI	(540,707)	(40,295)	(129,100)	(710,102)
As at December 31, 2019	(502,435)	(40,295)	(129,100)	(671,830)
Loss attributable to NCI	(345,873)	-	(1,183)	(347,056)
As at December 31, 2020	(848,308)	(40,295)	(130,283)	(1,018,886)
Loss attributable to NCI	-	-	(47)	(47)
Derecognition of NCI on sale of subsidiary (Note 26)	848,308	-	-	848,308
As at June 30, 2021	-	(40,295)	(130,330)	(170,625)

(Expressed in Canadian Dollars)

11. ACQUISITIONS (CONTINUED)

Sanna Health Corp. Acquisition

On March 10, 2020, the Company closed the acquisition of 100% of the issued and outstanding common shares of Sanna pursuant to a Share Purchase agreement dated March 10, 2020. As consideration, on March 10, 2020, the Company issued 511,111 common shares of the Company with a fair value of $6,168,221.

This acquisition has been accounted for as an asset acquisition as Sanna does not meet the definition of a business under IFRS 3, Business Combinations.

As consideration, the Company paid common shares with a fair value of $6,168,221.

Consideration paid	**$**
Shares issued	6,168,221
Net assets acquired	
Cash	89,247
Accounts receivable	80,972
Property, plant and equipment	5,005,467
Intangible asset – license (Note 9)	6,537,000
Accounts payable and accrued liabilities	(2,316,455)
Mortgage payable	(1,334,500)
Loan payable	(350,000)
Lease liabilities	(1,543,510)
Total net assets acquired	**6,168,221**

During the year ended December 31, 2020, the Company incurred transactions of $30,000 related to the acquisition of Sanna.

1274744 B.C. Ltd.

On March 1, 2021, the Company closed the acquisition of 100% of the issued and outstanding common shares of 1274418 B.C. Ltd. by the way of the “three-cornered” amalgamation where 1274418 B.C. Ltd. amalgamated with 1274744 B.C. Ltd. (“1274744”) resulting in 1274744 as the amalgamated corporation pursuant to the acquisition agreement dated November 17, 2020. As consideration, on March 1, 2021, the Company issued 66,667 common shares of the Company with a fair value of $500,000.

This acquisition has been accounted for as an asset acquisition as 1274744 does not meet the definition of a business under IFRS 3, Business Combinations.

As consideration, the Company paid common shares with a fair value of $500,000.

Consideration paid	**$**
Shares issued	500,000
Net assets acquired	
Property, plant and equipment	500,000
Total net assets acquired	**500,000**

(Expressed in Canadian Dollars)

12. BUSINESS COMBINATION

Canutra Naturals Ltd.

On July 11, 2019 the Company acquired 100% of the issued and outstanding shares of Canutra. Canutra holds a research and cultivation license from Health Canada to process, cultivate and sell cannabis. This acquisition has been accounted for as business combination as Canutra met the definition of a business under IFRS 3, Business Combinations.

As consideration, the Company issued 187,911 common shares with a fair value of $9,724,369. In accordance with IFRS 3 – Business Combination, the equity consideration on transfer was measured at fair value at the acquisition date, which is the date control was obtained.

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration paid	**$**
Shares issued	9,724,369
Net assets acquired	
Cash	129,255
Accounts receivable	24,032
Inventory	2,610
Property, plant and equipment	381,850
Accounts payable and accrued liabilities	(297,393)
Total net assets acquired	240,354
Balance allocated to	
Goodwill (Note 9)	9,484,015
Total	**9,724,369**

12. BUSINESS COMBINATION (CONTINUED)

Canutra Naturals Ltd. (Continued)

On the date of acquisition, the goodwill amount was impaired by $5,724,369 as the fair value of Canutra was $4,000,000 on the date of acquisition. An impairment of $3,759,646 was recorded during the year ended December 31, 2020 (Note 9), resulting in an ending balance of $Nil as December 31, 2020 and June 30, 2021.

The Good Company

On October 22, 2019, the Company entered into a Share Purchase Agreement and an Assignment and Assumption of Share Purchase Agreement to purchase 100% of the issued and outstanding shares of The Good Company. On February 13, 2020, the Company closed the acquisition. Total consideration paid includes cash of $1,000,000 (paid), issuance of 319,444 common shares of the Company (issued on November 4, 2019) and repayment of certain shareholder loans of $1,763,120 (€1,202,674) and a cash payment of $300,000 (€203,818) on the closing date (paid). The 319,444 shares issued were initially measured at $10,302,083 in 2019, then revalued again on acquisition date at $3,473,957, resulting in an adjustment in fair value of $6,828,126.

Under the terms of the Share Purchase Agreement, the sellers are entitled to receive additional shares of the Company corresponding to an aggregate deemed value of $5,000,000 if certain milestones are achieved or triggered within 18 months from the closing date of the Share Purchase Agreement or in the event that the sellers exercise an Earn-Out Shifting Option. The Share Purchase Agreement also includes a floor protection clause. The floor protection clause is in place to protect the vendors from significant declines in the value of the initial shares during the 18 months lock up period. The floor protection clause will trigger issuance of additional shares 12 months after closing. The Company recorded the Earn-Out considerations as contingent consideration payable at February 13, 2020 at its estimated fair value of $5,000,000 and the floor protection clause as a derivative liability with a fair value of $8,824,006, calculated using a Monte Carlo simulation method. The inputs used were stock price of $0.072, volatility of 110%, a risk-free rate of 1.6031% and a dividend rate of 0%. The derivative liability is subsequently measured at FVTPL. As at December 31, 2020, the estimated fair value of the contingent consideration relating to the Earn-Outs is determined to be $5,000,000 and the estimated fair value of the floor protection derivative liability is determined to be $10,138,772 resulting in a change in fair value of $1,314,766. The Company also agreed to make cash contributions to The Good Company totaling $1,200,000. On February 11, 2021, the Company issued 133,333 common shares to settle the floor protection liability (Note 18).

(Expressed in Canadian Dollars)

12. BUSINESS COMBINATION (CONTINUED)

The Good Company (Continued)

Consideration paid	**$**
Cash	1,000,000
Repayment of shareholder loans	1,763,120
Shares issued	3,473,958
Fair value of earn-out contingent consideration	5,000,000
Fair value of floor protection derivative	8,824,006
Settlement of loan to The Good Company	300,000
Total	**20,361,084**

Net assets acquired	
Assets	509,882
Liabilities	(260,058)
Total net assets acquired	249,824
Balance allocated to	
Distribution Licenses (Note 9)	5,929,581
Customer Relationships (Note 9)	795,132
Accounts payable	(6,837)
Goodwill (Note 9)	13,393,384
	20,111,260
Total	**20,361,084**

At December 31, 2020, there were indicators of impairment and as such, the recoverable amount of goodwill was determined to be $Nil, resulting in goodwill impairment expense of $13,393,384 (Note 8). The balance of goodwill is $Nil as at December 31, 2020 and June 30, 2021.

13. CONVERTIBLE DEBENTURES RECEIVABLE

On December 30, 2019, the Company purchased 20,000 units ("Units") of senior unsecured convertible units of Transnational from three arm's length parties for $23,682,600 (US$18,000,000). The convertible debenture bears interest at 10% and expires on March 12, 2021. Each Unit consists of US$1,000 principal amount of convertible debenture and 1,428 common share purchase warrants of Transnational. Each convertible debenture warrant is exercisable into one common share of Transnational at an exercise price of US $0.50 for a period of two years from the closing date. The convertible debentures are convertible into the number of common shares equal to the principal amount divided by US$0.38 per debenture share. Upon conversion, the holder shall receive a cash payment equal to the accrued and unpaid interest due on the convertible debenture.

The initial fair value of the convertible debenture was determined to be $24,636,507 and the fair value of the attached warrants, which are included in investments, was determined to be $20,423. During the year ended December 31, 2020, the fair value of the instruments was estimated to be $29,210,673 using the binomial lattice method, using a risk-free rate of 0.1076%, volatility of 136%, discount for lack of marketability of 20% and credit rating of CCC. The Company recorded a gain on fair value movements on investment of $4,553,743 prior to December 31, 2020. As at December 31, 2020, management determined the recoverable value of the convertible debenture was $Nil (December 31, 2019 - $24,636,507) and the value of the warrants was also $Nil (December 31, 2019 - $20,423). As a result, during the year ended December 31, 2020, the Company recorded a loss from write-off of the convertible debenture of $29,210,673.

(Expressed in Canadian Dollars)

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021 $	December 31, 2020 $
Accounts payable (Note 26)	1,002,539	8,072,382
Amount due to related parties (Note 19)	110,378	165,778
Accrued liabilities	195,879	251,278
	1,308,796	**8,489,438**

During the year ended December 31, 2020, the Company settled certain debts with creditors and recorded a loss on debt settlement of $639,333 and wrote off accounts payable of $47,671.

During the period ended June 30, 2021, the Company settled debts with certain creditors by issuance of shares (Note 18).

15. LEASE LIABILITY

Manitoba Lease

The Company recorded a right-of-use asset for the lease facility in Manitoba as at December 31, 2019 (Note 8). The Company recognized right-of-use asset of $1,931,548 and lease liability of $1,931,548.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 11.34%, which was estimated to be the Company's incremental borrowing rate.

On April 6, 2021, the Company sold SUHM Investments Inc. to a third party and has derecognized the lease liability as at April 6, 2021 (Note 26).

The following is a continuity schedule of lease liabilities for the period from January 1, 2021 to April 6, 2021 immediately prior to the sale of the subsidiary:

	$
Balance, December 31, 2019	**1,883,732**
Lease payments	(335,303)
Interest expense on lease liabilities	221,962
Balance, December 31, 2020	**1,770,391**
Lease payments	(82,537)
Interest expense on lease liabilities	52,422
Balance, April 6, 2021	**1,740,276**

As at June 30, 2021, the Company has a $Nil balance on the Manitoba lease.

(Expressed in Canadian Dollars)

15. LEASE LIABILITY (CONTINUED)

Ontario Lease

The Company acquired from Sanna a right-of-use asset for the lease manufacturing facility in Ontario. The Company recorded right-of-use asset of $1,569,411 and lease liability of $1,543,510 on acquisition date (Notes 8 and 12).

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 9.85% which was estimated to be the Company's incremental borrowing rate.

The following is a continuity schedule of lease liabilities for the period ended June 30, 2021:

	$
Balance, December 31, 2018 and 2019	**-**
Lease acquired from acquisition	1,543,510
Interest expense on lease liabilities	119,409
Lease payments	(175,000)
Balance, December 31, 2020	**1,487,919**
Interest expense on lease liabilities	69,346
Lease payments	(112,501)
Balance, June 30, 2021	**1,444,764**
Current portion	(92,637)
Long-term portion	**1,352,127**

The lease liabilities are payable as follows:

	Future minimum lease payments $	Interest $	Present value of minimum lease payments $
Less than 1 year	225,000	132,363	92,637
Between 1 and 5 years	1,237,500	484,592	752,908
More than 5 years	675,000	75,781	599,219
Balance, end of period	2,137,500	692,736	1,444,764
Long term lease liabilities	1,912,500	560,373	1,352,127

16. CONVERTIBLE DEBT

Long-term convertible debt:

During the year ended December 31, 2019, the Company closed a non-brokered private placement offering of 30,000 unsecured convertible debentures for gross proceeds of $30,000,000 from three arm's length parties. The debentures bear interest at a rate of 10% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2019. The debentures matured on December 31, 2020 and was extended to be due on March 12, 2022 after the Company's extension on February 11, 2021.

The debentures will be convertible at the holder's option into: (i) that number of common shares of the Company calculated on the basis of the aggregate principal amount of the debentures being converted divided by the conversion price of $0.30 per share (the "Conversion Price"); and (ii) a cash payment equal to the additional interest amount that such holder would have received if it had held the Debenture from the date of conversion to the maturity date. Holders converting their debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, but excluding, the date of conversion.

The Company accounted for the convertible debentures issued for cash as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the face value of the debt to arrive at the liability component which is recorded at amortized cost and will be accreted to the face value over the term to maturity of the convertible debenture at an effective interest rate of 15%.

The fair value of the liability component was estimated to be $28,191,802 on grant and the fair value of the derivative liability at December 31, 2019 was estimated to be $1,465,129. The Company also expensed $26,551 of transaction cost associated with issuing the debentures. The Company utilized the financing to acquire convertible debentures (Note 13) from the same three arm's length parties. The net cash received following both transactions is approximately $4,973,450.

On August 7, 2020, the Company entered into securities exchange agreements with certain holders of the Company's convertible debentures and repaid $3,000,000 of convertible debentures and aggregate interest payment $1,500,000 owing as at June 30, 2020 by the issuance of 365,484 common shares and 182,742 common shares respectively and recorded a gain on debt settlement of $182,715 (Note 18).

At December 31, 2020, the fair value of the derivative liability was estimated to be $28, as a result of a decrease in fair value of $1,465,101. The Company recorded change in derivative liability gain of $1,465,101 during the year ended December 31, 2020. The balance of the derivative liability is $28 as at December 31, 2020 and June 30, 2021.

On February 11, 2021, the Company entered into an agreement (the "Term Sheet") with debenture holders of convertible debentures to amend the convertible debentures (the "Amended Debentures"). The Amended Debentures extend the maturity date from March 12, 2021 to an additional twelve months to March 12, 2022, in consideration for the conversion price of the Amended Debentures being reduced to $0.05. The Amended Debentures pay interest at the rate of 20% per annum for the period commencing July 1, 2020 and ending as of December 31, 2020. For all periods subsequent to December 31, 2020, the Debentures pay interest at 10% per annum, calculated and payable semi-annually. The Company satisfied the aggregate interest of $2,700,000 owing on December 31, 2020 by the issuance of 360,000 common shares (Note 18).

The fair value of the convertible feature under the terms of the Company's convertible debt agreement prior to amendment was $28,382,843. Upon recognition of the Amended Debentures, the Company determined the fair value to be $26,496,481. This resulted in a gain on the re-measurement of the convertible feature of $1,886,363. which was recognized in the consolidated statement of loss. Upon extinguishment of the liability for the pre-amendment convertible debt agreement and recognition of a new liability under the terms of the amended convertible debt agreement, the Company extinguished the pre-amendment conversion feature with a carrying value of $28,382,843.

16. CONVERTIBLE DEBT (CONTINUED)

Long-term convertible debt (Continued):

On March 2, 2021, the Company issued 298,374 common shares with a fair value of $2,461,589 on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 18). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $29,041.

On March 10, 2021, the Company issued 298,374 common shares with a fair value of $2,014,027 on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 18). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $35,616.

On March 25, 2021, the Company issued 298,374 common shares with a fair value of $1,790,246 on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 18). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $43,836.

At June 30, 2021, the liability component was $21,759,475 (2020 - $28,382,844) as a result of accretion of interest of recorded in finance and other costs of $4,071,488, repayment of $2,700,000 in accrued interest, gain on the re-measurement of the convertible feature of $1,886,364 and the conversion of the debentures of $6,108,493 during the period.

Short-term convertible debt:

On October 25, 2019, the Company entered into a loan agreement with a private company to borrow an aggregate principal amount of a maximum of $12,500,000. The loan bears interest of 7.5% per annum, and the loan, including accrued interest and fees outstanding, is convertible at the election of the lender into common shares of the Company at any time before the maturity date at the maximum allowable discount. During the year ended December 31, 2020, the maximum amount of the loan was increased to $20,000,000.

As the loan conversion feature does not meet the fixed for fixed criteria, the entire loan was classified as a liability and measured at fair value. As at December 31, 2019, the fair value was $7,569,106. On April 30, 2020, the entire loan was settled with units of the Company with a fair value of $17,666,208 (Note 18).

17. LOANS PAYABLE

Promissory Note – Sanna

The Company acquired a $350,000 promissory note payable upon acquisition of Sanna. The loan is non-interest bearing and is due on demand. At December 31, 2020 and June 30, 2021, the entire balance of $350,000 is due and outstanding.

CEBA Loans

The Canada Emergency Business Account ("CEBA") loan originally launched on April 9 2020 and is intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rate of interest is treated as a government grant. Three of the Company's subsidiaries applied for and received the first $40,000 in funds, and the same three entities applied for the additional $20,000. Only two subsidiaries received the additional amount in the year ended December 31, 2020. The loans are interest free if fully repaid on or before December 31, 2022. If 75% of the loans are repaid on or before December 31, 2022, then the remaining 25% of the loans will be forgiven. The full value of the grants has been spent in the course of business operations and the gain has been recognized in other income.

17. LOANS PAYABLE (CONTINUED)

CEBA Loans (Continued)

The loans were recognized at fair value using an average interest rate of 15.65%. The difference between this discounted value of $76,732 and the proceeds received of $160,000 was recognized as a gain on CEBA loans of $83,268. The loan had accretion of $5,344 during the period ended June 30, 2021 ($5,930 for the year ended December 31, 2020) and the Company recognized grant revenues of $29,036 ($11,957 for the year ended December 31, 2020). During the period ended June 30, 2021, one of the Company's subsidiaries repaid the $40,000 and $20,000 CEBA loan by a cash payment of $40,000 and loan forgiveness of $20,000. The balance of the loans at June 30, 2021 is $57,071 (December 31, 2020 - $82,662).

JJ Wolf Loans

On June 2, 2020, the Company received a loan from JJ Wolf of $350,000. The loan matures on June 2, 2022 and bears interest at 5% per annum, compounded monthly and payable on the maturity date. The Company discounted the loan at 10% and recorded an initial fair value of $317,460 and a gain on the loan of $32,540. During the period ended June 30, 2021, the Company recorded accretion on the loan of $15,797 ($17,584 for the year ended December 31, 2020) and at June 30, 2021 the balance of the loan is $350,841 (December 31, 2020 - $335,044).

On January 8, 2021, the Company received an additional loan from JJ Wolf of $158,000. The loan has the same terms as the June 2, 2020 loan. The Company discounted the loan at 10% and recorded an initial fair value of $147,588 and a gain on the loan of $10,412. During the period ended June 30, 2021, the Company recorded accretion on the loan of $6,638 and at June 30, 2021 the balance of the loan is $154,226.

On February 17, 2021, the Company received an additional loan from JJ Wolf of $150,000. The loan has the same terms as the June 2, 2020 loan. The Company discounted the loan at 10% and recorded an initial fair value of $140,866 and a gain on the loan of $9,134. During the period ended June 30, 2021, the Company recorded accretion on the loan of $4,849 and at June 30, 2021 the balance of the loan is $145,715.

As at June 30, 2021, the Company has a total loan payable to JJ Wolf of $650,782 (December 31, 2020 - $335,044).

Mortgages Payable

During the year ended December 31, 2020, the Company assumed two mortgages, one for $1,200,000 ("First Mortgage) which bears interest at 10% and one for $100,000 ("Second Mortgage) which bears interest at 12% per annum. The mortgages relate to the building from the Sanna acquisition. The First Mortgage matures on October 1, 2021 and the Second Mortgage matures on October 23, 2021. During the year ended December 31, 2020, the Company recorded interest and penalties of $143,000 on the mortgages. During the period ended June 30, 2021, the Company recorded interest of $73,779 on the mortgages. As at June 30, 2021, the total amount of mortgages payable outstanding including accrued interest is $1,516,779 (December 31, 2020 - $1,443,000).

During the period ended June 30, 2021, the lender of the Company's mortgages payable has called the mortgages by way of Power of Sale (Note 24).

Promissory Note – Mulberry

On March 29, 2021, the Company and Mulberry Capital Inc. ("Holder") entered into a Promissory Note whereby the Company promises to pay the Holder the principal sum of $2,500,000 with an interest rate of 15% per annum, calculated daily and compounded monthly. The entire balance of the Promissory note was repaid during the period ended June 30, 2021.

17. LOANS PAYABLE (CONTINUED)

Other Loans

On June 15, 2020, the Company received a loan of $80,000 from an arm's length party bearing interest of 8% per annum, due on demand. During the year ended December 31, 2020, the Company accrued interest of $533 on the loan payable and the entire balance of $80,533 was paid in full.

On September 24, 2020, the Company received a loan of $15,000 from an arm's length party. The loan is non-interest bearing and due on demand. During the period ended June 30, 2021, the entire balance of $15,000 was repaid. As at June 30, 2021, the loan has a balance of $Nil (December 31, 2020 - $15,000).

On October 30, 2020, the Company received a loan of $75,000 from an arm's length party. The loan is non-interest bearing and the total outstanding principal is due on demand. During the period ended June 30, 2021, the entire balance of $75,000 was repaid. As at June 30, 2021, the loan has a balance of $Nil (December 31, 2020 - $75,000).

On December 9, 2020, the Company received a loan of 25,000 Euros from a management member pursuant to ta secured drawdown facility agreement. The loan bears an interest of 20% per annum, with interest being payable on a monthly basis. During the period ended June 30, 2021, the Company recorded interest of 1,587 Euros on the loan. During the period ended June 30, 2021, the entire balance of $39,239 (26,587 Euros). As at June 30, 2021, the loan has a balance of $Nil (December 31, 2020 $39,020 (25,000 Euros).

On February 8, 2021, the Company received a loan of $385,000 from an arm's length party. The loan is non-interest bearing and the total outstanding principal is due on demand. During the period ended June 30, 2021, the entire balance of $385,000 was repaid. As at June 30, 2021, the loan has a balance of $Nil.

18. SHARE CAPITAL

a) Common shares

Authorized:
Unlimited number of common shares without par value.

Issued:

On February 8, 2021, the Company issued 1,003,871 common shares with a fair value of $6,023,229 pursuant to the third amending agreement with Mulberry (Note 11).

On February 11, 2021, the Company issued 7,469 common shares with a fair value of $84,032 to consultants to settle debt for prior services valued at $56,021 and recorded a loss on debt settlement of $28,011 (Note 14).

On February 11, 2021, the Company issued 133,333 common shares with a fair value of $1,500,000 pursuant to a settlement agreement with Farmako GmbH to settle the floor protection derivative liability of $10,138,772 and contingent consideration of $5,000,000 resulting in a gain on settlement of $13,638,772 (Note 12).

On February 11, 2021, the Company issued 331,119 common shares with a fair value of $1,500,000 to 10026310 Manitoba Ltd. pursuant to the terms of a joint venture agreement among SUHM, Quality Confections Canada Ltd., the Edibles and Infusions Corporation, and 10026310 Manitoba Ltd. dated October 16, 2018. The Company offset this amount with obligation to issue shares.

18. SHARE CAPITAL (CONTINUED)

Issued (continued):

On February 11, 2021, the company issued 360,000 common shares with a fair value of $4,050,000 pursuant to the Term Sheet with debenture holders of convertible debentures pursuant to the Amended Debentures to satisfy the aggregate interest of $2,700,000 owing on December 31, 2020 (Note 16). The Company recorded a loss on debt settlement of $1,350,000.

On February 22, 2021, the Company issued 9,467 common shares with a fair value of $92,301 to settle $71,001 of debt with certain creditors, resulting in a loss on debt settlement of $21,300 (Note 14).

On March 1, 2021, the Company issued 66,667 common shares with a fair value of $500,000 to acquire the net assets of 1274418 B.C. Ltd. (Note 11).

On March 2, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 16). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $29,041. The shares were issued at a fair value of $2,461,589 and the Company recorded a loss on debt settlement of $432,548.

On March 10, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 16). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $35,616. The shares were issued at a fair value of $2,014,027 and the Company recorded a gain on debt settlement of $21,589.

On March 25, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures (Note 16). The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $43,836. The shares were issued at a fair value of $1,790,247 and the Company recorded a gain on debt settlement of $253,589.

On April 19, 2021, the Company issued 81,813 common shares with a fair value of $368,160 to settle debt of $1,525,500 pursuant to a mutual release agreement for past services performed. The Company settled $200,000 by payment of cash, and recorded a gain on debt settlement of $957,340 (Note 14).

On May 28, 2021, the Company settled debts to certain creditors of $262,500 for consulting fees and other liabilities incurred by the Company for 35,000 common shares of the Company with a fair value of $131,250. The Company recorded a gain on debt settlement of $131,250 (Note 14).

On May 28, 2021, the Company settled debts owing for services to a consultant through the issuance of 4,383 common shares of the Company with a fair value of $16,437. The Company recorded a gain on debt settlement of $16,437 (Note 14).

On May 28, 2021, the Company settled debts of $146,900 for amounts owing for services to a consultant with respect to arranging the sale of AAA Heidelberg Inc. (Note 26) through the issuance of 11,587 common shares of the Company with a fair value of $43,450 to pay for $86,900 of the debt. The remaining amount of $60,000 was paid in cash. The Company recorded a gain on debt settlement of $43,450 (Note 14).

On January 6, 2020, the Company issued 5,333 common shares with a fair value of $68,000 pursuant to a supply agreement entered into with Vendure Genetics Labs Inc. dated December 26, 2018 and amended on December 16, 2019 for the supply of certain cannabis plants and intellectual property rights.

On January 17, 2020, the Company issued 392,157 shares with a fair value of $5,882,353 for a transaction cost related to its investment in SUHM. The Company offset $50,000 of the transaction costs by amounts owed by SUHM.

18. SHARE CAPITAL (CONTINUED)

Issued (continued):

On January 28, 2020, the Company issued 44,444 units of the Company upon conversion of the Special Warrants issued on September 27, 2019 (Note 19d).

On February 13, 2020, the Company recorded fair value adjustments on shares issued for acquisition of The Good Company of $6,828,126 (Note 13).

On March 10, 2020, the Company closed the acquisition of 100% of the issued and outstanding common shares of Sanna Health Corp. pursuant to a Share Purchase agreement dated March 10, 2020. As consideration, on March 10, 2020, the Company issued 511,111 common shares of the Company with a fair value of $6,818,221.

On April 7, 2020, the Company issued 24,879 common shares with a fair value of $186,592 to settle debt of $362,508 and recorded a gain on debt settlement of $175,916.

On April 30, 2020, the Company closed a non-brokered private placement offering of 1,777,778 units of the Company at a price of $11.25 per unit for gross proceeds of $20,000,000. Each unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $15.00 per share. The $20,000,000 tranche consisted of the settlement of a convertible debenture and debt owed to arm's length parties of $17,666,208 (Note 16) and $2,334,000 respectively. The fair value of the shares issued was $14,666,667 and a value of $6,788,307 was assigned to the warrants calculated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 0.34%, an expected dividend rate of 0.00%, and an expected annual volatility of 116.06%, resulting in a loss on debt settlement of $1,454,765.

On May 4, 2020, the Company issued 17,953 common shares with a fair value of $148,110 to settle debt of $201,968 with certain creditors for past consulting and other services provided to the Company and recorded a gain on debt settlement of $53,858.

On May 25, 2020, the Company closed the second tranche of its non-brokered private placement offering of 138,000 units of the Company at a price of $11.25 per Unit for gross proceeds of $1,552,500. Each Unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $15.00 per share. In connection with the private placement, the Company paid a cash finder's fee of $3,150 and 42,000 Finder's Warrants. The Finder's Warrants have the same terms as the Unit warrants and are valued at $2,589 using Black-Scholes.

On June 5, 2020, the Company issued 152,020 common shares with a fair value of $1,500,000 for consulting services.

Obligation to issue shares

During the period ended December 31, 2020, the Company became obligated to issue common shares with a fair value of $1,500,000 to a consultant of the Company upon issuance of the standard processing Health Canada License for Edibles. The shares were issued on February 11, 2021.

(Expressed in Canadian Dollars)

18. SHARE CAPITAL (CONTINUED)

b) Warrants outstanding

	Number of warrants	Weighted average exercise price $
At December 31, 2019	910,628	58.50
Warrants granted	2,037,916	16.50
Warrants expired	(437,425)	97.50
Special warrants exercised (Note 19d)	(44,444)	75.00
At December 31, 2020	2,466,675	16.55
Warrants expired	(137,521)	7.50
At June 30, 2021	2,329,154	17.08

On July 8, 2020, the Company completed a non-brokered private placement of 77,413 units of the Company at a price of $11.25 per unit for gross proceeds of $870,900. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share for a period of five years from closing at a price of $15.00 per common share. The fair value of the shares issued was $580,600 and a value of $290,300 was assigned to the warrants.

On May 25, 2020, the Company closed the second tranche of its non-brokered private placement offering of 138,000 units of the Company at a price of $11.25 per unit for gross proceeds of $1,552,500. Each unit consists of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $15.00 per share. The fair value of the shares issued was $1,449,000 and a value of $103,500 was assigned to the warrants.

On May 25, 2020, the Company granted 280 warrants for finder's fees in connection with a private placement with an exercise price of $15.00 per option expiring May 25, 2025. These options have a fair value of $2,589, calculated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a risk-free interest rate of 0.36%, an expected dividend rate of 0.00%, and an expected annual volatility of 147%.

On April 30, 2020, the Company granted 1,777,778 warrants as part of a non-brokered private placement offering of units at a price of $11.25 per unit for gross proceeds of $20,000,000. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $15.00 per share. The fair value of the shares issued was $14,666,667 and a value of $6,788,306 was assigned to the warrants calculated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 0.34%, an expected dividend rate of 0.00%, and an expected annual volatility of 116.06%.

On January 28, 2020, upon conversion of the Special Warrants, the Company granted 44,444 warrants and transferred a value of $616,666 to share capital, leaving a value of $1,383,333 in the warrant reserve, using the residual value method.

During the period ended June 30, 2021, $6,229,698 was transferred from option reserve to accumulated deficit for warrants expired, cancelled or forfeited.

The weighted average remaining life of the warrants outstanding is 3.56 years (December 31, 2020 – 3.85 years).

(Expressed in Canadian Dollars)

18. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding

Under Company's 2015 Stock Option Plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

Grant Date	Expiry date	Number of options	Exercise price $
October 31, 2018	October 31, 2023	8,333	21.30
May 21, 2019	May 21, 2024	14,667	69.00
May 30, 2019	May 30, 2024	6,667	58.50
August 1, 2019	August 1, 2024	19,000	46.50
July 11, 2019	May 17, 2024	27,267	48.75
January 6, 2020	January 6, 2022	667	22.50
January 30, 2020	January 30, 2022	100,000	22.50
January 31, 2020	January 31, 2022	6,667	15.00
April 30, 2020	April 30, 2025	633,333	11.25
Balance at December 31, 2020 and June 30, 2021		816,601	16.27

	Number of options	Weighted average exercise price $
At December 31, 2018	225,417	20.70
Options cancelled and expired	(2,917)	19.20
Options exercised	(179,167)	19.95
Options granted	436,267	60.60
At December 31, 2019	479,600	57.00
Options cancelled and expired	(403,666)	61.50
Options granted	740,667	12.00
At December 31, 2020 and June 30, 2021	816,601	16.27

The weighted average remaining life of the options outstanding is 3.32 years (December 31, 2020 – 3.82 years)

On March 15, 2019, the Company granted 136,000 stock options to consultants of the Company with an exercise price of $82.50 per option and a one-year term expiring March 15, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $4,333,476 assuming an expected life of 0.75 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 115%.

On May 21, 2019, the Company granted 40,000 incentive stock options to directors, officers and consultants with an exercise price of $69.00 and a five-year term expiring on May 21, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,688,545 assuming an expected life of 1.5 years, a risk-free interest rate of 1.66%, an expected dividend rate of 0.00%, and an expected annual volatility of 125%.

On May 30, 2019, the Company granted 20,000 incentive stock options to directors, officers and consultants with an exercise price of $58.50 and a five-year term expiring on May 30, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $594,888 assuming an expected life of 1.5 years, a risk-free interest rate of 1.47%, an expected dividend rate of 0.00%, and an expected annual volatility of 121%.

18. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding (Continued)

On July 11, 2019, the Company granted 40,267 stock options as consideration for purchase of assets from OFIG with an exercise price of $48.75 per option expiring May 17, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,110,733 assuming an expected life of 1.5 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 113%.

On August 1, 2019, the Company granted 200,000 stock options to certain directors, officers and consultants with an exercise price of $46.50 per option expiring August 1, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $4,281,838 assuming an expected life of 1.5 years, a risk-free interest rate of 1.53%, an expected dividend rate of 0.00%, and an expected annual volatility of 111%.

During the year ended December 31, 2019, 154,167 options were exercised for gross proceeds of $2,932,250 and 25,000 options were exercised for $630,000 as departing compensation for past services for the former CEO and President.

On January 6, 2020, the Company granted 667 stock options to consultants of the Company with an exercise price of $22.50 per option expiring January 6, 2022. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $2,451 assuming an expected life of 2 years, a risk-free interest rate of 1.63%, an expected dividend rate of 0.00%, and an expected annual volatility of 108%.

On January 30, 2020, the Company granted 100,000 stock options to consultants of the Company with an exercise price of $15.00 per option expiring January 30, 2022.These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $617,598 assuming an expected life of 2 years, a risk-free interest rate of 1.47%, an expected dividend rate of 0.00%, and an expected annual volatility of 110%. The options vest over a one year period. During the year ended December 31, 2020, the Company recognized $604,942 of share-based compensation expense on the vesting of the stock options.

On January 31, 2020, the Company granted 6,667 stock options to consultants of the Company with an exercise price of $15.00 per option expiring January 31, 2022. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $47,888 assuming an expected life of 2 years, a risk-free interest rate of 1.43%, an expected dividend rate of 0.00%, and an expected annual volatility of 109%.

On April 30, 2020, the Company granted 633,333 stock options to consultants of the Company with an exercise price of $11.25 per option expiring April 30, 2025. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $2,741,337 assuming an expected life of 2 years, a risk-free interest rate of 0.38%, an expected dividend rate of 0.00%, and an expected annual volatility of 116%.

During the year ended December 31, 2020 and period ended June 30, 2021, no options were exercised. During the year ended December 31, 2020, an amount of $10,435,952 (2019 - $51,381) was transferred from option reserve to accumulated deficit for options expired, cancelled or forfeited.

(Expressed in Canadian Dollars)

18. SHARE CAPITAL (CONTINUED)

d) Special Warrants

On September 27, 2019, the Company issued 44,444 special warrants of the Company at a price of $45.00 per special warrant for gross proceeds of $2,000,000. Each Special Warrant is convertible into units with each unit consisting of one common share of the Company and one transferable common share purchase warrant with each warrant entitling the holder thereof to purchase one additional share of the Company at a price of $75.00 per share for a period of 36 months from the date of issuance of the warrants. The Company recorded $2,000,000 warrant reserve for the issuance of special warrants. During the year ended December 31, 2020, all of the Special Warrants were exercised, resulting in transferring of $616,666 from warrant reserve to share capital and $1,383,333 assigned to the warrants upon exercise of the Special Warrants using the residual value method.

e) Share-Based Payments Reserve

The share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

f) Warrants Reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

g) Escrowed shares

As at June 30, 2021, 407,854 (December 31, 2020 - 61,178,051) shares were held in escrow.

19. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the periods ended June 30, 2021 and 2020:

Period ended June 30, 2021	**Consulting and Management Fees $**	**Share-based Compensation $**
Consulting fees paid/accrued to a private company controlled by the former CFO	42,500	-
Consulting fees paid/accrued to a private company controlled by the CFO	9,040	-
Consulting fees paid/accrued to a private company controlled by the CEO	90,400	-
	141,940	-

(Expressed in Canadian Dollars)

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Period ended June 30, 2020	Consulting and Management Fees $	Share-based compensation $
Legal fees paid/accrued to a private company controlled by a director	7,950	56,433
Directors	-	112,866
Consulting fees paid/accrued to a former director	66,000	-
Consulting fees paid/accrued to a company controlled by the former Corporate Secretary	34,978	-
Consulting fees paid/accrued to a private company controlled by the former CFO	56,000	-
Consulting fees paid/accrued to a private company controlled by the former CEO	140,465	135,440
	305,293	304,739

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At June 30, 2021, $110,378 (December 31, 2020 - $165,778) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities. Refer also to Note 14.

20. INVENTORY

The Company's inventory consists of raw materials and finished goods, the break-down is as follows:

	June 30, 2021 $	December 31, 2020 $
Raw materials	36,596	56,482
Finished goods	86,279	54,744
	122,875	**111,226**

21. ROYALTY REVENUES

On Nov 27, 2020, the Company signed a Share Purchase Agreement ("SGSCC Agreement") with an arm's length third party where the Company will sell 100% of its wholly-owned subsidiary, Sustainable Growth Strategic Capital Corp. for cash consideration of approximately $1,000,000. Pursuant to the SGSCC Agreement, the Company also entered into a Royalty Agreement with the purchaser (the "Royalty Agreement").

The royalty means that, commencing on the effective date, the Company will receive 5% of net sales from applicable operations, including all cannabis related products. The term of the Royalty Agreement is 10 years from the effective date.

The purchaser (the "Royalty Payor") shall make royalty payments each month throughout the term of the Royalty Agreement, including a minimum non-refundable royalty of $10,000 to be paid to the Company.

During the period ended June 30, 2021, the Company received royalty revenues of $94,456 from the Royalty Payor.

(Expressed in Canadian Dollars)

22. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the period ended June 30, 2021 and 2020 are as follows:

	June 30, 2021 $	June 30, 2020 $
Fair value of transfer on exercise of stock options and warrants	-	10,406,747
Shares issued for acquisitions and investments	500,000	7,900,000
Shares issued for debt settlement	13,951,024	15,001,369
Shares issued for transaction costs	6,023,229	5,882,353
Shares and options issued for services	100,469	1,550,191

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Classification of financial instruments

IFRS 13, *Fair Value Measurement,* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and marketable securities are measured using level 1 inputs.

The following is an analysis of the Company's financial assets and liabilities measured at fair value as at and June 30, 2021 and December 31, 2020:

	As at June 30, 2021		
	Level 1	Level 2	Level 3
Cash	$ 4,385,876	-	-
Derivative liabilities	-	-	$ 28

	As at December 31, 2020		
	Level 1	Level 2	Level 3
Cash	$ 274,390	-	-
Derivative liabilities	-	-	$ 10,138,800
Contingent consideration	-	-	$ 5,000,000

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, convertible debentures receivable and loans receivable. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable and convertible debentures receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; the other loan is unsecured. The convertible debentures receivable is convertible into shares of the entity.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with the construction of its cannabis facilities in Ontario and British Columbia. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at June 30, 2021 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company will need additional funding through equity or debt financing, or a combination thereof, to complete its facilities.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk
Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is not exposed to interest rate risk as its agreements are all done with fixed interest rates.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

(b) Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. One of the Company's subsidiary's business is conducted in Euro. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, the Euro. Fluctuations in the exchange rate among the Canadian dollar and the Euro may have a adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

(Expressed in Canadian Dollars)

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management (Continued)

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, and the experience of management. The Company is not subject to any external covenants on its capital.

24. COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2019, the Company entered into Supply Agreement with Vendure Genetics Labs Inc. ("Vendure") to purchase from Vendure certain plants, plant matter, related plant-based products and Vendure's right, title and interest, including the intellectual property rights in the products for a purchase price of $200,000 (paid) and 281,690 common shares (issued with a fair value of $146,478). Under the agreement, the Company is committed to issue a further $200,000 worth of common shares at the time of awarding Cannabis Cultivation license, and a further number of shares equal to $150,000 per year on each of March 31, 2020, March 31, 2021, March 31, 2022, and March 31, 2023. During the year ended December 31, 2020, the Company terminated the agreement with Vendure and settled $220,000 of debt with the issuance of 26,667 common shares and recorded a gain on debt settlement of $10,000 (Note 19).

During the year ended December 31, 2019, the Company entered into a Lease Agreement for a leased facility in Manitoba. On April 6, 2021, the Company sold its subsidiary and no longer has commitments for lease amounts subsequent to the sale (Note 26).
During the year ended December 31, 2020, the Company acquired from Sanna a right-of-use asset for a leased manufacturing facility in Ontario. The lease expires on October 31, 2029 with option to extend the lease term of two additional terms of five years each and has the following estimated annual payments:

April 2021 – December 2022	$225,000 per annum
January 2023 – December 2024	$240,000 per annum
January 2025 – December 2026	$255,000 per annum
January 2027 – December 2029	$270,000 per annum

<u>Legal Claims</u>

The Company has legal claims related to Sanna Health Corp.'s past termination of its former President and CEO before Sanna was acqured by the Company . The former President and CEO is claiming accrued and unpaid amounts of $137,976, total damages of $1,300,000, and entitlement to 6,000,000 restricted share units and 6,800,000 fully-vested shares (with strike price of $0.16) in Sanna Health Corp., as well as punitive damages of $250,000. The Company believes these claims are without merit and will vigourously defend itself.

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Release of Claims

On March 17, 2021, an arm's length consultant (the "Consultant") acknowledges receipt and sufficiency of the payment of $27,500 ("settlement amount") from the Company and/or AAA, and the issuance of 370,106 common shares of the Company (issued in the prior year). The Consultant hereby irrevocably release the Company and AAA and their respective officers, directors, shareholders, agents from any and all claims, liens, demands, contracts, debts, actions, and causes of action that the Consultant has, shall, or may have in connection with:

i) the design and construction of a medical marijuana facility;
ii) the agreement for consulting, construction and design services and;
iii) the Claim for Lien registered by the Consultant against the Project Lands on April 16, 2020

Mortgages Payable

During the period ended June 30, 2021, the lender of the Company's mortgages payable (Note 17) has called the mortgages by way of Power of Sale, in which the lender will sell the property, repay themselves and send any amounts in excess of the loan and fees to the Company. The lender may also Foreclose on the property, in which the Company would not receive any excess. The property is listed for sale by the lender, and the Company has filed a legal claim against the lender, the outcome of this claim is currently unknown.

25. DEFERRED REVENUE

On April 1, 2021, the Company signed a definitive agreement to sell its wholly-owned subsidiary, AAA Heidelberg Inc. for cash consideration of approximately $1,000,000 (Note 26). As at December 31, 2020, the Company received a deposit of $25,000 non-refundable deposit towards the sale, which is included in deferred revenue. The sale transaction closed on May 20, 2021 (Note 25) and the deferred revenue is $Nil as at June 30, 2021.

On Nov 27, 2020, the Company signed the SGSCC Agreement (Note 21). As at December 31, 2020, the Company received a deposit of $297,001 deposit towards the sale, which is included in deferred revenue. The sale transaction has not closed as at the date of the condensed interim consolidated financial statements.

As at June 30, 2021, the Company has deferred revenues of $Nil (December 31, 2020 - $1,891) related to European sales.

26. SALE OF SUBSIDIARIES

AAA Heidelberg Inc.

On April 1, 2021, the Company signed a definitive agreement to sell its wholly-owned subsidiary, AAA Heidelberg Inc. for cash consideration of approximately $1,000,000.

On May 20, 2021, the Company completed the transaction to sell 100% of the issued and outstanding shares of AAA Heidelberg Inc. to 2752260 Ontario Inc. ("2752260"). The Company received gross proceeds of $948,168, of which $25,000 was received in the prior year (Note 25) and recognized a loss on sale of the subsidiary of $61,878.

(Expressed in Canadian Dollars)

26. SALE OF SUBSIDIARIES (CONTINUED)

AAA Heidelberg Inc. (Continued)

Upon completion of the sale on May 20, 2021, the Company derecognized AAA Heidelberg Inc. and recorded a loss on loss of control as follows:

	For the period ended June 30, 2021 $
Proceeds received	948,168
Less net assets:	
Assets	1,032,658
Liabilities	(22,612)
Total net liabilities	(1,010,046)
Loss on sale of subsidiary	**(61,878)**

SUHM Investments Inc.

On April 6, 2021, the Company and the other owners of Edibles closed the transaction to sell Edibles to Organigram Holdings Inc. ("OGI") for consideration of $22,000,000 in shares of OGI, plus up to $13,000,000 in shares of OGI, receivable upon Edibles achieving certain earn-out milestones. The milestones include:

- $3,500,000 to be received in common shares of OGI on first listing prior to December 31, 2021 in either the Ontario or Alberta recreational market of Edibles or Organigram branded product (which was manufactured at the Edibles facility);
- $7,000,000 to be received in common shares of OGI on the successful completion of $15,000,000 in net revenue during the 12 months ended December 31, 2022;
- $2,500,000 to be received in common shares of OGI on the generation of $7,000,000 in adjusted EBITDA for the 12 months ended December 31, 2022.

Pursuant to the terms of the transaction, the Company received 2,186,976 shares of OGI on April 6, 2021 with a fair value of $9,054,081.

During the period ended June 30, 2021, the Company sold all 2,186,976 shares of OGI for gross proceeds of $7,850,924 and recorded a loss on sale of marketable securities of $1,203,157.

Upon completion of the sale on April 6, 2021, the Company derecognized SUHM Investments Inc. and recorded a gain on loss of control as follows:

	For the period ended June 30, 2021 $
Proceeds received	9,054,081
Less net assets:	
Assets	13,574,108
Liabilities	(5,362,857)
Total net assets	(8,211,251)
Add: Previous loss on dilution of SUHM (Note 11)	210,494
Non-controlling interest disposed of (Note 11)	(848,308)
Gain on sale of subsidiary	**205,016**

27. SUBSEQUENT EVENTS

On July 19, 2021, the Company issued 5,359 shares with a fair value of $16,076 to settle debts owing for services rendered.

On July 26, 2021, the Company changed its name to Agra Ventures Ltd.

On August 27, 2021, the Company consolidated its shares on a one hundred and fifty (150) pre-consolidated to one (1) post-consolidation share basis. These condensed interim consolidated financial statements reflect the post-consolidated shares.

Subsequent to the period end, the Company sold its property located in Ontario for gross proceeds of $1,871,242 (Note 7).

APPENDIX B

AGRA VENTURES LTD.

Management's Discussion & Analysis
for the period ended June 30, 2021

AGRA VENTURES LTD.
(formerly AGRAFLORA ORGANICS INTERNATIONAL INC.)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

Date: August 30, 2021

INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") of the operating results and financial condition of Agra Ventures Ltd. (formerly AgraFlora Organics International Inc.) ("**AGRA**" or the "**Company**") for the six months ended June, 2021 and 2020 should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the six months ended June 30, 2021 and 2020, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). On July 26, 2021, the Company changed its name to Agra Ventures Ltd. from AgraFlora Organics International Inc..

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, are complete and reliable. The Company's board of directors (the "**Board**") follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management quarterly to review the financial statements, the MD&A and to discuss other financial, operating, and internal control matters. The reader is encouraged to review the Company's statutory filing on www.sedar.com.

This MD&A is prepared as at August 30, 2021. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

Forward-Looking Statements

Information set forth in this MD&A may involve forward-looking statements within the meaning of Canadian securities laws. These statements relate to future events or future performance and reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target" or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include, but are not limited to: volatility of stock price and market conditions, regulatory risks, difficulty in forecasting, key personnel, limited operating history, competition, investment capital and market share, market uncertainty, additional capital requirements, management of growth, pricing policies, litigation, no dividend history. The risk factors described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements. In addition, any forward-looking statements represent the Company's estimates only as of the date of this MD&A and should not be relied upon as representing the Company's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in MD&A include:

- the Company's use of proceeds and business objectives and milestones and the anticipated time of execution, see "Use of Proceeds";
- the performance of the Company's business and operations;
- the intention to expand the business, operations and potential activities of the Company;
- the methods used by the Company to deliver cannabis;
- the projected increase in production capacity;
- the competitive conditions of the cannabis industry;
- the competitive and business strategies of the Company;

INTRODUCTION (CONTINUED)

Forward-Looking Statements (continued)

- the Company's anticipated operating cash requirements and future financing needs;
- the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's expectations regarding its revenue, expenses and operations;
- impacts of potential litigation;
- the Company's intention to build brands and develop cannabis products targeted to specific segments of the market;
- the ongoing and proposed expansion of the Company's facilities, products or services, including associated costs and any applicable Health Canada licensing;
- the current political, legal and regulatory landscape surrounding medical and recreational cannabis and expected developments in any jurisdiction in which the Company operates or may operate;
- the receipt of any regulatory and stock exchange approvals required at any given time;
- the applicable laws, regulations and any amendments thereof;
- medical benefits, viability, safety, efficacy and dosing of cannabis;
- the expected growth in the number of patients;
- the expected number of grams of medical cannabis used by each patient;
- expectations with respect to the advancement and adoption of new product lines and ingredients;
- the acceptance by customers and the marketplace of new products and solutions;
- the ability to attract new customers and develop and maintain existing customers;
- expectations with respect to future production costs and capacity;
- expectations with respect to the renewal and/or extension of the Company's permits and licenses;
- the ability to protect, maintain and enforce the Company's intellectual property rights;
- the ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- anticipated labour and materials costs;
- the Company's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Company operates; and
- anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates or may operate.

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

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

OVERVIEW

The Company was incorporated on June 24, 2004 under the laws of the Province of British Columbia.

The Company trades on the Canadian Stock Exchange (the "**CSE**") under the symbol "AGRA". The Company also trades on the OTC Pink Sheets ("**OTCPK**") under the symbol "AGFAF" and the Frankfurt Stock Exchange under the symbol "PU3".

The Company is a vertically integrated cannabis company equipped with a robust portfolio of licensed upstream, downstream and product formulation assets. The Company owns and operates an ACMPR licensed indoor cultivation operation in London, ON, and controls a 70% interest in Propagation Service Canada and its large-scale, 2.2 million square foot greenhouse complex in Delta, B.C. The Company's Delta Greenhouse Complex is equipped with 2.2 million square feet of dedicated cultivation area under glass and is widely considered to be one of the most technically advanced and environmentally efficient greenhouse operations in the world.

OVERALL PERFORMANCE

During the period ended June 30, 2021, the Company completed the acquisition of 1274744 BC Ltd., settled debts with creditors and amended its convertible debentures through issuance of shares. Additionally, Agra Ventures Ltd. sold its ownership of SUHM Investments Inc. and AAA Heidelberg Inc. to third parties during the period.

Propagation Services Canada

As at June 30, 2021 and the date of this MD&A, the Company controls 70% of PSC's flagship Delta Greenhouse Complex (the "Delta Facility"). The Company's investment in the Delta Greenhouse is widely considered to be one of the most technically advanced and environmentally-friendly greenhouse operations in the World, which boasts industry leading cultivation infrastructure including:

- Fully integrated on-site natural gas-powered power plant;
    - Providing ample heat and electricity, while repurposing carbon dioxide emissions to benefit the plants.
- Proprietary energy efficient air exchange to maintain stable climate conditions;
- Advanced climate and humidity control management infrastructure;
- Ebb and flow watering systems to enhance complete irrigation recapture and water treatment; 1.5-million-gallon hot water storage tank configured to store energy produced during the day, for redistribution during non-peak hours, thereby increasing operational efficiencies and reducing associated energy costs;
- Multistage supplemental lighting augmented by natural sunlight to foster an optimized illumination equilibrium; and,
- Proprietary ERP system to allow for efficient resource management and cost tracking.

On February 28, 2020. PSC entered into an agreement to acquire a portfolio of elite live-plant cannabis genetics (the "Live-Plant Genetics") from an award-winning Canadian cannabis cultivator with extensive experience in genetic development and commercialization for at-scale cannabis production. The acquisition of Live-Plant Genetics will accelerate PSC's go to market strategy and utilized along with the Company's Standard Cultivation License.

OVERALL PERFORMANCE (CONTINUED)

Propagation Services Canada (Continued)

On May 19, 2020, PSC secured a Standard Cultivation License from Health Canada and has commenced cultivation of a curated portfolio of elite live plant genetics. The Delta Facility's first phase represents 422,828 square feet of cultivation space.

During the period, PSC has commenced cultivation using a curated portfolio of live-plant genetics (the "Elite Genetics") with a focus on producing high potency cannabis with attractive strains, while maintaining a low cost. Management anticipates the combination of high potency and low cost will result in a product that is attractive to consumers in the retail and wholesale markets. The Delta facility expects to have the first product available for sale of low-cost high-potency cannabis strains expected this fiscal year on a wholesale basis.

The Elite Genetics at the Delta Facility have been tailored to go to work with PSC's infrastructure and cultivation program and are expected to yield up to 44 varieties of strains to offer the Company's wholesale clients a robust product offering while maintaining strong cannabinoid and terpene content plant yield and crops per year.

On November 23, 2020, the Company announced that the Delta Facility has received an Agriculture Loan (the "Loan") to bring its cannabis cultivation to market and continue Phase 1 of the Company's cultivation strategy. As part of the Loan, the Delta Facility will receive $5,000,000 which will provide full funding to the licensed cultivation areas and will allow the PSC team to bring their first crop of low cost, high potency cannabis to market, on a wholesale basis, in Q1 2021. The curated portfolio of elite genetics at the Delta facility has been tailored to work with PSC's Delta based infrastructure and utilizing 422,828 sq. ft. of cultivation space with state-of-the-art semi pressurized, semi-open Venlo greenhouses.

On December 10, 2020, the Company provided 2021 guidance highlights. PSC will expect to cultivate 10,000 plants and aims to yield 50 grams per plant of saleable product, first sales expected in 2021.

The Edibles and Infusions Joint Venture

By way of an executed Asset Purchase Agreement (the "Agreement") with Organic Flower Investments Group Inc. ("Organic Flower"), the Company controls an 80% interest in The Edibles and Infusions Corp. ("Edibles and Infusions"), a joint venture ("JV") with one of North America's largest and most storied manufacturer and distributor of chocolate and sugar confectionary products. Upon successful receipt of appropriate Health Canada Licensing, the JV will produce an assort of both cannabinoid/terpene-infused products for medicinal, functional and adult use. Edibles and Infusions operates a 51,500 square foot edibles manufacturing facility located in Winnipeg, Manitoba with over 30,000 square feet of dedicated edibles production space.

The Company's JV partner was established nearly a century ago and has since become North America's largest confectionary fruit slice manufacturer, supplying products to over 20,000 locations across North America, most prominently Costco and Wal-Mart.

Equipped with a roster of experienced chocolatiers and confectioners, as well as established industry relationships and best-in-class supply chain management infrastructure, the Company's JV partner currently manufactures and distributes several hundred unique stock keeping units ("SKUs").

The Company was awarded a 5-year cannabis research license from Health Canada under the Cannabis Regulations Act for the Winnipeg Edibles Facility. Upon receipt of appropriate Health Canada licensing, the Company will supply the JV with inputs for the edibles manufacturing process such as artisanal, ultra-premium dried cannabis flower, as well as premium cannabis trim from its Delta Greenhouse Complex and ACMPR licensed AAA Heidelberg facility.

OVERALL PERFORMANCE (CONTINUED)

The Edibles and Infusions Joint Venture (continued)

Receipt of full-spectrum cannabinoid concentrates is expected post licensing to assist with product development and ancillary research and development activities. The Company has completed construction of its 750 square foot, pharmaceutical-grade research and development laboratory (the "R&D Laboratory") at the Winnipeg Edibles Facility.

The Company's R&D Laboratory boasts a comprehensive suite of made-to-order cannabinoid-testing and product formulation equipment, including:

- High Performance Liquid Chromatography ("HPLC");
- Microbiological testing instruments;
- Custom confectionery testing, manufacturing and origination/formulation technologies;
- Deposit throughput in excess of 1000 pieces of premium chocolates or gummy edibles per hour;
- Proprietary triple shot depositor capable of producing infused chocolate or liquid filled center in shell pieces, as well as a full vacuum pressure confectionery-cooking system.

The Company's Winnipeg Edibles Facility is a state-of-the-art commercial scale edibles facility that features industry leading manufacturing equipment and automation for the production of cannabis edibles. The Company intends to focus initially on the production of THC and CBD infused cannabis gummies. The Winnipeg Edibles Facility is operated by a roster of third generation chocolatiers/confectioners and boasts state-of-the-art manufacturing equipment capable of producing an assortment of both cannabinoid/terpene-infused products for medicinal, functional and adult use.

Development of the Edibles facility was completed on June 3, 2020. On May 28, 2020, Edibles and Infusions submitted its Site Evidence Package for its Standard Processing and Cultivation License to Health Canada.

The Company has received a necessary CRA tax license and is now creating test cannabis edibles products through its Health Canada licensed Research and Development Lab ("R&D Lab") within its Facility.

On October 2, 2020, the Company submitted a formal response to Health Canada's first Request for More Information ("RMI") regarding the Standard Processing License (the "Manufacturing License") application for the Company's Winnipeg Edibles Facility. The RMI response is a key step towards achieving the Standard Processing License at the Edibles Facility. The Company announced receipt of the Manufacturing license on December 11, 2020.

On January 13, 2021, the Company completed the first phase of its R&D trials at its Winnipeg Edibles Facility and expects to enter the edibles market in Q1 of 2021.

During the period ended June 30, 2021, the Company's ownership of SUHM was diluted from 100% to 54.18% and ownership of Edibles was diluted from 80% to 43.34% pursuant to the transactions discussed below. On April 6, 2021, the Company sold its remaining ownership of SUHM to a third party.

On February 8, 2021, the Company issued 1,003,871 common shares pursuant to the third amending agreement (the "Third Amending Agreement") with Mulberry Capital Corp. ("Mulberry") related to the Share Purchase Agreement in the prior year. Pursuant to the Third Amending Agreement, the Company is obligated to pay the remaining unpaid portion of the purchase price of the Joint Venture Agreement between SUHM and Quality Confections Canada Ltd. of an aggregate maximum of $27,500,000 which shall be forgone by Mulberry in consideration for the following:

- the Company transferred a 26.5% ownership interest in SUHM (transferred); and
- the Company issuing 10% of the issued and outstanding shares of the Company to Mulberry on the date that is the later of it issuing shares pursuant to the Joint Venture Agreement and the date it has satisfied its interest payment in common shares to holders of convertible debentures (issued).

OVERALL PERFORMANCE (CONTINUED)

The Edibles and Infusions Joint Venture (continued)

On February 11, 2021, SUHM has completed a non-brokered private placement (the "Offering") of 3,270,000 common shares of SUHM ("Common Shares") at a price of $0.50 per Common Share for gross proceeds of $1,635,000.

On February 12, 2021, the Company transferred 7,420,875 shares of SUHM to Mulberry pursuant to the third amending agreement.

On March 26, 2021, the Company transferred 2,263,190 shares of SUHM to Mulberry pursuant to the third amending agreement.

Following the completion of the Offering and payment of the consideration under the Amending Agreement, the Company owns approximately 54% of the joint venture comprising the Winnipeg facilities.

On March 1, 2021, the Company acquired equipment for its Winnipeg Edibles Facility through the issuance of 10,000,000 common shares with a fair value of $500,000 by the acquisition of 1274418 B.C. Ltd.

On April 6, 2021, the Company and the other owners of Edibles closed the transaction to sell Edibles to Organigram Holdings Inc. ("OGI") for consideration of $22,000,000 in shares of OGI, plus up to $13,000,000 in shares of OGI, receivable upon Edibles achieving certain earn-out milestones. The milestones include:

- $3,500,000 to be received in common shares of OGI on first listing prior to December 31, 2021 in either the Ontario or Alberta recreational market of Edibles or Organigram branded product (which was manufactured at the Edibles facility);
- $7,000,000 to be received in common shares of OGI on the successful completion of $15,000,000 in net revenue during the 12 months ended December 31, 2022;
- $2,500,000 to be received in common shares of OGI on the generation of $7,000,000 in adjusted EBITDA for the 12 months ended December 31, 2022.

Pursuant to the terms of the transaction, the Company received 2,186,976 shares of OGI on April 6, 2021 with a fair value of $9,054,081.

During the period ended June 30, 2021, the Company sold all 2,186,976 shares of OGI for gross proceeds of $7,850,924 and recorded a loss on sale of marketable securities of $1,203,157.

Upon completion of the sale on April 6, 2021, the Company derecognized SUHM Investments Inc. and recorded a gain on sale of subsidiary of $205,016.

OVERALL PERFORMANCE (CONTINUED)

AAA Heidelberg Inc.

AAA Heidelberg is a licensed cannabis cultivation facility under Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The AAA Heidelberg facility is equipped with five partitioned flower rooms, affording the Company ample canopy earmarked for ultra-premium craft cannabis cultivation. The Company is presently working to import a catalogue of premium craft cannabis genetics into its AAA Heidelberg facility, under a one-time declaration from Health Canada. Upon completion of a test harvest, as well as the associated test crop submissions and approvals from Health Canada, the Company plans to apply for both sales and processing licences at its AAA Heidelberg craft cannabis facility; with the objective of producing finished cannabis form factors for domestic distribution including, soft gels, tinctures, distillates and THC oils.

On April 1, 2021, the Company signed a definitive agreement to sell its wholly-owned subsidiary, AAA Heidelberg Inc. for cash consideration of approximately $1,000,000.

On May 20, 2021, the Company completed the transaction to sell 100% of the issued and outstanding shares of AAA Heidelberg Inc. to 2752260 Ontario Inc. ("2752260"). The Company received gross proceeds of $948,168, of which $25,000 was received in the prior year and recognized a loss on sale of the subsidiary of $61,878.

The Good Company GmbH

The Company acquired 100% of the issued and outstanding shares of The Good Company GmbH ("The Good Company"). The Good Company is the parent company of German European Union good distribution practice medical cannabis distributor (EU-GDP) Farmako GmbH ("Farmako"). Farmako is a leading European medical cannabis distributor, headquartered in Frankfurt, Germany, with affiliated companies in the United Kingdom, Luxembourg and Denmark.

This acquisition expedited the Company's entrance into the European cannabis theatre by arming the Company with existing cannabis distribution infrastructure, supply and licenses/certifications, all while equipping the Company with experienced European cannabis operators. The combined AgraFlora-Farmako entity will function as a high-margin European distribution hub for the Company's medical cannabis flower and EU-GMP certified manufactured cannabis products produced from its Delta Greenhouse Facility, AAA Heidelberg craft cannabis facility and 27,000 square foot Scarborough, Ontario cultivation and processing facility.

On February 18, 2020, Farmako secured a special authorization from the German Federal Institute for Drugs and Medical Device for the distribution of medical cannabis flowers that have undergone an ionizing radiation treatment.

This is a critical milestone for Farmako, as Farmako can now important for sale in Germany medical cannabis that is EU-GMP certified.

OVERALL PERFORMANCE (CONTINUED)

The Good Company GmbH (Continued)

On September 15, 2020, Famako secured an additional supply of EU-GMP Cannabis by execution of the binding supply agreement with ZenPharm Ltd., a subsidiary of Zenabis Global Inc. (TSX: ZENA). Pursuant to the Supply Agreement, ZenPharm will supply EU-GMP quality medical cannabis flower cultivated by Zenabis to Farmako for distribution to medical cannabis patients in Germany. The agreement is intended to facilitate the distribiton of 1,500 kilograms of cannabis flower by Farmako in Germany over a 3 year term. Farmako will distribute the products its established network of German pharmacies. The products will carry Farmako's branding, an important step in building brand awareness and loyalty with physicians, pharmacists and patients. The products initially include high potency THC flower and balanced THC and CBD flower, two product categories that management believes are in highest demand in Germany.

On April 12, 2021, Farmako announced that it has begun supplying STADAPHARM GmbH ("STADAPHARM") with its proprietary THC Testkits (the "THC Testkits"). The THC Testkits were developed and produced by Farmako in-house and will be supplied to STADAPHARM as a tool for pharmacists to detect THC and identify medical cannabis flowers and extracts in an easy, quick and cost-efficient way. STADAPHARM, which is responsible for the Specialty Pharmaceuticals business within the STADA Group, will be entering the medical cannabis market in the second quarter of 2021. The company will launch its own THC-containing cannabis flower products and extracts and will also offer the THC Testkits, developed and produced by Farmako, along with its own products to pharmacists for the identity testing of medical cannabis.

Health Canada Licensing

The Company and its associated principal subsidiaries have the following licenses:

- Standard cultivation and processing license at the Delta Greenhouse Facility;
- Industrial hemp license at its 2.2 million square foot Delta Greenhouse Facility;
- Standard cultivation license at its Sustainable Growth Strategic Facility (Sanna);
- Standard processing license at its Sustainable Growth Strategic Facility (Sanna); and,
- Medical sales license at its Sustainable Growth Strategic Facility (Sanna).
- Standard cultivation license at its Canutra Facility; and,

OUTLOOK

Agraflora's operating portfolio affords the company unmatched Cannabis 2.0 optionality as the industry continues to mature. As Propagation Services Canada continues its momentum toward its first commercial sales and is expected to report initial revenue summer, 2021. The first commercial crop for commercial sale will include three proprietary strains: Mimosa 37, Kosher Kush and Gelato. These strains have been selected for their strong demand in Canada's dried flower market, as well as their growing attributes within the greenhouse environment which align with their low-cost high-THC cannabis attributes. PSC has gathered valuable data from crops grown to date and continues to develop and strategize to further aid in its positioning as a leader in low-cost product.

PSC will be optimizing its propagation operations by fine-tuning its climate strategy to produce healthy, rooted cuttings more quickly with high-success-rate monitoring irrigation mixtures to produce custom nutrient formulations for each stage of plant growth. By developing novel production strategies, PSC can maximize yield per square metre with minimal labour costs leveraging best growing practices and experience in vegetable cultivations and applying to them to its cannabis operation.

EQUITY TRANSACTIONS

On February 8, 2021, the Company issued 1,003,871 common shares with a fair value of $6,023,229 pursuant to the third amending agreement with Mulberry.

On February 11, 2021, the Company issued 7,469 common shares with a fair value of $84,032 to consultants to settle debt for prior services valued at $56,021 and recorded a loss on debt settlement of $28,011.

On February 11, 2021, the Company issued 133,333 common shares with a fair value of $1,500,000 pursuant to a settlement agreement with Farmako GmbH to settle the floor protection derivative liability of $10,138,772 and contingent consideration of $5,000,000 resulting in a gain on settlement of $13,638,772.

On February 11, 2021, the Company issued 331,119 common shares with a fair value of $1,500,000 to 10026310 Manitoba Ltd. pursuant to the terms of a joint venture agreement among SUHM, Quality Confections Canada Ltd., the Edibles and Infusions Corporation, and 10026310 Manitoba Ltd. dated October 16, 2018. The Company offset this amount with obligation to issue shares.

On February 11, 2021, the company issued 360,000 common shares with a fair value of $4,050,000 pursuant to the Term Sheet with debenture holders of convertible debentures pursuant to the Amended Debentures to satisfy the aggregate interest of $2,700,000 owing on December 31, 2020. The Company recorded a loss on debt settlement of $1,350,000.

On February 22, 2021, the Company issued 9,467 common shares with a fair value of $92,301 to settle $71,001 of debt with certain creditors, resulting in a loss on debt settlement of $21,300.

On March 1, 2021, the Company issued 66,667 common shares with a fair value of $500,000 to acquire the net assets of 1274418 B.C. Ltd..

On March 2, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures. The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $29,041. The shares were issued at a fair value of $2,461,589 and the Company recorded a loss on debt settlement of $432,548.

On March 10, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures. The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $35,616. The shares were issued at a fair value of $2,014,027 and the Company recorded a gain on debt settlement of $21,589.

On March 25, 2021, the Company issued 298,374 common shares on a debenture conversion pursuant to the Term Sheet of the Amended Debentures. The conversion settled a total of $2,000,000 of the face value of the debenture, and interest of $43,836. The shares were issued at a fair value of $1,790,247 and the Company recorded a gain on debt settlement of $253,589.

On April 19, 2021, the Company issued 81,813 common shares with a fair value of $368,160 to settle debt of $1,525,500 pursuant to a mutual release agreement for past services performed. The Company settled $200,000 by payment of cash, and recorded a gain on debt settlement of $957,340.

On May 28, 2021, the Company settled debts to certain creditors of $262,500 for consulting fees and other liabilities incurred by the Company for 35,000 common shares of the Company with a fair value of $131,250. The Company recorded a gain on debt settlement of $131,250.

On May 28, 2021, the Company settled debts owing for services to a consultant through the issuance of 4,383 common shares of the Company with a fair value of $16,437. The Company recorded a gain on debt settlement of $16,437.

(Expressed in Canadian Dollars)

EQUITY TRANSACTIONS (CONTINUED)

On May 28, 2021, the Company settled debts of $146,900 for amounts owing for services to a consultant with respect to arranging the sale of AAA Heidelberg Inc. through the issuance of 11,587 common shares of the Company with a fair value of $43,450 to pay for $86,900 of the debt. The remaining amount of $60,000 was paid in cash. The Company recorded a gain on debt settlement of $43,450.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Total Assets ($)	Revenue ($)	Comprehensive Income (loss) for the period ($)	Income (loss) per Share (Basic & Diluted) ($)
September 30, 2019	162,666,863	-	(38,002,761)	(6.91)
December 31, 2019	107,616,669	3,888	(44,708,868)	(10.30)
March 31, 2020	137,144,917	365,035	(9,689,125)	(1.44)
June 30, 2020	140,005,787	457,344	(7,087,545)	(0.83)
September 30, 2020	138,813,735	420,732	(5,091,944)	(0.52)
December 31, 2020	61,732,883	248,567	(81,326,463)	(8.49)
March 31, 2021	63,699,380	306,220	2,242,443	0.21
June 30, 2021	49,726,879	285,638	(3,576,877)	(0.30)

Fluctuations in assets are mostly due to cash from financing activities and the acquisition of certain businesses and assets during a specific quarter. The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the availability of funding from investors or collaboration partners. Total revenues for the current period are lower than the period ended June 30, 2021, however the Company has been able to reduce costs.

RESULTS OF OPERATIONS

The Company's loss for the six months ended June 30, 2021 was $1,334,434 compared to a loss of $16,411,137 for the six months ended June 30, 2020. In general, for the comparative period, the Company incurred higher expenditures primarily attributable to costs related to acquisitions, production costs and share-based payments. Further, in the current period the Company recorded gains on debt settlement, gain on write-off of accounts payable, gains on loans payable, government grant revenue, and royalty revenues. The previous period is therefore not indicative of the current period and therefore does not provide the reader with an appropriate benchmark to evaluate performance year over year. Explanations of the nature of costs incurred, along with explanations for those changes in costs are discussed below for the period ended June 30, 2021.

- Professional fees increased to $1,173,661 from $810,900. During the period ended June 30, 2020, the Company prepared to acquire two wholly owned subsidiaries resulting in increased professionals during the due diligence phase. The Company incurred legal, accounting, and other professional fees associated with the acquisitions. In the current period, the Company completed one acquisition and incurred costs relating to transactions for the sale of its subsidiaries. The two periods are comparable.
- Consulting and management fees decreased to $919,610 from $4,023,473 as in the previous year, the Company hired consultants and various fees in connection with the acquisitions in 2020. The decrease reflects the completion of the acquisitions in the prior year. The Company relies heavily on Consultants to achieve its goals on all facets of business and these industry consultants bring a wide range of expertise and connections to the Company. Consultants include Management, Product Development Advisors, Technical Support and other support roles. The Company continues to receive unrivalled support from its best-in-class joint-venture partners and industry consultants. The Company owns a state of the art Cannabis production facility in Canada and a significant portion of the expenditures relates to consulting fees paid to various vendors on the development of the project as well as negotiations for the other downstream assets purchased during the period.

RESULTS OF OPERATIONS (CONTINUED)

- Amortization decreased to $170,378 from $403,465 as the recorded impairment on its property, plant and equipment in the prior year. The Company incurred the vast majority of amortization due to accounting treatment under IFRS 16 – leases, and the Company amortized its two right-of-use lease assets. The remainder of amortization expense is from amortization of property plant and equipment and intangible assets.
- Investor communications fees decreased to $1,695 from $56,700 as the Company focused more efforts to raise investor awareness in the prior year during its various acquisitions in the prior year.
- Development and compliance expense decreased to $36,401 from $206,801. Development and compliance expenses incurred relate to the Company's costs to ensure it is compliant with the various jurisdictions of its operations. More compliance costs were incurred in the prior year related to the transactions that occurred.
- Corporate development expense decreased to $125,726 from $718,134. Corporate development consists of expenses incurred to increase the Company's global brand awareness and presence in the Cannabis industry in multiple countries. Fiscal year 2020 was a crucial year for the Company, with the Company completing numerous acquisitions during and subsequent to the period. During the period ended June 30, 2021, the Company has reduced its corporate development expense as a cost-cutting measure.
- Office and sundry expenses decreased to $160,563 from $226,979, the decrease is related to cost-cutting measures.
- Wages and salary decreased to $370,667 from $636,699 as the Company recovered some costs of wages and salaries per the Supply Agreement with Farma C relating to the sale of SGSC in the prior year.
- Regulatory and transfer agent fees decreased to $88,710 from $151,208 as a result of the Company's preparations in the prior period to complete regulatory filings for its acquisitions.
- Rent recoveries increased to $164,505 from expenses of $47,970 in the prior period as a result of the Company's Supply Agreement with Farma C relating to the sale of SGSC in the prior year.
- Share based compensation decreased to $Nil from $2,611,683 as the Company did not grant stock options to directors, officers and consultants and completed various acquisitions through share-based transactions during the period ended June 30, 2021. The Company uses share-based compensation as an alternative to incentivize the management term to return shareholder wealth and as an alternative form of payment to preserve cash.
- Transaction costs increased to $6,023,229 from $5,898,353 and consists of non-cash transaction paid for costs of prior year acquisitions of Organic Flower. In the prior year, the Company's costs of acquisitions related to Sanna and TGC.
- Other general and operating costs decreased to $123,286 from $209,883 and consist mostly of operating activities in Europe.
- Research and development costs decreased to $Nil from $118,000 as the Company completed several acquisitions and continued to develop its products to be ready for sale in the prior year but only completed one acquisition in the current period.
- The Company incurred decreased production costs of $28,193 from $635,378 mostly related to its manufacturing facility in Winnipeg for edible productions during the prior period. In the current period, these costs were not incurred and the Company sold its subsidiary.
- The Company incurred property taxes and fees of $304,882 which are related to the properties owned by its subsidiaries during the period ended June 30, 2021.
- The Company recognized a fair value movement gain on convertible loan receivable of $Nil compared to a gain of $4,140,428 in the prior period. The decrease relates to the write-off of the loan receivable in the prior year.
- Loss on equity accounted investments increased to $2,386,615 from $915,279 as a result of equity accounted investments reporting higher losses.
- The Company recorded $15,103,430 gain on debt settlement (2020: $230,225) as a result of settling debts with certain creditors during the period ended June 30, 2021 and convertible debenture holders converting their debentures to shares of the Company.

(Expressed in Canadian Dollars)

RESULTS OF OPERATIONS (CONTINUED)

- The Company earned revenues of $591,858 from $822,379 from sale of consumer cannabis products, which had costs of $287,458 and $456,846 respectively. In the current period, the Company has been able to reduce costs and improve its profit margin despite lower revenues.
- The Company wrote-off accounts receivable of $19,180 (2020: $Nil) primarily due to the CRA denying the Company of GST/HST claims.
- The Company recorded $537,264 for write-off of accounts payable (2020: $29,039) as a result of the Company deeming that certain amounts will not be paid.
- The Company recorded interest income of $321,476 (2020: $5,984) as a result of interest earned on its loan receivables during the year.
- The Company recorded a gain on loan payable of $19,546 (2020: $Nil) related to a gain on the loans received from JJ Wolf.
- The Company recorded government grant revenue of $60,682 (2020: $Nil) as a result of the Company receiving government CEBA loans during the year ended December 31, 2020 and recording the revenue earned during the period. The Company repaid one of its loans and recognized the government grant revenue on repayment in the current period.
- The Company recorded royalty revenues of $94,456 (2020: $Nil) as a result of the Royalty Agreement with Farma C relating to the sale of SGSC.
- The Company recorded a loss on sale of marketable securities of $1,203,157 (2020: $Nil) as a result of selling the shares received from OGI on the sale of SUHM Investments Inc.
- The Company recorded a loss on dilution of ownership in subsidiary of $210,494 (2020: $Nil) as a result of partial sale of its ownership in SUHM Investments Inc. to 54.18% during the period.
- The Company recorded a gain on sale of subsidiary of $143,138 (2020: $Nil) as a result of the sale of its remaining ownership in SUHM Investments Inc. to OGI and the sale of 100% of its shares of AAA Heidelberg Inc. to a third party in the current period.

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

	Six-month period ended June 30,	
	2021	**2020**
	$	**$**
Management fees	365,878	1,523,159
Research and development consulting fees	-	178,860
Advisory and business development consulting fees	537,078	2,040,784
Marketing consulting fees	16,654	270,520
Security consulting fees	-	10,150
Total	919,610	4,023,473

REVENUE AND COST OF SALES ANALYSIS

	Six-month period ending June 30	
	2021	**2020**
	$	**$**
Sales	591,858	822,379
Cost of goods sold	(287,458)	(456,846)
Gross profit	304,400	365,533
Gross profit %	51%	44%

- The Company sales include various hemp health products and cannabis to pharmacies, medical and recreational customers. The majority of the sales were earned in the Company's subsidiary, The Good Company GmbH.
- Cost of goods sold include all expenditures related to the products. This includes ingredients and manufacturing costs, as well as cost of purchasing the products.

(Expressed in Canadian Dollars)

REVENUE AND COST OF SALES ANALYSIS (CONTINUED)

- The Company's revenues decreased to $591,858 from $822,379 in the prior period. The Company has a gross profit of 50% which reflects the Company's growth and initiation of sales during the current fiscal year. The increase indicates that the Company was able to reduce its costs in the current period and improved its profits.

LIQUIDITY

Liquidity and Capital Resources

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

The Company has financed its operations to date through the issuance of common shares.

	June 30, 2021 $	December 31, 2020 $
Working capital (deficit)	1,959,781	(24,519,416)
Total liabilities	27,417,907	58,004,320
Deficit	(202,512,550)	(207,377,315)

Other than the above-mentioned current liabilities, the Company has no short-term capital spending requirements and future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

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.

LIQUIDITY (CONTINUED)

Liquidity and Capital Resources – Cash Flow

Operating Activities:

During the period ended June 30, 2021, $9,999,217 (2020 - $4,660,112) cash was used in operating activities. This consisted mainly of cash paid for consulting, corporate development, and day to day expenditures related to the various transactions and acquisition completed during the period. In the comparative period, extensive due diligence was performed for the acquisitions completed in the prior year, more cash was used due to overall higher operating activities, therefore it is reasonable that the cash used was higher comparatively.

Financing Activities:

During the period ended June 30, 2021, $938,963 cash was provided by financing activities (2020 - $11,197,95). The Company repaid lease liabilities of $189,879 and received loan proceeds of $180,674, and received cash of $948,168 for the sale of AAA. In the prior year the Company acquired an additional lease through its acquisition of Sanna. In the comparative period, the Company issued convertible loans for gross proceeds of $9,770,000, received loans of $160,000, issued shares for $1,549,350 and repaid lease liability of $ $109,031 as a result of implementation of IFRS 16.

Investing Activities:

During the period ended June 30, 2021, $13,179,927 was received from investment activities (2020 - $10,295,145 used in). This primarily consists of equipment recoveries of $5,198,621, recoveries of patents of $138,111, sale of marketable securities received from the sale of SUHM, and advances made of $7,729. The Company is working on funding the needs of the Company's subsidiaries. In the Comparative period, the Company made payments on investments in PSC, and property plant and equipment, and received a dividend.

Management's current strategy is to continue vertical integration through acquisition and partnership with different companies. The Organic Flower acquisition in Q2 and Q3 2019 and the Sanna and The Good Company acquisitions in 2020 has made the company truly vertically integrated and will allow the Company to achieve high margins on the sales of cannabis as well as expand the company's distribution capabilities. Edible prices generate extremely attractive margins and this market segment will allow the company to be very profitable. The edibles industry in the US and Canada is expected to double in the next 3 years and the Company through the Organic Flower acquisition now has assets in every part of the value chain. The Company will also issue shares to raise funds as necessary.

In the event that proceeds from any future financings are insufficient to cover planned expenditures, Management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a significant reduction in the scope of existing and planned operations.

These financial statements do not reflect any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the consolidated financial statements for the period ended June 30, 2021.

(Expressed in Canadian Dollars)

INVESTOR RELATIONS

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

COMMITMENTS

During the year ended December 31, 2019, the Company entered into Supply Agreement with Vendure Genetics Labs Inc. ("Vendure") to purchase from Vendure certain plants, plant matter, related plant-based products and Vendure's right, title and interest, including the intellectual property rights in the products for a purchase price of $200,000 (paid) and 281,690 common shares (issued with a fair value of $146,478). Under the agreement, the Company is committed to issue a further $200,000 worth of common shares at the time of awarding Cannabis Cultivation license, and a further number of shares equal to $150,000 per year on each of March 31, 2020, March 31, 2021, March 31, 2022, and March 31, 2023. During the year ended December 31, 2020, the Company terminated the agreement with Vendure and settled $220,000 of debt with the issuance of 4,000,000 common shares and recorded a gain on debt settlement of $10,000.

During the year ended December 31, 2019, the Company entered into a Lease Agreement for a leased facility in Manitoba. On April 6, 2021, the Company sold its subsidiary and no longer has commitments for lease amounts subsequent to the sale.

During the year ended December 31, 2020, the Company acquired from Sanna a right-of-use asset for a leased manufacturing facility in Ontario. The lease expires on December 31, 2029 with option to extend the lease term of two additional terms of five years each and has the following estimated annual payments:

April 2021 – December 2022	$225,000 per annum
January 2023 – December 2024	$240,000 per annum
January 2025 – December 2026	$255,000 per annum
January 2027 – December 2029	$270,000 per annum

Legal Claims

The Company has legal claims related to Sanna Health Corp.'s past termination of its former President and CEO who was terminated before Sanna was acquired by the Company for cause due to derelection of duties. The former President and CEO is claiming accrued and unpaid amounts of $137,976, total damages of $1,300,000, and entitlement of 6,000,000 restricted share units and 6,800,000 fully-vested shares (with strike price of $0.16) in Sanna Health Corp., and punitive damages of $250,000. The Company believes these claims are without merit and will vigorously defend itself.

Release of Claims

On March 17, 2021, an arm's length consultant (the "Consultant") acknowledges receipt and sufficiency of the payment of $27,500 ("settlement amount") from the Company and/or AAA, and the issuance of 370,106 common shares of the Company (issued in the prior year). The Consultant hereby irrevocably release the Company and AAA and their respective officers, directors, shareholders, agents from any and all claims, liens, demands, contracts, debts, actions, and causes of action that the Consultant has, shall, or may have in connection with:

i) the design and construction of a medical marijuana facility;
ii) the agreement for consulting, construction and design services and;
iii) the Claim for Lien registered by the Consultant against the Project Lands on April 16, 2020

(Expressed in Canadian Dollars)

COMMITMENTS (CONTINUED)

Mortgages Payable

During the period ended June 30, 2021, the lender of the Company's mortgages payable has called the mortgages by way of Power of Sale, in which the lender will sell the property, repay themselves and send any amounts in excess of the loan and fees to the Company. The lender may also Foreclose on the property, in which the Company would not receive any excess. The property is listed for sale by the lender, and the Company has filed a legal claim against the lender, the outcome of this claim is currently unknown.

CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US$209,403 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company retained Peruvian legal counsel who advised that the Company is not responsible for this obligation.

The most recent contact from Peru indicates that the order has been dropped but the Company has not received formal notice of such release. No amounts have been recorded in the Company's books and records regarding this issue.

RELATED PARTY TRANSACTIONS

The Directors and Executive Officers of the Company as of the date of this report are as follows:

Elise Coppens	CEO, Director
Fiona Fitzmaurice	CFO
Brandon Boddy	Former CEO and Chairman and Corporate Secretary
Peter Nguyen	Former CFO
Brian O'Neill	Director
Jerry Habuda	Director
Joseph Perino	Director
Christopher Hornung	Former Director

On May 1, 2021, the Company appointed Fiona Fitzmaurice as the new Chief Financial Officer.

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the periods ended June 30, 2020 and 2021:

Period ended June 30, 2021	Consulting and Management Fees $	Share-based Compensation $
Consulting fees paid/accrued to a private company controlled by the former CFO	42,500	-
Consulting fees paid/accrued to a private company controlled by the CFO	9,040	-
Consulting fees paid/accrued to a private company controlled by the CEO	90,400	-
	141,940	-

(Expressed in Canadian Dollars)

RELATED PARTY TRANSACTIONS (CONTINUED)

Period ended June 30, 2020	Consulting and Management Fees $	Share-based compensation $
Legal fees paid/accrued to a private company controlled by a director	7,950	56,433
Directors	-	112,866
Consulting fees paid/accrued to a former director	66,000	-
Consulting fees paid/accrued to a company controlled by the former Corporate Secretary	34,978	-
Consulting fees paid/accrued to a private company controlled by the former CFO	56,000	-
Consulting fees paid/accrued to a private company controlled by the former CEO	140,465	135,440
	305,293	304,739

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At June 30, 2021, $110,378 (December 31, 2020 - $165,778) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.
IFRS 13, *Fair Value Measurement,* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash, marketable securities and accounts payable and accrued liabilities are measured using level 1 inputs.

(Expressed in Canadian Dollars)

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (Continued)

The following is an analysis of the Company's financial assets measured at fair value as at and December 31, 2020 and June 30, 2021:

	As at June 30, 2021		
	Level 1	**Level 2**	**Level 3**
Cash	$ 4,385,876	-	-
Derivative liabilities	-	-	$ 28

	As at December 31, 2020		
	Level 1	**Level 2**	**Level 3**
Cash	$ 274,390	-	-
Derivative liabilities	-	-	$ 10,138,800
Contingent consideration	-	-	$ 5,000,000

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, convertible debentures receivable and loans receivable. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable and convertible debentures receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; the other loan is unsecured. The convertible debentures receivable is convertible into shares of the entity.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with the construction of its cannabis facilities in Ontario and British Columbia. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at June 30, 2021 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company will need additional funding through equity or debt financing, or a combination thereof, to complete its facilities.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (Continued)

Interest rate risk
Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is not exposed to interest rate risk as its agreements are all done with fixed interest rates.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. One of the Company's subsidiary's business is conducted in Euro. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, the Euro. Fluctuations in the exchange rate among the Canadian dollar and the Euro may have a adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

Capital risk management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, and the experience of management. The Company is not subject to any external covenants on its capital.

ADDITIONAL SHARE INFORMATION

On August 27, 2021, the Company completed a share consolidation where all of its issued and outstanding share capital were consolidated on the basis of one (1) post-consolidation share for each one hundred and fifty (150) pre-consolidation common shares of the Company.

As at the date of this MD&A, the Company had 12,986,373 common shares outstanding, 2,329,154 warrants outstanding with exercise prices ranging from $7.50 to $75.00 and expiring at various dates to July 8, 2025 and 816,601 stock options outstanding with exercise prices ranging from $11.25 to $82.50 and expiring at various dates to April 30, 2025.

On July 19, 2021, the Company issued 5,359 shares with a fair value of $16,076 to settle debts owing for services rendered.

NEW SIGNIFICANT ACCOUNTING POLICIES

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

OTHER RISKS AND UNCERTAINTIES

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's interests.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments.

Risks Related to the Company's Business

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

Reliance on Licensing

The ability of the Company to continue its business of growth, storage and distribution of medical 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 Company.

Although the Company believes that it will meet the requirements of future extensions or renewals of the licenses, there can be no assurance that the regulating bodies will extend or renew the licenses, or if extended or renewed, that they will be extended or renewed on the same or similar terms. Should the regulatory bodies not extend or renew the licenses, or should they renew the licenses on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Change in Law, Regulations and Guidelines

The Company's business is subject to a variety of laws, regulations and guidelines relating to marketing, distribution, cultivation, management and sale and disposal of medical 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 Company's operations. The Liberal Party of Canada, which has formed the current federal Government of Canada, has made electoral commitments to legalize, regulate and tax recreational cannabis use in Canada. On April 13, 2017, the Government of Canada introduced the Cannabis Act. On June 19, 2018, Prime Minister Justin Trudeau announced that the Cannabis Act and its regulations will come into force in Canada on October 17, 2018, 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.

Regulatory Risk

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

Realization of Growth Targets

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

Limited Operating History and No Assurance of Profitability

The Company is subject to all of the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization, cash shortages, limitation with respect to personnel, financial and other resources, and lack of revenues. The Company has incurred operating losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future.

In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

Unfavorable 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.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Additional Financing

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

Uninsured or Uninsurable Risk

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

Key Personnel

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

Strategic Alliances

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

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

New Product Development

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

Litigation

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

Agricultural Operations

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

Transportation Disruptions

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

Fluctuating Prices of Raw Materials

The Company'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 Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Growth Expansion Efforts

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

Execution of Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the results of operations, business prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

OTHER RISKS AND UNCERTAINTIES (CONTINUED)

Market Risk for Securities

The market price for the Common Shares of the Company could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of the early stage of the industry in which the Company intends to operate, the Company expects to face additional competition form new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To be competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially affect the business, financial condition and results of operations of the Company.

Global Economy

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

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the SEDAR at www.sedar.com.