SATIVA WELLNESS GROUP INC. (FORMERLY STILLCANNA INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED December 31, 2020

FORM 51-102F1

DATE AND SUBJECT OF REPORT

The following Management Discussion & Analysis ("**MD&A**") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of SATIVA WELLNESS GROUP INC. (hereinafter "**Sativa**" or the "**Company**") for the year ended December 31, 2020.

This MD&A has been prepared with an effective date of April 30, 2021 and should be read in conjunction with the Company's December 31, 2020 audited consolidated financial statements as filed on SEDAR.

SCOPE OF ANALYSIS

The following is a discussion and analysis of SWEL (formerly STIL). The Company reports its financial results in Great British Pounds and in accordance with International Financial Reporting Standards ("**IFRS**"). All reported financial information includes the financial results of SWEL and its subsidiaries.

FORWARD LOOKING STATEMENTS

Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements.

Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainty of estimates of capital and operating costs, production estimates and economic return; the assumption that the Company is fully compliant with regulatory filing and continued listing requirements; uncertainties regarding completion of the Company's joint venture extraction facility and associated production

approval; uncertainties regarding the Company's ability to obtain GMP certification; uncertainties regarding the Company's ability to meet its contractual obligations, including the ability to meet supply requirements; uncertainties regarding the ability of the Company to meet the requirements of the EU marketplace; uncertainties regarding the Company's relationships with certain joint venture partners; uncertainties regarding current and potential litigation arising from certain contractual relationships and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are made as of December 31, 2020 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

GENERAL BUSINESS AND DEVELOPMENT

Sativa Wellness Inc. is a publicly traded corporation incorporated in Canada with offices located at Suite 409 - 221 W. Esplanade North Vancouver, V7M 3J3 , Canada, and The Blue Building, Stubbs Lane, Beckington, Somerset, BA11 6TE, UK. The Company's common shares are traded on the Canadian Securities Exchange ("**CSE**") and the Apex segment of the AQSE Growth Market ("**AQSE**"), under the trading symbol "SWEL", and is quoted on the over-the-counter ("**OTC**") market in the United States under the trading symbol SCNFF, and the Frankfurt Stock Exchange "FSE", under the trading symbol 484.

Sativa Wellness Group Inc. is a trusted wellness company, that operates in the United Kingdom and the European Union. The Group incorporates CBD extraction, wholesale bulk isolate and distillate sales, CBD and white label sales, cannabinoid laboratory testing, COVID travel testing and other personal wellness testing.

The Company owns an extraction facility in Poland, producing CBD isolate and distillate, and a production plant in the UK. Both Poland and the UK have testing laboratories. Sativa sells wholesale and white-label CBD to other businesses and owns and operate a variety of brands that market CBD in the retail space. The Company's Goodbody Clinic provides COVID testing from two proprietary retail stores, multiple pharmacies across the UK and mobile clinics.

On September 24, 2020, the Company acquired all of the issued and outstanding shares of Sativa Group Plc. ("Sativa") through a share exchange at a ratio of approximately 0.33507 common shares of the Company for one common share of Sativa. The exchange ratio attributed an implied value for the entire issued share capital of Sativa of approximately £10,662,680 ($18,175,604) based on the closing price of a share of the Company at $0.095 on April 21, 2020.

Prior to the acquisition, Sativa, through its subsidiaries, operated four separate businesses: Goodbody Botanicals, Sativa's primary retail subsidiary which sells CBD products and hand sanitizer online, to high street stores and directly to consumers through a number of online channels; Goodbody Wellness, Sativa's high street own retail store offering and prestige CBD wellness centre brand; PhytoVista Laboratories, an independent analytical hemp and CBD testing facility providing support to retailers, distributers and manufacturers by expertly testing the cannabinoid level of the hemp and CBD products they are supplying and also for contaminants; and Sativa Cultivation and Extraction, which cultivated and extracted high THC medicinal cannabis under Home Office licence for research purposes, to fulfil its research partnership with King's College London.

In addition, Sativa Germany GmbH ("**Sativa Germany**"), a German company established to secure licenses for the distribution of medical cannabis products in Germany, and the sale and distribution of CBD products, in which Sativa holds a 60% interest.

The combination of Sativa Group with the company has led to an integrated wellness consumer group, with the products, assets, technical expertise and capabilities to meet the needs of customers across the CBD, health testing and wider wellness sector. The merger brings together Sativa's manufacturing, laboratory testing expertise, and CBD wellness products and brands, with Stillcanna's hemp cultivation knowledge and extraction capabilities, alongside a shared belief in regulatory compliance.

BUSINESS UPDATE AND OUTLOOK

COVID Testing

In November, the Company announced the opening of the Goodbody Clinic in the company's Goodbody Wellness store in Bath, providing COVID PCR, antigen and antibody testing for those who want to find out if they have had COVID 19 and to see if they have developed antibodies. Customers book an appointment online and attend in-store to self-administer the tests guided by a trained medical professional. The test samples are sent to accredited laboratories, with express "next day" delivery service available for PCR tests, delivering certificates via email and SMS. Rapid antigen and antibody results are available within 15 minutes. The successful initial launch was expanded to the company's Bristol Goodbody Wellness store, with COVID Testing contributing to the record month to date of sales achieved in December.

AQSE – Apex Segment

In December Sativa qualified for the new Aquis Stock Exchange Apex segment of the AQSE Growth Market, which requires a minimum market capitlisation of £10 million, at least 25% of shares in

public hands, two market makers, a minimum 2-year trading history, and the adoption of a recognized governance code. In meeting the above criteria, the Company expects more retail and institutional interest, leading to higher trading volumes, and an enhanced ability to use its APEX segment public market status to raise money.

COVID-19

The outbreak of COVID-19 has interrupted the Company's business initiatives and resulted in the temporary closing of its Polish factory and closure of retail stores in the UK due to social distancing and other actions implemented by the respective governments. In response to these restrictions the Company implemented various measures to help mitigate the impact of COVID-19, including staff redundancies, furloughing staff and cutting discretionary spend. The Nexus facility in Poland has re-opened, operating under reduced capacity due to COVID-19 working practices and the resulting trading environment. The Company is also streamlining its group structure, by consolidating operating companies to reduce overheads going forwards.

B2B and Customer Websites

The Group launched a new corporate business-to-business ("**B2B**") website, https://sativawellnessgroup.com. The website details the group's offering in terms of COVID Testing, extraction, manufacturing, laboratory testing, white label services, and CBD brands. The site also includes a comprehensive 'Investor Relations' page, providing shareholder information, press releases, investor presentations and video interviews. The Group also launched a new customer website https://goodbodystore.com, combining the Goodbody Botanicals and Goodbody Wellness brands under one umbrella website, facilitating more efficient investment in online marketing spend.

Goodbody Botanicals

In response to the COVID-19 global pandemic, the Company adjusted its UK production facilities to launch a range of company branded and customer branded sanitizer products, achieving record month to date of sales for the group as a whole in July.

The Company launched a range of CBD with Vitamin D under the Goodbody Wellness premium brand, in multiple flavours. This facilitates consumers to combine their recommended daily supplementary dose of Vitamin D, with their chosen CBD option, especially important in the winter months.

The launch of its COVID testing clinics in November, through the existing retail outlets, then led to a further record month in December

Extraction Initiatives

Over the past year the Company has been focused on the completion of its extraction facility in Poland, called Nexus. The Nexus facility is optimized to make pure CBD crystal "isolate" and its chromatography equipment produces THC-free Distillate for the EU marketplace. The Nexus facility was built using a proprietary closed-loop ethanol extraction process entirely cooled by

liquid nitrogen, one of the few such facilities in Europe. The entire process runs at minus 70 degrees Celsius and streamlines the extraction process with a unique winterization methodology. The facility has been manufacturing products under the licenses obtained through the Olimax acquisition, and applications are in progress for new, additional licenses. During the COVID-19 epidemic the Company has focused on obtaining its HACCP accreditation. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

Novel Food Application

The Company progressed its Novel Food application, with in-house scientists and quality/compliance professionals partnering with Global Regulatory Services ("**GRS**") of the UK, an award-winning global consulting firm with a specialty in Novel Food applications. The Company announced in September its membership of the Association for the Cannabinoid Industry ("**ACI**") Novel Food consortium and its landmark toxicology and genotoxicity studies, which will augment the submission of the Company's own Novel Food application dossier. The toxicology study will provide safety data that is required for Novel Food dossiers to be validated by the UK Food Standards Agency ("**UK FSA**"), and for products to remain available on the market after 31 March 2021. The Company submitted its active ingredients for third party stability testing and worked with both GRS and the ACI on documenting supply chain custody, product composition, nutritional information, manufacturing processes, bioavailability and end consumer use of its ingestible CBD wellness products.

Agricultural Initiatives

This year the Company has taken a multi-pronged approach to its farming initiatives including commissioning farmers to plant on certified organic land in conjunction with growing agreements with multiple European based hemp farmers. All biomass will be farmed in accordance with Good Agricultural Practice.

The Company's strategy of using agricultural partnerships is designed to assure the Company has access to the highest CBD content and EU compliant biomass available in Europe, while reducing agricultural and financial risks.

The Global CBD Marketplace

The CBD wellness products and wholesale bulk ingredient markets continue to see strong demand from consumers, wholesalers, manufacturers and brand owners; however, the number of producers continues to increase, leading to a worldwide drop in wholesale and retail prices. Globally, CBD continues to be incorporated within a range of new consumer end products, such as cosmetics and edibles.

The regulatory environment continues to be fragmented; the UK FSA is setting a global benchmark in terms of consumer product safety with the implementation of Novel Foods in 2021, which will raise quality standards across the industry, and result in a barrier to entry for new brands and suppliers to the market. During 2020, the EU Food Safety Authority ("**EU FSA**") paused their Novel

Food process, whilst the European Commission ("**EC**") opined on whether CBD should be considered a narcotic; in Q4 following the landmark ruling from the EU's highest court, the EC concluded that CBD qualifies as a food and not a drug and is therefore subject to EU law on the free movement of goods among member states. Subsequently, the EU FSA has resumed reviewing Novel Food authorisation applications for CBD products, a decision which is welcomed by the Company, which operates CBD extraction and production in the UK and Europe.

The Company intends to submit its Novel Food dossier that it submitted to the UK Food Standards Agency (UK FSA) in parallel to the EU FSA, once the required data is collated.

Sativa's focus is the European marketplace, which comprises the UK, the EU and the balance of Europe. The UK is the leading consumer market for retail CBD products, followed by countries such as Italy and Germany, with strong growth in emerging CBD markets such as Poland and the Czech Republic.

Sativa Wellness Group produces an entirely EU-based compliant product and feels it is uniquely positioned to meet the requirements of the EU marketplace. Hazardous and Critical Control Process ("**HACCP**") and Good Manufacturing Practices (**GMP**) certificates greatly increase the value of an extraction Company's products.

Medicinal Cannabis – Q4 Developments

United Nations:
The United Nations has considered a number of recommendations from the World Health Organisation (WHO) to reclassify cannabis and its derivatives, and recently voted in favor to remove cannabis from Schedule IV of the 1961 UN Single Convention, the category of the world's most dangerous drugs. The Company believes that this long-anticipated decision, whilst having no immediate effect on local government classification at a country level, opens the door to recognising the medicinal and therapeutic potential of cannabis, and paves the way for additional scientific research, such as the Companies research partnership with King's College London into the efficacy of different cannabinoids in treating respiratory conditions.

US House of Representatives:
The US House of Representatives recently passed a federal bill to decriminalise cannabis at the national level. Whilst cannabis has been decriminalised in several states in the US, including California, Colorado, Nevada and Washington, it remains illegal at the federal level. The House calls for removing cannabis from the list of federally controlled substances and clears the way to erase certain federal convictions.

Whilst this bill is the first step to approval at the federal level – to become law, the bill needs to pass the Senate and be signed by the president – if passed into law, it would bridge the gap between state and federal legislation and facilitate the emerging industry and access to medicinal cannabis across the US.

Post Year End

Board changes:

At the Annual General and Special Meeting of shareholders on January 26, 2021 Henry Lees-Buckley and Jason Dussault did not restand as Directors and the vacancies were filled by Geremy Thomas and George Thomas. Following this, on February 4, the Company announced a number of changes of directors and officers. Geremy Thomas was appointed Executive Chairman and interim CEO. A number of other resignations and appointments were made, please refer to the appointments and resignation of directors and executive directors' section below. On April 28, the Company announced the appointment of Marc Howells as a Director and CEO, and Anne Tew as a Director and CFO, with Geremy Thomas stepping down as interim CEO and continuing as Executive Chairman.

Dispute settlement:
The Company's wholly owned subsidiary, Borganic Consulting Inc., reached a settlement in February 2021 with Dragonfly Biosciences Limited over its dispute regarding the joint venture company Premium Extractions Ltd ("PEI"), and the associated ORIGIN extraction facility. The settlement passed over the control of the Romanian facility to Dragonfly Biosciences Limited for and agreed value and included an agreement for the ongoing commercial supply of CBD.

Novel food application:
On March 15, the Company announced the submission of its Novel Food application to the UK Food Standards Agency ("FSA") ahead of the 31 March 2021 deadline, as part of the Company's ongoing commitment to continually deliver the highest level of regulatory compliance and product quality.

Food safety:
In March, the Company announced it had secured accreditation of its Hazard Analysis and Critical Control Point ("HACCP") system from global quality and certification company LL-C Group, and confirmation that its operations meet the requirements of Good Manufacturing Practice ("GMP") and Good Hygiene Practice ("GHP") standards for food manufacturing at its Polish facility.

Covid Testing:
The Goodbody Clinics continued to perform strongly in Q1 2021, announcing on March 10 of achieving the threshold of £1,100,000 ($2,000,000) in bookings driven by strong performance of company owned clinics, expansion to multiple pharmacy clinics and mobile clinics. The Company has been successful in listing on the UK governments 'Test to Release' website to offer 2- and 8-day quarantine tests for travelers returning to the UK.

Placement:
On April 9, the Company announced the closing of the first tranche of its non-brokered private placement, issuing an aggregate of 45,888,730 Units at a price of C$0.07875 per Unit for aggregate gross proceeds of C$3,613,737.49 (£2,087,367 converting from CAD to GBP at the closing spot rate on April 9, 2021 of $1 = £0.57762). The finder's fee was a further issue of 1,270,000 units plus finders warrants of 1,270,000.

Laboratory Accreditation:
The Company announced on April 21 that the subsidiary PhytoVista Laboratories had been granted accreditation to ISO/IEC 17025:2017, General requirements for the competence of testing and calibration laboratories.

Selected Annual Information

Year Ended:	December 31 2020	December 31, 2019	December 31, 2018
	£	£	£
Revenue	1,994,224	1,449,493	260,539
Gross profit	1,123,693	754,197	110,388
Selling, general and administrative (SG&A) Expenses	5,628,738	4,551,725	1,969,000
Net loss for the year	(4,505,067)	(3,797,528)	(1,858,612)
Basic and diluted loss per share (Pence)	(2.77)	(4.77)	(4.78)
Balance Sheet Data:			
Cash and short-term investment	1,872,597	1,992,531	3,742,721
Total assets	8,209,536	4,551,689	5,248,804
Accounts payable and accrued liabilities	1,066,908	349,358	281,304
Total liabilities	1,925,047	1,050,478	281,304
Shareholders' equity	6,284,489	3,501,211	4,967,499
Cash Flow Data:			
Increase (decrease) in cash for the year	(119,934)	(1,750,190)	3,743,000

RESULTS OF OPERATIONS

The Company incurred a net and comprehensive loss of $4,455,045 for the year ended December 31, 2020.

Review of Consolidated Financial Information for the year ended December 31, 2020 compared to the year ended December 31, 2019

Results of Operations		**December 31, 2020**		**December 31, 2019**
Revenue	£	1,994,224	£	1,449,493
Gross profit	£	1,123,693	£	754,197
General and administration	£	1,772,685	£	1,426,231
Management and consulting fees	£	352,116	£	130,771
Wages and benefits	£	1,615,957	£	1,502,331
Professional fees	£	1,143,242	£	524,142
Share-based payment charges	£	1,105,837	£	729,659
Other income and expenses	£	(79,212)	£	238,591
Loss before income tax	£	(4,786,932)	£	(3,797,528)

Income tax recovery	£	128,172	£	-
Currency translation adjustment	£	153,693	£	-
Net and comprehensive loss	£	(4,505,067)	£	(£3,797,528)
Basic and diluted loss per common share (Pence)		(2.77)		(4.77)

Financials results for the year ended December 2020 were converted from CAD to GBP at the closing spot rate on December 31, 2020 of £1.00 = $1.71373.

Revenue

The Group recorded revenues of £1,994,224 in the year ended 2020, representing growth of £544,731 (+27%) on 2019 (£1,449,493) on a backdrop of lockdown due to COVID. This was driven by the launch of COVID-19 testing in Q4, the hand sanitizer range of products launched in Q2, and post-acquisition revenues from the sale of bulk isolate and distillate from the Nexus extraction facility in Poland compensating for a decline in CBD retail sales (company owned stores and high-street retailers) and laboratory testing due to COVID-19.

Gross profit margin

Gross profit increased by £369,496 (+33%) from the prior year, to £1,123,693 in the year ended 2020, representing an improvement in margin of 4.3pts to 56.3%, driven by the impact of higher-margin COVID testing revenues, a decrease in the cost of bulk price of CBD isolate in 2019 and early 2020 as more hemp growers and extractors entered the market, and efficiencies gains from the purchase of an automated bottling line.

General and administration

The Company incurred general and administrative expenditure of £1,772,685 in the year ended 2020, an increase of £346,454 (20%) compared to 2019 (£1,426,231). £161,848 of the increase is due a higher depreciation charge in the period, due to the incorporation of the Olimax charges for the Nexus extraction facility post acquisition, and investments in plant and machinery, computer equipment, and leasehold improvements in the period. Amortization of intangibles post the acquisition of Sativa Group Plc accounts for £16,667 of the increase. £94,395 of the increase relates to increased insurance premiums due to the complexity of the enhanced group, and £101,521 of the increase relates to advertising costs, associated with PPC costs from COVID testing clinics, the launch of the sanitizer range, corporate promotional activity in North America, and drive for online sales. These increases were partially mitigated by £109,115 of savings in travel and entertaining.

Management and consulting fees

Management and consulting fees were £352,116 in the year ended 2020, compared to £130,771 during 2019, an increase of £221,345 (63%), primarily driven by termination payments to Stillcanna management team, and M&A consulting costs in relation to the transaction.

Wages and salaries

Wages and salaries were £1,615,957 in the year ended 2020, compared to £1,502,331 in 2019, an increase of 7%. This is due to the full year impact of a previous CEO who joined the Company part way through 2019, Olimax and Stillcanna staff costs post acquisition (not reported in the prior year) and investment in marketing and operations headcount, off-setting cost cutting measures implemented by management to mitigate the impact of COVID-19

Professional fees

Expenditure on professional fees were £1,143,242 in the year ended 2020, representing an increase of £619,100 (54%) on 2019 (£524,142). The increase spend relates to legal and advisory costs relating to the RTO acquisition of Stillcanna Inc. via a scheme of arrangement, totaling £226,253, including £55,434 ($95,000) in shares relating to an advisor finder's fee arrangement. Other cost drivers include increased audit and accountancy fees due to the complexity and multi-jurisdiction of the enlarged group, legal costs relating to the Dragonfly dispute, and Novel Foods. These increases were mitigated by a reduction in board and advisor fees.

Share-based payment charges

Share-based payment charges, a non-cash expense, totaled £1,105,837 in the year ended 2020, an increase of £376,178 on 2019 (£729,659). The increase is due to a charge relating to options awarded in Q2 2020 that vested immediately, after the implementation of a new management incentive plan ("MIP") to incentivise senior staff, and advisors as well as to replace the existing options held by Directors of Sativa. The MIP shares are non-dilutive, as they originate from options granted to the founder, Geremy Thomas, upon admission of the Company to the AQSE Growth Market, who subsequently surrendered the options back to the Company. Awards of forfeited options from leavers were also awarded to current employees.

Other income and expenses

Other income and expenses netted to an income of £79,212 in the year ended 2020, compared to net expenses of £238,591 during 2019, resulting in a positive variance of £317,804. This is predominantly driven by grant and furlough payments from the UK government during COVID-19 totaling £171,257, interest income from fixed term deposits of £36,514, netted against assets disposals, realised loss on investments and an impairment charge to inventory relating to obsolete product labels and cartons. In 2019, the Company recognised a £137,297 of unrealised loss on listed investments.

Net and comprehensive loss

The Company realised a net comprehensive loss of £4,505,067 in the year ended 2020, compared to a loss of £3,797,020 during 2019, after the recovery of £128,172 of R & D tax credits in the UK, and £153,693 of currency translation adjustments.

Other Items

Goodwill Impairment:

Management performed a test of the carrying value of goodwill arising on the acquisition of Sativa Group PLC, and determined that the fair value of the cash generating unit exceeded the carrying value. The intangible assets recognized in relation to the acquisition of customers (£800,000) were tested for impairment, with no charge arising during the year.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recent quarters:

Quarter Ended	Total revenue	Total expenses	Comprehensive loss for the period	Basic and Diluted Loss per share

December 31, 2020	£	781,170	£	2,161,185	£	(1,380,015)	Pence	(0.46)
September 30, 2020	£	480,348	£	1,261,459	£	(781,111)	Pence	(0.62)
June 30, 2020	£	374,989	£	1,804,960	£	(1,429,971)	Pence	(1.29)
March 31, 2020	£	357,717	£	1,271,687	£	(913,970)	Pence	(0.82)
December 31, 2019	£	473,959	£	1,849,541	£	(1,375,582)	Pence	(1.24)
September 30, 2019	£	387,317	£	1,247,056	£	(859,739)	Pence	(0.78)
June 30, 2019	£	333,316	£	1,087,268	£	(753,952)	Pence	(1.28)
March 31, 2019	£	254,901	£	1,063,156	£	(808,255)	Pence	(2.08)

Financials results for the year ended December 2020 were converted from CAD to GBP at the closing spot rate on December 31, 2020 of £1.00 = $1.71373.

The quarterly revenue growth trend was disrupted in Q1 2020 due to the impact of the COVID-19 global pandemic impacting March 2020 revenues; January and February 2020 were in-line with management expectations. Operating costs were significantly reduced in Q2 and Q3, including measures to reduce ongoing operating expenditure by closing its retail stores and furloughing non-essential staff, reducing headcount and hours, cutting discretionary spend including marketing and travel.

Q2 and Q3 2020 revenues were augmented by the launch of the hand sanitizer range, with a record month of revenue recognised in July. The increase in expenses in Q2 and Q3 2020 is driven by advisor fees associated with the acquisition of Stillcanna Inc.

The launch of COVID testing in Q4, combined with resumption of wholesale CBD sales from Olimax, drove the 63% increase in revenues on Q3, despite a softer quarter of hand sanitizer sales due to a lockdown imposed by the UK government, resulting in the Company's strongest quarterly revenue performance reported to date. The increase in expenses in Q4 vs the prior period was driven by operating costs relating to COVID testing revenues such as outsourced laboratory tests, termination payments for Stillcanna Inc. management team, stock promotional costs, legal costs relating to the Dragonfly dispute, and concluding professional fees relating to the Sativa transaction.

Review of Consolidated Financial Information for Q4 2020 compared to Q4 2019

Results of Operations		**Q4 2020**		**Q4 2019**
Revenue	£	781,170	£	473,959
Gross profit	£	446,007	£	243,430
General and administration	£	665,918	£	560,814
Management and consulting fees	£	286,265	£	41,972
Wages and benefits	£	442,913	£	489,039
Professional fees	£	524,041	£	73,117
Share-based payment charges	£	69,734	£	286,484
Other income and expenses	£	(9,156)	£	167,586
Loss before income tax	£	(1,533,708)	£	(1,375,582)
Currency translation adjustment	£	153,693	£	-
Net and comprehensive loss	£	(1,380,015)	£	(1,375,582)
Basic and diluted loss per common share (Pence)		(0.46)		(1.24)

Revenue

The Company recorded revenues of £781,170 in Q4 2020, representing growth of £307,211 (+39%) on Q4 2019 (£473,959), driven by very strong COVID testing sales from the launch of Goodbody Clinics, and the sale of bulk isolate and distillate from the Nexus extraction facility in Poland, augmenting a decline in sanitizer sales from the prior quarter due to COVID-19 restrictions during a resumed lockdown in the UK.

Gross profit margin

Gross profit increased by £202,578 from the comparative period, to £446,007 in Q4 2020, representing a margin improvement of 5.7pts to 57.1%, and a 9.1pts margin improvement on Q3 2020. This is due to the change in revenue mix, as detailed above, with the contribution of high margin COVID testing, a decrease in lower margin sanitizer revenues. There was also an impairment to inventory made in Q3 2020 to reflect the rationalization of the range for Novel Food.

General and administration

The Company incurred general and administrative expenditure of £665,918 in Q4 2020, an increase of £105,104 (16%) compared to Q4 2019 (£560,814). This increase was due to incremental spend over the period including expenditure on external laboratory testing relating to the Company's Novel Foods application, depreciation and amortization run rates from the Nexus facility resulting from the incorporation of Olimax results, and an increase in insurance costs, particularly D&O post the merger with Stillcanna. The increases were partially offset by a reduction in travel and other administrative costs as a result of cost cutting measures implemented by the management team to address COVID-19 market conditions.

Management and consulting fees

Consulting fees of £286,265 in Q4 2020 increased significantly (£244,293) compared to the comparative period, due to termination payments for the departure of the Stillcanna management team post acquisition, consulting fees for Geremy Thomas for M&A advisory in the period including in relation to the transaction, and other legacy Stillcanna consultancy costs not reported prior to the acquisition (and therefore not included in the comparative period).

Wages and salaries

Wages and salaries have decreased by £46,126 (10%) on Q4 2019, to a total payment of £442,913 in Q4 2020, due to the reduction in headcount, furlough of staff and closure of retail stores as part of the cost cutting measures implemented by management to mitigate the impact of COVID-19.

Professional fees

Expenditure on professional fees totaled £524,041 in Q4 2020, representing an increase of £450,924 (86%) on spend in Q4 2019. The increase in spend relates to increased audit and accountancy fees due to the complexity and multi-jurisdiction of the enlarged group, final professional fees (legal, broker and public markets fees) relating to the Sativa transaction, legal costs relating to the Dragonfly dispute, and Novel Foods. These increases were mitigated by a reduction in board and advisor fees.

Share-based payment charges

Share-based payment charges, a non-cash expense, totaled £69,734 in Q4 2020, a decrease of £216,750 on Q4 2019 (£286,484). The decrease is due to the impact of vesting criteria reducing the proportion of the charge taken in the current period when compared to the prior year.

Other income and expenses

Other income and expenses netted to income of £9,156 in Q4 2020, compared to net expenses of £167,586 in Q4 2019, resulting in a positive variance of £176,742. This is predominantly driven by grant and furlough payments from the UK government during COVID-19, netted against foreign exchange losses and an impairment charge to inventory relating to obsolete product labels and cartons. The comparative period charge related to unrealised losses on listed investments, subsequently realised in Q1 2020, and asset impairment.

Net and comprehensive loss

The Company realised a net comprehensive loss of £1,380,015, an improvement of £4,432 compared to the £1,375,582 loss incurred in Q4 2019, after £153,693 of currency adjustments.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

On December 31, 2020 and December 31, 2019, the Company had the following liquidity related financial information:

		December 31, 2020		December 31, 2019
Cash and cash equivalents (1)	£	1,872,597	£	1,992,531
Liquid assets	£	2,050,766	£	2,700,384
Quick ratio (2)		1.3		3.3

Total assets	£	8,209,536	£	4,551,689
Total liabilities	£	1,925,047	£	1,050,478
Working capital	£	1,446,052	£	2,100,570
Working capital (current) ratio (3)		2.0		4.5

(1) Liquid assets include cash, receivables, and refundable sales taxes receivable.
(2) Quick ratio is defined as cash and cash equivalents divided by current liabilities.
(3) Working capital (current) ratio is defined as liquid (current) assets divided by current liabilities

Liquidity is defined as the potential that the Company will encounter difficulties in meeting its financial liabilities and other contractual obligations, and the factors that may affect liquidity. Such factors include staff costs and other operating overhead, production and sales levels, capital investment, foreign currency fluctuations, seasonal trends, regulatory initiatives and compliance, income and sales tax refunds, and a rapidly evolving and immature market.

These factors could adversely impact the Company's liquidity, potentially resulting in operating cashflows not being able to meet the Company's working capital requirements. The Company's strategy is to achieve positive cash flows in the medium term, to meet its operating and capital requirements. The Company, whilst in the growth phase of the development life cycle, is not currently cash positive, and whilst the Company has been successful in raising additional capital via the issue of shares in the past, there is no guarantee that the Company could raise capital either through shares or debt in the future on acceptable terms, and therefore is subject to liquidity risk.

The Company proactively monitors liquidity risk, by primarily focusing on liquid assets and working capital, via quick and working capital (current) ratios.

The Company's cash and cash equivalent position declined by £119,934 from the 2019 year end to £1,872,597 as at December 31, 2020, due to the cash inflow of £2,475,617 from the RTO acquisition of Stillcanna Inc, proceeds from investments of £42,629 and the sale of plant and equipment of £139,938, netted against £210,897 of cash outflows relating to the purchase of property, plant and equipment and trademarks, £2,348,095 of net cash used in operating activities, and £184,125 of lease payments. The quick ratio has decreased from 3.3 to 1.3, due to the increase in current liabilities, as a result of the increased size and complexity of operations of the Group, legal and professional accruals, and increased trading volumes.

The working capital (current) ratio has declined from 4.50 at the 2019 year end, to 2.0 as at December 31, 2020, due to the increase in current liabilities, and reduction in liquid assets.

The Company has taken action to maintain working capital and improve liquidity, such as the cost cutting measures implemented at the outset of COVID-19, and engaging biomass suppliers with Tolling contracts rather than standard purchasing contracts, where biomass is paid for in-kind with bulk isolate and distillate.

Cash Flows

Net cash flow		For the twelve months ending December 31, 2020		For the twelve months ending December 31, 2019
Operating activities	£	(2,348,095)	£	(2,612,895)
Investing activities	£	2,412,287	£	(493,133)
Financing activities	£	(184,125)	£	1,355,838
Cash at beginning	£	1,992,531	£	3,742,721
Cash at end	£	1,872,597	£	1,992,531

Review of cash flow in the twelve months to December 31, 2020

Cash used in operating activities was £2,348,095

- Movements in inventory decreased cash by £199,449.
- Movements in trade receivables increased cash by £86,640.
- Movements in trade payables increased cash by £97,443.

Cash flows from investing activities was £2,412,287:

- Cash inflow from the RTO acquisition of Stillcanna Inc., of £2,475,617.
- Cash inflow from the proceeds from the sale of listed investments of £42,629.
- Payments for plant and machinery of £210,897, relating to investment in computer equipment and leasehold improvements, netted against £139,938 of proceeds from the sale of plant and equipment.
- Payments for trademarks was £35,000.

Cash flows to financing activities was £184,125 related to the payment of lease liabilities.

Review of cash flow in the nine months to December 31, 2019

Cash used in operating activities was £2,612,895:

- Movements in inventory decreased cash by £95,751.
- Movements in trade receivables decreased cash by £116,103.
- Movements in trade payables increased cash by £157,602.

Cash outflows from investing activities was £493,133:

- Payments for plant and machinery of £525,350, primarily relating to investment in leasehold improvements for the retail stores, a new bottling line, and computer equipment netted against £27,217 from the proceeds from listed investment and £5,000 of proceeds from the sale of plant and equipment.

Cash flows from financing activities was £1,355,838:

- Proceeds from the placing of shares of £1,484,232.
- Payment of lease liabilities of £94,657.
- Share issuance cost £33,737.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company has determined that its key management personnel consist of executive and non-executive directors of the Company and corporate officers.

The remuneration of directors and key management personnel for the three and twelve month period to December 31, 2020 and 2019 was as follows:

		Three-months ended			Twelve-months ended	
		December 31, 2020	**December 31, 2019**		**December 31, 2020**	**December 31, 2019**
Wages and salaries to Directors and key management	£	164,449	129,378	£	570,881	323,065
Directors Fees	£	37,000	34,875	£	139,033	193,000
Share-based compensation	£	46,240	68,653	£	1,016,986	286,984
	£	**247,689**	**232,906**	£	**1,726,900**	**803,049**

Other related party transactions for the three and twelve month period to December 31, 2020 and 2019 was as follows:

		Three-months ended			Twelve-months ended	
		December 31, 2020	**December 31, 2019**		**December 31, 2020**	**December 31, 2019**
Recharged expenses and sales costs	£	16,196	3,313	£	47,726	13,537
Consultant fees	£	60,000	-	£	60,000	-
Rent	£	30,000	27,500	£	120,000	110,000
	£	**106,196**	**30,813**	£	**227,726**	**123,537**

CONTINUING AND CONTRACTUAL OBLIGATIONS

Contractual obligations	**Payments due by period**	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 5 years**
Lease liability	£	499,640	168,919	147,048	183,674
Leasehold Improvements	£	4,441	4,441	-	-
Other obligations	£	1,420,966	1,420,966	-	-

Total contractual obligation	£	1,925,047	1,594,326	147,048	183,674

Further details of the Company's right of use lease obligations can be found in note 13 of the December 31, 2020 accounts, and leasehold improvements in note 9.

RISKS AND UNCERTAINTIES

The business of the Issuer is subject to certain risks and uncertainties inherent in the cannabis industry. Prior to making any investment decision regarding the Issuer, investors should carefully consider, among other things, the risk factors set forth below.

While this document describes the risks and uncertainties that management of the Issuer believes to be material to the Issuer's business, it is possible that other risks and uncertainties affecting the Issuer's business will arise or become material in the future.

If the Issuer is unable to address these and other potential risks and uncertainties, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of the Common Shares could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that will affect the Issuer:

Risks Related to the Issuer's Business

New Business Area and Geographic Market, and the Issuer's Ability to Implement the Business Strategy in this Area or Market

The Issuer's growth strategy is dependent upon expanding its product and service offerings into a new business area or a new geographic market. There can be no assurance that the new business area and geographic market will generate the anticipated clients and revenue. In addition, any expansion into a new business area or geographic market could expose the Issuer to new risks, including compliance with applicable laws and regulations, changes in the regulatory or legal environment; different customer preferences or habits; adverse exchange rate fluctuations; adverse tax consequences; differing technology standards or end-user requirements and capabilities; difficulties staffing and managing foreign operations; infringement of third-party intellectual property rights; adapting its products for new markets; difficulties collecting accounts receivable; or difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner.

The growth and expansion of the Issuer's business is heavily dependent upon the successful implementation of the Issuer's business strategy. Execution of the Issuer's business strategy is subject to a variety of risks, including operating and technical problems, regulatory uncertainties and possible delays. There can be no assurance that the Issuer will be successful in the implementation of its business strategy. These factors could cause the Issuer's expansion into a new business area to be unsuccessful or less profitable or could cause the Issuer's operating costs

to increase unexpectedly or its sales to decrease, any of which could have a material adverse effect on the Issuer's prospects, business, financial condition or results of operations. In addition, there can be no assurance that laws or administrative practices relating to taxation, foreign exchange or other matters in the markets within which the Issuer intends to operate will not change. Any such change could have a material adverse effect on the Issuer's business, financial condition and results of operations.

There is also an assumption that the UK leaving the European Union will not cause significant financial or operational barriers on import and export of products between the two jurisdictions.

New Industry and Market

The CBD industry and market are relatively new in the European Union and the United Kingdom, and this industry and market may not continue to exist or grow as anticipated or the Issuer may ultimately be unable to succeed in this new industry and market. These producers are operating in a relatively new CBD industry and market. The producers are subject to general business risks, as well as risks associated with a business involving an agricultural product and a regulated consumer product. Within the European Union, the Issuer intends to sell and market its CBD products. To this extent the Issuer needs to build brand awareness in this industry, and in the markets, it operates in through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Issuer's brand and products as effectively as intended, or at all. Competitive conditions, consumer tastes, customer requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets. There are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the CBD wellness industry and market could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Reliance on Licenses and Authorizations

The Issuer's ability to source hemp and extract CBD oil and isolate in various jurisdictions within the European Union and the United Kingdom is dependent on the Issuer's, including but not limited to the Issuer's partners and suppliers, ability to sustain and/or obtain the necessary licenses and authorizations by certain authorities in certain jurisdictions within the European Union and the United Kingdom. The impact of the compliance regimes, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products, operations and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

The licenses and authorizations are subject to ongoing compliance and reporting requirements and the ability of the Issuer, including but not limited to the Issuer's partners, suppliers and joint venture partners', to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in the jurisdictions within the European Union and the United Kingdom and potentially in other foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or

authorizations would have a material adverse impact on the business, financial condition and operating results of the Issuer, including but not limited to the Issuer's subsidiaries.

Although the Issuer believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, the Issuer may be curtailed or prohibited from the production and/or extraction of CBD or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of the Issuer may be materially adversely affected.

There is no assurance that the Sativa Wellness Group Facilities will operate as intended or that the projected revenues will be achieved.

The Issuer has constructed a CBD extraction facility, and this component of the Issuer's business plan is subject to considerable risks, including:

- there is no assurance that the company Facilities will achieve the intended CBD extraction rates.
- the revenues from the sales of the CBD products may be less than anticipated.

Change of Cannabis Laws, Regulations, and Guidelines

Cannabis laws and regulations, including but not limited to those that apply to the hemp, CBD and medicinal cannabis industries, are dynamic and subject to evolving interpretations which could require the Issuer to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Issuer's business. The Issuer cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Issuer's business. Management expects that the legislative and regulatory environment in the hemp, CBD and medicinal cannabis industries in the European Union, the United Kingdom and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on the Issuer's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the CBD and medicinal cannabis industries. A negative shift in the public's perception could affect future legislation or regulation in different jurisdictions, including in the United Kingdom and other European countries where the Issuer plans to distribute its CBD products, and potentially medicinal cannabis in the future.

Uncertain Demand for Cannabis and Derivative Products

The legal cannabis extracts industry in the European Union and the United Kingdom is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis extracts and hemp extracts are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of hemp extracts and related products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the hemp market or CBD market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for medicinal cannabis and on the business, results of operations, financial condition and cash flows of the Issuer. Further, adverse publicity reports or other media attention regarding cannabis in general or

associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. The Issuer's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure to materialize into significant demand may have an adverse effect on the Issuer's financial condition.

Product Liability

As a distributor of products designed to be ingested by humans, the Issuer faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused bodily harm or injury. In addition, the sale of the Issuer's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of the Issuer's products alone or in combination with other medications or substances could occur. The Issuer may be subject to various product liability claims, including, among others, that the Issuer's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against the Issuer could result in increased costs, could adversely affect the Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Issuer. There can be no assurances that the Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Issuer's potential products.

Product Recalls

Distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Issuer's products are recalled due to an alleged product contamination or for any other reason, the Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, a product recall may require significant management attention. Although the Issuer has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Issuer's products are subject to recall, the reputation of the Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Issuer's products and could have a material adverse effect on the results of operations and financial condition of the Issuer. Additionally, product recalls may lead to increased scrutiny of the Issuer's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses, and potential legal fees and other expenses.

Regulatory Compliance Risks

Achievement of the Issuer's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities in more than one country and obtaining all regulatory approvals, where necessary, for the manufacture and sale of its products. The Issuer may not be able to obtain or maintain the necessary licenses, permits, quotas, authorizations or accreditations to operate its business, or may only be able to do so at great cost. The Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities.

The Issuer will also rely on the advice of local experts and professionals in connection with any current and new regulations that develop in respect of banking, financing and tax matters in the operating countries within the European Union and the United Kingdom. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in the European Union and the United Kingdom are beyond the control of the Issuer and may adversely affect its business.

The Issuer will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Issuer may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

The Issuer has submitted a Novel Food application to the FSA in the UK, and intends to submit an application to the EU FSA in dure course. Compliance with additional requests for data and supporting information as the Issuer progresses through the validation and authorization process may lead to additional un-budgeted costs, and the failure to obtain the pre-requisite regulatory Novel Food approvals would impact sales of CBD products in the UK and European markets.

Retention and Acquisition of Skilled Personnel

The loss of key staff could have a material adverse effect on its business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on the Issuer's business and operating results. The expansion of marketing and sales of its products will require the Issuer to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and the Issuer may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training, and in many cases, take a significant amount of time before they achieve full productivity. As a result, the Issuer may incur significant costs to attract and retain employees, including

significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Issuer moves into new jurisdictions, it will need to attract and recruit skilled employees in those new areas.

Risks Inherent in an Agricultural Extraction Business

The Issuer's business involves the extraction of cannabis extracts, which is an agricultural product. The occurrence of severe adverse weather conditions, especially droughts or floods is unpredictable, may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce the Issuer's yields or require the Issuer to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of the Issuer's cannabis production, which could materially and adversely affect the Issuer's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural operations, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, the Issuer's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect the Issuer's operating results and financial condition. Furthermore, if the Issuers agricultural partners fail to control a given plant disease and the production is threatened, the Issuer may be unable to adequately supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on production.

Limited Operating History

The Issuer has a limited operating history in the CBD extraction, distribution and sales space upon which its business and future prospects may be evaluated. The Issuer will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Issuer to meet its future operating requirements, the Issuer will need to be successful in its growing, marketing and sales efforts of its cannabis products. Additionally, where the Issuer experiences increased sales, the Issuer's current operational infrastructure may require changes to scale the Issuer's business efficiently and effectively to keep pace with demand and achieve long-term profitability.

Managing Growth

In order to manage growth and changes in strategy effectively, the Issuer must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current

management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, the Issuer expects to invest its earnings and capital to support its growth but may incur additional unexpected costs. If the Issuer incurs unexpected costs, it may not be able to expand quickly enough to capitalize on potential market opportunities.

Legal and Regulatory Proceedings

From time to time, the Issuer may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Issuer will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Issuer's financial results.

The Issuer's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against the Issuer. Litigation, complaints, and enforcement actions involving the Issuer could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Issuer's future cash flows, earnings, results of operations and financial condition.

The Issuer's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to the Issuer and environmental contingencies.

The Issuer's insurance may cover only part of the losses it may incur and does not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the policies that the Issuer may holds. Additionally, any claims to be paid by an insurer due to the occurrence of a casualty covered by the Issuer's policies may not be sufficient to compensate the Issuer for all of the damages suffered. The Issuer may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If the Issuer were to incur significant liability for which it was not fully insured, it could have a materially adverse effect on the Issuer's business, financial condition and results of operations.

Inter-company Transfers of Funds

As the Issuer's operations will be carried on through its subsidiaries, it will be, in part, dependent on cash flows to and from its subsidiaries. The Issuer is not currently subject to or aware of any limitations on the repatriation of funds from the subsidiaries in the United Kingdom and the European Union, or transfer of funds from the Issuer to the subsidiaries. The Issuer has developed a cash management system to provide for the flow of funds between the Issuer and the subsidiaries. This system will provide for:

- the structuring and documentation of fund transfers as loan arrangements, capital

investments and/or management services arrangements between relevant entities.

- internal approval process, by the Issuer's CFO, Corporate Secretary and/or CEO; and
- compliance with internal procedures and applicable local regulations.

If any issues arising with the repatriation of funds, it may have an adverse effect on the Issuer.

Global Economy

Financial and securities markets in the European Union and the United Kingdom are influenced by the economic and market conditions in other countries. Although economic conditions in these countries may differ significantly from economic conditions in Canada, international investors' reactions to developments in these other countries, may substantially affect capital inflows into the European Union economy, and the market value of securities of issuers with operations in the European Union and the United Kingdom.

Economic downturn or volatility could have a material adverse effect on the Issuer's business, financial condition and results of operations. In addition, weakening of economic conditions could lead to reductions in demand for the Issuer's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on the Issuer's products. In addition, as a result of volatile or uncertain economic conditions, the Issuer may experience the negative effects of increased financial pressures on its clients. For instance, the Issuer's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in the Issuer incurring increased bad debt expense. If the Issuer is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

Additional Risks Relating to Doing Business Internationally

The Issuer may be subject to risks generally associated with doing business in international markets when it expands into the international markets, specifically Poland, Germany, other EU markets, the United Kingdom and potentially other global markets. Several factors, including legal and regulatory compliance and weakened economic conditions in any of the international jurisdictions in which the Issuer may do business could adversely affect such expansion and growth.

Additionally, if the Issuer enters into new international jurisdictions, such entries will require management attention and financial resources that would otherwise be spent on other parts of the business.

International business operations expose the Issuer to risks and expenses inherent in operating or selling products in foreign jurisdictions. In addition to the risks mentioned elsewhere, these risks and expenses could have a material adverse effect on the Issuer's business, results of operations or financial condition and include without limitation:

- adverse currency rate fluctuations.

- risks associated with complying with laws and regulations in the countries in which the Issuer intends to sell its products, and requirements to apply for and obtain licenses, permits or other approvals and the delays associated with obtaining such licenses, permits or other approvals.

- multiple, changing and often inconsistent enforcement of laws, rules and regulations.

- the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non-tariff barriers to trade, or restrictions on the activities of foreign agents, and distributors.

- increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements.

- the imposition of restrictions on trade, currency conversion or the transfer of funds or limitations on the Issuer's ability to repatriate non-Canadian earnings in a tax effective manner.

- the imposition of Canadian, UK European and/or other international sanctions against a country, company, person or entity with whom the Issuer may do business that would restrict or prohibit the Issuer's business with the sanctioned country, company, person or entity.

- downward pricing pressure on the Issuer's products in the Issuer's international markets, due to competitive factors or otherwise.

- laws and business practices favoring local companies.

- political, social or economic unrest or instability.

- expropriation and nationalization and/or renegotiation or nullification of necessary licenses, approvals, permits and contracts.

- greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems.

- difficulties in enforcing or defending intellectual property rights; and

- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on doing business, price controls, import controls, currency remittance, income and other taxes, royalties, the repatriation of profits, foreign investment, licenses and approvals and permits.

The Issuer's international efforts may not produce desired levels of sales. Furthermore, the Issuer's experience with selling products in Europe may not be relevant or may not necessarily translate into favorable results if it sells in other international markets. If and when the Issuer enters into new markets in the future, it may experience different competitive conditions, less familiarity by customers with the Issuer's brand and/or different customer requirements. As a result, the Issuer may be less successful than expected in expanding sales to new international markets. Sales into new international markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting the Issuer's overall growth and profitability. To build brand awareness in these new markets, the Issuer may need to make greater investments in legal compliance, advertising and promotional activity than originally planned, which could negatively impact the expected profitability of sales in those markets.

Enforcement of Judgments

The Issuer was incorporated under the laws of the Province of British Columbia; however, all of its assets are located outside Canada. As a result, investors may not be able to effect service of process within Canada upon the Issuer's potential future foreign directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada. As a result, shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

Difficulty Enforcing Canadian Law

All of the Issuer's assets and the assets of each of the directors and executive officers are located outside of Canada. Therefore, a judgment obtained against the Issuer, or the foreign directors and officers, including a judgment based on the civil liability provisions of the Canadian securities laws, may not be collectible in Canada and may not be enforced by a court in Poland or the United Kingdom. It also may be difficult to effect service of process in Canada or to assert Canadian securities law claims in original actions instituted in the European Union or United Kingdom. European or UK courts may refuse to hear a claim based on an alleged violation of Canadian securities laws reasoning that the European Union or UK is not the most appropriate forum in which to bring such a claim. In addition, even if a European or UK court agrees to hear a claim, it may determine that European or UK law and not Canadian law is applicable to the claim. If the Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by foreign law. As a result of the difficulty associated with enforcing a judgment against the Issuer or the Issuer in the UK or European Union, it may be difficult to collect any damages awarded by either a Canadian or a foreign court. See "Enforceability of Civil Liabilities".

Risks Related to Financial and Accounting

Access to Capital

The Issuer makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, the Issuer has financed these expenditures through offerings of its equity securities. The Issuer will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. The Issuer may incur major unanticipated liabilities or expenses. The Issuer can provide no assurance that it will be able to obtain financing on reasonable terms or at all to meet the growth needs of its operations.

Market for Securities and Volatility of Share Price

There can be no assurance that an active trading market in the Issuer's securities will be established or sustained. The market price for the Issuer's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Issuer. 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.

Foreign Sales and Currency Fluctuations

The Issuer's functional currency is denominated in Canadian dollars. The Issuer currently expects that sales will be denominated in euros or sterling pounds and may, in the future, have sales denominated in the currencies of additional countries in which it establishes operations or distribution. In addition, the Issuer incurs the majority of its operating expenses in euros and sterling pounds. In the future, the proportion of the Issuer's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Issuer's business, financial condition and results of operations. The Issuer has not previously engaged in foreign currency hedging. If the Issuer decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Issuer from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. the Issuer bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Sativa Wellness Group Inc.'s Annual Financial Statements and the Annual Financial Statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Issuer's operating results may be adversely affected if the assumptions change or if

actual circumstances differ from those in the assumptions, which could cause the Issuer's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Issuer. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, as well as revenue and cost recognition.

ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Refer to the Company's consolidated financial statements for the year ended December 31, 2020 and September 30, 2020 for description of accounting policies and other disclosures.

OUTSTANDING SHARE DATA

As of December 31, 2020 the Company had 302,592,941 issued and outstanding common shares. At the date of the date of this MD&A, the company has 351,012,769.

RTO Transaction with Stillcanna Inc.

On September 24, 2020, the Company acquired all of the issued and outstanding shares of Sativa Group Plc. ("Sativa") through a share exchange at a ratio of approximately 0.33507 common shares of the Company for one common share of Sativa. The exchange ratio attributes an implied value for the entire issued share capital of Sativa of approximately £10,662,680 ($18,175,604) based on the closing price of a share of the Company at $0.095 on April 21, 2020. At the time of the acquisition, the Company determined that Sativa Group constituted a business as defined under IFRS 3, Business Combinations, and that it met the criteria for a reverse acquisition accounted for it as such. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values.

Goodwill and Intangibles of £5,311,265 was recognised on completion of the acquisition, the details of consideration paid and the assets and liabilities of Sativa is as follows:

Consideration paid:	£
Common shares	6,068,355
Value stock options outstanding stock options	37,262
Value stock options outstanding warrants	79,880
Total consideration paid	**6,185,497**
Assets	
Cash and cash equivalents	562,019
Short term investment	1,913,598
Accounts receivable	76,140
Inventories / Assets held for sale	289,094
Plant and equipment	2,896,380
Assets under finance lease	45,948
Intangible assets - Customers	800,000
Refundable taxes	231,814
Other assets	140,791
Goodwill	142,900
Total assets	**7,121,793**
Liabilities	
Accounts payable	(620,107)
Other payables	(118,242)
Deferred tax liability	(152,000)

Lease liability	(45,948)
Total liabilities	**(936,297)**
Net assets acquired	**6,319,883**

On September 7, 2020, the Canadian Securities Commission (CSE), conditionally approved the Listing Application for Sativa Wellness Group Inc. officially combining the operations of Sativa Group PLC and Stillcanna Inc. The shares of Sativa Wellness Group Inc. (formerly, Stillcanna Inc.) resumed trading on the CSE at the market open on September 30, 2020. Trading resumed on the CSE under a new symbol "SWEL". The Company also listed for trading on the AQSE Growth Market (the "AQSE") in the United Kingdom effective Thursday, October 1, 2020 under the symbol "SWEL".

Options:

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price $	Weighted Average Exercise Price £
Balance December 31, 2018	2,165,000	0.40	0.23
Exercised, March 25, 2019	(125,000)	0.19	0.11
Exercised, March 29, 2019	(125,000)	0.19	0.11
Exercised, April 5, 2019	(80,000)	0.19	0.11
Granted, May 27, 2019	1,800,000	1.23	0.72
Balance December 31, 2019	3,635,000	0.83	0.48
Exchanged Sativa Group Plc options on merger Sep 30, 2020	39,793,000	0.044	0.03
Expired, September 30, 2020	(35,000)	0.20	0.12
Expired, September 30, 2020	(150,000)	0.19	0.11
Expired, September 30, 2020	(300,000)	0.63	0.37
Expired, September 30, 2020	(800,000)	1.23	0.72
Expired, December 31, 2020	(400,000)	0.63	0.37
Expired, December 31, 2020	(700,000)	1.23	0.72
Balance, December 31, 2020	41,043,000	0.06	0.03

Warrants:

A summary of the Company's warrant activity is as follows:

	Warrants Outstanding	Weighted Average Exercise Price £
Balance, December 31, 2018	13,571,200	0.20
Issued, May 7, 2019	12,076,925	1.01
Exercised	(2,052,500)	0.06
Exercised	(3,646,640)	0.29
Expired, October 10, 2019	(4,774,560)	0.29

Balance, December 31, 2019	15,174,425	0.81
Expired, May 7, 2020	(12,076,925)	1.01
Issued, September 30, 2020	10,328,535	0.14
Balance, September 30, 2020	13,426,035	0.12

As of September 30, 2020, the following warrants were outstanding and exercisable:

Number of Warrants Outstanding	Exercise Price	Expiry Date	Number of Common Shares Issuable
3,097,500	£ 0.06	January 12, 2023	3,097,500
10,328,533	£ 0.14	December 18, 2022	**10,328,533**
13,426,033			**13,426,033**

APPOINTMENTS AND RESIGNATION OF DIRECTORS AND EXECUTIVE OFFICERS

On September 10, 2020, upon receiving conditional approval of the Listing Application from the Canadian Securities Exchange ("CSE"), Sativa Wellness Group announced a new team of executive officers and directors which were appointed as follows:

Board of Directors

Appointed – August 27, 2020	**Resigned – August 27, 2020**
Henry Lees-Buckley	Shae De Jaray
Joseph Colliver	Warren Robinson
Jonathan Wearing (Chairman)	William MacDonald
Angus Kerr	
Mark Blower	
Jason Dussault	

Officers

Appointed - September 1, 2020	**Resigned – September 1, 2020**
Henry Lees-Buckley – CEO	Jason Dussault – CEO
Joseph Colliver – CFO	Joel Leonard – CFO
Anne Tew – Corporate Secretary	Ilona Kiss – Corporate Secretary

Subsequent to the year end, Sativa Wellness Group announced the following declined nominations, resignations and appointments of officers and directors.

Board of Directors

Appointed	**Declined Nominations**	**Resignations**
Geremy Thomas – January 26, 2021	Henry Lees-Buckley – January 26, 2021	Jonathan Wearing (Chairman) – February 1, 2021
George Thomas – January 26, 2021	Jason Dussault – January 26, 2021	Angus Kerr – February 1, 2021

Clive Standish – February 3, 2021

Joseph Colliver – February 2, 2021

Officers

Appointed	Resignation	Terminated
Geremy Thomas – Executive Chairman and interim CEO – February 3, 2021	Joseph Colliver – CFO – February 2, 2021*	Henry Lees-Buckley – CEO – February 3, 2021

* Joseph Colliver resigned from the Board and as Chief Financial Officer effective February 2, 2021. Joseph Colliver agreed to continue as Chief Financial Officer through his three-month notice period to support the strategic review of the Company and the appointment of his successor.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

During the period ended December 31, 2020, there has been no significant change in the Company's internal control over financial reporting.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's consolidated financial statements for the period ended December 31, 2020.

The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Interim and Year End Filings on SEDAR at www.sedar.com.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A and the Company will be provide copies upon request.