BEVO AGRO INC.

Management's Discussion and Analysis
For the quarter ended September 30, 2018

The following is a discussion of the consolidated financial condition and results of operations of Bevo Agro Inc., (the Company) for the periods indicated and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The following discussion and analysis is prepared as at November 29, 2018 and should be read in conjunction with the Company's unaudited financial statements and notes thereto related to the quarter ended September 30, 2018 and the Company's audited financial statements and notes thereto related to the year ended June 30, 2018. In this discussion, unless otherwise indicated, a reference to the business and operations of the Company includes the business and operations of Bevo Agro Inc. and its wholly owned active subsidiary: Bevo Farms Ltd. (Milner, BC). Additional information relating to the Company is available on SEDAR at www.sedar.com and the company's website at www.bevoagro.com.

Description of Business

Bevo Agro Inc. is a public corporation, incorporated on July 9, 1985, under the *Company Act* (British Columbia), which has been replaced by the *Business Corporations Act* (British Columbia). Bevo Agro Inc. acquired 100% of the issued and outstanding shares of Bevo Farms Ltd., a B.C. company, on July 11, 2000 by way of a reverse take-over. Bevo Farms Ltd. operates 53 acres of propagation greenhouse facilities on 98 acres of land in Langley, B.C and 20 acres of land in Pitt Meadows, B.C. In general the Company markets its products to established greenhouse growers, nurseries and retailers throughout North America. As the Company's business involves the cultivation and growing of plants, the business of the Company is subject to risks inherent in an agricultural business. To manage these risks, the Company grows its entire crop in climate-controlled greenhouses, and trained growing personnel continually monitor the growing conditions in the greenhouses.

The Products

Bevo Farms Ltd. propagates and provides new, vigorous, well rooted, healthy and pest free plants grown under stringent controlled conditions. The Company's main activity is the propagation of vegetable plants such as tomatoes, peppers, cucumbers, and other plants such as bedding plants, flowers and poinsettias.

The Production Process

For the purposes of planning production, the Company selects its plant mix based on orders already received from customers. In a typical situation, the customer and the Company agree on the specific details of the propagation process of the plants to be sold, including the required age of the seedling, the desired plant variety, block space, plant spacing during the propagation stage, planting dates and delivery dates, amongst other details. Due to the nature of the product and the limited time between seeding and delivery, all details are confirmed in the sales agreement, and in a significant number of cases the Company requires a down payment.

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Based on the required delivery date, the Company calculates seeding dates, germination percentages, transplant and spacing dates and schedules and arranges packing and shipping requirements.

Separate zones within the propagation greenhouse allows for different stages of propagation to be achieved simultaneously under stringent controlled conditions.

The process is relatively simple yet highly mechanized. The success of a crop depends largely on the attention to detail and care taken during the plant propagation process. Seeds may be provided by the individual growers according to species and genetic characteristics required by each grower. Propagation plants tend to be customer specific and individually identifiable. Utilizing various types of machinery at its facility, Bevo is able to control the combination of peat, sand, soil and fertilizers as these basic ingredients are manufactured into soil for each different plant. The selected seed is then automatically inserted into the mixture which is packaged in trays. These trays are moved into the greenhouse propagation area and placed under a daily monitoring and cultivation process that surveys temperature, moisture and fertilization requirements, amongst other things. These factors are monitored and adjusted through a computerized climate control system as scheduled. This controlled and accelerated growth process enables a healthy, disease free plant to be delivered that meets the customers' requirements.

Overall Performance

Sales for the quarter ended September 30, 2018 were $4,249,699 compared to $4,510,593 in the prior year, which represents a 5.78% decrease over the last year.

Cost of sales for the quarter was $3,007,514 (70.77% of sales) compared to $3,088,591 (68.47% of sales) in the prior year.

Gross margin for the quarter was $1,242,185 (29.23% of sales) compared to $1,422,002 (31.53% of sales) the prior year.

Total selling, general and administrative expenses for the quarter were $1,224,964 (28.82% of sales) compared to $1,164,075 (25.81% of sales) in the prior year. Total selling, general and administrative expenses were higher as a result of higher operating and employee wage expenses.

Interest expense for the quarter ended September 30, 2018 was $179,468 (4.22% of sales) compared to $197,198 (4.37% of sales) in the prior year. Interest expense was lower as a result of lower levels of term debt and demand loans.

Income (loss) before income taxes for the quarter was $(162,247) ((3.82)% of sales) compared to $60,729 (1.35% of sales) in the prior year.

Net income (loss) and comprehensive income (loss) for the quarter was $(121,667) ((2.86)% of sales) compared to $44,929 (1.00% of sales) for the previous year.

Working capital as at September 30, 2018 was $6,142,992 compared to $5,702,617 as at September 30, 2017. Working capital was higher due to increases in cash balances, accounts receivables and inventories.

Cash flows from (used by) operating activities for the quarter were $(1,945,722), compared to $(1,822,357) in the previous year. Operating cash flows provide the Company with the funds necessary to meet its short and long-term debt obligations.

Cash flows from (used by) investing activities for the quarter were $(48,261) compared to $(216,087) in the prior year. In the quarter, the Company acquired $48,261 in capital purchases compared to $110,587 the prior year.

Cash flows from (used by) financing activities for the quarter were $(530,445) compared to $(547,446) for the prior year. During the quarter the Company made long-term debt repayments of $530,445.

Results of Operations for the three months ended September 30, 2018

	1st Quarter September 30, 2018	1st Quarter September 30, 2017	% change
Sales	$ 4,249,699	$ 4,510,593	(5.78)%
Cost of sales	3,007,514	3,088,591	(2.63)%
Gross margin	1,242,185	1,422,002	(12.65)%
Selling, general and administrative expenses	1,224,964	1,164,075	5.23%
Income from operations	17,221	257,927	(93.32)%
Other income (expenses)			
Interest expense	(179,468)	(197,198)	(8.99)%
Income (loss) before income taxes	(162,247)	60,729	- %
Provision for (recovery of) income taxes - deferred	(40,580)	15,800	- %
Net income (loss) and comprehensive income (loss) for the period	$ (121,667)	$ 44,929	- %
Earnings (loss) per share			
Basic	$ 0.00	$ 0.00	- %
Fully diluted	$ 0.00	$ 0.00	- %
Sales by region			
Canada	$ 1,621,277	$ 1,410,910	14.91%
United States	2,628,422	3,099,683	(15.20)%
	$ 4,249,699	$ 4,510,593	(5.78)%

During the quarter ended September 30, 2018, sales were $4,249,699 compared to $4,510,593 in the prior year, a decrease of $260,894 (5.78%).

Cost of sales for the three months was $3,007,514 (70.77% of sales) compared to $3,088,591 (68.47% of sales) the prior year, a decrease of $81,077 (2.63%). Purchase costs for the three months were $717,177 (16.88% of sales) compared to $936,716 (20.77% of sales) the prior year, a decrease of $219,539 (23.44%). Packaging and freight costs for the three months were $973,285 (22.90% of sales) compared to $827,321 (18.34% of sales) the prior year, an increase of $145,964 (17.64%). Freight and delivery costs were higher as a result of the new trucking regulations in the US. Labour costs for the three months were $1,071,791 (25.22% of sales) compared to $1,086,557 (24.09% of sales) the prior year, a decrease of $14,766 (1.36%). Utility costs for the three months were $245,261 (5.77% of sales) compared to $237,997 (5.28% of sales) the prior year, an increase of $7,264 (3.05%).

Gross margin was $1,242,185 (29.23% of sales) for the quarter ended September 30, 2018, compared to $1,422,002 (31.53% of sales) for the prior year.

General operating expenses for the quarter were $366,812 (8.63% of sales) compared to $324,212 (7.19% of sales) in the prior year. General operating expenses were higher as a result of increased repair and maintenance expenses and legal fees.

Employee wages and benefits expense for the quarter were $315,824 (7.43% of sales) compared to $284,646 (6.31% of sales) in the prior year. Employee wages and benefits were higher as a result of additional staff hired during the quarter.

Depreciation expense decreased to $542,328 (12.76% of sales) from $555,217 (12.31% of sales) in the prior year, a decrease of $12,889 (2.32%).

Income from operations for the quarter was $17,221 (0.41% of sales) compared to $257,927 (5.72% of sales) in the prior year.

Interest expense for the quarter decreased to $179,468 (4.22% of sales) from $197,198 (4.37% of sales) in the prior year, a decrease of $17,730 (8.99%). Interest expenses were lower as a result of lower debt levels.

Income (loss) before income taxes for the three months ended September 30, 2018 was $(162,247) ((3.82)% of sales) compared to $60,729 (1.35% of sales).

Provision for (recovery of) income taxes for the three months ended September 30, 2018 was $(40,580) ((0.95)% of sales) compared to $15,800 (0.35% of sales) in the prior year.

Net income (loss) and comprehensive income (loss) for the quarter ended September 30, 2018 was $(121,667) compared to $44,929 the same period last year.

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Summary of Quarterly Results

The following table presents selected financial information, presented in Canadian dollars for each of the last eight quarters.

	1st Quarter September 30, 2018	4th Quarter June 30, 2018	3rd Quarter March 31, 2018	2nd Quarter December 31 2017
Sales	$ 4,249,699	$ 16,048,168	$ 6,652,137	$ 5,580,874
Net income (loss) and comprehensive income (loss) for the quarter	(121,667)	1,620,207	882,021	151,997
-Basic earnings (loss) per share	0.00	0.06	0.03	0.01
-Fully diluted earnings (loss) per share	0.00	0.06	0.03	0.01

	1st Quarter September 30, 2017	4th Quarter June 30, 2017	3rd Quarter March 31, 2017	2nd Quarter December 31, 2016
Sales	$ 4,510,593	$ 16,151,587	$ 5,852,430	$ 6,847,115
Net income (loss) and comprehensive income (loss) for the quarter	44,929	1,881,623	808,274	476,809
-Basic earnings (loss) per share	0.00	0.07	0.03	0.02
-Fully diluted earnings (loss) per share	0.00	0.07	0.03	0.02

The Company's operating results are seasonal, driven by the varying levels of activity in the growing cycles of the vegetable greenhouse crops, the bedding plant and flower seasons. Revenues and cash flows are affected by the seasonality of the seedling crop cycle, the timing of customer orders, the varying cycles of the greenhouse vegetable industry and the seasonality of the customer's planting season. As such, fluctuations in revenue between quarters may occur depending upon the planting schedules and delivery dates for the shipments to meet customer requirements.

Sales in the first quarter are typically lower than other quarters. This is due to the fact that the greenhouse vegetable industry is not replanting during this quarter, and bedding sales are not active during this time period. Typically the second quarter has stronger sales, as this is the season when greenhouse vegetable growers replant. This often extends into the third quarter. Sales in the fourth quarter are typically stronger than the other three quarters as the company has expanded its marketing of bedding plants.

There were no extraordinary items or discontinued operations requiring financial disclosure during the quarters under review.

Liquidity and Capital Resources

The Company's two main sources of funding are revenue from product sales and debt financing.

The Company's debt financing has been obtained from the following sources: Farm Credit Canada, Bank of Montreal and other agreements.

Long-term debt is as follows:

		September 30, 2018
Farm Credit Canada	$	21,376,301
Bank of Montreal		416,197
Deferred borrowing costs*		(49,428)
	$	21,743,070

*Deferred borrowing costs represent the financing costs in obtaining the Farm Credit Canada term loans.

Working capital as at September 30, 2018 was $6,142,992 compared to $6,351,321 as at June 30, 2018 and $5,702,617 as at September 30, 2017. As at September 30, 2018 the Company had an unused line of credit of $2,000,000 and a cash balance of $2,657,554. The Company also has unused Advancer loans from Farm Credit Canada totaling $4,000,000. At any point the Company can draw down on these Advancer loans and pay interest only payments for a term of 5 years. Going forward, the Company expects to have sufficient cash to maintain capacity, meet debt obligations and fund development activities.

Capital expenditures during the quarter were $48,261. These expenditures were financed from cash flow.

Term debt

The following table presents contractual obligations including payments due for each of the next three years and thereafter, as at September 30, 2018.

		2019		2020		2021		Thereafter		Total
Term debt	$	2,314,733	$	9,683,303	$	8,124,675	$	1,669,787	$	21,792,498
Deferred borrowing costs		(8,297)		(8,738)		(9,213)		(23,180)		(49,428)
Total debt	$	2,306,436	$	9,674,565	$	8,115,462	$	1,646,607	$	21,743,070

Transactions with Related Parties

The Company participated in the following transactions with related parties during the quarter ended September 30, 2018.

The majority shareholders, the President, Jack Benne, and Vice-President, Leo Benne, provide management services to the Company via their management company, C.G.M. Ventures Inc. The management fees paid during the quarter were $126,000 in accordance with the compensation policy, which is approved annually by the Board of Directors.

Director's fees of $30,000 were paid during the quarter, which results from a payment of $1,000 per director for each meeting of the Board of Directors and a monthly retainer of $1,000 per month to directors who are not management. Non-management committee chairs are also paid a retainer of $1,500 per quarter.

The Company considers all of the foregoing transactions and the amounts related thereto to be reasonable and representative of normal business transactions.

Subsequent event

On October 4, 2018 the Company announced an Arrangement Agreement with Sun Pharm Investments Ltd. for a reverse take-over of Bevo Agro Inc. which involves three main elements:

- the amalgamation of Sun Pharm with a wholly-owned subsidiary of Bevo, with Sun Pharm shareholders receiving 86% of the outstanding Bevo shares (the expected exchange ratio being one Bevo share for each Sun Pharm share) and the existing Bevo shareholders continuing to hold Bevo shares representing a 14% interest in Bevo.

- a plan of arrangement under which Bevo will distribute its interest in CubicFarm Systems Corp. to the shareholders of Bevo, with Bevo shareholders expected to receive one common share of Cubic for every Bevo share held.

- Bevo changing its name to Zenabis Global Inc. ("Zenabis," being one of Sun Pharm's established brands in the cannabis industry).

The transaction is scheduled to close by December 31, 2018.

Financial Instruments and Exchange Risk

The Company has various financial instruments including cash, accounts receivable, accounts payable and long-term debt.

The Company is exposed to currency risk as a result of its financial instruments denominated in U.S. dollars. The Company currently has a U.S. dollar bank account balance of $144,976. Accounts receivable of $3,298,325 includes U.S. dollar trade receivables of $2,063,495. Accounts payable and accruals of $1,568,402 includes U.S. dollar trade payables of $442,378. The Company earned approximately 62% of its revenue for the quarter ended September 30, 2018 in U.S. dollars. To reduce its exposure to currency risk, the Company enters into foreign exchange contracts as necessary.

The Company is exposed to credit risk through its accounts receivable. The Company attempts to minimize the credit risk through geographical and product diversification.

The Company's long-term debt is both at fixed and variable interest rates. The Company has the option of locking in to a fixed rate on the variable rate Farm Credit Canada term loans. The Company's operating line of credit has a floating interest rate of BMO Bank of Montreal's prime lending rate plus 0.50%.

Outstanding Share Data

a) Particulars of authorized capital as at the date hereof:

Class	Par Value	Number Authorized	Number Issued	Recorded Value
Common shares	No par value	Unlimited	26,215,933	$ 4,174,998

b) Summary of options and warrants outstanding as at the date hereof:

Security type	Number outstanding	Price	Expiry date
Stock options	110,000	$ 0.18	May 11, 2021
Stock options	710,000	$0.36	June 9, 2025
Stock options	750,000	$0.43	May 2, 2026

Forward-Looking Statements

This document contains forward-looking statements. These statements are based on current expectations and estimates about our business, and include, among others, statements relating to:

- -our future performance;
- -growth of our operations;
- -expansion of the markets and market segments (geographic and otherwise) in which we conduct business;
- -growth of the greenhouse industry markets and segments;
- -our competitive strengths;
- -the anticipated improvement, acquisition and development by us of greenhouse facilities;
- -the seasonality of greenhouse seedling, bedding plant and flower sales;
- -our direct expense rates, amortization expenses and potential increases in income taxes;
- -the effect on our general and administrative expenses of expanded infrastructure and workforce;
- -our future capital expenditures;
- -amounts of our revenues and operating costs denominated in currencies other than the Canadian dollar and effect of any currency exchange fluctuations; and
- -financing available to us

In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "continue," "estimate," "expect," "intent," "may," "might," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms, and similar expressions intended to identify forward-looking statements. Our forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. While we have not described all potential risks related to our business and owning our common shares, the important factors listed are among those that may affect our performance and could cause our actual financial and operational results to differ significantly from our predictions. We do not intend to update publicly any forward-looking statements, even if our predictions have been affected by new information, future events or other developments. You should consider our forward-looking statements in light of these and other relevant factors.

Other

The Company has no off-balance sheet arrangements.