The Green Organic Dutchman Holdings Ltd.

Management's Discussion and Analysis

For the years ended December 31, 2020 and December 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of The Green Organic Dutchman Holdings Ltd. (the "Company" or "TGODH") for the years ended December 31, 2020 and 2019. The MD&A should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2020 and December 31, 2019 (the "consolidated financial statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A provides information on the operating activities, performance and financial position of the Company and is intended to assist in understanding the Company's business and key factors underlying its financial results. **All dollar amounts referred to in this MD&A are expressed in thousands of Canadian dollars except where indicated otherwise.**

Additional information relating to the Company can be found on the Company's website at www.tgod.ca or at the Company's SEDAR profile at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities laws. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. Some examples of forward-looking statements include but are not limited to the expected costs, completion dates of the facilities, production capacity, receipt of licences, etc.

Assumptions

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to:

(i) the availability of financing at all or on reasonable terms;
(ii) the Company's ability to continue as a going concern and successfully execute its plans and intentions, including with respect to the construction and operation of the Company's cultivation facilities and generation of revenues and sales of its organic cannabis products;
(iii) eventual completion of the construction of the Company's facility in Québec;
(iv) obtaining necessary regulatory approvals;
(v) general business and economic conditions, particularly in the Canadian medicinal and adult-use cannabis markets;
(vi) regulation of the markets in which the Company operates;
(vii) the Company's ability to attract and retain skilled staff;
(viii) market competition, including the products and technology offered by the Company's competitors;
(ix) maintenance of our current good relationships with our suppliers, service providers and other third parties; and
(x) ability to continue to operate during the implementation of COVID-19 restrictions and maintaining necessary access and safety protocols.

Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

The Company's forward-looking statements are based on the reasonable beliefs, expectations, and opinions of management as of March 9, 2021, the date of this MD&A.

BUSINESS OVERVIEW

The Company was incorporated under the Canada Business Corporations Act on November 16, 2016. The Company's registered and head office is located at 6205 Airport Rd., Building A – Suite 200, Mississauga, Ontario L4V 1E3. The Company completed its initial public offering on May 2, 2018. The Company's common shares ("Common Shares") trade on the TSX under the symbol "TGOD" and on the OTCQX under the symbol "TGODF".

The Company's wholly-owned subsidiaries, The Green Organic Dutchman Ltd. and Medican Organic Inc., are licensed producers under the Cannabis Act (Canada) and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and, with respect to The Green Organic Dutchman Ltd. only, to process and sell such cannabis products within Canada to provincially authorized retailers and distributors as well as certain federally licensed entities. The Company owns and operates a cannabis cultivation and processing facility in Hamilton, Ontario (the "**Hamilton Facility**") and has substantially completed its current planned scope of construction on another facility located in Valleyfield, Québec (the "**Quebec Facility**").

In addition to its Canadian operations, through its subsidiaries and strategic investments, the Company is pursuing an international growth strategy, including through a hemp extraction business based in Poland. The Company has also established other strategic partnerships for the distribution of cannabis and hemp-derived medical products in Mexico, Germany, and other countries as regulations allow.

The outbreak of the novel strain of the coronavirus, SARS-COV-2 ("COVID-19"), and its eventual declaration as a pandemic by the World Health Organization ("WHO") on March 11, 2020 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The Company rapidly implemented strategic measures to protect its global workforce from COVID-19 and endeavouring to mitigate any long-term impact of the pandemic on its business.

Since inception, the Company has incurred recurring operating losses, having invested significantly in its cultivation facilities, research and development activities and selling, marketing, general and administrative expenses. The Company has financed its operations through equity and debt financings. The Company expects to continue to incur losses in the short term and will require additional capital and revenues through the sale of its organic cannabis products to fulfill its debt obligations. Please refer to the section on "Liquidity and Capital Resources" below.

RECENT DEVELOPMENTS

Executive Leadership

On January 9, 2020, the Company announced changes to streamline its leadership structure. The Company's President, Mr. Csaba Reider and the Company's Vice-President of Sales, Mr. Mike Gibbons departed the organization. Mr. Reider's responsibilities were assumed by the Company's Chief Executive Officer ("CEO"), Mr. Brian Athaide and Mr. Gibbons' responsibilities were assumed by the Company's Vice-President of Medical Sales, Mr. Robert Gora. In August 2020, the Company appointed Mr. Michel Gagne as Vice-President, Operations.

On November 10, 2020, Brian Athaide left his position as CEO and as a member of the Company's board of directors. The Company's Chief Financial Officer ("CFO"), Mr. Sean Bovingdon was appointed to the position of Interim CEO. In addition, Michel Gagne, Vice-President of Operations, was appointed Chief Operating Officer ("COO") overseeing the Company's cultivation and processing operations, supply chain and product development. In his new role as COO, Mr. Gagne is working closely with the Interim CEO on the Company's overall strategy and execution.

On March 9, 2021, The Company announced that its board of directors has appointed Sean Bovingdon as CEO, member of the board, and interim CFO, effective immediately.

Financings

On April 13, 2020, the Company executed an amendment (the "Senior Loan Amendment") with the lender of the first lien senior secured credit facility (obtained by the Company on December 24, 2019 as described in note 5) which contained an accordion feature of up to $15,000 based on the Company meeting certain operational milestones. The Senior Loan Amendment made $5,000 of the accordion available upon closing an equity financing which was achieved on April 27, 2020, with the Company thereby receiving gross proceeds of the accordion loan of $5,000. In addition, on April 27, 2020 a total of 1,500,000 warrants of the Company were issued to the lender of the first lien senior secured credit facility which are exercisable at $0.39 for 36 months from the date the warrants were issued, each into one Common Share of the Company.

On April 22, 2020, the Company closed a secured revolving credit facility ("Revolver Loan") which provided the Company with gross proceeds of $10,000 with further funding available of up to an additional $20,000 secured on eligible trade receivables and inventory. As part of the agreement, a total of 3,000,000 warrants of the Company were issued to this lender exercisable at $0.39 for 36 months from April 22, 2020, each into one Common Share of the Company. On May 27, 2020, the Company executed an amendment with the lender of the Revolver Loan which extended the original term by six months to October 1, 2021 and allowed the Company to receive $3,000 in gross proceeds from the $20,000 revolving component subject to the same terms of the first $10,000 previously advanced by this lender. In consideration of this, a total of 500,000 warrants were issued on May 22, 2020 to this lender exercisable at $0.50 for 48 months from the date of issuance. The Company received this $3,000 on July 7, 2020.

On April 27, 2020, the Company completed a bought-deal equity financing of 20,536,700 units of the Company at $0.28 per unit for gross proceeds of $5,750. Each unit consists of one Common Share of the Company and one-half share purchase warrant of the Company with each full warrant being exercisable into one Common Share of the Company at $0.38 for 36 months.

On June 12, 2020, the Company completed a bought-deal equity financing of 43,125,000 units of the Company at $0.40 per unit for gross proceeds of $17,250 ("June Offering"). Each unit consisted of one Common Share of the Company and one share purchase warrant of the Company with each share purchase warrant exercisable at $0.50 into one Common Share of the Company for 48 months from the closing date of the transaction.

On October 1, 2020, the Company agreed with its lender under its revolving credit facility to extend the maturity date for its Revolver Loan to December 31, 2021 in exchange for Common Share purchase warrants to purchase 500,000 Common Shares at a price of $0.30 per share for a period of 60 months.

On October 2, 2020, the Company agreed with its senior lender to extend the maturity date for its senior secured credit facility to December 15, 2021 in exchange for payment of a financing fee of $403; repricing of Common Share purchase warrants to purchase 7,000,000 Common Shares expiring December 20, 2022 from an exercise price of $1.00 per share to an exercise price of $0.30 per share; and issuance of additional Common Share purchase warrants to purchase 1,000,000 Common Shares at an exercise price of $0.30 for a period of 60 months.

On October 23, 2020, the Company obtained gross equity financing ("October Offering") proceeds of $12,783 by issuing a total of 53,263,400 units of the Company at a price per Unit of $0.24. Each Unit of the October Offering was comprised of one Common Share of the Company and three-quarters of one Common Share purchase warrant of the Company, with each whole warrant being exercisable at $0.30 into one Common Share of the Company for a period of 60 months.

On November 27, 2020, the Company filed a base shelf prospectus ("Base Shelf Prospectus"), qualifying the distribution of up to $50,000 of securities of the Company to be raised through the issuance of various debt and equity securities of the Company over a period of up to 25 months from the date of the Base Shelf Prospectus through the filing of prospectus supplements. Prior to December 31, 2020, the Company filed two prospectus supplements under the Base Shelf Prospectus, including:

- on December 2, 2020, the Company filed an at-the-market prospectus supplement ("ATM") permitting the company to raise up to $15,000 of common Shares from time to time at a price equal to the then prevailing market price of the Common Shares at the time of each distribution. The Company did not issue any Common Shares under its ATM for the year-end December 31, 2020. However, subsequent to December 31, 2020, the Company issued 14,341,958 Common Shares under the ATM for gross proceeds of $7,893.

- on December 10, 2020, the Company completed a bought deal equity financing as part of a prospectus supplement to its Base Shelf Prospectus whereby it issued 45,178,900 units of the Company at $0.28 per unit for gross proceeds of $12,650 (the "December 2020 Offering"). Each such unit consisted of one Common Share and one warrant of the Company exercisable into one Common Share at an exercise price of $0.35 for a period of 60 months from the closing date of the transaction.

Subsequent to year end, in February 2021, 24,197,600 warrants of the Company were exercised by certain warrant holders for gross proceeds of $7,559, resulting in the issuance of 24,197,600 Common Shares.

Research Licence

On February 20, 2020, the Company announced that it had secured a research licence from Health Canada. Valid for five years, this licence allows the Company to reduce the cost and accelerate the pace at which it develops new products by reducing reliance on third parties.

Hamilton Facility Processing Licence

On March 30, 2020, the Company announced that it had secured a licence amendment from Health Canada in respect of the support building for cannabis processing at the Hamilton Facility. Valid until August 16, 2022, this amendment permits more space and flexibility for the Company to process cannabis for sale as dried flower, oils or in cannabis 2.0 products.

Cost Reduction Initiatives and Consolidation of Cultivation at the Hamilton Facility

On March 25, 2020, the Company announced that in response to market conditions, it is adapting operations and aggressively reducing costs, including by postponing the start-up and construction of its Québec Facility in order to centralize cultivation in Canada at its Hamilton Facility. The Company has also undertaken further cost reduction measures including some temporary salary reductions and a freeze on non-essential recruitment and consultancy work.

The Hamilton Facility is complete with the hybrid greenhouse growing space is being utilized for normal growing operations. The processing centre was completed from a construction perspective in 2020 and Health Canada approval was obtained.

Quebec Facility Construction Updates

On May 7, 2020, the Company announced that it received Health Canada's approval for its main hybrid greenhouse at the Quebec Facility. The licence amendment is valid until June 8, 2021 and is subject to customary terms and conditions, the Company does not anticipate any material issues related to its customary renewals.

On September 16, 2020, the Company provided an update on its Quebec Facility, announcing that it had completed the necessary equipment transfers to transform the Quebec Facility into a production and processing hub for its 2.0 products following challenges with third-party processing. Production at the Quebec Facility of dissolvable powders, premium teas and concentrates has commenced, as have sales of hash under the Company's Highly Dutch brand. In addition, the Company announced that it has entered into a non-binding letter of intent with a Quebec-based chocolatier for a new line of premium organic cannabis-infused chocolate. The Company expects that infused chocolate will be processed at the Quebec Facility using premium Belgian chocolate, gourmet organic ingredients, and the Company's organically grown cannabis and existing fast-acting cannabis infusing technology.

On February 19, 2021, the Company announced that it was seeking to monetize under-utilized assets at its Quebec Facility and had retained the services of a commercial real estate advisor to identify potential buyers for the site, focused on the state-of-the-art hybrid main greenhouse. The transaction could result in a complete or partial sale of the site. Management notes that the Canadian cannabis industry has gone through a deep transformation with the approval of outdoor cultivation sites – approximately 450 acres of land were used for outdoor cannabis cultivation in 2020. This shift disrupted the business plans of many licensed producers, including the Company, and resulted in biomass surpluses. Based on management's current market forecasts, the Company's main greenhouse at its Quebec Facility could be monetized to allow the Company to continue its path to right sizing and profitable operations. Expected export opportunities are addressable with existing production capacity, while the option to purchase cannabis biomass from other producers for extraction, including in Quebec, offers a more efficient use of capital. The Company remains committed to maintaining a significant portion of its operations, including all 2.0 product manufacturing, in Quebec, either at a portion of the Quebec Facility or at an alternative Quebec site. There can be no assurances that the Quebec Facility will ultimately be monetized either by way of a sale or any other form of transaction.

Medical Cannabis by Shoppers™ (“***Shoppers***”) ***Supply Agreement***

On May 19, 2020, the Company signed a supply agreement with Shoppers, a subsidiary of Shoppers Drug Mart Inc., making its certified organic medical cannabis products available via the Shoppers online medical cannabis sales platform.

On February 1, 2021, the Company unveiled plans to transition its medical business to a wholesale model, in line with other pharmaceutical products' distribution models. The Company's patient-centered approach will enable easier access to a broad range of medical cannabis products without having to register with multiple licensed producers. Shoppers Drug Mart Inc. represents Canada's largest pharmacy network and the Company is its largest supplier of organically grown medical cannabis. Every effort has been made to ensure that there is no supply disruption for patients and all of the Company's products will be available via Shoppers' online store platform. The Company also has agreements with other medical distributors and clinics, with plans to increase its presence within the medical market as it transitions from its legacy direct-to-patient model. The Company will support its patients throughout the transition period which is expected to be completed by April 1st , 2021. In collaboration with its partners, TGOD has developed a seamless transfer process and will continue to handle orders as usual until the end of the transition.

Sale of Epican Medicinals Limited

On May 25, 2020, the Company sold its interest in Epican Medicinals Limited ("EML") to another shareholder of EML for a nominal amount given its history of operating losses, recent economic developments in Jamaica restricting operations and the Company's strategic decision to no longer pursue opportunities in Jamaica and focus on Canadian operations. Upon completion of the disposition, EML repaid $258 of a $707 loan owing by EML as at March 31, 2020 to the Company and issued the Company a promissory note for the balance of $449.

Entry into Quebec Adult Use Recreational Market

On May 26, 2020, the Company announced that it had launched key products Highly Dutch, a mainstream brand of certified organic cannabis at an accessible price, as well as cannabis-infused teas, in the province of Quebec. Highly Dutch was first made available in Quebec in a 28-gram format, before launching across the rest of Canada in the Fall of 2020. The first product launched under the Highly Dutch brand was Rotterdam Indica, a high-THC flower now available in Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland.

Launch of Stillwater's Ripple Brands in Canada

On June 15, 2020, the Company announced that it had expanded its exclusive licensing agreement with Colorado-based 5071 Inc. for its Stillwater Brands products ("Stillwater"), and would be rolling out the RIPPLE suite of products in Canada, including RIPPLE Gummies and RIPPLE QuickSticks. Leveraging Stillwater's proprietary technology, TGOD launched its first Cannabis 2.0 product at the end of March 2020 – TGOD Infuser 10mg THC. Given the success of this first product, TGOD has decided to expand the series by introducing additional formats. Moving forward, all formats will fall under the well-established RIPPLE brand name.

On January 28, 2021, the Company announce the launch of *RIPPLE Gummies by TGOD* ("RIPPLE Gummies"), the first cannabis-infused confectionary product to offer a scientifically validated 15-minute onset. RIPPLE Gummies are initially expected to be available in Alberta, British Columbia, and Manitoba, with plans to expand distribution across the country once provincial listings are received. RIPPLE Gummies are made using certified organically grown cannabis, real fruit juice and all-natural flavours and colours. Each pack contains two precisely dosed 5mg THC-gummies for a total of 10mg, the maximum allowed under Canada's *Cannabis Act*. RIPPLE Gummies leverage the same fast-acting proprietary technology used in quick-dissolving RIPPLE powder. As part of its licensing agreement with Stillwater, the Company plans to further expand its RIPPLE offering with additional flavours Honey Infusion CBD and Mango Balance, scheduled to launch in the second quarter of 2021.

EU-GMP Certification Update

On July 10, 2020, the Company announced that its Hamilton facility had obtained a European Union Good Manufacturing Practice ("EU-GMP") preliminary certificate enabling it to commence the process to export to Germany. Under this EU-GMP preliminary certificate, which was valid until December 31, 2020, but has extended until the German inspectorate has completed its review, the Company can commence exporting its premium certified organic products for validation in preparation for commercialization in 2021.

On November 24, 2020, the Company announced that it has received an Export Certificate from Health Canada. This certificate enabled the Company to complete its first shipment of medical cannabis to where it will undergo stability testing, the last step before the Company can commence commercialization in 2021. The Company chose to obtain its EU-GMP certification from Germany because of its high standards and its progressive medical cannabis framework. The Company anticipates that once completed, it would be able to ship to Australia and Mexico, where regulations permit.

New Products and Distribution in 2021

On January 18, 2021, the Company announced the launch of Amsterdam Sativa under its mainstream brand, Highly Dutch. Offered in three different formats, 3.5g, 15g, and 28g, Amsterdam Sativa is initially expected to be available in Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland. Amsterdam Sativa has a high potency with a THC level of 17% – 20%. It is organically grown and expertly cured in order to maintain a balanced humidity level to protect the integrity of its terpenes and trichomes. It also features sweet floral flavours with punchy aromas. The buds included in Amsterdam Sativa are carefully selected based on quality to deliver a consistent potency and unique experience in every batch. The first product launched under the Highly Dutch brand was Rotterdam Indica, a high-THC flower, which is now available in Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland. As at the date of this MD&A, Highly Dutch added Organic Afghan Black, a high-quality hash, to its line of products, which is now available in British Columbia, Manitoba, Quebec and Newfoundland, with plans to further expand distribution across other provinces.

On February 11, 2021, the Company announced that it has signed a supply agreement with CannMart, a subsidiary of Namaste Technologies Inc., making its certified organic medical cannabis products available via CannMart's online medical cannabis sales platform. Under the Company's two-year term agreement with CannMart, the Company will provide CannMart with a broad portfolio of certified organic medical cannabis products, including premium dried flower, RIPPLE dissolvable powder, gummies, and teas.

On February 18, 2021, the Company announced the addition of Organic Sugar Bush to its portfolio of premium strains. The Company's Organic Sugar Bush, a high-THC Sativa variety, was developed based on feedback from consumers which presents a THC level higher than 20%, large buds, certified organically grown, and balanced humidity to preserve its terpenes and trichomes. Organic Sugar Bush gets its name from Quebec's maple forests – the source of the maple syrup used to nurture the soil it grows in. The Company's grow team analysed a myriad of strains before selecting Organic Sugar Bush, a strain it perfected by developing a unique cultivation method which includes the addition of maple syrup from Quebec to its proprietary living soil. The launch of Organic Sugar Bush is the continuation of the Company's plans to introduce innovative strains as part of its premium portfolio.

On February 23, 2021, the Company announced that its wholly owned European subsidiary, HemPoland, is launching CannabiGold Sport – a line of hemp-derived CBD pre- and post-workout supplements designed for professional and recreational athletes. CannabiGold Sport oils are available in five different formulations, each developed to support sport enthusiasts at different stages of their training. They contain different plant-derived ingredients and vitamins, combined with pure CBD in coconut MCT oil.

The ingredients used in the CannabiGold Sport line are obtained using HemPoland's proprietary supercritical carbon dioxide (CO_2) extraction technique developed specifically for hemp, the result of several years of research and development. The outcome is a CBD without the use of any synthetic cannabinoids, that the Company believes is of the highest quality.

The CannabiGold Sport line complements HemPoland's existing CannabiGold portfolio which comprises oil, capsules, and cosmetics. The new line will initially be distributed in Poland, Germany, and the UK, with plans to expand distribution to other European countries where CannabiGold products are already available. Distribution outside of Europe could be considered at a later stage.

COVID-19

The Company continues to monitor and adapt to changing market conditions including but not limited to the ongoing impact of the COVID-19 pandemic. See "Risk Factors". The Company has implemented several operational and financial responses to address the COVID-19 pandemic. Specifically, the Company has:

- implemented 20% to 30% cash compensation reductions to certain executive staff and members of its board of directors with respect to payments made between April 1, 2020 to December 31, 2020. Prior to December 31, 2020, the Company reduced its executive headcount by over 7 members. The Company reinstated the remaining executive personnel that were affected by the Company's cash compensation reductions back to 100% pay effective January 1, 2021.

- implemented precautionary measures at all Canadian locations to ensure the safety of the staff and product, including limiting visits to the site to essential personnel only, ensuring proper protocols around sanitation, mask usage and physical distancing and ensuring potentially exposed employees remain in self-quarantine for the appropriate period. Cultivation is continuing and ongoing and additional licensed space available in the processing centre at the Hamilton Facility allows for better physical distancing among its cultivation and processing employees. The Company's Polish operations has implemented a similar response in line with local health guidelines in Poland.

- received a total of $987 in wage subsidies from the Canadian federal government under the Canada Emergency Wage Subsidy ("CEWS") which was treated as a reduction to the associated expenses. With the Company's revenue growth year-over-year, it does not believe it will continue to be eligible for this program as it stands. However, the Company continues to monitor its eligibility for various government support programs; and

- began to identify non-core assets that could be sold, leased, or otherwise monetized, particularly at its Quebec Facility.

OVERALL PERFORMANCE

Business Objectives and Milestones

The focus of the Company's activity is the ramp up of commercial operations and the production and sale of its organically grown cannabis products in order to achieve positive Canadian operating cash flows.

Facility construction status

Construction of the Hamilton Facility is complete, and currently planned construction of the Quebec Facility is substantially complete per the planned construction to operate per the recent development's intended use described above. The Company does not expect any further material capital expenditures to be incurred and continues to pay down its liabilities relating to previous construction costs incurred.

Product launches

The Company recently completed development and launch of key products – a mainstream-priced dried organically grown cannabis flower brand, called Highly Dutch, and cannabis-infused teas. The Company has also launched a line of water-soluble cannabis powder, which can be infused into any food or beverage, which is distributed under the RIPPLE brand of products. The Company completed its first shipment of a mix of its products, including Highly Dutch and cannabis-infused teas and RIPPLE, to Quebec's provincial distribution board in Q2-2020. Since that time, the Company has worked to generate purchase orders and cultivate, process and ship its organically grown cannabis products across Canada and has recorded strong sales of the product that it has shipped to Quebec. In Q4-2020, the Company began selling its Highly Dutch products in Ontario and Alberta in addition to Quebec, and also launched a hash SKU in Quebec that became the top selling concentrate in that province in December 2020.

Operational challenges experienced at the Hamilton Facility during the year

Since the launch of the Company's key products, initial sales of the Company's shipped products were strong. However, the Company was adversely impacted by various factors related to production and processing in August 2020. Principally, the Company's revenue ramp and resulting cash flow shifted out due to capacity gaps in production at a third-party processor of Cannabis 2.0 products and operational challenges in the Hamilton Facility. The Company had been outsourcing the processing of its Cannabis 2.0 products to third party contractors. To remedy the issues with Cannabis 2.0 production caused by the third-party reliance, the Company chose to bring its production of premium organic teas and Ripple infusers in-house to its Quebec Facility. As a result, the Company incurred approximately $200 of start up costs, in the form of acquiring equipment needed for processing there. The transfer of equipment in order to carry out these activities took place in early September 2020. By producing the Company's Cannabis 2.0 products in-house, the Company is in the process of realizing a reduction in production costs.

With regards to challenges at the Hamilton Facility, the start-up commissioning and calibrations of the energy center led to inconsistent climate controls in the hybrid greenhouse during the very hot weather in late July 2020 and early August 2020, which led to several August harvests not meeting the Company's strict premium flower specifications. As a result, most of the flower from these harvests was repurposed for extraction. The Company, with support from its equipment vendors, has since finetuned calibrations to significantly reduce the energy center downtimes resulting in improved climate controls, and harvests since September have met the Company's specifications. The Company has also identified additional cost reductions in selling, general and administrative expenses and operating budgets to partly offset the expected slower revenue ramp from earlier 2020 expectations. The aggregate impact of these changes on the Company's financial forecasts are included and described below under the heading "Financial Outlook".

Updated Commercial Outlook

As described in the "*Recent Developments*" section above, the Company continues to launch its newly commercialized products. In Canada, the Company continues to improve its harvest quantities and qualities in line with its plan. In addition, the

Company continues to seek new product listings from its largest customers which are provincial government cannabis boards. Listing its new products in each province will be a key catalyst to the future success of the Company. The Company reviewed available industry information stating that usage of Cannabis products has increased during the pandemic, which the Company acknowledges partly attributed to the rise in its Canadian revenue quarter over quarter in 2020 - refer to "Summary of Key Quarterly Highlights" for further insights. However, the Company believes that the COVID-19 pandemic has had and will continue to have adverse effects on distribution to final end user customers, causing uncertainty as with respect to:

- retail sales restrictions are assessed provincially and regionally which can cause distribution impediments such as store closure, no in-store shopping, pick up shopping and online sales only; these are outside of the Company's control and affect the timing of orders where the retail stores order from the provincial boards; and

- the supply chain may be similarly affected as to whether its suppliers meet the local requirements to operate or not.

The Company has summarized its expected quantification of these factors in the "Financial Outlook" section below.

SELECTED OPERATIONAL INFORMATION

SUMMARY OF KEY QUARTERLY HIGHLIGHTS – Q4-2020 as compared to Q4-2019 and Q3-2020

		Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019
Revenue	**$**	**10,918**	5,710	4,825	3,059	3,250	2,612	2,896	2,406
Loss from operations	**$**	**(11,396)**	(6,338)	(9,881)	(15,258)	(17,742)	(19,810)	(16,417)	(14,724)
Net loss (1) (2) (3) (4)	**$**	**(23,676)**	(76,244)	(9,775)	(73,436)	(144,753)	(20,303)	(16,603)	(14,091)
Comprehensive loss (1) (2) (3) (4)	**$**	**(23,874)**	(75,627)	(10,044)	(71,090)	(144,520)	(21,237)	(17,306)	(15,441)
Net loss per share (basic & diluted) (1) (2) (3) (4)	**$**	**(0.05)**	(0.20)	(0.03)	(0.23)	(0.52)	(0.07)	(0.06)	(0.05)

(1) During Q4-2020, the Company recorded a non-cash impairment charge of $8,644 related to its European CGU.

(2) During Q3-2020, the Company recorded a non-cash impairment charge of $67,837 related to its Canadian CGU.

(3) During Q1-2020, the Company recorded a non-cash impairment charge of $52,765 related to its Canadian CGU and $3,082 impairment charge related to its investment in Epican.

(4) During Q4-2019, the Company recorded a non-cash impairment charge of $123,432 related to its Canadian CGU and $4,296 impairment charge related to its investment in Epican.

Revenues

Revenue recognized in Q4-2020 amounted to $10,918, an increase of 236% versus the prior year (Q4-2019 - $3,250) with sales from cannabis products in Canada of $8,549 and hemp derived sales by HemPoland of $2,369. The Company's revenue in the prior year consisted primarily of HemPoland's product lines of $2,564 as the Company had not yet developed or launched its current Highly Dutch and hash products which were launched in 2020. Revenue increased by 91% in comparison to Q3-2020 revenue of $5,710 primarily due to an increase in sales in Canada of $4,714. The Company experienced an encouraging increase in demand for its products from the largest provincial boards primarily consisting of its Highly Dutch flower and hash.

As described above, Canadian revenues only began to significantly materialize in Q4-2019 and became more significant quarter over quarter in 2020 as the Company launched new products and obtained new listings. Prior to Q4-2019, the Company's revenues were primarily from its European subsidiary, HemPoland and the Company incurred higher losses from operations during those periods in anticipation of sales in fiscal 2020.

Gross profit (loss)

The Company's gross profit before changes in fair value adjustments of biological assets was $985 for Q4-2020 (Q4-2019 - $2,790) primarily as a result of an inventory provision recorded in the amount of $1,478, primarily related to a provision of packaging previously purchased to support higher sales and the Company's expectation of changes to regulations where this packaging will not be utilized within a year (Q4-2019 - $nil for inventory provision).

The Company experienced a gross loss for Q4-2020 of $887 (Q4-2019 - $1,695 gross profit) primarily driven by a higher realized loss in fair value of biological assets within inventory sold and the Canadian cost of sales reflects the absorption of fixed production costs at the Hamilton facility that were capitalized into inventory during ramp-up in previous quarters; such costs should be absorbed over a higher volume of production in coming months now that Hamilton is being fully utilized.

Sales and marketing expenses

	Three months ended					Three months ended		
	December 31, 2020	**December 31, 2019**	**Variance to Q4-2019 ($)**	**Variance to Q4-2019 (%)**		**September 30, 2020**	**Variance to Q3-2020 ($)**	**Variance to Q3-2020 (%)**
Personnel costs	**786**	939	(153)	(16%)		631	155	25%
Third party marketing expenses	**621**	1,069	(448)	(42%)		677	(56)	(8%)
Travel and promotion expenses	**22**	229	(207)	(90%)		44	(22)	(50%)
Strategic partnership payments	**935**	746	189	25%		877	58	7%
Other marketing expenses	**86**	30	56	187%		66	20	30%
	2,450	3,013	(563)	(19%)		2,295	155	7%

Sales and marketing expenses of $2,450 for the three-months ended December 31, 2020 decreased in comparison to expenses of $3,013 for the same period in the prior year primarily due to additional work being performed in house with increased efficiencies rather than work performed by external consultants, and less spending on brand development. This is consistent with the Company's plan for cost cutting initiatives in 2020 that were previously announced.

In comparison to Q3-2020, sales and marketing expenses increased marginally in Q4-2020 by $155 due to certain headcount additions in the sales department to support the growth in sales.

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Research and development expenses

	Three months ended					Three months ended		
	December 31, 2020	**December 31, 2019**	**Variance to Q4-2019 ($)**	**Variance to Q4-2019 (%)**		**September 30, 2020**	**Variance to Q3-2020 ($)**	**Variance to Q3-2020 (%)**
Personnel costs	**199**	613	(414)	(68%)		206	(7)	(3%)
Product development	**47**	80	(33)	(41%)		70	(23)	(33%)
Travel related expenses	**20**	5	15	300%		8	12	150%
Other research and development expenses	-	10	(10)	(100%)		6	(6)	(100%)
	266	708	(442)	(62%)		290	(24)	(8%)

Research and development expenses of $266 for the three-months ended December 31, 2020 decreased in comparison to expenses of $708 for the same period in the prior year. The Company incurred higher R&D costs in the prior year working on new product formulations and has now successfully commercialized organic cannabinoid dissolvables in Canada under the TGOD-Infusers line which began selling at the end of Q1-2020. Similar costs were not incurred in Q4-2020 due to the products already being available and reduced spending in line with the Company's cost cutting initiatives.

In comparison to Q3-2020, research and development expenses remained materially consistent with Q3-2020, decreasing by only $24.

General and administrative expenses ("G&A")

	Three months ended				Three months ended		
	December 31, 2020	**December 31, 2019**	**Variance to Q4-2019 ($)**	**Variance to Q4-2019 (%)**	**September 30, 2020**	**Variance to Q3-2020 ($)**	**Variance to Q3-2020 (%)**
Personnel costs	**2,604**	4,963	(2,359)	(48%)	1,971	633	32%
Office and other administrative expenses	**1,405**	6,357	(4,952)	(78%)	1,358	47	3%
Third party professional, consulting, legal fees	**1,632**	1,550	82	5%	752	880	117%
Computer and IT expenses	**241**	587	(346)	(59%)	289	(48)	(17%)
Termination benefits (1)	**(334)**	-	(334)	n/a	631	(965)	(153%)
	5,548	13,457	(7,909)	(59%)	5,001	547	11%

(1) The Company recognized a $404 credit of termination benefits in Q4-2020 due to it being able to settle the previously accrued amounts to former executive employees in shares rather than in cash. The corresponding expense was reclassified to share based compensation. (Q4-2019 - $nil).

G&A expenses of $5,548 for the three months ended December 31, 2020 decreased in comparison to expenses of $13,457 for the same period in the prior year. The year-over-year decrease of $7,909 is mainly related to the reduction of personnel costs and third-party professional, consulting and legal costs.

In comparison to Q3-2020, G&A expenses increased by $547 which primarily reflects the Company's reinstatement of certain lower level and middle management staff back to 100% of their original salaries, to support the ramp up in sales experienced as well as certain personnel increases to support HemPoland activities. In addition, the Company incurred higher legal and professional fees of $880 in comparison to Q3-2020, due to expenses incurred for the annual general and special meeting held in December and exchange listing fees. These increases were offset by a decrease in termination benefits of $965, including the $404 conversion of previously expected cash benefits being paid in shares, as described above.

As described in "COVID-19" section of **"Recent Developments"** above, executive compensation was not reinstated until January 1, 2021.

Share-based compensation expenses

The Company recognized a share-based compensation expense of $295 for the three months ended December 31, 2020 compared to $2,923 for the same period in the prior year. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. The decrease is primarily due to a reduction in the grant date fair value of new options granted, which is primarily attributable to the decline in the Company's stock price and market volatility.

In comparison to Q3-2020, share-based compensation expense decreased by $156 primarily due to the cancelation of certain employee options from terminations occurring in Q4-2020.

Loss from operations

Losses from operations were $11,396 for the three months ended December 31, 2020 compared to $17,742 for the same period in the prior year primarily driven by the increase in revenue and the implementation of cost cutting measures and resulting decreased operating expenses, partially offset by losses on changes in fair value of biological assets.

In comparison to a loss from operations of $6,338 in Q3-2020, the Company's loss from operations for Q4-2020 was higher primarily due to the inventory provision, and lower fair value adjustment gains related to biological assets and inventory.

Impairment

A non-cash impairment charge of $8,644 for the three months ended December 31, 2020 (December 31, 2019 – $127,728) was realized in relation to the European cash generating unit ("European CGU"). The non-cash impairment charges recognized during the period is as a result of the Company's annual requirement to test Goodwill under IFRS which was initially recognized on the business combination acquisition of HemPoland in 2018. This non-cash impairment charge does not directly impact the Company's operating activities or liquidity.

In Comparison to Q3-2020, the Company's impairment charges decreased by $59,193 primarily because no further impairment charges were recognized in the Canadian CGU.

Net loss

The Company's net loss for the three months ended December 31, 2020 was $23,676 (December 31, 2019 – $144,753) which is comprised primarily of the impairment charge and loss from operations discussed above.

Comprehensive loss

The Company's comprehensive loss for the three months ended December 31, 2020 was $23,874 (three months ended December 31, 2019 – $144,520) and is comprised of the net loss discussed above and other comprehensive income which is comprised of foreign exchange translation gains from foreign operations.

In comparison to Q3-2020, the Company's comprehensive loss decreased by $51,753 primarily due to the lower non-cash impairment charge partially offset by a higher loss from operations.

SUMMARY OF YEAR TO DATE ("YTD") RESULTS – Fiscal year 2020 as compared to fiscal year 2019

The table below summarizes selected information regarding the Company's loss from operations and other financial information for the periods presented in accordance with IFRS and on a consistent basis with the consolidated financial statements and related notes:

	For the year ended		
	December 31, 2020	**December 31, 2019**	**December 31, 2018**
Revenue	**$ 24,512**	$ 11,163	$ 1,879
Loss from operations	**$ (42,873)**	$ (68,693)	$ (44,524)
Net loss [1]	**$ (183,131)**	$ (195,750)	$ (45,203)
Comprehensive loss [1]	**$ (180,635)**	$ (198,504)	$ (44,690)
Net loss per share (basic & diluted) [1]	**$ (0.50)**	$ (0.71)	$ (0.20)

(1) During the year ended December 31, 2020, the Company recorded non-cash impairment charges of $129,246 related to and consisting of its Canadian CGU $120,602 (December 31, 2019 - $123,432), European CGU $8,644 and also recorded a $3,082 impairment charge related to its investment in Epican (December 31, 2019 - $4,296).

Revenues

Revenue recognized for the year ended December 31, 2020 amounted to $24,512 or a 120% increase versus the prior year (year ended December 31, 2019 - $11,163).

Sales from cannabis products in Canada of $15,761 for the year ended December 31, 2020 (year ended December 31, 2019 - $1,277) represented a significant increase over the prior year given the Company's recreational sales of cannabis in Canada began in Q3-2019. Management believes that while the premium market targeted by the Company in its pilot commercialization initiatives has declined significantly as a proportion of the total Canadian cannabis market over the past year, the Company is adapting to the market dynamics and has increased focus into the mainstream flower market with its Highly Dutch brand, as well as continuing to expand its Cannabis 2.0 product lines. Finally, in relation to Canadian operations, during the year ended December 31, 2020, the Company incurred $3,017 in excise duties thereby reducing gross revenue to arrive at $12,744 of net revenues in Canada (year ended December 31, 2019 - $206 for excise duties and net revenues of $1,071).

Sales from hemp derived products by the Company's wholly owned subsidiary in Poland were $8,751 (year ended December 31, 2019 - $9,886 related to HemPoland only). The decrease in revenue year over year from HemPoland relates primarily to higher volumes of lower priced bulk CBD extract products being sold at HemPoland during the year ended December 31, 2019 and since then has strategically shifted focus away from bulk extracts towards more profitable CannabiGold product lines. Even with the effects of the COVID-19 pandemic being felt in Europe, distribution channels are expected to remain relatively consistent. HemPoland started selling into the United Kingdom and has reworked its online sales capabilities to ship products direct to consumer, where applicable, to combat the expected lack of foot traffic in retail locations. In addition, the main facility in Poland has been fitted to perform toll manufacturing for customers to maximize the use of capacity and proprietary extraction technology. As described above, Canadian revenues only began to significantly materialize in Q4-2019 and became more significant quarter over quarter in 2020 as the Company launched new products and obtained new listings. Prior to Q4-2019, the Company's revenues were primarily from its European subsidiary, HemPoland and the Company incurred higher losses from operations during those periods in anticipation of sales in fiscal 2020.

Gross profit

The Company's gross profit before changes in fair value adjustments of biological assets was $3,994 for the year-ended December 31, 2020 (for the year-ended December 31, 2019 - $7,474). The decrease was primarily a result of an inventory provision recorded in the amount of $1,478 due to changes in the Company's forecasted SKU mix and expected changes to packaging regulations (Q4-2019 - $nil for inventory provision). In addition, HemPoland experienced higher cost of sales in comparison to the prior year due to lower margins on the sale of bulk CBD extract products and by the addition of sales being introduced on a more significant basis in Canada.

The Company's overall gross profit for year ended December 31, 2020 of $6,114 was $3,430 lower than the year ended December 31, 2019, primarily because of the changes discussed above.

Sales and marketing expenses

	For the year ended			
	December 31, 2020	**December 31, 2019**	**Variance to FY-2019 ($)**	**Variance to FY-2019 (%)**
Personnel costs	**2,760**	2,907	(147)	(5%)
Third party marketing expenses	**3,009**	6,542	(3,533)	(54%)
Travel and promotion expenses	**197**	880	(683)	(78%)
Strategic partnership payments	**3,181**	2,831	350	12%
Other marketing expenses	**301**	121	180	149%
	9,448	13,281	(3,833)	(29%)

Sales and marketing expenses of $9,448 for the year ended December 31, 2020 decreased in comparison to expenses of $13,281 for the same period in the prior year primarily due to additional work being performed in house rather than by external consultants, and additionally due to a significant portion of at product development upfront marketing costs (designing packaging, initial store activations) being completed in the prior period. This is consistent with the Company's plan for cost cutting initiatives in 2020 that were previously announced.

The Company received $96 in wage subsidies from the CEWS related to S&M from the federal government in response to COVID-19 for eligible periods 1 and 2 in Q2-2020 and made an accounting policy choice to net the proceeds against the related and applicable expenses in accordance with IFRS. The Company applied this policy choice consistently

Research and development expenses

	For the year ended			
	December 31, 2020	**December 31, 2019**	**Variance to FY-2019 ($)**	**Variance to FY-2019 (%)**
Personnel costs	**1,015**	1,313	(298)	(23%)
Product development	**228**	602	(374)	(62%)
Travel related expenses	**50**	102	(52)	(51%)
Other research and development expenses	**102**	254	(152)	(60%)
	1,395	2,271	(876)	(39%)

Research and development expenses of $1,395 for the year ended December 31, 2020 decreased in comparison to expenses of $2,271 for the same period in the prior year. Significant costs savings were realized during the period due to cost cutting initiatives such as reducing the reliance of external consultants, while still continuing development of the Company's 2.0 products. The Company has successfully commercialized organic cannabinoid dissolvables in Canada under the RIPPLE line which began selling during the year ended December 31, 2020. The Company also received $45 in 2020 wage subsidies from the CEWS related to R&D.

General and administrative expenses ("G&A")

	For the year ended			
	December 31, 2020	**December 31, 2019**	**Variance to FY-2019 ($)**	**Variance to FY-2019 (%)**
Personnel costs	**10,054**	14,998	(4,944)	(33%)
Office and other administrative expenses	**7,915**	14,207	(6,292)	(44%)
Third party professional, consulting, legal fees	**5,927**	12,974	(7,047)	(54%)
Computer and IT expenses	**1,128**	1,981	(853)	(43%)
Termination benefits	**1,027**	-	1,027	n/a
	26,051	44,160	(18,109)	(41%)

G&A expenses of $26,051 for the year ended December 31, 2020 decreased in comparison to expenses of $44,160 for the same period in the prior year. The year-over-year decrease is mainly related to the reduction in headcount and fees paid to third party professional firms, consulting, and legal costs, partially offset by termination benefits accrued to former employees of $1,027 (year ended December 31, 2019 – immaterial). The Company also received $342 in 2020 wage subsidies from the CEWS related to G&A expenses.

Share-based compensation expenses

The Company recognized a share-based compensation expense of $4,873 for the year ended December 31, 2020 compared to $14,288 for the same period in the prior year. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. The decrease is primarily due to a reduction in the grant date fair value of new options granted, which is primarily attributable to the decline in the Company's stock price combined with market volatility and cancellations from employment terminations.

Loss from operations

Losses from operations were $42,873 for the year ended December 31, 2020 compared to $68,693 for the same period in the prior year. The smaller loss related primarily to the factors discussed above where revenues have increased and cost cutting per the Company's revised strategic plan is being implemented.

Impairment

A non-cash impairment charge of $120,602 for the year ended December 31, 2020 (December 31, 2020 – $127,728) was realized on the Canadian cash generating unit. The non-cash impairment charges recognized during the period are primarily attributable to the changes in the timing of accessing market demand, as a result of various factors including regulatory changes, production and supply chain impediments, COVID-19 impacts on retail store openings, and, sales price compression across the industry, resulting in a slower revenue ramp up and growth than originally forecasted by management. Management has taken steps to realign the strategic plan to account for the changing market conditions. The Company also recognized an impairment loss on its investment in Epican of $3,082 (December 31, 2019 – $4,296) due to changing market conditions in Jamaica. The Company sold its interest in the entity during the year ended December 31, 2020 for a nominal amount.

Finally, the Company recognized an impairment on its European cash generating unit of $8,644 as a result of the Company's annual requirement to test Goodwill under IFRS which was initially recognized on the business combination acquisition of HemPoland in 2018.

The non-cash impairment charges do not directly impact the Company's operating activities or liquidity.

Net loss

The Company's net loss for the year ended December 31, 2020 was $183,131 (December 31, 2019 – $195,750) which is mainly comprised of the loss from operations and impairments discussed above. In addition, during the year ended December 31, 2020, foreign exchange losses amount to $1,855 (December 31, 2019 - $964) due to a decrease in the Canadian dollar against the US dollar and European Euro, partially offset by contingent consideration revaluation gain of $423 (December 31, 2019 - $226) and finance income of $384 (lower than December 31, 2019 - $2,819 because of lower cash on hand to generate interest income).

Comprehensive loss

The Company's comprehensive loss for the year ended December 31, 2020 was $180,635 (December 31, 2019 – $198,504) and was comprised of the net loss discussed above and other comprehensive income comprised of foreign exchange translation gain from foreign operations of $2,496 (December 31, 2019 - $2,754 gain incurred through other comprehensive income).

FINANCIAL POSITION

The table below summarizes selected information regarding the Company's financial position for the periods presented in accordance with IFRS and on a consistent basis with the consolidated financial statements and related notes:

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019*
Total assets	**$ 211,575**	$ 342,181	$ 447,236
Total non-current liabilities	**$ 5,394**	$ 21,354	$ 3,591
Total shareholders' equity	**$ 139,804**	$ 267,600	$ 413,655

** The Company adopted IFRS 16 – Leases on January 1, 2019 and reflected transitional opening balance sheet adjustments as a result.*

The following is a discussion of the significant changes to selected balances in the Company's financial position as at December 31, 2020 as compared to December 31, 2019 in accordance with IFRS and on a consistent basis with the consolidated financial statements and related notes. The Company's financial position as at December 31, 2018 (or January 1, 2019 after IFRS 16 adjustments) is not materially relevant to the Company's last two fiscal periods as the Company was pre-revenue and had just received its initial public offering funds and other resources which were primarily dedicated to developing the Company's two facilities and to prior to incurring any impairment charges.

Assets

The Company's consolidated cash and cash equivalents of $11,212 as at December 31, 2020 (cash in Canada was approximately $9,377) reduced from $27,569 as at December 31, 2019 primarily as a result of paying down construction and operational payables as described in the "Liquidity and Capital Resources" section. The Company's trade receivables of $10,023 as at December 31, 2020 (December 31, 2019 - $1,488) represent increased sales in the month of December 2020 compared to prior months. As at December 31, 2020, the Company had $17,135 in inventory as compared to $8,268 as at for December 31, 2019 as a result of recent harvests from the Company's hybrid greenhouse and an increase in packaging and supplies purchased to be ready for new upcoming orders. The Company's property plant and equipment decreased by $89,770 to $147,263 primarily as a result of $118,316 in non-cash impairment charges and $5,768 in depreciation, partially offset by year-to-date additions of $36,720 most of which primarily related to construction in early 2020.

Liabilities

The Company's accounts payable and accrued liabilities, including non-current accrued liabilities was $24,453 as at December 31, 2020 as compared to $52,074 as at December 31, 2019, with the decrease primarily relating to payments made against outstanding construction payables. These payments were funded in part by additional debt received from the Company's *Senior Secured Credit Facility* and from equity financings undertaken during the year.

The Company's current portion of loans payable amounted to $40,755 (which also includes the effects of accretion expense) as at December 31, 2020 as compared to $524 as at December 31, 2019 primarily due to the balance of the Senior Secured Credit Facility and Revolver Loan being recognized as current rather than long-term as they mature on December 15, 2021 and December 31, 2021, respectively.

Equity

The Company's Shareholders' equity decreased from $267,600 as at December 31, 2019 to $139,804 primarily due to an increase in the accumulated deficit of $182,541 and an increase in the non-controlling interest of $590, partially offset by increases in share capital of $39,728, contributed surplus of $13,111, and changes to accumulated other comprehensive income of $2,496.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2020, the Company generated its revenue from domestic cannabis and international hemp operations and relied on the equity financings raised together with the additional debt facilities closed to finance its operations and meet its capital requirements. The Company's objectives when managing its liquidity and capital resources are to maintain a sufficient capital base to maintain investor and creditor confidence and to sustain the future development of the business.

As at December 31, 2020 the Company had a consolidated negative working capital of $21,997 (December 31, 2019 - $14,939 positive working capital) primarily due to the Company presenting the Senior Secured Credit Facility (December 31, 2020 - contractual principal balance of $32,200) and Revolver Loan (December 31, 2020 - contractual principal balance of $13,455) as a current liability as at December 31, 2020 as the facilities are due on December 15, 2021 and December 31, 2021, respectively. The total consolidated cash position was $11,834, including $622 of restricted cash (December 31, 2019 – $36,147 of which $8,578 was restricted cash). This cash, together with additional financing received subsequent to December 31, 2020 will be used primarily towards covering working capital requirements and operating costs as the Company moves towards achieving positive operating cashflow, expected on a monthly basis later in 2021.

The Company has primarily financed its operations to date through the issuance of Common Shares, warrants, and draw-downs on certain of the Company's debt facilities. The Company may need to further reschedule its debt or obtain capital through various means including the issuance of equity and/or debt to repay its obligations. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future if revenue plans, debt refinancing and/or additional debt or equity financing or any combination thereof is received. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

	For the year ended		
	December 31, 2020	**December, 2019**	**Variance to 2019 ($)**
Net cash used in operating activities	**$ (35,958)**	$ (56,697)	$ 20,739
Net cash used in investing activities	**(42,176)**	(184,094)	141,918
Net cash provided by financing activities	**60,470**	56,097	4,373
Net effects of foreign exchange	**1,307**	(1,286)	2,593
(Decrease) increase in cash and cash equivalents	**$ (16,357)**	$ (185,980)	$ 169,623

Operating Activities

For the year ended December 31, 2020 net cash used in operating activities was $20,739 lower than the year ended December 31, 2019. The decrease was primarily related to cost reductions initiatives in the year ended December 31, 2020.

Investing Activities

For the year ended December 31, 2020 net cash used in investing activities was $141,918 lower than the year ended December 31, 2019. The decrease was primarily the result of requiring less capital used to settle construction contracts as well as having extended payment terms with suppliers.

Financing Activities

For the year ended December 31, 2020, net cash provided by financing activities was $4,373 higher than the year ended December 31, 2019. The increase was primarily the result of additional $19,228 proceeds from the four bought deals closed in the period as well as additional $5,728 proceeds from the closing of debt facilities during the period compared to the year ended December 31, 2019. The increase was primarily offset by a decrease of $11,755 in cash received related to the exercise of stock options and warrants, a decrease of interest received of $3,169 and an increase in interest paid on debt of $4,681 in comparison to the year ended December 31, 2019.

Contractual obligations

The Company had the following estimated gross contractual obligations as at December 31, 2020, which were expected to be payable in the following respective periods:

		Contractual cash flows - 12 months ending						
	Carrying amount	**Total**	**December 2021**	**December 2022**	**December 2023**	**December 2024**	**December 2025**	**Thereafter**
	$	**$**	$	$	$	$	$	$
Accounts payable and accrued liabilities	**24,453**	**24,453**	24,453	-	-	-	-	-
Loans	**40,755**	**51,537**	51,537	-	-	-	-	-
Lease liabilities	**5,570**	**8,894**	1,073	1,009	865	828	730	4,389
Contingent consideration payable	**39**	**57**	-	57		-	-	-
Total contractual obligations	**70,817**	**84,941**	**77,063**	**1,066**	**865**	**828**	**730**	**4,389**

(1) Contractual cash flows include interest payable until the maturity date.

The Company's accounts payable and accrued liabilities include consolidated trade payables and accrued liabilities for work incurred, including for the construction of the facilities and the payables related to its licencing revenue stream.

The contractual cash flows in the table above include the relevant interest and principal payments related to the total of $32,200 now drawn on the Senior Secured Credit Facility and the $13,455 drawn on the Revolver Loan as at December 31, 2020 payable until maturity dates. The Company expects further draws on the $17,000 available under the Revolver Loan secured by trade receivables, over the next 12-month period for which it will have to incur interest charges based on actual uses. The Company may repay the principal on the Senior Secured Credit Facility at any time with a 2% penalty on the outstanding principal which is currently $32,200 as mentioned above. As described in the '*Recent Developments*' section above, the Company is proactively evaluating opportunities such as monetizing its Quebec Facility in whole or in part, in combination with utilizing the remaining room under its Base Shelf Prospectus. Where and if additional financing becomes available, such as warrant exercises, the Company will consider making prepayments against its facilities to implement savings of interest charges of between 12% and 13%.

The Company's leased liabilities are valued in accordance with IFRS where the Company has recognized an increase to both assets and liabilities on the consolidated statements of financial position, as well as a decrease to operating expenses (for the removal of rent expense for leases), an increase to depreciation and amortization (due to depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability).

The contingent consideration payable relates to contingent consideration of up to 3,047,723 shares potentially payable to the former owners of HemPoland based on that entity achieving certain earnings targets by the end of the 2021 financial year which may be settled in cash pursuant to the terms of the agreement at the Company's option. The consideration is revalued to fair value at the end of each reporting period in accordance with IFRS based on a valuation technique with a probability assessment of asymmetric payment structures. Subsequent to December 31, 2020, the Company cancelled 2,390,939 contingent consideration shares pursuant to an agreement with the holder.

Other Contractual Commitments

The lease for the office space of the Company's headquarters required the issuance of a letter of credit in the amount $350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at December 31, 2020, there have been no breaches and no amounts have been drawn upon this letter of credit.

Pursuant to some of the agreements related to the Company's Hamilton Facility, as at December 31, 2020, the Company has letters of credit in the amount of $585 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which has been recorded in other assets. As at December 31, 2020, there have been no breaches and no amounts have been drawn on the letters of credit.

The Company has also entered into certain agreements for equipment and services that allow for deferred payment terms and/or the inclusion of permitted subordinated liens on personal property, per the Senior Credit Facility agreement, associated with the equipment located at both the Hamilton and the Quebec facilities should there be any material breaches of the agreements. As at December 31, 2020, there have been no breaches of the respective agreements.

Claims and Litigation

The Company may become subject to litigation from time to time in the ordinary course of business, some of which may adversely affect its business. For instance, the Company is currently subject to two employment-related claims totalling approximately $3,125, a breach of contract claim by former warrant holders for approximately $1,250 million, a civil claim in the United States District Court for the Middle District of Georgia, and a claim from a customer in Europe for approximately $2,100 million. The employment claims relate to a former contract CFO of the Company and a former consultant to the Company. The former contract CFO issued a claim in the Ontario Superior Court of Justice for damages of $3,000 on September 25, 2018 and the Company filed a defence in October 2018 where management responded that it believes the claim is without merit. There have been no appearances or proceedings scheduled since the Company's defence was filed. The claim by the former consultant was issued by the Ontario Superior Court of Justice on April 15, 2020, claiming damages of approximately $125. The Company has filed its defence and the parties are the process of discussing a schedule to advance the matter. In the breach of contract claim, a group of plaintiffs have brought a claim in British Columbia alleging breach of contract in regard to share purchase warrants they were prevented from exercising due to a restrictive trading period. This matter has been set down for trial commencing July 19, 2021. On August 3, 2020, the Company was named as a defendant in a civil litigation matter commenced in the United States District Court for the Middle District of Georgia relating to its minority interest in a US-based beverage incubation business, seeking, among other things, unquantified compensatory damages and injunctive relief. The Company believes this claim against it is without merit and intends to vigorously defend the matter. Finally, a customer in Europe (a distributor) alleges that HemPoland breached a verbal contract with it by ceasing to cooperate with the distributor and has alleged damages of approximately $2,100. No proceedings have been initiated in respect of the matter. An action against the Company's subsidiary, HemPoland, brought by a former officer of HemPoland for the payment of severance, previously disclosed by the Company was dismissed by the court in Elblag, Poland on September 10, 2020.

Should any of these claims or any other litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating, the value or market price for the Common Shares and could require the use of significant resources. Even if the Company is involved in litigation and is ultimately successful, litigation can require the redirection of significant resources. Litigation may also create a negative perception of the Company's brand.

Use of Proceeds from Previous Financings

The following table compares the Company's previous disclosure on its intended use of proceeds from previous offerings with the subsequent actual use of those proceeds, together with an explanation of any variances and the impact of those variances, if any, on the Company's ability to achieve its business objectives and milestones:

Financing	Disclosed intended use of net proceeds	Actual use of proceeds and discussion of variances
December 2019 Units	To complete the construction of the processing centre at the Hamilton Facility - $14,200 net of transaction costs Working capital - $7,510 net of transaction costs	The Company's actual use of proceeds from the December Offering differed significantly from the disclosed intended use of proceeds as a result of differing allocation of funds among financing sources. However, in aggregate, the Company is in the position disclosed as its expectation in the prospectus for the December Offering, in that it has completed the processing centre at the Hamilton Facility on the timeline and at the cost disclosed in the prospectus for the December Offering and used the proceeds of the December Offering together with the proceeds of the first tranche of the senior secured credit facility to achieve this milestone and fund its operations through April 2020.
April 2020 Units	Activities in furtherance of development and launch of key product lines including teas and a mainstream-priced dried organic cannabis flower brand - $3,880, net of transaction costs	The Company has applied the approximately $5,750 of gross proceeds from its public offering of units by short form prospectus dated April 22, 2020 (the "April Offering") substantially as disclosed in that prospectus. The Company contemplated development and launch of its key product lines on the timeline and at the cost disclosed in that

	General corporate purposes - $640, net of transaction costs	prospectus and used and is using the net proceeds of the April Offering together with the initial proceeds under the revolving credit facility and the first accordion payment under the senior secured credit facility to achieve this development milestone as anticipated.
June 2020 Units	Repayment of construction indebtedness and other payables - $11,523, net of transaction costs Negative Canadian operating cash flow - $2,243, net of transaction costs General corporate purposes - $153	The Company received the proceeds from its public offering of units by short form prospectus dated June 9, 2020 (the "June Offering") on June 12, 2020. the Company contemplated funding its operations, including the repayment of indebtedness incurred in the construction of the Hamilton Facility and Quebec Facility and other payables and funding for negative Canadian operating cash flows, until achieving positive Canadian operating cash flows in August 2020. The Company used the net proceeds of that offering together with its other financial resources substantially as disclosed in the June 9, 2020 prospectus, including the repayment of indebtedness. However, the Company has not achieved positive Canadian operating cash flows for the reasons set out under the heading "Business Objectives and Milestones".
October 2020 Units	Repayment of construction indebtedness and other payables - $10,248, net of transaction costs	The Company received the proceeds from its public offering of units by short form prospectus dated October 19, 2020 ("October 2020 Offering"). The Company used the net proceeds of the October 2020 Offering together with its other financial resources substantially as disclosed in the Prospectus, including the repayment of indebtedness materially in line with its expenditure plan and raised further funds in December 2020, described below as part of its Base Shelf Prospectus.
December 2020 Units	Repayment of construction indebtedness and other payables - $9,250, net of transaction costs	The Company received the proceeds from its public offering of units by short form prospectus dated October 19, 2020 ("December 2020 Offering"). The Company contemplated funding its operations, payables and funding for negative Canadian operating cash flows until it was expected to achieve positive Canadian operating cash flows expected which was beyond December 31, 2020 timeframe. The Company only partially used the net proceeds of the December Offering and drew less on its Revolver Loan than anticipated for the remainder of December 2020 to save on interest costs given it had sufficient cash on hand. In addition, the Company purchased the remaining of the outstanding shares of QuebecCo for $750 to fully own and control the property on which the Quebec Facility is situated given it had cash on hand from the financing. The Company believes that this provides additional flexibility for monetization options in future periods which is further described in the Liquidity and Resources section.

Financial Outlook

The Company disclosed forecasted Canadian operating cash flows for October 1, 2020 to September 30, 2021 in its management's discussion and analysis for the three months ended September 30, 2020. In its Base Shelf Prospectus, the Company updated this forecast and compared it, although it was not for the same time period, to its latest forecast for November 1, 2020 to October 31, 2021. The Company withdraws its forecast of Canadian operating cash flows for October 1, 2020 to September 30, 2021 and does not intend to further update it, rather the Company intends to update its forecasted Canadian operating cash flows for November 1, 2020 to October 31, 2021 to the extent required by applicable Canadian securities laws. The Company's forecasted Canadian operating cash flows for November 1, 2020 to October 31, 2021 are now as follows:

		Previously disclosed in Base Shelf Prospectus	*Revised Forecast*
	Notes	*$000s*	*$000s*
Gross profit on sales before change in fair value of biological assets	(1)	24,603	15,217
Sales & marketing ("**S&M**") expenses	(2)	(6,574)	(5,266)
Research & development ("**R&D**") expenses	(3)	(695)	(575)
General & administrative ("**G&A**") expenses	(4)	(13,395)	(14,499)
Other income/(loss)		(390)	(90)
Expected Canadian operating cash flow (operating loss)		3,549	(5,213)

Notes:

The following significant assumptions have been utilized in preparation of these forecasts which are consistent with the forecast disclosed in the Company's Base Shelf Prospectus:

(1) Gross profit has been forecasted based on, among other things:
  i. that the Company's products will meet the desired specifications of it and its distribution partners, for instance with regard to THC content and other specifications;
  ii. that its Hamilton Facility will produce between 12,000 kgs and 14,000 kgs in 2021 and specifically 10,450 kgs during the period referenced above. The expected production allows further sales into the Company's other distribution channels across Canada, which is a key catalyst in the Company achieving positive operating cash flow on a monthly basis before the end of 2021;
  iii. that pricing of its products and product mix of its sales will remain consistent with its most recent discussions with its distribution partners and provincial boards;
  iv. that revenue will continue to grow over the period from November 1, 2020 to October 31, 2021 due to increases sales of its key products across Canada, except in Q1-2021 where a reduction in revenue is expected from Q4-2020;
  v. that the total recreational and medical cannabis market in Canada will grow in line with the expectations of the analysts whose reports the Company has reviewed; and
  vi. that its cost of sales per product over the referenced 12 months is consistent with its current cost of sales per product.

(2) S&M expenses in total are forecasted to be consistent with recent levels, although decrease in proportion to the revenue expected to be achieved by the Company. The Company has significantly curtailed new plans for extensive media and in-store promotions and is shifting focus to operations to have product available to meet demand.

(3) Forecasted R&D expenses are expected to remain materially in line with recent results as new products finish development and move to commercialization. The Company plans to use its existing internal staff and not to engage external consultants or research studies, focusing on fewer new product launches and stopping any topicals development.

(4) Forecasted G&A expenses reflect recent measures taken to reduce costs from those reported in 2019 and periods in 2020 ending on or before December 31, 2020. An increase of $1.1 million over the period is noted as the Company incurred additional one-time termination costs which are expected to provide longer term benefits to the Company and certain previously planned overhead cuts were reinstated.

The Company's revised Canadian cash flow forecast, for November 1, 2020 to October 31, 2021, assumes that it will achieve $40 million in net sales over the 12-month period versus the $61.5 million previously forecast in the Base Shelf Prospectus. Specifically, management notes:

- that it has observed notable price compression in recent months across the legal cannabis market in Canada through review of external data and the Company's internal data. Accordingly, the Company's forecast assumes between 5% and 20% of price compression into 2021 across its various product lines;

- that the Company continues to assess the economic climate post year-end, specifically with many provincial governments imposing lockdowns and stay-at-home orders which have affected distribution and retail capabilities of cannabis store locations, reducing order levels for Q1 2021 from provincial Boards compared to forecast. In addition, certain provincial Boards issued revised listing mandates effective January 1, 2021 to assess their own profitability and efficiency. The Company believes these measures will hamper the rate of revenue growth in Canada that was expected in the first half of 2021 and impact the timing of market penetration for its new sativa strains and some cannabis 2.0 products;

- that the sales volume forecast consists primarily of product mix premium flower, mainstream Highly Dutch flower and 2.0 products expected to be sold and includes hash sales, which mix has shifted towards proportionately more mainstream Highly Dutch products that have a lower margin; and

- that the Company's latest forecast further reflects the shift in its medical business from sales to patients directly to medical wholesaling, such as the Company's distribution agreement with Medical Cannabis by Shoppers Drug Mart. Medical wholesale generates narrower gross margins compared to direct patient sales.

Consequently, the Company is proactively managing costs to correlate with sales activity levels and still expects to achieve positive monthly Canadian operating cashflow, on a monthly basis, later in 2021. While the revised forecast shows an expected decrease in Canadian operating cash flows over the same period, this arises primarily from the earlier months of 2021 as the revenue growth expected is slower than previously forecast. The Company notes that cash inflows from certain financing activities are also not included in the Company's projections, including the exercise of $7,559 of purchase warrants in February 2021, which augmented its cash position. As described in the Quebec Facility Update section above, the Company is also evaluating monetization options for its excess assets, which could allow for further potential investment in sales and marketing expenses to drive additional sales or pay down debt to reduce expected finance costs (interest expense).

The Company's non-Canadian subsidiaries do not have capital or operating cash flow requirements over the forecast period other than capital the subsidiaries already have and operating cashflows they generate through the conduct of their business.

The Company's estimates of Canadian operating cash flows over the 12 months period herein defined constitute forward looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. Readers should not place undue reliance on forward looking information, including for the reasons set out under the headings **"Cautionary Statement Regarding Forward Looking Information"** ***and*** **"Risk Factors".** ***Readers should also see also the Company's discussion under the heading*** **"Business Objectives and Milestones".** The Company believes that there is a reasonable basis for the expectations reflected in the forward-looking statements in this MD&A. However, these expectations may not prove to be correct.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND CHANGES IN ACCOUNTING POLICIES

[a] Accounting policies currently in effect

We describe our significant accounting policies and critical accounting estimates in Note 3 to the audited consolidated financial statements for the year ended December 31, 2020. The preparation of the consolidated financial statements requires the use of estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected. Below are key areas for estimates and judgements:

(a) Biological assets and inventory

In calculating the fair value less costs to sell of the biological assets, management is required to make a number of judgements and estimates, including estimating the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating inventory values, management is required to determine an estimate of indirectly attributable production costs as well as obsolete inventory and compares the inventory cost to estimated net realizable value.

(b) Impairment, estimated useful lives, depreciation and amortization of property, plant and equipment and intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, residual values, and depreciation rates. The depreciation and amortization methods are judgements based on the Company's assessment of the pattern of use of the assets. The estimate of useful lives and residual values are based on the Company's intended use of the assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

(i) Cash generating units:

Judgment is required to assess the Company's determination of cash generating units for the purpose of impairment testing.

(ii) Impairment of non-financial assets:

The process to calculate the recoverable amount of each cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applied judgment when determining which methods are most appropriate to estimate that value in use and fair value less costs of disposal for each CGU. Please see note 6 and note 7 for additional estimates and judgment applied by the Company in connection with the impairment of non-financial assets.

(c) Revenue and accounts receivable

The Company estimates whether certain vendors will exercise the right to early payment discounts based on past experience with each vendor. The Company also uses estimates to determine the likelihood of returns and discounts and rebates it may offer to distributors. This is based on trends observed by the Company related to its historical financial sales and industry practices. Due to the complexity in tax legislations, significant judgement is applied in the assessment of whether taxes are borne by the Company or collected on behalf of a third party impacting the net or gross presentation of revenue.

(d) Shared based compensation

Significant estimates are used to determine the fair value of stock options and restricted stock units of the Company. The Company typically uses a Black Scholes pricing model to determine the valuations. Refer to notes 13 and 14 for further information.

(e) Warrants

Significant estimates are used to determine the fair value of warrants issued by the Company. The Company typically uses a Black Scholes pricing model to determine the valuations. Refer to notes 13 and 14 for further information.

(f) Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant estimates are used to determine the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate for new leases.

[b] Changes in significant accounting policies

i. Government Grants
The Company applied for and received government grants under the Canadian Emergency Wage Subsidy ("CEWS") provided by the Government of Canada as a result of the COVID-19 pandemic. The Company made an accounting policy choice under *IAS 20 - Government Grants* to record and present the grants net against the associated salary expenses for which it was subsidizing and recognized each grant upon receipt.

ii. Definition of a Business (Amendments to IFRS 3)
The Company applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The adoption of this amendment had no impact on the Company's financial statements

[c] New standards, interpretations and amendments not yet adopted by the Company

A number of new standards are effective for annual periods beginning on or after January 1, 2021 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

[a] Fair values

The Company's financial instruments were comprised of the following as at December 31, 2020: cash and cash equivalents; restricted cash; refundable sales tax receivable; trade receivables; due from related parties; other investments, other current assets; accounts payable and accrued liabilities; short-term loans; contingent consideration and lease liabilities.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instrument's recorded at amortized cost is that the instrument's fair value approximates their carrying amount is largely due to the short-term maturities of these instruments.

[b] Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year ended December 31, 2020, there were no transfers of amounts between levels (year ended December 31, 2019 – no changes).

[c] Management of key risks arising from financial instruments

Credit Risk

As at December 31, 2020, the Company's trade receivables are primarily concentrated in Canada with the exception of $972 in

Europe. The Company had two customers whose balances was individually greater than 10% of total trade receivable as at December 31, 2020 (December 31, 2019 – one customer).

RELATED PARTY TRANSACTIONS

Identification of related parties

Related parties as at December 31, 2020 have been identified as follows:

Related party	Business relationship	Measurement basis
Jeffrey Scott	Director	Exchange amount
Nicholas Kirton	Director	Exchange amount
Marc Bertrand	Director	Exchange amount
Jacques Dessureault	Director	Exchange amount
Caroline MacCallum	Director	Exchange amount
Sean Bovingdon	Management	Exchange amount
Anna Stewart	Management	Exchange amount
Matthew Schmidt	Management	Exchange amount
Michel Gagne	Management	Exchange amount

Key transactions with related parties

There have been no material transactions with related parties and no unusual transactions outside of the normal course of business during the year ended December 31, 2020 other than as previously disclosed. None of the balances outstanding to related parties as at December 31, 2020 are secured (December 31, 2019 – none). No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. No new guarantees have been given or received by related parties during the year ended December 31, 2020. As at December 31, 2020, the Company had no receivable or payable balances with key management personnel and $91 of director fees payable.

The Company has accrued termination benefits to former executives that have left the Company to the extent required and are no longer considered related to the entity.

Other

On May 25, 2020, the Company sold its interest in EML to another shareholder of EML for a nominal amount given its history of operating losses, recent economic developments in Jamaica restricting operations and the Company's strategic decision to no longer pursue opportunities in Jamaica to focus on Canadian operations. EML issued the Company a promissory note for the balance of $449 as at December 31, 2020**.**

REGULATORY LANDSCAPE

The results of operations and financial condition of the Company are subject to a number of regulations and are affected by a number of factors outside the control of management.

Canadian Regulatory Landscape

Cannabis production, distribution and sale is illegal in Canada except where specifically permitted by law. On October 17, 2018, the federal Cannabis Act and accompanying Regulations, including the Cannabis Regulations ("Cannabis Regulations"), the new Industrial Hemp Regulations ("IHR", and together with the Cannabis Regulations, collectively, the "Regulations"), came into force, legalizing the production, distribution and sale of cannabis for adult recreational purposes, as well as incorporating the pre-existing medical cannabis regulatory scheme under one complete framework. Amendments legalizing the sale of edible cannabis, cannabis extracts, and cannabis topicals in the Canadian market came into force on October 17, 2019. A federally licensed entity with authorization to produce and sell and class of cannabis (except plants and seeds) must provide 60-days notice to Health Canada of its intent to sell any new cannabis retail product prior to making such product available for sale to provincially-authorized purchasers or medical users.

Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory provided that the provincial or territorial legislation contains certain measures that mirror the public health policy goals of the federal regime. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licences and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Patients who have the authorization of their healthcare provider may register with Health Canada to have access to cannabis, either purchased directly from a federally licensed entity authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

Provincial Regulatory Framework for Recreational Cannabis

While the Cannabis Act provides for regulation of the commercial production of cannabis and related matters by the federal government, the provinces and territories of Canada have authority to adopt their own laws and regulations governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limit for individuals and higher age requirements. Currently each of the Canadian provincial and territorial jurisdictions has established a minimum age of 19, except for Alberta, where the minimum age is 18, and Québec, where the minimum age is 21.

All Canadian provinces and territories have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. In most provinces, provincial/territorial crown corporations act as intermediaries between entities licensed federally under the Cannabis Act and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances as exclusive retailers.

Some provinces also authorize municipal governments to impose additional requirements and regulations on the sale of recreational cannabis, such as by restricting the number of recreational cannabis retail outlets that are permitted in a certain geographical area. Municipal zoning authority also generally permits a municipality to restrict the geographical locations wherein such retail outlets may be opened.

Regulatory Landscape Outside Canada

The Company only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with all of the laws of the foreign jurisdiction, the laws of Canada and the rules of the TSX. The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, as well as local business culture and practices, are different from those in Canada. Prior to commencing operations in a new country, in partnership with local legal counsel, consultants and partners, the Company conducts legal and commercial due diligence in order to ensure that the Company and its officers and directors gain a sufficient understanding of the legal, political and commercial framework and specific risks associated with operating in such jurisdiction. Where possible, the Company seeks to work with respected and experienced local partners who can help the Company to understand and navigate the local business and operating environment, language and cultural differences. In consultation with advisors, the Company takes steps deemed appropriate in light of the level of activity and investment it expects to have in each country to ensure the management of risks and the implementation of necessary internal controls.

Denmark

In January 2018, the Danish government initiated a trial ("pilot program") permitting doctors to prescribe medical cannabis to a defined patient group. The trial will continue for the next four years and is supported by federal funding. The Danish Medicines Agency issues licences to import "primary" (starter) cannabis products and to cultivate (as of July 1, 2018) and produce approved forms of medical cannabis for wholesale distribution within Denmark (sale at Danish pharmacies). The Danish government initiated a four-year development scheme so that the Danish Medicines Agency authorizes research and development activities in terms of cultivating and handling cannabis, which may form part of the pilot program at a later stage. All medical cannabis production facilities and products are subject to inspection by the Danish Medicines Agency. As of January 1, 2019, export of cannabis bulk and primary products is also included in the pilot program. Exporting activities relating to cannabis bulk or primary products must be in accordance with requirements laid down in the legislation, including obtaining the necessary authorization. The country receiving the cannabis bulk must allow import of cannabis for medicinal use and the company importing the cannabis bulk or primary products must have the necessary authorizations in place according to national requirements in the importing country.

Since being introduced, there has been debate regarding whether the pilot program has provided medical patients with sufficient access to medical cannabis and whether the implementation and evaluation criteria has been sufficiently clear. An overall review and evaluation of the cannabis pilot program was planned to be carried out in May 2020, but due to the Covid19 crisis, the evaluation was delayed. The evaluation conducted by the Danish Ministry of Health was published 30 November 2020 and is meant to provide basis for political negotiations concerning the future of the pilot program. The evaluation essentially concludes that the pilot program provides a proper and safe framework for use of medical cannabis. However, the program has been met by several challenging factors. Among these are limited and expensive product offerings and the medical practitioners' reluctance to prescribe the products. Due to the Covid19 crisis, the political negotiations have been delayed.

Poland

In Poland, the use of hemp is generally restricted and may be accepted only if certain statutory requirements are met. Polish laws provide specific regulations, depending on the use of the hemp. Pursuant to the Misuse of Drugs Act, hemp may be grown solely and exclusively for the needs of the textile, chemical, pulp and paper, food, cosmetic, pharmaceutical and construction industries, as well as for seed production. Buying hemp from a farmer requires a permit from the governor of the province holding territorial jurisdiction over the plantation. Buying and reselling hemp seeds is subject to notification to the appropriate Provincial Inspector of Plant Health and Seed Inspection. Where hemp extracts are used for producing foodstuffs, the production facility must meet the sanitary requirements stipulated under the Act on the Safety of Food and Nutrition. The cultivation of cannabis which does not fall within the definition of hemp under the Misuse of Drugs Act, i.e. "plant species Cannabis Sativa L., in which the total content of delta-9-tetrahydrocannabidiol and tetrahydrocannabinolic acid (delta-9-THC-2-carboxylic acid) in the floral or fructifying tops of the plants, from which resins has not been removed, does not exceed 0.20% of the dry-extract content" is prohibited in Poland.

Mexico

On June 19, 2017, Mexico enacted certain amendments to the General Health Law of Mexico, allowing the use of cannabis and its derivatives for medicinal purposes that could be commercialized and prescribed by any licensed physician and sold in pharmacies, as long as the products contain less than 1% THC, as well as for the sale of other products with broad industrial uses as long as a cumulative dose of 1% THC is not exceeded. The authority overseeing medicinal cannabis regulations in Mexico is the Mexican Ministry of Health through the Federal Commission for the Protection against Sanitary Risks ("COFEPRIS"). On October 30, 2018, the Guidelines on Health Control of Cannabis and its Derivatives were issued by COFEPRIS regulating medicinal cannabis and allowing the sale of food, food supplements, alcoholic and non-alcoholic beverages without a medical prescription, as long as a cumulative dose of 1% THC is not exceeded, however, the guidelines were revoked on March 27, 2019. On August 14, 2019, Mexico's Supreme Court of Justice (the "Supreme Court") resolved an amparo trial setting forth an obligation for the Ministry of Health to regulate the medical and therapeutic use of cannabis and its derivatives, to guarantee the human right to health to the public at large. On October 18, 2019, a Bill was presented in Congress by the United Commissions of Justice, Health, and Legislative Studies of the Senate in order to enact the Law for the Regulation of cannabis and the amendments to certain provisions set forth in the General Health Law and the Criminal Code (the "Bill"). On October 27, 2020 a new Bill was presented in the Congress by the Federal Congressman Mario Delgado of MORENA's Political Party, to enact the General Law for the Regulation of Cannabis and the amendments to certain provisions set forth in the General Health Law and the Criminal

Code (the "new Bill"), due to COVID-19 health contingency, the Congress requested another extension for the enactment of the regulations, it is expected to be reviewed in the current ordinary sessions of the Congress running from February 1st to April 30, 2021. The new Bill regulates the following uses of cannabis and its derivatives: personal, medicinal, therapeutic and scientific, likewise, the sanitary control. It comprises the following types of licenses: i) harvest (personal, therapeutic and medicinal uses), ii) acquisition for medicinal purposes (production, transport and storage), iii) production for personal purposes, iv) production for therapeutic and palliative purposes (storage and sale), v) sale for personal purposes (storage and commercialization to costumers for personal use), vi) sale for therapeutic and palliative purposes (storage and commercialization to costumers) and, vii) transport. The new Bill does not determine whether foreign investments will be allowed not even limiting the percentage of their investment. It also does not establish the requirements and uses allowed for the import and export licenses. In addition, the new Bill provides limitations for cross ownership of licenses such that a related group of entities cannot hold licenses that cover more than one type of activities. It is important to note that the new Bill sets forth that communities will have at least 20% of the granted licenses for the production and sale of cannabis an its derivatives and states that the Government through the "CANNSALUD" (a new public company authorized to acquire and sell cannabis to interested parties such as pharmaceutical industry), will be in charge of the cannabis market in Mexico and the issuance of the licenses. On January 12, 2021, the Regulations of the General Health Law on sanitary control for the production, research and medicinal use of cannabis and its pharmacological derivatives was published in the Federal Official Gazette (the "Regulations"). The Regulations provide for the primary production for the supply and production of seed, research for health and pharmacology, manufacture of pharmacological derivatives and medicines, and the medicinal use of cannabis. However, it disregards whether to allow foreign investment or limit the percentage of its investment, the exclusivity of licenses and authorizations, nor does it limit the number of licenses that can be obtained per company or establishment, for one or all the regulated activities. The Regulations entered into force on January 13, 2021.

United States

"Marijuana" is a Schedule I controlled substance under the United States Controlled Substances Act of 1970. On December 20, 2018, hemp (defined as cannabis with not more than 0.3% THC) was removed from Schedule 1 of the list of controlled substances under United States federal law in accordance with the United States Agriculture Improvement Act of 2018, commonly known as the "2018 Farm Bill". The 2018 Farm Bill does not affect any other cannabis product and therefore cannabis and cannabis derivatives that do not meet the definition of hemp, and activities involving them, remain illegal under United States federal law. On October 29, 2019, the United States Department of Agriculture (the "USDA") released an interim final rule for regulations governing hemp production in the United States which will be superseded by a final rule that was published January 19, 2021, and will become effective March 22, 2021. The Farm Bill also authorizes individual states and Indian Tribes to regulate hemp in their jurisdiction by developing and seeking USDA approval of a regulatory plan. As of January 19,2021, USDA had approved 45 state and tribal hemp plans. Notwithstanding the 2018 Farm Bill, the United States Food and Drug Administration (the "FDA") prohibits cannabis (including hemp) and its derivatives, including cannabidiol (CBD), for use as ingredients in food and drink. The FDA held a public hearing on May 31, 2019, to obtain input from stakeholders regarding the regulation of products containing cannabis and cannabis derivatives. On March 11, 2020, the FDA extended indefinitely the comment period for that hearing. In addition, any ingredient derived from hemp in food is subject to the premarket approval requirements applicable to food additives, unless that use is generally recognized as safe ("GRAS"). The FDA has issued letters of no objection to at least three GRAS notices for ingredients derived from hemp seed that contain trace amounts of THC and CBD but has not to date addressed whether hemp-derived THC, CBD or other cannabinoids in non-trace levels are GRAS.

Germany

In March 2017, the German legislator introduced "The Cannabis as Medicine Act" ("Gesetz zur Änderung betäubungsmittelrechtlicher und anderer Vorschriften") which regulates the requirements for the marketability of cannabis pharmaceuticals and their inclusion in health insurance plans. Under this Act, statutory insured patients suffering from a severe disease (i.e. life-threatening or seriously affecting quality of life) are entitled to treatment with medicinal cannabis (flowers or extracts in standardized quality) if (i) generally recognized treatment in accordance with medical standards is either not available, or cannot be applied in individual cases according to the justified assessment of the treating physician, and (ii) if there is a not entirely distant prospect of a noticeable positive effect on the course of the disease or on serious symptoms.

Importers of cannabis pharmaceuticals which have not been produced in an EU/EFTA Member State and which shall be distributed in Germany on a commercial or professional basis must apply for an import authorization to the competent health authority in the federal state (Bundesland) in which the importer is based. Generally, the import authorization can be issued for cannabis from cultivations controlled by the State pursuant to the requirements of the 1961 UN Single Convention on Narcotic Drugs. Additionally, importers must apply for a manufacturing authorization pursuant to section 13 Medicinal Products Act (Arzneimittelgesetz –"AMG") if they carry out at least one manufacturing step within the meaning of section 4 (14) AMG (e.g. preparing, formulating, treating or processing, filling, decanting, packaging, labelling) after import. Furthermore, the distribution of drug products treated with radiation (e.g. E-Beam) requires a permit under the German Regulation on Drug Products treated with Radiation (Verordnung über radioaktive oder mit ionisierenden Strahlen behandelte Arzneimittel – "AMRadV").

The marketing of medicinal cannabis products that qualify as finished medicinal products requires a marketing authorization issued by the competent Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte – “BfArM”).

Pursuant to sec. 72a AMG, importers of medicinal cannabis must ensure that their products have been produced in compliance with applicable quality standards and must obtain a written confirmation from a competent authority to prove compliance. In particular, cannabis medicinal products must be manufactured in compliance with the manufacturing standards of the Pharmaceuticals and Active Agent Manufacturing Ordinance (Arzneimittel- und Wirkstoffherstellungsverordnung – "AMWHV"). In addition to standards for the production of the cannabis plant itself, specific pharmaceutical quality standards must be met before placing the product on the market. Such standards are established by pharmaceutical monographs, which are published by the BfArM in the German Pharmacopoeia (Deutsches Arzneibuch – "DAB").

Finally, medicinal cannabis products with a THC concentration of at least 0.2 percent qualify as narcotics under German law and are therefore subject to the authorization requirements under the German Narcotic Drugs Act (Betäubungsmittelgesetz –"BtMG"). Under this Act, the seller, buyer and other processors (e.g. importers, distributors, etc.) of medicinal cannabis products must obtain an authorization by the BfArM. Such an authorization has been issued per se for qualified doctors and pharmacists who sell or buy narcotics for the treatment of a patient or in the course of the operation of a pharmacy.

RISK FACTORS AND UNCERTAINTIES

Many factors could cause the Company’s results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this management’s analysis and discussion, including the following factors, which are discussed in greater detail under the heading “Risk Factors” in the Company’s current Annual Information Form as updated by subsequent reports, filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- the Company’s ability to continue as a going concern;
- the assumptions used in estimating Canadian operating cash flows from January 1, 2021 to December 31, 2021 may prove inaccurate;
- the Company’s business is dependent on key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemics, such as the COVID-19 pandemic;
- The Company’s ability to raise required additional capital through the sale of equity or debt instruments or the factoring of receivables or otherwise;
- the Company’s limited operating history;
- the Company may be unable to achieve revenue growth and development;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company’s actual financial position and results of operations may differ materially from the expectations of the Company’s management;
- the Company’s CBD business in Europe is subject to evolving approaches to the regulation of CBD by the European Union, its member states, and the United Kingdom;
- the Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, research and development, regulatory compliance and operations;
- there is no assurance that the Company will turn a profit or generate immediate revenues;
- the adult-use cannabis market in Canada is a relatively new industry;
- the adult-use cannabis market in Canada may experience supply and demand fluctuations that could result in revenue and price decreases;
- the cannabis market in Canada may be significantly reduced over time due to personal cultivation;
- the size of the Company’s target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company’s future business, financial condition and results of operations;
- the Company is reliant on regulatory approvals and cultivation Licenses for its ability to grow, process, package, store and sell cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal;

- any failure on the Company's part to comply with applicable regulations could prevent it from being able to carry on its business and there may be additional costs associated with any such failure;
- under Canadian regulations, a Licensed Producer of cannabis is restricted regarding the type and form of marketing it can undertake which could materially impact sales performance;
- the Company intends to target a premium segment of the adult-use cannabis market, which may not materialize, or in which it may not be able to develop or maintain a brand that attracts or retains customers;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company may be unsuccessful in competing in the overall legal adult-use cannabis market in Canada and any other countries it intends to operate in;
- the Company, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception;
- the Hamilton Facility and the Québec Facility are expected to become integral to the Company's business and operations;
- there can be no assurance that the Company will receive the required approvals with respect to the Québec Facility;
- the Company may not be able to develop its products, which could prevent it from ever becoming profitable;
- if the Company is unable to develop and market new products, such as beverages, it may not be able to keep pace with market developments;
- there has been limited study on the health effects of cannabis products, including CBD, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of such products;
- trade of cannabis for non-medical purposes within Canada may be restricted by the Canadian Free Trade Agreement;
- the Company is exposed to risks relating to the laws of various countries as a result of its planned international operations;
- the Company's business is subject to a variety of foreign laws, many of which are unsettled and still developing, and which could subject it to claims or otherwise harm its business;
- the Company must rely on international advisors and consultants in the foreign countries in which it intends to operate;
- the Company is required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where it operates or to which it exports its products;
- the hemp and CBD industries and markets are new and heavily regulated with rules subject to rapidly changing laws and uncertainty, compliance with which may come with significant cost;
- the hemp and CBD products industries and markets in Canada, the EU, Jamaica and Mexico are also subject to many of the same risks as the adult-use cannabis industry and market;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- the Company has entered into and in the future may seek to enter into strategic alliances including contractual relationships, joint ventures, selective acquisitions, licensing arrangements or other relationships, or expand the scope of currently existing relationships, with third parties that the Company believes will have a beneficial impact, and there are risks that such strategic alliances or expansions of the Company's currently existing relationships may not enhance its business in the desired manner;
- the Company may not be able to successfully identify and execute future acquisitions or dispositions or successfully manage the impacts of such transactions on its operations;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts;
- the Company is vulnerable to rising energy costs;
- the Company's products may not have, or may not be perceived to have, the effects intended by the end user;
- the Company's quality control systems may not operate effectively;
- the Company's cannabis products may be subject to recalls for a variety of reasons, which could require it to expend significant management and capital resources;
- the Company faces an inherent risk of exposure to product liability;
- the Company may be subject to liability claims as a result of positive testing for THC or banned substances;
- consumer preferences may change, and the Company may be unsuccessful in retaining customers;
- the Company's operations are subject to safety, health and environmental laws and regulations applicable to its operations and industry in the various jurisdictions in which it operates, and it may be held liable for any breaches of those laws and regulations;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company;
- the Company may become subject to litigation in the ordinary course of business;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;

- the Company may be exposed to liability or the threat of liability in relation to the use of customer information and other personal and confidential information;
- the Company may be subject to risks related to the protection and enforcement of its intellectual property rights, or intellectual property it licenses from others, and may become subject to allegations that it or its licensors are in violation of intellectual property rights of third parties;
- the Company may be subject to breaches of security at its facilities;
- the Company may incur additional indebtedness;
- the Company may not be able to secure adequate or reliable sources of funding required to operate its business or increase its production to meet consumer demand for its products;
- management may not be able to successfully implement adequate internal controls over financial reporting;
- the Company currently has negative operating cash flow;
- the Company may be subject to credit risk;
- the Company's loans may contain covenants that limit its ability to seek additional financing or perform desired business operations;
- tax and accounting requirements may change in ways that are unforeseen to the Company and it may face difficulty or be unable to implement or comply with any such changes;
- fluctuations in foreign currency exchange rates could harm the Company's results of operations;
- if the Company has a material weakness in its internal controls over financial reporting, investors could lose confidence in the reliability of the Company's financial statements, which could result in a decrease in the value of its securities;
- it is anticipated that no cash dividends will be paid to holders of Common Shares for the foreseeable future;
- the Company continues to sell shares for cash to fund operations, expansion, and mergers and acquisitions that will dilute the current shareholders;
- the price of the Common Shares in public markets may experience significant fluctuations;
- if securities or industry analysts do not continue to publish research, or publish inaccurate or unfavourable research, about the Company's business, the Common Share price and trading volume could decline; and
- U.S. border officials could deny entry into the U.S. to employees of or investors with cannabis operations in the United States and Canada.

In addition, the Company highlights the following risk factors:

Ongoing Impact of COVID-19:

The development and operation of the Company's business is dependent on labour inputs which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on the Company's business, measures taken by the Canadian and Ontario governments and voluntary measures undertaken by the Company with a view to the safety of the Company's employees, may adversely impact the Company's business, for instance by impeding the labour required to cultivate, process, market and distribute the Company's products and disrupting the Company's critical supply chains. In addition, while cannabis retail has been declared an essential service in many provinces, sales volumes of cannabis may be adversely impacted by consumer "social distancing" behaviours. All Company office staff had transitioned to working remotely from home offices, with business continuing to be conducted by telephonic and electronic means. The Company reopened its head office on a voluntary and limited basis for its employees. The Company's Hamilton Facility has implemented precautionary measures to ensure the safety of the staff and product, including limiting visits to the site to essential personnel only, ensuring proper protocols around sanitation, mask usage and physical distancing, and placing potentially exposed employees in self-quarantine for the appropriate period. These measures and similar measures taken by other employers may adversely impact the Company's ability to successfully market its new key product lines, for instance by precluding in-store visits and budtender engagement programs. In the short term, the Company is seeking to mitigate these impacts through technology-mediated engagement with retailers. The Company continues to dynamically monitor developments in order to adapt and respond in order to protect the health and safety of the Company's employees and the best interests of the Company, and is in the process of developing return to work protocols for the anticipated easing of provincial pandemic restrictions over the coming months.

Assumptions related to cash flows and future sales of the Company's product lines

The Company expects to be required to fund negative Canadian operating cash flows prior to achieving positive Canadian operating cash flows and expects that the Company's financial resources and expected revenues and draw downs on its revolving credit facility, will be sufficient to pay its obligations and fund its operations for the coming 12 months. Achieving positive Canadian operating cash flows and funding operations for the coming 12 months is reliant on revenues and working capital requirements being in line with expectations, which is in turn reliant on, among other things, future sales of the Company's product lines over the coming 12 months. The Company's expectations of positive Canadian operating cash flows and of achieving sufficient revenues to fund, when taken together with its other financial resources, its operations over the coming 12 months is based on a variety of assumptions relating to production and production capacity, growth in the number of product offerings and store locations in which the Company's products are sold, growth in total sales, consumer demand for the Company's products, market pricing of cannabis products, cost of sales, sales and marketing expenses, the pace of opening of and increase in the total number of recreational cannabis retail stores across Canada, and the total size of the Canadian recreational and medical cannabis markets over the coming 12 months.

Actual results may vary materially from the Company's expectations if any of the Company's assumptions are inaccurate. Accordingly, readers should not place undue reliance on forward-looking statements, including the Company's expectations relating to future Canadian operating cash flows and sales of its products. The Company does not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada. See "Cautionary Statement Regarding Forward-Looking Information". Actual results may also be impacted by all of the risk factors in this MD&A and in the Company's most recently filed annual information form.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") under National Instrument 52-109 to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Chief Executive Officer ("CEO") and Interim Chief Financial Officer ("CFO") has designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the disclosures are being prepared to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

The CEO and Interim CFO has evaluated the design and effectiveness of the Company's DC&P as at December 31, 2020 and based on that evaluation, the CEO and Interim CFO have concluded that the DC&P are effective. Due to inherent limitations in control systems and procedures no matter how well conceived or operated, their evaluation can provide only reasonable, not absolute, assurance that such disclosure controls and procedures are operating effectively.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

The CEO and Interim CFO has designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS as at December 31, 2020.

The CEO and Interim CFO has evaluated the design and effectiveness of the Company's ICFR as at December 31, 2020 and based on that evaluation, the CEO and Interim CFO have concluded that the ICFR are effective. Due to inherent limitations in control systems and procedures no matter how well conceived or operated, their evaluation can provide only reasonable, not absolute, assurance that such ICFR are operating effectively.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no material changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2020, which have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting, other than any duties assumed by the CEO and Interim CFO in the capacity of both officer roles since November 10, 2020.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had the following securities issued and outstanding:

Shares	527,198,663
Warrants	172,138,940
Escrowed share units arising from the HemPoland transaction	324,775
Contingent share units arising from the HemPoland transaction	656,784
Restricted share units issued to employees	1,216,671
Convertible share units	49,383
Stock options	21,120,666

See the Company's consolidated financial statements for a detailed description of these securities. Each security type is convertible into one Common Share.