



The Green Organic Dutchman Holdings Ltd.

Management's Discussion and Analysis

For the three and six months ended June 30, 2022 and June 30, 2021

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

This Management's Discussion and Analysis ("MD&A") reports on the interim condensed consolidated financial condition and operating results of The Green Organic Dutchman Holdings Ltd. (the "Company") for the three and six months ended June 30, 2022 and 2021. The MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements for the three and six months ended June 30, 2022 and June 30, 2021 (the "Interim Condensed Consolidated Financial Statements") which were prepared in accordance with International Accounting Standards ("IAS") 34, 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 when indicated otherwise.**

Additional information relating to the Company, including the Company's most recent annual information form for the year ended December 31, 2021 (the "Annual Information Form"), 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", "should", "could", "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, 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 Company's ability to continue as a going concern and successfully execute its plans and intentions, including but not limited to the generation of revenues, positive operating cash flows from the sale of its products;
- (ii) the continued compliance of current financing arrangements and availability of additional financing at reasonable terms;
- (iii) finding a suitable buyer for its HemPoland Operations (as defined below) and on reasonable terms;
- (iv) the implications of the Galaxie Acquisition (as defined below) to the Company's business;
- (v) the ability of the Company to enter into the U.S. market;
- (vi) continuing to obtain necessary regulatory approvals or renewals;
- (vii) general business and economic conditions, particularly in the Canadian medicinal and adult-use cannabis markets;
- (viii) regulation of the markets in which the Company operates;
- (ix) the Company's ability to attract and retain skilled staff;
- (x) market competition, including the products and technology offered by the Company's competitors;
- (xi) maintenance of our current good relationships with our suppliers, service providers and other third parties; and
- (xii) the duration of COVID-19 and the extent of its economic and social impact.

Although the Company believes 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 August 29, 2022, 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's common shares (the "Common Shares") trade on the Canadian Securities Exchange ("CSE") under the symbol "TGOD" and on the OTCQX under the symbol "TGODF". The Company also had four classes of warrants listed on the CSE under the symbols "TGOD.WS", "TGOD.WR", "TGOD.WA" and "TGOD.WB".

The Company's wholly-owned Canadian subsidiaries, The Green Organic Dutchman Ltd. ("TGOD") and Galaxie Brands Corporation ("Galaxie") are licensed producers under the Cannabis Act (Canada) (the "Cannabis Act") and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns cannabis cultivation facilities near Hamilton, Ontario (the "Hamilton Facility"), Puslinch, Ontario (the "Puslinch Facility") and also has a presence in Québec with certain continuing operations out of its previously owned facility located in Valleyfield, Québec (the "Quebec Facility").

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing an international growth strategy, and has established strategic partnerships for the distribution of cannabis and hemp-derived medical products in Germany, Australia, South Africa 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 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. While it is difficult to predict the impact of COVID-19 on the Company's business, the Company continues to seek to mitigate these impacts through various means including engagement with its retailers, transition of its staff to working remotely where possible, increasing safety protocols and sanitation measures within the workplace, and monitoring 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.

Since inception, the Company has incurred recurring operating losses, having invested significantly in its cultivation facilities, research and development activities, selling, marketing, and general and administrative expenses. The Company has primarily financed its operations through equity and debt financings. The Company expects to continue to incur losses from operations in the short term and will require additional capital and increased 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.

KEY HIGHLIGHTS AND OUTLOOK

- Achieved record quarterly gross revenues of \$15.84 million for the three months ended June 30, 2022 ("Q2 2022"), a 52% increase from the three months ended June 30, 2021 ("Q2 2021"), and a 10% increase from the three months ended March 31, 2022 ("Q1 2022");
- Achieved record quarterly net revenues of \$11.63 million, a 43% increase from Q2 2021, and a 10% increase from Q1 2022;
- Gross profit was \$7,331 for the three months ended June 30, 2022, a 195% increase from the three months ended June 30, 2021, and a 31% increase from the three months ended March 31, 2022;
- Adjusted EBITDA (as defined below) (non-GAAP measure – see "Non-GAAP Performance Measures" below) loss was \$4.27 million for Q2 2022, representing a 80% improvement of \$17.19 million compared to Q2 2021;
- In May 2022, the Company amended the secured revolving credit facility (the "Revolver Loan"), by increasing the total facility to \$34 million, increasing the term portion of the facility by \$4.0 million to \$24 million, and relaxing certain covenants; and
- In May 2022, the Company completed the sale of the Puslinch Facility building improvements for \$3.0 million and in conjunction extinguished two shareholder promissory notes totaling \$0.9 million.

BUSINESS OBJECTIVES AND RECENT DEVELOPMENTS

The Company’s goal is to build a sustainable global cannabis company that is trusted to improve the lives of its customers, employees, communities, and investors, with a focus on delivering premium and organic cannabis solutions.

The Company grows its cannabis in organic living soil, free from synthetic pesticides, herbicides and fertilizers. The Company has received third party organic certification from Pro-Cert, an internationally recognized leader in organic certification, for its Hamilton Facility. Organic certification requires the organization to maintain a strict compliance to organic standards and provides third party validation to consumers that the organization is following organic principles.

At its Hamilton Facility, the Company has made significant infrastructure investments in technology and automation for sanitation, growing environment and general cultivation. This includes additional HVAC systems, dehumidification systems, plant spacing strategies, soil beds, automated water systems, automated environmental control systems, waste handling and product tracking. The Company believes it is one of only a few licensed producers that provides premium organic cannabis and the only one capable of doing it at scale.

Production Facilities and Licences

The Company’s products are currently primarily cultivated and manufactured in the following licensed production facilities:

Facility	Location & Square Footage (Sq Ft)	Licence					Expiry of Current Licence Terms
		Cultivation	Processing	Sales to Other LPs	Sales to Provincial Boards	Research	
Hamilton Facility (TGOD)	Ancaster, ON 166,000 Sq Ft	✓	✓	✓	✓	✓	Cultivation/Processing/ Sale: July 20, 2027 Research Licence: February 12, 2025
Puslinch Facility (Galaxie)	Puslinch, ON 26,000 Sq Ft	✓	✓	✓	✓		Cultivation/Processing/ Sale: February 7, 2023
Quebec Facility (Medican Organic) ⁽¹⁾	Valleyfield, QC 80,000 Sq Ft	✓	✓	✓			Pursuant to the Cannara Service Agreement (as defined below)

Note:

⁽¹⁾ In connection with the sale of the Quebec Facility, the Company entered into an operating agreement with Cannara Biotech (Valleyfield) Inc. (“Cannara”), whereby the Company’s wholly-owned subsidiary Medican Organic Inc. (“Medican”), will operate out of approximately 80,000 square feet of cultivation and processing space in the Quebec Facility pursuant to a service agreement entered into between Cannara and Medican on September 26, 2021. The licence formerly held by Medican and tied to the Quebec Facility was transferred to Cannara on September 24, 2021. Medican Organic will provide services at the Quebec Facility to produce the Company’s premium certified organic cannabis. Additionally, the Company’s 2.0 products will continue to be manufactured at the Quebec Facility.

The Company anticipates that Health Canada will renew all licences at the end of their respective terms; however, the Company cannot provide assurances that the licences will be renewed or renewed on the same terms and conditions. See “Risk Factors”.

Core Brands and Products

In Canada, the Company has a growing product portfolio within multiple brands which cater to a diverse set of consumer segments.



The Green Organic Dutchman – The Green Organic Dutchman (“TGOD”) is the Company’s premiere premium brand, focusing on certified organic cannabis flower and oil. The brand is distributed through the medical and recreational channels and is targeted at consumers that value superior product quality measures and sustainable cultivation and packaging. The brand has received notable recognition from industry authorities, like High Times as one of the Top Cannabis Brands in North America, and the brand packaging routinely wins recognition as best-in-class.



Highly Dutch – Highly Dutch is the Company’s mainstream brand. Within this brand, the Company sells organic flower and concentrate products (hash). This brand is targeted more towards daily cannabis consumers enabling the trial and experience of the differentiation of organic cannabis.



Cruzy – Cruzy is a non-organic brand targeted towards legacy consumers, who often use cannabis as a part of their daily routine. Within Cruzy, the Company sells dried flower, extracts, and vapes.



WYLD – The Company, through a subsidiary joint venture, has an exclusive joint venture manufacturing and licensing agreement in Canada with the major U.S. edible brand WYLD to produce and distribute WYLD branded cannabis gummies.



RIPPLE – The Company has licensed the RIPPLE brand from Stillwater Brands in Colorado. The consistency, flexibility and portability of the products (RIPPLE dissolvable powders and RIPPLE QuickSticks) are desirable to a variety of consumers, especially those new to cannabis edibles.

Innovation and New Products

The Company has focused the product portfolio on categories which are optimized for innovation and profitability. Each brand has a product roadmap to take projects from innovation through R&D, consumer testing with TGOD’s research licence, and full market commercialization. In addition to having a rolling release of core product stock-keeping units (“SKUs”), like new dried flower strains, the Company is focused on providing new formats in other growing categories, like concentrates.

During Q2 2022, the TGOD brand continued to increase the distribution of several SKUs across Canada. Sales focus and distribution growth was prioritized on the three dried flower SKUs of Organic Maple Kush, Organic Sugarbush and Organic Cherry Mints, and the pre-roll portfolio which had launched in Q1 2022.

Highly Dutch had a notable quarter including a strong public relations campaign around the cannabis event “4/20”. With global media coverage, the brand’s “Highly Dutch Hotline” drove global brand awareness. On products, after the launch of 6 Month Aged Hash in Quebec in Q1 2022, the SKU expanded into Ontario in Q2 2022.

Another dried flower SKU, Heat Wave, was added to the Cruzy portfolio. This High THC Limited Time Offer at the Ontario Cannabis Store was available to retailers for Q2 2022 only. Additionally, expansion of the infused pre-rolls, SprChrgd Duubyz continued across the country, notably with the first purchase order from Alberta in June.

Canadian Distribution and Supply Agreements

As of June 30, 2022, the Company held the following adult-use market distribution agreements:



Société Québécoise Du Cannabis: Purchase agreement to supply TGOD, Ripple, and Highly Dutch, cannabis products.

Ontario Cannabis Retail Corporation: Purchase agreement to supply TGOD, Ripple, Highly Dutch, Cruzy and Wyld brand cannabis products.

Alberta Gaming and Liquor-Commission: Supply agreement to supply TGOD, Ripple, Highly Dutch, Cruzy and Wyld brand cannabis products.

BC Liquor Distribution Branch: Supply agreement to supply TGOD, Ripple, Highly Dutch, Cruzy and Wyld brand cannabis products.

Manitoba Liquor & Lotteries Corporation: Distribution agreement to supply TGOD, Ripple, Highly Dutch, Cruzy and Wyld brand cannabis products.

Saskatchewan Liquor & Gaming Authority: Authorization to supply TGOD, Ripple, Highly Dutch, Cruzy and Wyld brand cannabis products directly to private retail and wholesale markets.

Nova Scotia Liquor Corporation: Purchase agreement to supply TGOD, Ripple, Highly Dutch, Cruzy and Wyld brand cannabis products.

New Brunswick: Purchase agreement to supply TGOD, Ripple, Highly Dutch, Cruzy and Wyld brand cannabis products.

In addition to the adult-use distribution channels, the Company has supply agreements with Shoppers Drug Mart Inc. and CannaMart Inc, a subsidiary of Namaste Technologies Inc. making its premium and certified organic cannabis products available to medical patients.

Potential Sale of HemPoland Operations

Since October 2021, the Company has been engaged with advisors for the sale of the Company's entity in Poland, HemPoland S.p.a. Z.o.o. ("HemPoland"), which was deemed non-core to future operations and the Company's strategy. The Company received a non-binding competitive offer subsequent to Q2 2022, (the "Subsequent Offer"), which included a non-refundable deposit of \$150 paid by the purchaser. A further \$1,500 is payable in cash on closing by the purchaser to acquire 100% of HemPoland. A loan payable to HemPoland by the Company, of \$5,639, would also be forgiven upon closing of the Subsequent Offer which is anticipated to be by September 30, 2022.

The Subsequent Offer provided reliable information to determine the fair value of the disposal group (level 2 fair value hierarchy), the Company has included the following assumptions.

- Gross proceeds of approximately \$7.29 million are expected to be recorded on the sale;
- Expected transaction costs are estimated at \$0.20 million; and
- The Company is expected to receive forgiveness for an approximate \$5.64 million loan to HemPoland, for net proceeds of \$1.45 million

The results of the HemPoland operations (the "HemPoland Operations") have been classified as discontinued operations in the Interim Condensed Consolidated Financial Statements and this MD&A based on management's determination that these operations constituted a major component of the Company's operations where the proceeds of sale would provide significant cash and working capital to fund the growth and operations of the Canadian business and repay some debt, without significant dilution. **In accordance with the relevant accounting standards, the comparative financial information has been restated to remove the results of the discontinued operations from continuing operations.**

The Company's estimates of the gross proceeds, transaction costs, loan repayments and net proceeds in this section 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". 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.

Revolver Loan Credit Facility

The Company entered into the Revolver Loan on April 22, 2020, which was amended and restated on September 29, 2021, and further amended on November 29, 2021 (the "Amended and Restated Agreement"). The Revolver Loan had a credit limit of \$25,000, bears interest of 12%, with a maturity date of June 30, 2023. The Company must comply with certain financial covenants as set out in the Amended and Restated Agreement relating to the achievement of positive EBITDA (as defined in the Amended and Restated Agreement).

On March 10, 2022, the Company entered into a second amendment to the Amended and Restated Agreement (the "Second Amendment") whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from \$25,000 to \$30,000, allow certain eligible inventory to be included as collateral to the Revolver Loan, and relax certain covenants set forth in the Amended and Restated Agreement relating to the Revolver Loan. As consideration for the Second Amendment, the Company issued 500,000 Common Shares worth \$50 to the lender.

On April 29, 2022, the Company entered into a third amendment to the Amended and Restated Agreement (the "Third Amendment"), whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from \$30,000 to \$34,000, increase the term portion of the Revolver Loan from \$20,000 to \$24,000, amend the EBITDA financial covenant to take effect for the month ended June 30, 2022, remove the covenant requiring a \$6,000 prepayment through funds raised by public issuance of equity securities in the Company, remove the covenant requiring a \$4,000 prepayment through funds raised by the sale of HemPoland, and introduce certain prepayment fees in the combined amount of 2% of any prepayments, subject to the satisfaction of the various conditions set out therein.

The Revolver Loan is secured by a first lien over the Hamilton Facility and assets of the Company, including a lien over

substantially all of the cannabis and cannabis derived inventories and Canadian trade receivables. As the accounts receivable balance eligible for collateral increases, additional credit is available to the Company.

As at June 30, 2022, the total principal balance outstanding related to the Revolver Loan was \$31,235. The Revolver Loan has other non-financial covenants which the Company met as at June 30, 2022.

Puslinch Facility

On May 17, 2022, the Company closed an agreement of purchase and sale of its leasehold improvements of the Puslinch Facility (the “Puslinch Transaction”) with the landlord for \$3,000 (the “Consideration”). Of the Consideration \$1,940 was paid in cash, and \$1,060 of the Consideration settled previous loans advanced to the Company by the landlord, including all accrued interest and transaction costs thereon. In connection with the Puslinch Transaction, the Company also agreed to an increase in rent of \$25 a month for the remainder of the lease term on the Puslinch Facility of approximately 19 years.

Other strategic initiatives including international expansion

The Company continues to review other strategic initiatives to maximize shareholder value. The Company also continues to pursue international and partnership growth opportunities in Germany, Australia and South Africa.

Refer to the Company’s summary of regulatory framework for the international markets in the “Regulatory Landscape” section below.

Executive Leadership and Board Composition

On February 1, 2022, the Company announced the appointment of Ms. Nichola Thompson as Chief Financial Officer (“CFO”), effective immediately. Concurrent with the appointment of Ms. Thompson as CFO, Mr. Sean Bovingdon resigned as interim CFO of the Company. On July 12, 2022, Ms. Thompson resigned from her position as CFO of the Company, effective August 4, 2022 to pursue unique opportunities outside of the cannabis industry. Mr. Bovingdon, Chief Executive Officer of the Company, has been re-appointed Interim CFO, effective August 4, 2022.

On April 5, 2022, Mr. Nicholas Kirton retired as a member of the board of directors of the Company and the Chair of the audit committee of the Company (the “Audit Committee”). Mr. Chris Schnarr was appointed as the new Chair of the Audit Committee.

Equity Issuances

At-The-Market

The Company issued Common Shares under its at-the-market (“ATM”) prospectus supplement dated December 2, 2020 (“ATM Supplement”). The ATM Supplement permitted the Company to raise up to \$15,000 from the issuance of Common Shares from time to time at a price equal to the then prevailing market price of the Common Shares as traded on the facilities of the CSE at the time of each direction. Under the ATM Supplement, during the six months ended June 30, 2022, the Company issued 904,000 Common Shares for gross proceeds of \$105. The ATM Supplement expired on February 25, 2022.

	Common shares issued	Weighted average share price per share	Aggregate gross proceeds (\$ 000’s)	Aggregate commissions paid (\$ 000’s)	Aggregate net proceeds (\$ 000’s)
February 2021	# 14,341,958	\$ 0.55	\$ 7,893	\$ 237	\$ 7,656
June 2021	1,073,000	0.36	389	12	377
August 2021	3,326,500	0.27	887	27	860
September 2021	1,350,500	0.25	336	10	326
December 2021	943,500	0.11	106	3	103
January 2022	398,000	0.11	44	1	43
February 2022	506,000	0.12	61	2	59
Total	# 21,939,458	\$ 0.44	\$ 9,716	\$ 292	\$ 9,424

The ATM Supplement is a supplement to the Company’s base shelf prospectus dated November 27, 2020 (“Base Shelf Prospectus”), which qualifies 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. As at the date hereof, the Company is permitted to issue up to an additional \$27,631 of debt and equity securities under the Base Shelf Prospectus.

Convertible Security Issuances

On April 7, 2022, the Company granted stock options to purchase an aggregate of up to 29,552,000 Common Shares to certain directors, officers, employees, and consultants of the Company, of which 19,950,000 stock options were granted to directors and executive officers, and 9,602,000 stock options were granted to employees and consultants. Each stock option is exercisable into one Common Share at an exercise price per Common Share equal to \$0.13. In addition, restricted share units representing the right to receive up to an aggregate of 350,000 Common Shares, subject to the satisfaction of certain vesting conditions, were also awarded to a consultant of the Company.

On May 27, 2022, the Company also granted stock options to purchase an aggregate of up to 89,000 Common Shares to certain employees. Each stock option is exercisable into one Common Share at an exercise price per Common Share equal to \$0.105.

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 precautionary measures at all Canadian locations to ensure the safety of the staff and product, including limiting visits to the sites 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. The Company’s Polish operation has implemented a similar response in line with local health guidelines in Poland.

OVERALL PERFORMANCE

The focus of the Company’s activity is the growth of commercial operations and the production and sale of its organically grown cannabis and non-organic consumer products in order to achieve positive Canadian operating cash flows. In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing an international growth strategy.

As described in the “Business Objectives and 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 with its largest customers which are primarily provincial government cannabis boards. Listing its new products in each province will be a key catalyst to the future success of the Company. However, the Company believes that the COVID-19 pandemic and ongoing changes to the regulatory environment have had and may continue to have certain adverse effects on distribution to the final end user customers, causing uncertainty with respect to:

- provincial cannabis boards are continually revising and updating their respective listing and purchasing procedures;
- the supply chain may be similarly affected as to whether its suppliers meet the local requirements to operate or not.

SELECTED OPERATIONAL INFORMATION

NON-GAAP PERFORMANCE MEASURES

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (termed “Non-GAAP Measures”). As a result, this data may not be comparable to data presented by other licensed producers of cannabis and cannabis companies. Readers are cautioned that these Non-GAAP Measures should not be construed as alternatives to net income determined in accordance with IFRS. For an explanation of these measures to related comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company. These Non-GAAP Measures include the following:

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”)

The Company has identified Adjusted EBITDA as a relevant industry performance indicator. Adjusted EBITDA is a non-IFRS financial measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines Adjusted EBITDA as loss for the period, as reported, foreign exchange gains and losses, finance costs, accretion expenses, finance income, revaluation loss (gain) of contingent consideration, loss (gain) on disposal of assets, impairment (reversal of impairment) charge for non-financial assets, loss on derecognition of investment in joint venture, impairment loss on remeasurement of disposal group, realized fair value adjustment

on sale of inventories, unrealized gain on changes in fair value of biological assets, share based compensation, depreciation and amortization.

Management believes Adjusted EBITDA provides useful information as it is a commonly used measure in capital markets to approximate operating earnings. The Company provides the Non-GAAP Measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The Non-GAAP Measure is also presented because management believes such measures provide information which is useful to shareholders and investors in understanding its performance and which may assist in the evaluation of the Company's business relative to that of its peers. Management believes the Non-GAAP Measure is a useful financial metric to assess the Company's operating performance on a cash basis before the impact of non-cash items, and on an adjusted basis as described above. However, such Non-GAAP Measure should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable Non-GAAP Measure.

A reconciliation of Adjusted EBITDA as compared to net loss from continuing operations, and a determination of specific components of Adjusted EBITDA, is presented below.

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Adjusted EBITDA (non-GAAP measure)				
Net loss from continuing operations	\$ (6,622)	\$ (32,181)	\$ (19,834)	\$ (19,325)
Adjustments:				
Foreign exchange loss (gain)	1,707	(33)	1,622	(225)
Finance costs	1,144	2,433	2,113	4,321
Accretion expense	479	3,571	802	4,853
Finance income	(3)	(23)	(7)	(47)
Revaluation gain of contingent consideration	(2,245)	—	(885)	(39)
Loss (gain) on disposal of assets	(13)	113	(8)	(96)
Impairment / (reversal of impairment) charge for non-financial assets	—	—	6,183	(21,811)
Loss on derecognition on investment in joint venture	—	—	—	761
Debt modification	48	—	48	—
Impairment loss on remeasurement of disposal group	2,489	—	2,489	—
Realized fair value adjustment on sale of inventories	3,845	2,331	6,280	3,861
Unrealized gain on changes in fair value of biological assets	(8,683)	(2,244)	(12,988)	(5,565)
Share based compensation	270	1,019	837	1,632
Depreciation and amortization	3,310	3,546	6,837	5,049
Adjusted EBITDA (non-GAAP measure)	(4,274)	(21,468)	(6,511)	(26,631)

For the three months ended June 30, 2022, Adjusted EBITDA improved 80%, by \$17,194 over Q2 2021, as a result of the Company's increase in revenue and continued cost cutting initiatives.

SUMMARY OF KEY QUARTERLY HIGHLIGHTS – Q2 2022 as compared to Q2 2021 and Q1 2022

	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021 *Restated	Q1-2021 *Restated	Q4-2020 *Restated	Q3-2020 *Restated
Revenue	\$ 15,841	14,353	12,372	9,745	10,400	6,668	8,549	3,835
Loss from operations	\$ (3,016)	(4,461)	(5,670)	(9,151)	(8,432)	(5,488)	(11,067)	(6,214)
Impairment loss on remeasurement of disposal group	\$ (2,489)	-	(676)	(4,442)	-	-	-	-
Loss on assets held for sale	\$ -	-	-	-	(17,688)	-	-	-
Reversal of impairment / (impairment) of Canadian CGU (as defined herein)	\$ -	(6,183)	-	-	-	21,811	-	(67,837)
Net income (loss) from continuing operations	\$ (6,622)	(13,212)	(6,278)	(13,941)	(32,181)	12,856	(14,620)	(75,396)
Loss from discontinued operations	\$ (159)	(294)	(1,458)	(603)	(299)	(393)	(9,057)	(848)
Comprehensive income (loss)	\$ (7,161)	(14,015)	(8,097)	(14,061)	(32,525)	11,159	(23,874)	(75,627)
Net income (loss) per share (basic & diluted) - continuing operations	\$ (0.01)	(0.02)	(0.01)	(0.03)	(0.06)	0.03	(0.03)	(0.20)

* Following the classification of the Company's HemPoland Operations as held for sale and discontinued operations, the comparatives prior to September 30, 2021, were restated to reflect only the continuing operations results historically. For more information, please see the "Business Objectives and Recent Developments" section above.

Revenues

	For the three months ended				Three months ended		
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)
Revenue from adult-use cannabis products	15,154	8,581	6,573	77%	13,492	1,662	12%
Revenue from medical cannabis products	644	498	146	29%	642	2	0%
Revenue from toll agreements	43	1,321	(1,278)	(97%)	219	(176)	(80%)
Total	15,841	10,400	5,441	52%	14,353	1,488	10%

Gross revenue recognized for the three months ended June 30, 2022, amounted to \$15,841, an increase of 52% compared to Q2 2021 (Q2 2021 - \$10,400). The increase is mainly due to the new launch of premium flower strains (Cherry Mints and Maple Kush), the new launch of Pre-rolls, and the Company's Highly Dutch Organic™ flower continuing to gain traction in 2022. With additional sales efforts undertaken to provide direct store support with budtender and consumer education, in addition to the new listings accepted in key markets for January 2022, the Company achieved significant increased revenues in key markets.

Gross revenue increased by 10% in comparison to Q1 2022 primarily due to increased retail distribution in Ontario and the performance of the premium flower strains. The Company has also invested in building relationships with the retail cannabis chains to expand distribution in the past six months. Management continues to proactively manage costs to correlate with sales activity levels.

Gross profit

	Three months ended				Three months ended		
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)
Net Revenue	11,627	8,106	3,521	43%	10,575	1,052	10%
Cost of sales	9,134	5,531	3,603	65%	6,868	2,266	33%
Gross profit before changes in fair value of biological assets	2,493	2,575	(82)	(3%)	3,707	(1,214)	(33%)
<i>Gross profit % before changes in fair value of biological assets</i>	<i>21%</i>	32%			35%		
Realized fair value adjustment on sale of inventory	(3,845)	(2,331)	(1,514)	65%	(2,435)	(1,410)	58%
Unrealized gain on changes in fair value of biological assets	8,683	2,244	6,439	287%	4,305	4,378	102%
Gross profit	7,331	2,488	4,843	195%	5,577	1,754	31%
<i>Gross profit %</i>	<i>63%</i>	31%			53%		

The Company's gross profit before changes in fair value of biological assets ("direct gross profit") was \$2,493 for Q2 2022, representing 21% gross profit margin before changes in fair value of biological assets (Q2 2021 - \$2,575 representing 32% direct gross profit) reflecting more Highly Dutch mainstream flower and hash in the sales mix this quarter.

The Company achieved an overall gross profit for Q2-2022 of \$7,331 (Q2 2021 – gross profit of \$2,488) which has increased 195% from Q2 2021 mainly due to an increase in unrealized gain on change in fair value of biological assets as more flower is being cultivated. In comparison to Q1 2022, the gross profit increased 31%, by \$1,754.

Sales and marketing expenses

	Three months ended				Three months ended		
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)
Personnel costs	494	324	170	52%	537	(43)	(8%)
Third party marketing expenses	686	523	163	31%	756	(70)	(9%)
Travel and promotion expenses	14	2	12	600%	13	1	8%
Sales agency costs	417	19	398	2095%	533	(116)	(22%)
Other marketing expenses	88	65	23	35%	54	34	63%
	1,699	933	766	82%	1,893	(194)	(10%)

Sales and marketing expenses of \$1,699 for the three-months ended June 30, 2022 increased in comparison to expenses of \$933 for the same period in the prior year primarily due to additional sales efforts undertaken to provide direct store support as well as additional third-party marketing expenses commensurate with the increased revenue achieved.

In comparison to Q1 2022, sales and marketing expenses decreased by \$194, primarily due to decreased personnel costs and fewer in store activation costs in Q2 2022.

Research and development (“R&D”) expenses

	Three months ended				Three months ended		
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)
Personnel costs	160	68	92	135%	124	36	29%
Product development	1	-	1	n/a	1	-	0%
Travel related expenses	7	12	(5)	(42%)	3	4	133%
Other research and development expenses	-	-	-	n/a	5	(5)	(100%)
	168	80	88	110%	133	35	26%

R&D expenses of \$168 for the three-months ended June 30, 2022 increased by \$88 in comparison to the R&D expenses for Q2 2021. The Company incurred higher R&D costs due to the integration of Galaxie’s R&D personnel, following the completion of the Company’s purchase of all of the issued and outstanding shares of Galaxie on October 29, 2021 (the “Galaxie Acquisition”).

In comparison to Q1 2022, R&D expenses increased by \$35 due to increased personnel costs, including annual salary increases.

General and administrative (“G&A”) expenses

	Three months ended				Three months ended		
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)
Personnel costs	2,349	1,633	716	44%	2,058	291	14%
Office and other administrative expenses	992	2,003	(1,011)	(50%)	939	53	6%
Third party professional, consulting, legal fees	1,465	1,357	108	8%	831	634	76%
Computer and IT expenses	94	349	(255)	(73%)	90	4	4%
	4,900	5,342	(442)	(8%)	3,918	982	25%

G&A expenses of \$4,900 for the three months ended June 30, 2022, decreased by \$442 in comparison to expenses of \$5,342 for Q2 2021. The overall decrease primarily represents the Company’s efforts to reduce all administration and IT costs, partly offset by an increase in personnel costs due to the Galaxie Acquisition and annual salary increases.

In comparison to Q1 2022, G&A expenses increased by \$982 which is primarily a result of the increase in personnel due to the Galaxie Acquisition and the increase in consulting fees related to implementation of SAP in Galaxie, and financial advisory and legal costs for new funding initiatives.

Share based compensation expenses

The Company recognized a share based compensation expense of \$270 for the three months ended June 30, 2022, compared to \$1,019 for Q2 2021. The decrease is primarily due to a reduction in the value of stock options granted in Q2 2022 as well as stock options cancelled due to forfeiture and expiry. Share based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense.

In comparison to Q1 2022, share based compensation expense decreased by \$297.

Depreciation and amortization

The Company recognized depreciation and amortization expense of \$3,310 for the three months ended June 30, 2022, compared to \$3,546 for the same period in the prior year due to a decrease in the Company’s asset base arising from the sale of the Quebec Facility in June 2021 which was partially offset by the impact in Q2 2021 of reversal in impairment of assets at the end of Q1 2021. Additionally, depreciation decreased slightly by \$217 in Q2 2022 as compared to Q1 2022, due to the impairment and subsequent sale and lease back of the building leasehold improvements at the Puslinch Facility in May 2022.

Loss from operations

Loss from operations was \$3,016 for the three months ended June 30, 2022, compared to \$8,432 for Q2 2021, with the improvement primarily driven by a higher revenue and gross profit.

In comparison to a loss from operations of \$4,461 in Q1 2022, the Company's improvement in Q2 2022 was mainly due to higher revenue and gross profit, partially offset by general and administrative expenses.

Impairment loss

During the three months ended June 30, 2022, the Company recognized an impairment loss related to the held for sale HemPoland Operations of \$2,489 (Q2 2021 – impairment related to the Quebec Facility assets held for sale of \$17,688).

Net loss from continuing operations

The Company's net loss from continuing operations for the three months ended June 30, 2022, was \$6,622 (Q2 2021 – net loss of \$32,181) which has decreased primarily due to the higher gross profit, gain on the revaluation of the contingent shares from the Galaxie Acquisition and reduced impairment discussed above.

Comprehensive loss

The Company's comprehensive loss for the three months ended June 30, 2022, was \$7,161 (Q2 2021 - comprehensive loss of \$32,525) and is comprised primarily of the net loss from continuing operations discussed above.

In comparison to Q1 2022, the Company's comprehensive loss in Q2 2022 decreased by \$6,854 primarily due to the higher gross profit, gain on the valuation for the Contingent Shares from the Galaxie Acquisition and the decreased impairment loss for the period, partially offset by an increased foreign exchange loss.

SUMMARY OF SIX MONTHS ENDED JUNE 30, 2022 (“YTD”) RESULTS – YTD 2022 as compared to YTD 2021

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 interim condensed consolidated financial statements and related notes:

	For the six months ended	
	June 30, 2022	June 30, 2021
Revenue	\$ 30,194	\$ 17,068
Loss from operations	\$ (7,477)	\$ (13,920)
Net loss from continuing operations	\$ (19,834)	\$ (19,325)
Comprehensive loss	\$ (21,176)	\$ (21,366)
Net loss per share from continuing operations (basic & diluted)	\$ (0.03)	\$ (0.04)

Revenues

	For the six months ended			
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)
Revenue from adult-use cannabis products	28,647	14,044	14,603	104%
Revenue from medical cannabis products	1,285	1,261	24	2%
Revenue from toll agreements	262	1,763	(1,501)	(85%)
Total	30,194	17,068	13,126	77%

Gross revenue recognized for YTD 2022, amounted to \$30,194, an increase of 77% compared to YTD 2021 (YTD 2021 - \$17,068). The increase is mainly due to the launch of new premium flower strains (Cherry Mints and Maple Kush), the launch of new pre-rolls, and the Company's Highly Dutch Organic™ flower continuing to gain traction in 2022. With additional sales efforts to provide direct store support with budtender and consumer education, in addition to the new listings accepted in key markets for January 2022, the Company achieved significant increased revenues in key markets.

Gross profit

	For the six months ended			
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)
Net Revenue	22,202	13,495	8,707	65%
Cost of sales	16,002	10,879	5,123	47%
Gross profit (loss) before changes in fair value of biological assets	6,200	2,616	3,584	
<i>Gross profit (loss) % before changes in fair value of biological assets</i>	28%	19%		
Realized fair value adjustment on sale of inventory	(6,280)	(3,861)	(2,419)	63%
Unrealized gain on changes in fair value of biological assets	12,908	5,565	7,423	133%
Gross profit	12,908	4,320	8,588	199%
<i>Gross profit (loss) %</i>	58%	32%		

The Company's direct gross profit was \$6,200 for YTD 2022, representing 28% gross profit margin before changes in fair value of biological assets (YTD 2021 - \$2,616 representing 19% direct gross profit) reflecting improvements in production cost efficiency including higher yields per plant and higher net revenues due to sales mix of products moving towards premium flower year over year.

The Company achieved an overall gross profit for YTD 2022 of \$12,908 (YTD 2021 – gross profit of \$4,320) which has increased 199% from YTD 2021 mainly due to an increase in direct gross profit and unrealized gain on changes in fair value of biological assets reflective of the increase in cultivation activities.

Sales and marketing expenses

	For the six months ended			
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)
Personnel costs	1,031	734	297	40%
Third party marketing expenses	1,442	849	593	70%
Travel and promotion expenses	27	3	24	800%
Sales agency costs	950	203	747	368%
Other marketing expenses	142	85	57	67%
	3,592	1,874	1,718	92%

Sales and marketing expenses of \$3,592 for YTD 2022 increased in comparison to expenses of \$1,874 for the same period in the prior year primarily due to increased personnel costs due to integration of Galaxie personnel following the Galaxie Acquisition, additional sales efforts undertaken to provide direct store support as well as additional third-party marketing expenses commensurate with the increased revenue achieved.

R&D expenses

	For the six months ended			
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)	Variance to Q2-2021 (%)
Personnel costs	284	209	75	36%
Product development	2	2	-	0%
Travel related expenses	10	28	(18)	(64%)
Other research and development expenses	5	47	(42)	(89%)
Termination benefits	-	125	(125)	(100%)
	301	411	(110)	(27%)

R&D expenses of \$301 for YTD 2022 decreased by \$110 in comparison to the R&D expenses for the six months ended June 30, 2021. The Company incurred higher R&D personnel costs due to the integration of Galaxie's R&D personnel which was offset by the absence of termination benefits in 2022.

G&A expenses

	For the six months ended			
	June 30, 2022	June 30, 2021	Variance to Q2-2022 (\$)	Variance to Q2-2021 (%)
Personnel costs	4,407	3,520	887	25%
Office and other administrative expenses	1,931	2,998	(1,067)	(36%)
Third party professional, consulting, legal fees	2,296	2,220	76	3%
Computer and IT expenses	184	536	(352)	(66%)
	8,818	9,274	(456)	(5%)

G&A expenses of \$8,818 for YTD 2022, decreased by \$456 in comparison to expenses of \$9,274 for the six months ended June 30, 2021. The change consisted primarily of reductions in office and other administrative expenses and computer and IT expenses as management continues to focus on cost discipline, partially offset by an increase in personnel costs due to the Galaxie Acquisition and annual salary increases.

Share based compensation expenses

The Company recognized a share based compensation expense of \$837 for YTD 2022, compared to \$1,632 for the six months ended June 30, 2021. The decrease is primarily due to a reduction in the value of stock options granted in YTD 2022 as well as stock options cancelled due to forfeiture and expiry. Share based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense.

Depreciation and amortization

The Company recognized depreciation and amortization expense of \$6,837 for YTD 2022, compared to \$5,049 due to Q1 2021 depreciation being \$2,043 lower than Q2 2021 as an impairment reversal was recognized at the end of Q1 2021 and full impact was from Q2 2021.

Loss from operations

Loss from operations was \$7,477 for YTD 2022, compared to \$13,920 for the six months ended June 30, 2021, with improvement primarily driven by a higher revenue and gross profit, partially offset by increased depreciation and amortization and sales and marketing expenses as explained above.

Impairment loss

During the YTD 2022, the Company recognized an impairment loss related to the held for sale HemPoland Operations of \$2,489 as well as an impairment loss on the Puslinch Facility leasehold improvements of \$6,183 (YTD 2021 – impairment related to the Quebec Facility of \$17,688 and impairment reversal of \$21,811).

Net loss from continuing operations

The Company's net loss from continuing operations for YTD 2022, was \$19,834 (YTD 2021 – net loss of \$19,325) which primarily reflects the improved loss from operations offset by the higher overall impairment in YTD 2022 compared to that booked in YTD 2021.

Comprehensive loss

The Company's comprehensive loss for YTD 2022, was \$21,176 (YTD 2021 - comprehensive loss of \$21,366) and is comprised primarily of the net loss from continuing operations discussed above.

HEMPOLAND OPERATION HELD FOR SALE AND DISCONTINUED OPERATION

As at June 30 2022, management was committed to a plan to sell the HemPoland Operations. Accordingly, the Company has presented the HemPoland Operations as a disposal group held for sale (the “Disposal Group”). Efforts to sell the Disposal Group have started and a sale is expected within the next three months.

Results of discontinued operation

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue	\$ 747	\$ 1,416	\$ 1,621	\$ 3,730
Gross profit	\$ 97	\$ 691	\$ 324	\$ 1,989
Expenses	\$ 323	\$ 1,153	\$ 948	\$ 2,824
Loss from discontinued operations	\$ (226)	\$ (462)	\$ (624)	\$ (835)
Deferred tax recovery	\$ 67	\$ 164	\$ 171	\$ 143
Loss from discontinued operations, net of tax	\$ (159)	\$ (299)	\$ (453)	\$ (692)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Cash flows from (used in) discontinued operation

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net cash provided by (used in) operating activities	\$ 26	\$ 122	\$ (266)	\$ 650
Net cash used in investing activities	(16)	(184)	(48)	(296)
Net cash used in financing activities	(241)	(132)	(351)	(292)
Net cash (outflows) inflows for the year	\$ (231)	\$ (194)	\$ (665)	\$ 62

Fair Value related to the disposal group

The fair value of the Disposal Group’s net assets was estimated to be \$7,289 (before estimated costs to sell of \$200) using a market approach (level 2 on the fair value hierarchy), from a non-binding competitive offer which provided reliable information to determine the fair value of the Disposal Group.

Assets and liabilities of Disposal Group held for sale

As at June 30, 2022, the Disposal Group was stated at fair value less costs to sell and comprised of the following assets and liabilities.

	Disposal Group	
Cash and cash equivalents	\$	175
Refundable sales taxes receivable		51
Trade receivables		198
Prepaid expenses and deposits		118
Inventories		2,578
Property, plant and equipment		169
Intangible assets		227
Loan receivable from the Company		5,639
Assets held for sale	\$	9,155
Accounts payable and accrued liabilities	\$	674
Lease liabilities		965
Loans		427
Liabilities held for sale	\$	2,066

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 Interim Condensed Consolidated Financial Statements and related notes:

	As at June 30, 2022	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Total assets	\$ 185,411	\$ 193,999	\$ 211,575	\$ 342,181
Total current liabilities	\$ 60,657	\$ 29,044	\$ 66,377	\$ 53,227
Total non-current liabilities	\$ 8,130	\$ 28,144	\$ 5,394	\$ 21,354
Total shareholders' equity	\$ 116,624	\$ 136,811	\$ 139,804	\$ 267,600

The following is a discussion of the significant changes to selected balances in the Company's financial position as at June 30, 2022 as compared to December 31, 2021.

Assets

The Company's consolidated cash and cash equivalents of \$3,202 as at June 30, 2022 decreased from \$4,089 as at December 31, 2021 primarily as a result of operating activities, partially offset by proceeds received in investing and financing activities. The increase in the Company's trade receivables to \$9,037 as at June 30, 2022 (December 31, 2021 - \$8,833) relates to an increase in revenue for the six months ended June 30, 2022. As at June 30, 2022, the Company had \$25,889 in inventory as compared to \$20,942 as at for December 31, 2021 as a result of additional cannabis inventory build up to meet increased sales and the increase in cultivation capacity with the Quebec Facility harvests available. The Company's property, plant and equipment decreased by \$12,995 to \$104,985 primarily as a result of the impairment on leasehold improvements and subsequent sale and leaseback on the Puslinch Facility, and depreciation recorded for YTD 2022.

Liabilities

The Company's accounts payable and accrued liabilities were \$18,376 as at June 30, 2022, an increase from \$17,664 as at December 31, 2021, with the increase primarily relating to increased operating activity. Payments were primarily funded by additional funds drawn under the Revolver Loan.

The Company's loans payable increased to \$30,060 at June 30, 2022 as compared to \$20,225 as at December 31, 2021 primarily due to an increase in the drawn balance, including an additional \$4 million provided as a term portion, and accretion on the Revolver Loan.

Equity

The Company's shareholders' equity decreased from \$136,811 as at December 31, 2021 to \$116,624 as at June 30, 2022, primarily due to an increase in the accumulated deficit of \$20,287 related to the loss from operations for the period, partially offset by an increase in share capital of \$799 primarily due to share issuances in relation to the ATM.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2022, the Company generated its revenue from domestic cannabis production and sales, together with draws on the Revolver Loan 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 June 30, 2022, the Company maintained a negative working capital of \$800 (December 31, 2021 – positive \$25,716) with the change from prior year-end mainly reflecting the movement of the Revolver Loan to current liabilities from non-current, as the maturity date is within a year, being June 30, 2023. The total cash position was \$4,674, including \$1,472 of restricted cash (December 31, 2021 – \$4,308 of which \$219 was restricted cash). This cash will be used primarily towards covering working capital requirements and operating costs as the Company moves towards achieving positive operating cashflow.

The Company has primarily financed its operations to date through the issuance of Common Shares, warrants, and drawdowns on certain of the Company's debt facilities. Should the Company not achieve positive operating cashflow as expected, the Company may need to increase its debt or obtain capital through various means including the issuance of equity to repay its obligations or the divestiture of HemPoland or other assets. The Interim Condensed 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, asset sales, debt refinancing and/or additional debt or equity financing or any combination thereof is realized. In addition, the terms of the Amended and Restated Agreement require the Company to satisfy various affirmative and negative covenants and to meet certain future financial tests. A failure to comply with these covenants, including a failure to meet the financial tests, would result in an event of default under the Revolver Loan and if not cured would allow the lender to accelerate the debt, which would materially and adversely affect the business, results of operations and financial condition of the Company.

There can be no assurance that additional funding will be available to the Company, or, if available, that such funding will be on acceptable terms. If adequate funds are not available, the Company will be required to delay or reduce the scope of any or all of its projects. Management continues to pursue other alternatives to fund the Company's operations and looks to reduce costs, such as:

- Reduction of headcount and rightsizing future operating and administrative needs;
- Minimizing the Company's reliance on third party service providers and professional fees; and
- Monetize redundant and available for sale assets.

These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

	For the six months ended		
	June 30, 2022	June 30, 2021	Variance to Q2-2021 (\$)
Net cash used in operating activities	\$ (8,472)	\$ (11,336)	\$ 2,864
Net cash provided from investing activities	21	27,485	(27,464)
Net cash provided/(used) by financing activities	7,510	(18,103)	25,613
Net effects of foreign exchange	(612)	(983)	371
Increase (decrease) in cash and cash equivalents	\$ (1,553)	\$ (2,937)	\$ 1,384

Operating Activities

For the six months ended June 30, 2022, net cash used in operating activities was \$2,864 lower than the six months ended June 30, 2021. The improvement was achieved primarily due to increased sales and improved gross profit margins for the six months ended June 30, 2022.

Investing Activities

For the six months ended June 30, 2022, the net cash from investing activities was \$27,464 lower than the six months ended June 30, 2021. The decrease was primarily due to the sale of the Quebec Facility in June 2021 as well as an increased transfer to restricted cash in Q2 2022 related to funds in the sweep account designated for repayment of the revolver.

Financing Activities

For the six months ended June 30, 2022, net cash provided in financing activities was \$25,613 higher than the six months ended June 30, 2021. The increase was primarily the result of repayment of its senior secured credit facility in Q2 2021 of \$32,200, and a \$9,934 increase in funds drawn under the Revolver Loan in 2022, partially offset by a year over year decrease in cash proceeds from the issuance of Common Shares and warrants of \$7,930, and decrease in cash proceeds from the exercise of stock options and warrants of \$7,560.

Contractual Obligations

The Company had the following estimated gross contractual obligations as at June 30, 2022, which were expected to be payable in the following respective periods:

Contractual cash flows - 12 months ending ⁽¹⁾⁽²⁾

	Carrying amount	Total	June 2023	June 2024	June 2025	June 2026	June 2027	Thereafter
	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	18,376	18,376	18,376	-	-	-	-	-
Sales taxes payable	618	618	618	-	-	-	-	-
Loan payable to disposal group	5,639	5,639	5,639	-	-	-	-	-
Loans	30,060	34,764	34,764	-	-	-	-	-
Lease liabilities	9,490	22,884	1,360	1,366	1,374	1,448	1,498	15,838
Total contractual obligations	64,183	82,281	60,757	1,366	1,374	1,448	1,498	15,838

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

⁽²⁾ Contractual cash flows are exclusive of any obligations of the HemPoland Operations held for sale which primarily are all due within one year of June 30, 2022.

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 \$31,235 drawn on the Revolver Loan as at June 30, 2022, payable until maturity dates. Over the balance of 2022, the Company expects further draws on the \$2,765 available credit under the Revolver Loan secured by trade receivables, for which it will have to incur interest charges based on actual use.

The Company's lease liabilities are measured in accordance with IFRS 16 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).

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 June 30, 2022, 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 June 30, 2022, the Company had 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 have been recorded in other assets. As at June 30, 2022, there have been no breaches and no amounts have been drawn on the letters of credit. Subsequent to the quarter end, a letter of credit in the amount of \$455 was cancelled as all conditions of the related agreement had been satisfied, and the corresponding GIC was converted to cash on hand.

In addition, in connection with the Galaxie Acquisition, the Company acquired a 20-year lease on the land on which the Puslinch Facility is located, which commenced on December 1, 2020. On May 17, 2022 the Company also completed the Puslinch Transaction.

Claims and Litigation

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. The Company is subject to certain employment related claims by a former employee for which a provision in accounts payable and accrued liabilities has been recognized only to the extent that it is likely to result in future economic outflows. The Company has also been subject to a claim by former warrant holders for approximately \$1,250. No provision in relation to these claims has been recognized as the Company estimates that it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Company for these claims. On August 3, 2020, the Company was named as a defendant in a litigation matter commenced in the United States District Court for the Middle District of Georgia relating to a disposed of minority investment in a U.S. based beverage incubation business, seeking, among other things, unquantified compensatory damages and injunctive relief. No provision in relation to this claim has been recognized as the Company estimates that it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Company for this claim and the Company intends to vigorously defend the matter. Other than the claims previously described, the Company is not aware of any other material or significant claims against the Company.

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 Company included a detailed disclosure of the Company's intended use and actual use of proceeds for financings in 2020 in the Company's MD&A for the 2020 year end. The Company updated this previous disclosure on its intended use of proceeds from the most recent offering with the subsequent actual use of those proceeds in its MD&A for the year ended December 31, 2021 (the "Annual MD&A"), together with an explanation of any variances and the impact of those variances, if any, on the Company's ability to achieve its current business objectives. As at the date of this MD&A, there have been no updates to the use of proceeds disclosure or additional financings since the Annual MD&A.

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

There were no significant changes in the Company's accounting policies and critical accounting estimates for the six months ended June 30, 2022. The preparation of the Interim Condensed 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 affected.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

[a] Fair values

The Company's financial instruments were comprised of the following as at June 30, 2022: cash and cash equivalents; restricted cash; refundable sales tax receivable; trade receivables; other current assets; accounts payable and accrued liabilities; sales taxes payable; loans and contingent consideration.

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 six months ended June 30, 2022, there were no transfers of amounts between levels (year ended December 31, 2021 – no changes).

[c] Management of key risks arising from financial instruments

Credit Risk

As at June 30, 2022, the Company's trade receivables had two customers whose balances were individually greater than 10% of total trade receivables as at June 30, 2022 (December 31, 2021 – two customers). Customer A accounted for 63% and Customer B accounted for 17% of trade receivables as at June 30, 2022 (December 31, 2021 – Customer A accounted for 48% and Customer B accounted for 24%).

RELATED PARTY TRANSACTIONS

Identification of related parties

Related parties as at June 30, 2022 have been identified as follows:

Related party	Business relationship	Measurement basis
Angus Footman	Director	Exchange amount
Olivier Dufourmantele	Director, Senior Officer	Exchange amount
Louis Sterling	Director	Exchange amount
Jacques Dessureault	Director	Exchange amount
Caroline MacCallum	Director	Exchange amount
Chris Schnarr	Director	Exchange amount
Adam Jaffe	Director	Exchange amount
Sean Bovingdon	Director, Senior Officer	Exchange amount
Nichola Thompson	Senior Officer	Exchange amount
Michel Gagne	Senior Officer	Exchange amount
Matthew Schmidt	Senior Officer	Exchange amount
Wyld GLX Corp.	Joint venture	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 six months ended June 30, 2022 (December 31, 2021 – none). No expense has been recognized in the current period or prior period for bad or doubtful debts in respect of amounts owed by related parties. No other new guarantees have been given or received by related parties during the six months ended June 30, 2022. As at June 30, 2022, the Company had a loan from a company controlled by Angus Footman and Olivier Dufourmantele, that was assumed as part of the Galaxie Acquisition, totalling \$400 (December 31, 2021 – \$1,300), which are subordinate to the Revolver Loan. There are no other receivable or payable balances with key management personnel and \$174 of director fees payable (December 31, 2021 – \$147 directors fee payable).

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

The production, distribution and sale of cannabis in Canada is strictly regulated. On October 17, 2018, the Cannabis Act and accompanying regulations promulgated under the Cannabis Act (the "Cannabis Regulations"), and the new industrial hemp regulations (the "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 any 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 laws of the foreign jurisdiction, the laws of Canada and the rules of the CSE. 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.

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-tetrahydrocannabinol 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.

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 the plant *cannabis sativa* L. and its derivatives, extracts and cannabinoids with THC content of not more than 0.3% on a dry weight basis) was removed from Schedule I 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. Notwithstanding the 2018 Farm Bill, the U.S. FDA prohibits cannabis (including hemp) and its derivatives, including cannabidiol (CBD), for use as an ingredient in food and drink. The U.S. 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 U.S. 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 U.S. 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.

The U.S. federal budget, as currently in effect, includes the Rohrabacher-Farr Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law. There can be no assurances that the Rohrabacher- Farr Amendment will be included in future appropriations bills or budget resolutions. At this time, there is still very little clarity as to how President Joseph Biden, or Attorney General Merrick Garland, will enforce federal law or how they will deal with states that have legalized medical or recreational marijuana. While bipartisan support is gaining traction on decriminalization and reform (for example, the Marijuana Opportunity Reinvestment and Expungement Act, which, if enacted into law, would decriminalize and regulate cannabis on a federal level in the United States, was passed by the United States House of Representatives on April 1, 2022), there is no imminent timeline on any potential legislation. There is no guarantee that the current Presidential administration, or any future administration, will not change its stated policy regarding the low-priority enforcement of U.S. federal laws that conflict with State laws. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Germany

In March 2017, the German legislature 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 pursuant to section 72 Medicinal Products Act (Arzneimittelgesetz – “AMG”). Generally, the import authorization can be issued for cannabis from cultivations controlled by the country of origin 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 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") which implements the EU Good Manufacturing Practice ("EU GMP"). In addition to standards for the growing and cultivation of the cannabis plant itself, such as the Good Agricultural and Collection Practice (GACP), which is annexed to the EU-GMP, specific pharmaceutical quality standards must be met before placing the product on the market. Such standards are established by pharmaceutical monographs (e.g. "Cannabis Flowers", "Cannabis Extract"), 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. Although CBD as such is not subject to the BtMG unless the possible THC traces exceed 0.2 percent, it is currently unclear whether products containing CBD will be classified and marketed as industrial hemp products or food rather than narcotic drugs following a judgment from the Court of Justice of the European Union on November 19, 2020 and the European Commission's ongoing review of applications for approval of products containing CBD as novel foods. In its ruling of March 24, 2021, the German Federal Court of Justice (Bundesgerichtshof - "BGH") ruled that the sale of hemp flowers and leaves to end-consumers may qualify as a narcotic but is not necessarily prohibited under the BtMG, provided that these products serve exclusively commercial or scientific purposes without intent to cause intoxication.

Australia

Cannabis and cannabis-related activities are highly regulated in Australia. The cultivation, production, manufacture, import and export, distribution, possession, use and supply of cannabis and cannabis-derived products are regulated by a number of Australian federal, state and territory laws, that include: (a) Criminal Code 1995 (Cth) and separate state and territory crime, drug misuse and/or drug/poison control legislation generally make it illegal to traffic, import, export, manufacture, cultivate or possess cannabis or cannabis products for purposes other than therapeutic use; (b) Narcotics Drugs Act 1967 (Cth) ("Narcotic Act") which permits, in certain circumstances, the cultivation and production of cannabis and the manufacture of products comprising or derived from cannabis or its constituent parts for therapeutic use ("Medicinal Cannabis Products"); (c) Commonwealth Standard for the Uniform Scheduling of Medicines and Poisons ("Poisons Standard") and corresponding state and territory poisons legislation which permit the possession, use and supply of Medicinal Cannabis Products; (d) Customs Act 1901 (Cth) which regulates the import and export of narcotic substances generally, and the Customs (Prohibited Imports) Regulations 1956 (Cth) ("Customs Regulations") and Customs (Prohibited Exports) Regulations 1958 (Cth) which provide a mechanism for the importation and exportation, respectively, of Medicinal Cannabis Products (and some cannabis / cannabis products for scientific purposes), subject to appropriate licence and permits(s); and (e) Therapeutic Goods Act 1989 (Cth) ("TG Act"), Therapeutic Goods Regulations 1990 (Cth) and other subordinate legislation and guidelines, and complementary state and territory legislation, which regulate the quality, safety and efficacy of Medicinal Cannabis Products, as well as the promotion of such products in Australia.

Pursuant to regulation 5 of the Customs Regulations, cannabis (including extracts and tinctures of cannabis), cannabis resin, and cannabinoids, and products containing such ingredients, cannot be imported into Australia without a licence or permit unless the product has been approved for import by legislative instrument under regulation 5(3) of the Customs Regulations. A licence will only be granted where possession and supply are lawfully permitted in the place where the products will be imported, and evidence of this must be provided (e.g. a copy of a supply / wholesale supply licence or Special Access Scheme authorisation form). In light of this, generally, the only cannabis-based products that are currently permitted to be imported into Australia, subject to the licensing requirements discussed below, are Medicinal Cannabis Products (which include cannabis ingredients used to manufacture medicinal cannabis products).

In particular, in order to import Medicinal Cannabis Products into Australia, the importer must hold: (a) a licence to import to import narcotic, psychotropic and precursor substances (for the purposes of this paragraph, a "Licence"); and (b) a permission to import each consignment of each specific product (for the purposes of this paragraph, a "Permit"), and must comply with any conditions of the Licence and Permit.

Pursuant to section 4 of the Narcotic Act, a Medicinal Cannabis Product means a product, including but not limited to a substance, composition, preparation or mixture, that: (a) includes, or is from, any part of the cannabis plant; and (b) is for use for the purposes of curing, or alleviating the symptoms of, a disease, ailment or injury. The regulatory framework established by the Narcotics Act for the cultivation, production and manufacture of Medicinal Cannabis Products is administered by the Office of Drug Control, being a branch of the Australian Department of Health.

The regulatory framework established by the TG Act for the minimum standards of safety, quality and efficacy of Medicinal Cannabis Products is administered by the Therapeutic Goods Administration (“TGA”), being another branch of the Australian Department of Health. Generally speaking, the TG Act prohibits the supply of therapeutic goods, including Medicinal Cannabis Products, in Australia unless those goods are entered in the Australian Register of Therapeutic Goods (“ARTG”), or an exemption or exception applies. In order for a product to be entered in the ARTG, the sponsor of the product must submit an application to the TGA which includes data as to the quality, safety, efficacy and performance of the product and its intended use, and which will be rigorously assessed by the TGA.

Alternatively, the following exceptions and exemptions apply to some Medicinal Cannabis Products:

(a) under the TGA’s Special Access Scheme (“SAS”) a medical practitioner may use one of the following two SAS Categories to access an unapproved Medicinal Cannabis Product for an individual patient:

(i) SAS Category A: a prescribing medical practitioner (a medical doctor) or a health practitioner on behalf of a prescribing medical practitioner (e.g. a nurse practitioner or pharmacist) may, with notification to the TGA, supply unapproved medicinal cannabis products to a “Category A patient”, being a person who is seriously ill with a condition from which death is reasonably likely to occur within a matter of months, or from which premature death is reasonably likely to occur in the absence of early treatment; or

(ii) SAS Category B: if a patient is not a “Category A patient”, a health practitioner may nevertheless make an application to the TGA for approval to supply unapproved medicinal cannabis products to the patient (which requires a thorough clinical justification for the use of the product, including the seriousness of the condition, details of previous treatment and reasons why a currently approved therapeutic good cannot be used for the treatment of the individual patient in the particular circumstance); or

(b) under the TGA’s Authorised Prescriber Scheme a medical practitioner may apply to the TGA to become an “Authorised Prescriber” of a Medicinal Cannabis Product which is not entered in the ARTG so that the medical practitioner may prescribe the product to a class (or classes) of patients with a particular medical condition; or

(c) Medicinal Cannabis Products may be supplied to participants of a clinical trial authorised to be conducted in Australia under the TGA’s Clinical Trial Notification or Clinical Trial Approval Scheme.

Depending on the Australian state(s) and/or Territory(ies) in which the importer of a Medicinal Cannabis Products seeks to import, store and supply the product: (a) the importer or distributor of the product(s) (as applicable) may need to obtain a relevant supply / wholesale supply licence from the relevant State or Territory health department(s); and (b) the medical practitioner(s) who will prescribe the product(s) to patients may need to obtain an individual prescribing approval or authorisation from the relevant State or Territory health department(s).

In this regard, since April 2018, a ‘single-in’ application process has been developed through which practitioners can notify or apply to both the TGA and the relevant State’s or Territory’s Department of Health (where applicable) to prescribe and supply medicinal cannabis products.

South Africa

The legislative framework which regulates cannabis and cannabis related products in South Africa primarily comprises the Drugs and Drug Trafficking Act No. 140 of 1992 and the Medicines and Related Substances Act No. 101 of 1965 (“South Africa Medicines Act”). The South Africa Medicines Act regulates, inter alia, medicines and scheduled substances. The South Africa Medicines Act defines a “medicine” as follows: “(a) any substance or mixture of substances used or purporting to be suitable for use or manufactured or sold for use in (i) the diagnosis, treatment, mitigation, modification or prevention of disease, abnormal physical or mental state or the symptoms thereof in humans; or (ii) restoring, correcting or modifying any somatic or psychic or organic function in humans, and (b) includes any veterinary medicine”. A “scheduled substance” is defined by the South Africa Medicines Act as “any medicine or other substance prescribed by the Minister [of Health] under section 22A [of the South Africa Medicines Act]” and therefore includes both medicines and non-medicines listed in the schedules to the South Africa Medicines Act.

CBD is listed in the Schedules to the South Africa Medicines Act as a Schedule 4 substance (subject to certain exceptions). In terms of section 22C of the South Africa Medicines Act, no manufacturer, wholesaler or distributor shall manufacture, act as a wholesaler of or distribute, as the case may be, Scheduled substance unless he or she is the holder of the appropriate licence contemplated in the said subsection. issued by the SAHPRA in terms of section 22C(1)(b) of the South Africa Medicines Act. Section 22C(1)(b) provides that the manufacturers, wholesalers and distributors may apply to SAHPRA for the relevant licence.

Schedule 4 substances may only be sold by certain persons, including (i) a pharmacist, pharmacist intern or a pharmacist's assistant acting under the personal supervision of a pharmacist, who may only sell Schedule 4 substances upon a written prescription issued by an authorised prescriber or on the verbal instructions of an authorised prescriber who is known to such pharmacist; (ii) manufacturers of or wholesale dealers in pharmaceutical products, which may only sell Schedule 4 substances to a person who may lawfully possess such substances; (iii) medical practitioners and dentists who may prescribe such substances and/or compound or dispense such substances only if he or she is the holder of the relevant licence issued by the Director-General in terms of section 22C(1)(a) of the South Africa Medicines Act (iv) certain other practitioners, nurses and persons who are registered under the Health Professions Act No. 56 of 1974, who may (as authorised by his or her professional council concerned) prescribe only the such substances for purposes identified in Schedule 4 for each substance and/or compound or dispense such substances only if he or she is the holder of the relevant licence issued by the Director-General in terms of section 22C(1)(a) of the South Africa Medicines Act; and (v) veterinarians who may prescribe, compound or dispense such substance.

A Schedule 4 substance may be possessed by a person who is in possession of a prescription issued by an authorised prescriber and may be possessed by pharmacists, medical practitioners, dentists, veterinarians, practitioners, nurses or other persons registered under the Health Professions Act No. 56 1974.

If a Schedule 4 substance is sold for analytical purposes, manufacture of foods, cosmetics, educational or scientific purposes, such substance may only be sold by a pharmacist if a permit has been obtained from the Director-General for such purpose.

The classification of CBD and preparations and mixtures of CBD as Schedule 4 substances is subject to two exceptions. The first exception is in terms of a notice published in GNR586 of Government Gazette 43347 dated 22 May 2020, by the Minister of Health of South Africa on the recommendation of SAHPRA, in terms of section 36(1) of the South Africa Medicines Act, which excludes from Schedule 4 all preparations containing CBD that: (a) contain no more than 600mg of CBD per sales pack and a maximum daily dose of 20 mg CBD and make only an accepted low risk claim or health claim which only refers to (i) general health enhancement without any reference to specific diseases, (ii) health maintenance, or (iii) relief of minor symptoms (not related to a disease or disorder); or (b) consist of processed products made from cannabis raw plant material and processed products, where only the naturally occurring cannabinoids found in the source material are contained in the product, and which contain no more than 0,001% THC and not more than 0,0075% total CBD. Subsection (a) also includes a general exception which applies to all Scheduled substances listed in Schedule 4. In this regard, Schedule 4 provides as follows: "All substances referred to in this Schedule are excluded when specifically packed, labelled, sold and used for: industrial purposes including the manufacture or compounding of consumer items or products which have no pharmacological action or medicinal purpose; and analytical laboratory purposes."

A product containing CBD, which would otherwise be a Schedule 4 substance, is therefore excluded from the requirements in the South Africa Medicines Act relating to Scheduled substances if it: (a) contains no more than 600mg of CBD per sales pack and less than a maximum daily dose of 20 mg of CBD and only makes the permitted low risk claims or health claims as set out above; (b) consists of processed products that contain only the naturally occurring quantity of cannabinoids found in the source material and contain THC and/or CBD that does not exceed the prescribed thresholds as set out above; or (c) is specifically packed, labelled, sold and used for (i) industrial purposes, including the manufacture or compounding of consumer items or products which have no pharmacological action or medicinal purpose; and (ii) analytical laboratory purposes. However, where exceptions (a) and (b) apply, such product will be classified as a Schedule 0 substance and may be regarded as a considered as a "health supplement" for purposes of the South Africa Medicines Act, as defined the General Regulations passed in terms of the Medicines Act and published under Government Notice 859 in Government Gazette 41064 on 25 August 2017 ("the General Regulations"). The term "health supplement" is defined in the General Regulations as, "any substance, extract or mixture of substances as determined by SAHPRA", sold in dosage forms used or purported for use in restoring, correcting or modifying any physical or mental state by ... complementing health; ... supplementing the diet; or ... a nutritional effect, and excludes injectable preparations, medicines or substances listed as Schedule 1 or higher in the [Medicines] Act". Schedule 0 includes the exception that -"All substances referred to in ... Schedule [0] are excluded when specifically packed, labelled, sold and used for ... industrial purposes including the manufacture or compounding of consumer items or products which have no pharmacological action or medicinal purpose, and which are intended to be ingested by man or animals as a food or applied to the body as a cosmetic, and which are approved for such use in terms of the Foodstuffs [Act] ... or that are registered in terms of the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act 36 of 1947)". Health supplements are classified as complementary medicines in terms of the General Regulations.

At present, no specific implementing regulations are applicable to complementary medicines as the law relating to complementary medicines is currently in a state of flux. SAHPRA may, however, call-up a specific category of complementary medicines (including complementary medicines containing CBD) for registration, in respect of which manufacturers, importers, and distributors of these products will be required to illustrate their respective compliance with the relevant provisions of the South Africa Medicines Act relating to complementary medicines.

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 ongoing impact of COVID-19;
- the Company's ability to continue as a going concern;
- 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 has a 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 may 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 Company's management has broad discretion concerning the use of net proceeds of the ATM program;
- the Company is subject to risks typically associated with secured debt financing;
- the Company may incur additional indebtedness
- 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 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;
- the Company is reliant on regulatory approvals and cultivation licences 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'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;
- 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, or the cannabis industry more generally, may receive unfavourable publicity or become subject to negative consumer or investor perception;
- the Company's products may not have, or may not be perceived to have, the effects intended by the end user;
- if the Company is unable to develop and market new products, 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;
- consumer preferences may change and the Company may be unsuccessful in retaining customers;
- trade of cannabis for non-medicinal purposes within Canada may be restricted by the Canadian Free Trade Agreement;
- the Company must rely on international advisors and consultants in the foreign countries in which it operates and 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 CBD industry and market is new and heavily regulated with rules subject to rapidly changing laws and uncertainty, compliance with which may come with significant cost;
- the CBD products industry and market in the EU are also subject to many of the same risks as the adult-use cannabis industry and 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 continue or 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 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'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;
- management may not be able to successfully implement adequate internal controls over financial reporting;
- 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;
- the Company has negative operating cash flow;
- the Company may be subject to credit risk;
- 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;
- the Company may not be able to renew or secure adequate insurance to protect its assets, operations and employees;
- fluctuations in foreign currency exchange rates could harm the Company's results of operations;
- U.S. border officials could deny entry into the U.S. to non-U.S. citizens who are employees of or investors in companies with cannabis operations in the United States and Canada;
- 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;
- the Company continues to sell shares for cash to fund operations, expansion, and mergers and acquisitions that will dilute the current shareholders;
- it is not anticipated that any dividends will be paid to holders of Common Shares for the foreseeable future; and
- the Company is subject to ongoing reporting requirements under applicable securities laws and exchange policies.

In addition, the Company highlights the following risk factors:

Potential Expansion into the US:

A potential expansion of the business and operations of the Company into the U.S. may require significant regulatory approvals, which could involve potentially high up-front costs, and there can be no assurances that the Company would be able to obtain such approvals after paying such costs. Following an expansion into the U.S., the Company would be subject to heightened regulatory and financial scrutiny which could lead to increased costs and have a material adverse effect on the financial position of the Company. As at the date of this MD&A, all cannabis-related practices and activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. This may pose a number

of potential risks to the Company, including risk associated with violation of the U.S. Controlled Substances Act, banking, financial transactions, prosecution of Company employees, and violations of anti-money laundering laws and regulations.

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 Revolver Loan, will be sufficient to pay its obligations and fund its operations for the coming months. Achieving positive Canadian operating cash flows and funding operations for the coming 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 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 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 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.

Potential Sale of HemPoland Operations

A sale of the HemPoland Operations, or a portion thereof, may be subject to a number of conditions including potential financing conditions, and regulatory approvals and there can be no assurances that any such conditions or approvals will be obtained and that the transaction will be completed in a timely manner. There can be no assurances that a sale of the HemPoland Operations, or a portion thereof, will be advantageous to the Company or that the Company will be able to receive the fair market value for any disposed assets in connection with such sale and it is possible that completion of such a sale could have a material adverse effect on the financial position of the Company. There can be no assurances that the HemPoland Operations will ultimately be monetized either by way of a sale or any other form of transaction.

Acquisition and Integration Risk

The Company recently completed the Galaxie Acquisition and may in the future make further acquisitions and investments that could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations. The Company may have difficulty integrating any such acquisitions, including the Galaxie Acquisition, successfully or realizing the anticipated benefits therefrom, any of which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.

Pursuing potential strategic acquisitions or investment opportunities is one possible growth strategy. Any transactions that the Company enter into could be material to its business, financial condition, results of operations, cash flows and prospects. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments involve a number of risks, including:

- diversion of management time and focus from operating the Company's business;
- use of resources that are needed in other areas of the Company's business;
- integration of the acquired company;
- implementation or remediation of controls, procedures and policies of the acquired company;
- difficulty integrating the accounting systems and operations of the acquired company;
- coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company and difficulty converting the customers of the acquired company onto its platform, including disparities in the revenue, licensing, support or professional services model of the acquired company;
- difficulty integrating, supporting or enhancing acquired products or services, including difficulty in transitioning acquired products or services;
- retention and integration of employees from the acquired company, and preservation of its corporate culture;
- the potential loss of key employees;
- unforeseen costs or liabilities, including the use of substantial portions of its available cash to consummate the acquisition;

- adverse effects to its existing business relationships with customers as a result of the acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the acquired company or investment; and
- the need to integrate potential operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Acquisitions are accompanied by the risk that the obligations and liabilities of an acquired company or asset may not be adequately reflected in the historical financial statements of or other financial information relating to such company or asset and the risk that such historical financial statements may be based on assumptions, which are incorrect or inconsistent with the Company's assumptions or approach to accounting policies. In addition, such future acquisitions could involve tangential businesses which could alter the strategy and direction of the Company. Furthermore, a significant portion of the purchase price of companies the Company has acquired may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if the Company's acquisitions do not yield expected returns, the Company may be required to take charges to its operating results based on this impairment assessment process, which could adversely affect its results of operations.

Although the Company has conducted and will conduct due diligence in connection with potential strategic acquisitions or investment opportunities and potential vendors have, may or will provide a number of representations and warranties in favour of the Company in connection with these acquisitions, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of or issues concerning the acquired entities. Following the closing of any potential strategic acquisitions or investment opportunities, the Company may discover that it has acquired substantial undisclosed liabilities or that certain of the representations made by the vendors are untrue. There can be no assurance of recovery by the Company from potential insurers or potential vendors for any breach of the representations, warranties or covenants to be provided by such potential vendors under the applicable acquisition agreements because there can be no assurance that the amount and length of such potential insurance coverage or of the potential indemnification obligations will be sufficient to satisfy such potential obligations, or that such potential vendors will have any assets or continue to exist. The Company's eventual inability to claim for full indemnification from potential vendors could have a material and adverse effect on the Company.

Acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect its share price, or result in the incurrence of debt with restrictive covenants that limit the Company's future uses of capital in pursuit of business opportunities. Additionally, the Company, and any potential target for a strategic acquisition or investment as a combined entity, is subject to numerous risks that could adversely affect the Company's growth and profitability, including: (i) the risk that the Company may not be able to successfully manage a potential target for a strategic acquisition or investment's operations, (ii) the risk that its operational, financial and management systems may be incompatible with, or inadequate to effectively integrate and manage systems acquired from potential target for a strategic acquisition or investment, (iii) the risk that a potential strategic acquisition or investment may require financial resources that could otherwise be used in the development of other aspects of its business, (v) the risk that the Company may not obtain the consents required under agreements entered into with third parties, (vi) the risk that the integration process may result in operational problems, costs, expenses, liabilities, including loss of contracts and customers, and (vii) the risk that the Company's key management or employees and of a potential target for a strategic acquisition or investment may not be retained or may leave following the strategic acquisition or investment, which could have a significant impact on the combined entity's operations, specifically if such departures were to occur in positions or roles which require significant technical and operational knowledge and for which qualified replacement personnel is scarce.

The successful integration of recent and potential strategic acquisitions or investments will also require cooperation between the Company's employees and the acquired companies or investees and is subject to the risk that personnel from the Company and the acquired companies or investees may not be able to work together successfully, which could adversely impact the Company's business, financial condition and results of operations. The Company may not be able to identify acquisition or investment opportunities that meet its strategic objectives, or to the extent such opportunities are identified, the Company may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to the Company.

Permits and Approvals on Real Property

The Company's operations may require permits from various federal, provincial and local governmental authorities and will be governed by laws and regulations governing cannabis, occupational health, waste disposal, land use, environmental protections, and other matters. Adverse changes or developments affecting the Company's facilities, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and licenses, the failure to comply with state or municipal regulations, or a breach of security, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, any breach of any leases relating to any of the Company's real property, or any failure to renew any applicable leases on materially similar or more favourable terms, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects, and could also have an impact on the Company's ability to continue operating.

The Puslinch Facility is subject to provincial and municipal regulation and oversight, including the acquisition of all required regulatory and ancillary permits to conduct operations or undertake any construction. Any breach of regulatory requirements, security measures or other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators at all levels, could also have an impact on the Company's ability to keep the Puslinch Facility in good standing, and to continue operating its business. There can be no guarantee that the Company has or will be able to obtain all necessary permits and approvals.

The Puslinch Facility continues to operate with routine maintenance. Focus will bear many, if not all, of the costs of maintenance and upkeep of the Puslinch Facility, including replacement of components over time. The Company's operations and the Company's financial performance may be adversely affected if the Company is unable to keep up with maintenance requirements.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Interim Chief Financial Officer (the "Certifying Officer"), in accordance with National Instrument 52-109, has certified that he has reviewed the Company's Interim Condensed Consolidated Financial Statements and this MD&A (the "Filings") and that, based on his knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the Filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings..

Since the Company's Common Shares are traded on the CSE, the Company is considered a "Venture Issuer" as defined in National Instrument 51-102 *Continuous Disclosure Obligations* and is not required to certify the design and evaluation of its disclosure controls and procedures ("DC&P") nor internal controls over financial reporting ("ICFR") and has not completed such an evaluation. The inherent limitations on the ability of the Certifying Officer to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of annual filings and other reports provided under securities legislation.

The Certifying Officer believes that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

OUTSTANDING SHARE DATA

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

Shares	753,241,527
Warrants	160,591,440
Restricted share units issued to employees	261,250
Stock options	52,537,329

Included in the above issued and outstanding Common Shares are certain Common Shares currently held in escrow, as follows: (i) 40,000,000 Common Shares, comprising a portion of the purchase price of the Galaxie Acquisition (the "Purchase Price"), issued pursuant to an indemnity escrow agreement dated November 17, 2021 (the "Indemnity Escrow Agreement"), to be released from escrow no later than December 31, 2023; (ii) 53,333,332 Common Shares, comprising a portion of the Purchase Price, issued pursuant to an escrow agreement dated November 17, 2021, under which one-sixth of these Common Shares will be released every four months; and (iii) 85,714,286 Common Shares, comprising a portion of the Purchase Price, pursuant to

the Indemnity Escrow Agreement, which are contingent consideration subject to the achievement of certain milestones by December 31, 2022 and are to be released from escrow no later than January 31, 2023.

See the Company's Interim Condensed Consolidated Financial Statements for a detailed description of these securities. Each security type is convertible into one Common Share.