The Green Organic Dutchman Holdings Ltd.

Management's Discussion and Analysis

For the three and six months ended June 30, 2021 and June 30, 2020

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

This Management's Discussion and Analysis ("MD&A") reports on the interim consolidated financial condition and operating results of The Green Organic Dutchman Holdings Ltd. (the "Company") for the three and six months ended June 30, 2021 and 2020. 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, 2021 and June 30, 2020 (the "Interim 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 where indicated otherwise.**

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

Assumptions

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

- (i) the 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 and positive operating cash flows from the sale of its products;
- (ii) the availability of financing at all or on reasonable terms;
- (iii) obtaining necessary regulatory approvals;
- (iv) general business and economic conditions, particularly in the Canadian medicinal and adult-use cannabis markets;
- (v) regulation of the markets in which the Company operates;
- (vi) the Company's ability to attract and retain skilled staff;
- (vii) market competition, including the products and technology offered by the Company's competitors;
- (viii) maintenance of our current good relationships with our suppliers, service providers and other third parties; and
- (ix) ability to continue to operate during the implementation of COVID-19 restrictions and maintaining necessary access and safety protocols.

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

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada. The Company's forward-looking statements are based on the reasonable beliefs, expectations, and opinions of management as of August 11, 2021, the date of this MD&A.

BUSINESS OVERVIEW

The Company was incorporated under the Canada Business Corporations Act on November 16, 2016. The Company's registered and head office is located at 6205 Airport Rd., Building A – Suite 200, Mississauga, Ontario L4V 1E3. The Company completed its initial public offering on May 2, 2018. The Company's common shares ("Common Shares") trade on the TSX under the symbol "TGOD" and on the OTCQX under the symbol "TGODF". The Company also had four classes of warrants listed on the TSX 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 Medican Organic Inc. ("Medican") 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, with respect to The Green Organic Dutchman Ltd. only, sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns a cannabis cultivation facility near Hamilton, Ontario (the "**Hamilton Facility**"). The Company also operates out of another 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, including through a hemp extraction business in Poland. The Company has established other strategic partnerships for the distribution of cannabis and hemp-derived medical products in Mexico, Germany, and other countries as regulations allow.

The outbreak of the novel strain of the coronavirus, SARS-COV-2 ("COVID-19"), and its eventual declaration as a pandemic by the World Health Organization ("WHO") on March 11, 2020 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The Company rapidly implemented strategic measures to protect its global workforce from COVID-19 and endeavouring to mitigate any long-term impact of the pandemic on its business. 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 and selling, marketing, general and administrative expenses. The Company has financed its operations through equity and debt financings. The Company expects to continue to incur losses from operations in the short term and may require additional capital and revenues through the sale of its organic cannabis products to fulfill its debt obligations. Please refer to the section on "Liquidity and Capital Resources" below.

RECENT DEVELOPMENTS AND BUSINESS OBJECTIVES

Executive Leadership and Board Composition

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

On June 29, 2021, at the Company's annual general and special meeting of shareholders ("AG&SM"), the shareholders approved the number of directors of the Company to be fixed at seven (7) from six (6), and approved the election of all current directors with the addition of Adam Jaffe.

On July 15, 2021, the Company announced that Gayle Duncan had joined the Company's Senior Leadership Team as Chief Growth Officer, a newly created position aimed at enhancing existing sales and marketing capabilities and increasing brand awareness across North America.

Quebec Facility Updates

On June 22, 2021, the Company completed the sale of the majority of its assets in Valleyfield, Quebec, including all of the industrial and agricultural land, main hybrid greenhouse, rooftop greenhouse, all support buildings and certain related equipment (the "Valleyfield Assets") for gross proceeds of $27,000 (the "Quebec Disposition"). The Company was also refunded the deposit that it had paid to Hydro-Quebec, including interest of $5,761. Concurrent with the Quebec Disposition, the Company repaid the remaining principal balance on its senior secured first lien credit facility (the "Senior Secured Credit Facility"), including a 2% prepayment penalty, to settle all of its outstanding obligations under the Senior Secured Credit Facility and terminated the loan agreement with such lender. As also agreed to with the purchaser of the property, the Company entered into a lease with such purchaser concurrent with the closing of the Quebec Disposition, for approximately 80,000 square feet of cultivation and processing space in the Quebec Facility, as the Company remains committed to maintaining a significant portion of its operations including all 2.0 products manufacturing, in Quebec.

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

On February 1, 2021, the Company unveiled plans to transition its medical business to a wholesale model, in line with other pharmaceutical products' distribution models. The Company supported its patients throughout the transition periods which was completed April 1st, 2021. The Company’s patient-centered approach will enable easier access to a broad range of medical cannabis products without having to register with multiple licensed producers. Shoppers Drug Mart Inc. represents Canada’s largest pharmacy network, and the Company is its largest supplier of organically grown medical cannabis. The Company also has agreements with other medical distributors and clinics, with plans to increase its presence within the medical market as it transitions from its legacy direct-to-patient model.

Launch of Stillwater’s Ripple Brands in Canada

On January 28, 2021, the Company announced the launch of *RIPPLE Gummies by TGOD* (“RIPPLE Gummies”), the first cannabis-infused confectionary product to offer a scientifically validated 15-minute onset. RIPPLE Gummies are currently available in Alberta, British Columbia, and Manitoba, with plans to expand distribution across the country once provincial listings are received. RIPPLE Gummies are made using certified organically grown cannabis, real fruit juice and all-natural flavours and colours. Each pack contains two precisely dosed 5mg THC-gummies for a total of 10mg, the maximum allowed under the *Cannabis Act*. RIPPLE Gummies leverage the same fast-acting proprietary technology used in quick-dissolving RIPPLE powder. As part of its licensing agreement with Stillwater, the Company expanded its RIPPLE offering with the additional flavours Honey Infusion CBD and Mango Balance, which launched in Q2-2021, as expected.

New Products and Distribution in 2021

On January 18, 2021, the Company announced the launch of Amsterdam Sativa under its mainstream brand, Highly Dutch. Offered in three different formats, 3.5g, 15g, and 28g, Amsterdam Sativa is now available in Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland. Amsterdam Sativa has a high potency with a THC level of above 20%. It is organically grown and expertly cured in order to maintain a balanced humidity level to protect the integrity of its terpenes and trichomes. The buds included in Amsterdam Sativa are carefully selected to deliver a consistent potency and quality in every batch. The first product launched under the Highly Dutch brand was Rotterdam Indica, a similarly high-THC flower, which is also available in Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Newfoundland. As at the date of this MD&A, Highly Dutch added Organic Afghan Black, a high-quality hash, to its line of products, which is now available in British Columbia, Alberta, Manitoba, Quebec and Newfoundland, and Marrakech Gold Hash, which is now available in British Colombia, Manitoba, Ontario, Quebec and Newfoundland; the product is listed in Alberta and the first purchase order is expected in August 2021.

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

On February 18, 2021, the Company announced the addition of Organic Sugar Bush to its portfolio of premium strains. The Company’s Organic Sugar Bush, a high-THC Sativa variety, was developed based on feedback from consumers and presents a THC level higher than 20%, large buds, certified organically grown, and balanced humidity to preserve its terpenes and trichomes. Organic Sugar Bush gets its name from Quebec’s maple forests – the Company’s grow team analysed a myriad of strains before selecting Organic Sugar Bush, a strain it perfected by developing a unique cultivation method which includes the addition of maple syrup from Quebec to its proprietary living soil. The launch of Organic Sugar Bush is the continuation of the Company’s plans to introduce innovative strains as part of its premium portfolio. In fact, all TGOD's main premium organic strains (Organic LA Con, Organic Rockstar Tuna, Organic Fire, as well as Organic Sugar Bush) are being consistently harvested now with potencies greater than 20% THC. On April 29, 2021, the Company announced that it continues to work on expanding distribution across all Canadian provinces for these strains, as well as for its Highly Dutch mainstream portfolio which includes its Organic Afghan Black hash in both 30% THC and 40% THC formats.

United States of America ("US") Market Entry Plans

With the continued regulatory progress in the US towards the decriminalization and legalization of cannabis in some form in various states, and the SAFE Banking Act passing through the US House of Representatives, the Company is accelerating its exploration of strategic options towards a potential US entry. Specific actions underway include discussions with investment advisors on potential acquisition and partnership opportunities and considering applying for a listing on the Canadian Securities Exchange ("CSE") which the Company expects to allow for investment capability into the US.

Also, as previously communicated, the Company expanded its number of members of the board of directors to seven directors to add an additional member with US market experience.

Refer to the Company's summary of regulatory framework for the US market in the "**Regulatory Landscape**" section below.

Other strategic initiatives

The Company continues to review other strategic initiatives to maximize shareholder value. This includes the potential sale or spin-off for an initial public offering of HemPoland, a wholly owned subsidiary of the Company, and the potential for mergers and acquisitions in the Canadian cannabis licenced producers ("LP") sector. The Company also continues to pursue international and partnership growth opportunities in Germany, Mexico, Australia and South Africa. The Company is one of very few LP's with access to the Mexican market, with 4 SKUs already well into the review process by the COFEPRIS. In Australia, the Company continues to make progress with its in domestic partner for medical cannabis, LeafCann, and expects to move towards exporting product to Australia in the next few months.

Equity Issuances

<u>*At-The-Market*</u>

In February and June 2021, the Company issued Common Shares under the Company's registered direct at-the-market prospectus supplement ("ATM") dated December 2, 2020. The ATM permits 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 TSX at the time of each direction. As of the date of this MD&A, the Company is permitted to issue up to an additional $6,719 of Common Shares under the ATM.

		February 2021		June 2021
Common shares issued	#	**14,341,958**	#	**1,073,000**
Weighted average share price per share	**$**	**0.55**	**$**	**0.36**
Aggregate gross proceeds ($ 000's)	**$**	**7,893**	**$**	**389**
Aggregate commissions paid ($ 000's)	**$**	**237**	**$**	**12**
Aggregate net proceeds ($000's)	**$**	**7,656**	**$**	**377**

The ATM is a supplement to the Company's base shelf prospectus dated November 27, 2020 ("Base Shelf Prospectus"), qualifying the distribution of up to $50,000 of securities of the Company to be raised through the issuance of various debt and equity securities of the Company over a period of up to 25 months from the date of the Base Shelf Prospectus. As at the date hereof, the Company is permitted to issue up to an additional $22,350 of debt and equity securities under the Base Shelf Prospectus.

<u>*Warrants*</u>

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

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.

Cultivation is continuing and ongoing and additional licensed space available in the processing centre at the Hamilton Facility allows for better physical distancing among its cultivation and processing employees. The Company's Polish operations has implemented a similar response in line with local health guidelines in Poland.

- identified non-core assets that could be sold, leased, or otherwise monetized, particularly at its former Quebec Facility which was successfully sold in Q2-2021 for gross proceeds of $27,000.

- reduced its executive leadership group by seven members prior to December 31, 2020 and thus the Company incurred lower personnel costs associated with its leadership group in H1-2021. However, the Company reinstated the base salary of the remaining executive personnel effective January 1, 2021, that were affected by the Company's cash compensation reductions which were previously reduced by 20% to 30% since April 1, 2020.

OVERALL PERFORMANCE

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

As described in the "Recent Developments and Business Objectives" 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 has had and may continue to have certain adverse effects on distribution to final end user customers, causing uncertainty with respect to:

- provincial cannabis boards are constantly revising and updating their respective listing and purchasing procedures;

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

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

Refer to "Summary of Key Quarterly Highlights" for further insights as to how those macroeconomic factors affected the Company's performance in Q2-2021.

SELECTED OPERATIONAL INFORMATION

SUMMARY OF KEY QUARTERLY HIGHLIGHTS – Q2-2021 as compared to Q2-2020 and Q1-2021

		Q2-2021	**Q1-2021**	**Q4-2020**	**Q3-2020**	**Q2-2020**	**Q1-2020**	**Q4-2019**	**Q3-2019**
Revenue	**$**	**11,816**	8,982	10,918	5,710	4,825	3,059	3,250	2,612
Loss from operations	**$**	**(9,080)**	(5,893)	(11,396)	(6,338)	(9,881)	(15,258)	(17,742)	(19,810)
Loss on assets held for sale	**$**	**(17,688)**	-	-	-	-	-	-	-
Reversal of impairment / (impairment) of Canadian CGU	**$**	**-**	21,811	-	(67,837)	-	(52,765)	(123,432)	-
Impairment of European CGU	**$**	**-**	-	(8,644)	-	-	-	-	-
Impairment of investment in associates	**$**	**-**	-	-	-	-	(3,082)	(4,296)	-
Net income (loss)	**$**	**(32,480)**	12,463	(23,676)	(76,244)	(9,775)	(73,436)	(144,753)	(20,303)
Comprehensive income (loss)	**$**	**(32,525)**	11,159	(23,874)	(75,627)	(10,044)	(71,090)	(144,520)	(21,237)
Net income (loss) per share (basic & diluted)	**$**	**(0.06)**	0.02	(0.05)	(0.20)	(0.03)	(0.23)	(0.52)	(0.07)

Revenues

Revenue recognized in Q2-2021 amounted to $11,816, an increase of 145% versus the prior year (Q2-2020 - $4,825) with sales from cannabis products in Canada of $10,400 and hemp derived sales by HemPoland of $1,416. The increase is mainly due to the improvements in the Company's premium flower sales, and the launch of the Company's Highly Dutch flower and hash products in Canada in the latter half of 2020. Revenue increased by 32% in comparison to Q1-2021 revenue of $8,982 primarily in line with the Company's expectations for an increase in sales in Canada in Q2-2021 due to the gradual release of restrictions on retail stores related to COVID-19 protocols, combined with some provincial listing mandates being revised at the start of the year which created a downward trend for the industry in Q1-2021. The increase in revenue for Q2-2021 for the Company is similar to what has been observed and reported by some peer companies to date. The Company does expect growth to continue later in 2021 as more restrictions are lifted and more retail stores can reopen safely, and as the Company has invested in building relationships with the retail cannabis chains to expand distribution. As the market continues to evolve, consumers have higher expectations from licensed producers, and the Company is also still competing with the illegal market, which is not regulated, which therefore demonstrates the importance of going to market with high-quality, differentiated products.

Management continues to proactively manage costs to correlate with sales activity levels, as can be seen below.

Gross profit

	Three months ended				Three months ended		
	June 30, 2021	**June 30, 2020**	**Variance to Q2-2020 ($)**	**Variance to Q2-2020 (%)**	**March 31, 2021**	**Variance to Q1-2021 ($)**	**Variance to Q1-2021 (%)**
Net Revenue	**9,522**	4,422	5,100	115%	7,703	1,819	24%
Cost of sales	**6,256**	4,028	2,228	55%	6,364	(108)	(2%)
Gross profit before change in fair value of biological assets	**3,266**	394	2,872	729%	1,339	1,927	144%
Realized fair value adjustment on sale of inventory	**(2,331)**	(1,821)	(510)	28%	(1,530)	(801)	52%
Unrealized gain on changes in fair value of biological assets	**2,244**	2,753	(509)	(18%)	3,321	(1,077)	(32%)
Gross profit	**3,179**	1,326	1,853	140%	3,130	49	2%

The Company's direct gross profit (before change in fair value of biological assets) was $3,266 for Q2-2021, representing 34.3% of gross profit before changes in fair value of biological assets ("direct gross profit") (Q2-2020 - $394, being 8.91%) primarily as a result of increased efficiencies materializing as the Company sells more in relation to its fixed costs of operating the Company's Hamilton facility, the product mix of current sales activity levels, and that the cost of sales in Q1-2021 included $633 of non-recurring property tax reassessments. The Company believes that its direct gross profit in Canada can be consistently between 30% to 40% once it is able to achieve revenue of at least $5,000 per month.

The Company experienced an overall gross profit for Q2-2021 of $3,179 (Q2-2020 - $1,326) primarily driven by increased sales, a lower realized fair value adjustment on the sale of inventory sold during the period, partially offset by a decreased unrealized gain on changes in fair value of biological assets. In comparison to Q1-2021, the gross profit increased by $49, mainly as a result of increased sales with an increase in direct gross profit of $1,927, and a lower unrealized fair value adjustment on the sale of inventory partially offset by a decreased gain on changes in fair value of biological assets.

Sales and marketing ("S&M") expenses

	Three months ended				Three months ended		
	June 30, 2021	**June 30, 2020**	**Variance to Q2-2020 ($)**	**Variance to Q2-2020 (%)**	**March 31, 2021**	**Variance to Q1-2021 ($)**	**Variance to Q1-2021 (%)**
Personnel costs	**502**	596	(94)	(16%)	612	(110)	(18%)
Third party marketing expenses	**693**	801	(108)	(13%)	520	173	33%
Travel and promotion expenses	**30**	52	(22)	(42%)	33	(3)	(9%)
Strategic partnership payments	**19**	724	(705)	(97%)	184	(165)	(90%)
Other marketing expenses	**93**	67	26	39%	52	41	79%
	1,337	2,240	(903)	(40%)	1,401	(64)	(5%)

Sales and marketing expenses of $1,337 for the three-months ended June 30, 2021 decreased in comparison to expenses of $2,240 for the same period in the prior year primarily due to additional work being performed in-house with less staff and increased efficiencies rather than work performed by external consultants. In 2021, the Company also began a new variable basis for calculating strategic partnership payments. This is consistent with the Company's plan for cost cutting initiatives previously announced in 2020 that continued into 2021.

In comparison to Q1-2021, sales and marketing expenses decreased slightly in Q2-2021 by $64 primarily due to personnel costs, and strategic partnership payments being paid on a new set of key performance indicators. To build on the sales discussed in the revenue section above, personnel costs related to sales and marketing are expected to increase through the rest of the year with the addition of the Chief Growth Officer. The Company also expects to invest an additional $500 into strategic partnerships to continue to drive retail level sales and build recurring business with chains, where possible.

Research and development ("R&D") expenses

	Three months ended				Three months ended		
	June 30, 2021	**June 30, 2020**	**Variance to Q2-2020 ($)**	**Variance to Q2-2020 (%)**	**March 31, 2021**	**Variance to Q1-2021 ($)**	**Variance to Q1-2021 (%)**
Personnel costs	**144**	232	(88)	(38%)	243	(99)	(41%)
Product development	**25**	25	-	0%	36	(11)	(31%)
Travel related expenses	**12**	-	12	n/a	16	(4)	(25%)
Other research and development expenses	**-**	62	(62)	(100%)	47	(47)	(100%)
Termination benefits	**-**	-	-	n/a	125	(125)	(100%)
	181	319	(138)	(43%)	467	(286)	(61%)

R&D expenses of $181 for the three-months ended June 30, 2021 decreased in comparison to expenses of $319 for the same period in the prior year. The Company incurred higher R&D costs in the prior year working on new product formulations and has now successfully commercialized organic cannabinoid dissolvables in Canada under the TGOD-Infusers line which began selling in 2020. Similar costs were not incurred in Q2-2021 due to the products already being available and reduced spending in line with the Company's cost cutting initiatives.

In comparison to Q1-2021, research and development expenses decreasing by $286, which was primarily due to a reduction in headcount and termination benefits incurred of $125 in Q1-2021 which we were not repeated in Q2-2021.

General and administrative ("G&A")expenses

	Three months ended				Three months ended		
	June 30, 2021	**June 30, 2020**	**Variance to Q1-2020 ($)**	**Variance to Q1-2020 (%)**	**March 31, 2021**	**Variance to Q1-2021 ($)**	**Variance to Q1-2021 (%)**
Personnel costs	**1,854**	1,294	560	43%	2,229	(375)	(17%)
Office and other administrative expenses	**2,031**	2,780	(749)	(27%)	1,039	992	95%
Third party professional, consulting, legal fees	**1,509**	1,313	196	15%	1,100	409	37%
Computer and IT expenses	**349**	323	26	8%	187	162	87%
	5,743	5,710	33	1%	4,555	1,188	26%

G&A expenses of $5,743 for the three months ended June 30, 2021, remained relatively flat in comparison to expenses of $5,710 for the same period in the prior year. The prior year had more headcount, but savings were realized from the compensation reductions of 20% to 30% as well as the $342 wage subsidies received during the three months ended June 30, 2020.

In comparison to Q1-2021, G&A expenses increased by $1,188 which is primarily related to an increase in office and other administrative expenses of $992 and third-party professional, consulting, and legal fees of $409, partially offset by a reduction in headcount. The Company experienced additional professional expenses, and costs related to the AG&SM in Q2, 2021 that are not expected to continue for the remainder of the year as the Company expects the G&A expense figure to normalize in line with the Q1-2021 figure for the next two quarters.

Share-based compensation expenses

The Company recognized a share-based compensation expense of $1,019 for the three months ended June 30, 2021, compared to $1,657 for the same period in the prior year. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. The decrease is primarily due to a reduction in the grant date fair value of new options granted, which is primarily attributable to the decline in the Company's stock price and market volatility.

In comparison to Q1-2021, share-based compensation expense increased by $406 primarily due to an increase in share-based grants early during the quarter.

Depreciation and amortization

The Company recognized depreciation and amortization expense of $3,979 for the three months ended June 30, 2021, compared to $1,281 for the same period in the prior year due to an increase in the Company's asset base from the Q1-2021 impairment recovery recognized at the end of Q1-2021. As a result, in comparison to Q1-2021, depreciation and amortization expense increased by $1,992.

Loss from operations

Losses from operations were $9,080 for the three months ended June 30, 2021, compared to $9,881 for the same period in the prior year primarily driven by the increase in revenue and the implementation of cost cutting measures and resulting decreased operating expenses.

In comparison to a loss from operations of $5,893 in Q1-2021, the Company's loss from operations for Q2-2021 was higher mainly due to higher general and administrative operating expenses as noted above partially offset by a larger gross margin.

Loss on assets held for sale

As discussed in the "Recent Developments and Business Objectives" section above, the Company completed the Quebec Disposition related to its Quebec Facility which it had classified as assets held for sale in Q1-2021. The Company experienced a loss on the remeasurement of assets held for sale of approximately $17,688 (Q2-2020 - $nil).

Net loss

The Company's net loss for the three months ended June 30, 2021, was $32,480 (three months ended June 30, 2020 – $9,775) which is comprised primarily of the loss on the Quebec Facility assets held for sale, and loss from operations discussed above.

Comprehensive loss

The Company's comprehensive loss for the three months ended June 30, 2021, was $32,525 (three months ended June 30, 2020 – $10,044) and is comprised of the net loss discussed above and other comprehensive losses which is comprised of foreign exchange translation losses from foreign operations.

In comparison to Q1-2021, the Company's comprehensive loss in Q2-2021 increased by $43,684 primarily due to loss due to the remeasurement on the assets held for sale from the Quebec Facility and the reversal of impairment recognized that was recognized in Q1-2021.

SUMMARY OF YEAR TO DATE ("YTD") RESULTS – YTD-2021 as compared to YTD-2020

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 consolidated financial statements and related notes:

	For the six months ended			
	June 30, 2021		June 30, 2020	
Revenue	**$**	**20,798**	$	7,884
Loss from operations	**$**	**(14,973)**	$	(25,139)
Net loss [1]	**$**	**(20,017)**	$	(83,211)
Comprehensive loss [1]	**$**	**(21,366)**	$	(81,134)
Net loss per share (basic & diluted) [1]	**$**	**(0.04)**	$	(0.25)

(1) During the six months ended June 30, 2020, the Company recorded a non-cash impairment charge of $52,765 related to its Canadian CGU (as defined below).

Revenues

Revenue recognized for the six months ended June 30, 2021, amounted to a $20,798 or 164% increase versus the prior year (six months ended June 30, 2020 - $7,884).

Sales from cannabis products in Canada of $17,068 (six months ended June 30, 2020 - $3,377) representing a significant increase over the prior year and is an encouraging sign for management's belief that the premium market targeted by the Company continues to represent an opportunity as consumers expect quality, albeit at different prices than was expected in the prior year. The Company has adapted to the market dynamics and in the prior year, launched its Highly Dutch brand for the price conscious consumer and continues to grow its hash offerings which have contributed to current year revenues. Management believes that the general legal cannabis market will continue grow, even in the current economic climate with increased vaccination rates in Canada allowing for further retail distribution opportunities. Finally, in relation to Canadian operations, during the six months ended June 30, 2021, the Company incurred $3,573 in excise duties thereby reducing gross revenue to arrive at $17,225 of net revenues (six months ended June 30, 2020 - $531 for excise duties and net revenues of $7,353).

Sales from hemp derived products by the Company's wholly owned subsidiary in Poland were $3,730 (six months ended June 30, 2020 - $4,507 related to HemPoland only). The decrease in revenue year over year from HemPoland relates primarily to higher volumes of lower margin bulk CBD extract products being sold at HemPoland during the six months ended June 30, 2020. The on-going effects of the COVID-19 pandemic are being felt in Europe especially around distribution channels, and thus HemPoland sales are expected to remain flat and consistent through Q3-2021 and rebound in Q4-2021 as vaccination rates improve thus potentially allowing for more retail distribution.

Gross profit

	Six months ended			
	June 30, 2021	June 30, 2020	Variance to Q2-2020 ($)	Variance to Q2-2020 (%)
Net Revenue	**17,225**	7,353	9,872	134%
Cost of sales	**12,620**	5,944	6,676	112%
Gross profit before change in fair value of biological assets	**4,605**	1,409	3,196	227%
Realized fair value adjustment on sale of inventory	**(3,861)**	(2,366)	(1,495)	63%
Unrealized gain on changes in fair value of biological assets	**5,565**	3,989	1,576	40%
Gross profit	**6,309**	3,032	3,277	108%

The Company's gross profit for the six months ended June 30, 2021, of $6,309 was $3,277 higher than the six months ended June 30, 2020, primarily because of increased sales in Canada, partially offset by a decrease in HemPoland sales in comparison to the prior year.

Sales and marketing ("S&M") expenses

	For the six months ended			
	June 30, 2021	**June 30, 2020**	**Variance to Q2-2020 ($)**	**Variance to Q2-2020 (%)**
Personnel costs	**1,114**	1,343	(229)	(17%)
Third party marketing expenses	**1,213**	1,711	(498)	(29%)
Travel and promotion expenses	**63**	131	(68)	(52%)
Strategic partnership payments	**203**	1,369	(1,166)	(85%)
Other marketing expenses	**145**	149	(4)	(3%)
	2,738	4,703	(1,965)	(42%)

Sales and marketing expenses of $2,738 for the six months ended June 30, 2021, decreased in comparison to expenses of $4,703 for the same period in the prior year primarily due to a reduction in headcount as well as a new variable basis being used for strategic partnership payments. This is also consistent with the Company's plan for cost cutting initiatives in 2020 that have continued to materialize in 2021. In the prior year, the Company received $96 in wage subsidies from the CEWS related to S&M during the six months ended June 30, 2020.

Research and development ("R&D") expenses

	For the six months ended			
	June 30, 2021	**June 30, 2020**	**Variance to Q2-2020 ($)**	**Variance to Q2-2020 (%)**
Personnel costs	**387**	610	(223)	(37%)
Product development	**61**	111	(50)	(45%)
Travel related expenses	**28**	22	6	27%
Other research and development expenses	**47**	96	(49)	(51%)
Termination benefits	**125**	-	125	n/a
	648	839	(191)	(23%)

R&D expenses of $648 for the six months ended June 30, 2021, decreased in comparison to expenses of $839 for the same period in the prior year. The decrease was primarily due to a decrease in headcount during the year, partially offset by a termination benefit incurred in the current year. The Company received $45 in wage subsidies from the CEWS related to R&D during the six months ended June 30, 2020.

General and administrative ("G&A") expenses

	For the six months ended			
	June 30, 2021	**June 30, 2020**	**Variance to Q2-2020 ($)**	**Variance to Q2-2020 (%)**
Personnel costs	**4,083**	6,209	(2,126)	(34%)
Office and other administrative expenses	**3,070**	5,152	(2,082)	(40%)
Third party professional, consulting, legal fees	**2,609**	3,543	(934)	(26%)
Computer and IT expenses	**536**	598	(62)	(10%)
	10,298	15,502	(5,204)	(34%)

G&A expenses of $10,298 for the six months ended June 30, 2021, decreased in comparison to expenses of $15,502 for the same period in the prior year primarily as a result of cost cutting initiatives realized in the second half of 2020 and into 2021. The Company received $342 in wage subsidies from the CEWS related to G&A during the six months ended June 30, 2020.

Share-based compensation expenses

The Company recognized a share-based compensation expense of $1,632 for the six months ended June 30, 2021, compared to $4,127 for the same period in the prior year. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. The decrease is primarily due to a reduction in the grant date fair value of new options granted, which is primarily attributable to the decline in the Company's stock price combined with market volatility.

Depreciation and amortization

The Company recognized depreciation and amortization expense of $5,966 for the six months ended June 30, 2021, compared to $3,000 for the same period in the prior year due to an increase in the Company's asset base from the Q1-2021 impairment recovery recognized at the end of Q1-2021.

Loss from operations

Losses from operations were $14,973 for the six months ended June 30, 2021, compared to $25,139 for the same period in the prior year. The smaller loss related primarily to the factors discussed above where revenues have increased and conscious cost cutting per the Company's revised strategic plan continues to be implemented.

Reversal of impairment & Loss on assets held for sale

In Q1-2021, upon classifying the Company's Valleyfield Assets held for sale on the Company's statement of financial position for $43,200, the Company was required under IAS 36 – Impairment of long lived non-financial assets, to perform an impairment analysis on its Canadian Cash Generating Unit ("Canadian CGU"). The ending result was a net non-cash reversal of impairment of $21,811 for the three months ended March 31, 2021, primarily due to the excess capacity at the Quebec Facility being monetized which provides a higher return on the Company's remaining assets in the Canadian CGU using a discounted cash flow analysis. The Canadian CGU's value in use was estimated by discounting the probability weighted future cash flows expected to be generated from the continuing use of the Canadian CGU using level 3 inputs. The significant assumptions applied in the determination of the recoverable amount were materiality consistent with the annual impairment analysis performed as at December 31, 2020 such as the 16.5% discount rate, with the exception of the inclusion of the expected proceeds from the assets held for sale, partially offset by certain new operating costs to be incurred by the Canadian CGU over the period of the forecast. The Q1 2021 non-cash impairment recovery did not directly impact the Company's operating activities or liquidity. The Company continued to assess the competitive bids received in Q2-2021 and as a result remeasured the asset held for sale in line with the chosen bid for gross proceeds of $27,000 and the additional expected costs to sell. As a result, the Company incurred a loss of $17,688.

In the prior year for the six months ended June 30, 2020, an impairment loss of $52,765 was realized on the Canadian CGU. The non-cash impairment charges recognized during the period were primarily attributable to the changes in the timing of accessing market demand and the resulting slower revenue ramp up and growth than originally forecasted by management. Management has taken steps to realign the strategic plan to account for the changing market conditions. In addition, the Company recognized an impairment loss on its investment in Epican of $3,082 for the six months ended June 30, 2020, due to changing market conditions in Jamaica.

Net loss

The Company's net loss for the six months ended June 30, 2021, was $20,017 (June 30, 2020 – $83,211) which is comprised of the loss from operations and impairments/remeasurements discussed above.

Comprehensive loss

The Company's comprehensive loss for the six months ended June 30, 2021, was $21,366 (June 30, 2020 – $81,134) and was comprised of the net loss discussed above and other comprehensive income comprised of foreign exchange translation loss from foreign operations of $1,349 (June 30, 2020 - $2,077 – gain incurred through other comprehensive income).

FINANCIAL POSITION

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

		As at June 30, 2021		As at December 31, 2020		As at December 31, 2019		As at January 1, 2019*
Total assets	**$**	**177,511**	$	211,575	$	342,181	$	447,236
Total non-current liabilities	**$**	**5,760**	$	5,394	$	21,354	$	3,591
Total shareholders' equity	**$**	**136,408**	$	139,804	$	267,600	$	413,655

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

The following is a discussion of the significant changes to selected balances in the Company's financial position as at June 30, 2021 as compared to December 31, 2020.

Assets

The Company's consolidated cash and cash equivalents of $8,275 as at June 30, 2021 (cash in Canada was approximately $6,572) decreased from $11,212 as at December 31, 2020 primarily as a result of funds used in financing activities, and operating activities, partially offset by proceeds received in investing activities. The Company's trade receivables of $9,134 as at June 30, 2021 (December 31, 2020 - $10,023) represented increased sales for the six months ended June 2021 compared to Q4-2020, offset by collections of receivables from Q4. As at June 30, 2021, the Company had $20,727 in inventory as compared to $17,135 as at for December 31, 2020 as a result of additional cannabis inventory in Canada due to increased yields from cannabis plants during 2021 to date and the build of inventory to meet increased sales. The Company's property, plant and equipment decreased by $30,630 to $116,633 primarily as a result of reclassifying and then selling the Valleyfield Assets, partially offset by a recovery of non-cash impairment charges on the remaining assets of the Company.

Liabilities

The Company's accounts payable and accrued liabilities, including non-current accrued liabilities were $17,317 as at June 30, 2021 reduced from $24,453 as at December 31, 2020, with the decrease primarily relating to payments made against outstanding vendor payables. These payments were funded in part by additional funds received from the issuance of common shares as well as funds received from the exercise of warrants during the quarter.

The Company's loans payable decreased to $15,732 at June 30, 2021 as compared to $40,755 as at December 31, 2020 primarily due to the repayment of the Senior Secured Credit Facility during the period using the proceeds from the Quebec Disposition and the refunded Hydro Quebec deposit, partially offset by accretion on the secured revolving credit facility (the "Revolver Loan") as the loan moves towards maturity on December 31, 2021, and an increase in the drawn balance on the Revolver Loan.

Equity

The Company's shareholders' equity decreased from $139,804 as at December 31, 2020 to $136,408 as at June 30, 2021, primarily due to an increase in the accumulated deficit of $19,942 related to the loss from operations for the period, partially offset by an increase in share capital of $17,595 from the ATM and warrant exercises in 2021 to date.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2021, the Company generated its revenue from domestic cannabis and international hemp operations and relied on the equity financings raised, together with draws on the Revolving 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, 2021 the Company had a consolidated working capital of $9,815 (December 31, 2020 - $21,997 negative working capital) primarily due to the repayment of the Senior Loan as well as the Company reducing its accounts payable with the funds received from ATM equity financings and warrant exercises in 2021. The total consolidated cash position was $8,992, including $717 of restricted cash (December 31, 2020 – $11,834 of which $622 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, expected on a monthly basis later in 2021.

The Company has primarily financed its operations to date through the issuance of Common Shares, warrants, and drawdowns on certain of the Company's debt facilities. The Company may need to further reschedule its debt or obtain capital through various means including the issuance of equity and/or debt to repay its obligations. The interim 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. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

	For the three months ended				For the six months ended			
	June 30, 2021		**June 30, 2020**	**Variance to Q2-2020 ($)**	**June 30, 2021**		**June 30, 2020**	**Variance to Q2-2020 ($)**
Net cash used in operating activities	**(5,799)**	$	(8,285)	2,486	**(11,336)**	$	(21,382) $	10,046
Net cash proceeds (used) in investing activities	**29,426**		(10,072)	39,498	**27,485**		(26,997)	54,482
Net cash provided (used) in financing activities	**(31,754)**		32,011	(63,765)	**(18,103)**		38,483	(56,586)
Net effects of foreign exchange	**(117)**		276	(393)	**(983)**		1,104	(2,087)
(Decrease) increase in cash and cash equivalents	**(8,244)**	$	13,930	(22,174)	**(2,937)**	$	(8,792) $	5,855

Operating Activities

For the six months ended June 30, 2021, net cash used in operating activities was $10,046 lower than the six months ended June 30, 2020. The decrease was achieved primarily due to increased sales and the effect of cost reduction initiatives for the six months ended June 30, 2021.

Investing Activities

For the six months ended June 30, 2021, the net cash provided in investing activities was $54,482 higher than the six months ended June 30, 2020. The increase was primarily the result of proceeds received in connection with the sale of the Quebec Facility assets, the $1,242 received in connection with the sale of Califomulations and the monetization of certain capital equipment in the period.

Financing Activities

For the six months ended June 30, 2021, net cash used in financing activities was $56,586 higher than the year ended June 30, 2020. The increase was primarily the result of an the repayments of the senior credit facility of $32,200, a decrease in debt issued of $19,009, and a decrease in cash proceeds from the issuance of shares and warrants of $12,721, partially offset by an increase of $6,945 related to proceeds from the exercise of stock options and warrants.

Contractual obligations

The Company had the following estimated gross contractual obligations as at June 30, 2021, which were expected to be payable in the following respective periods:

		Contractual cash flows - 12 months ending						
	Carrying amount	**Total**	**June 2022**	**June 2023**	**June 2024**	**June 2025**	**June 2026**	**Thereafter**
	$	**$**	$	$	$	$	$	$
Accounts payable and accrued liabilities	**17,317**	**17,317**	17,317	-	-	-	-	-
Loans	**15,732**	**17,278**	17,278	-	-	-	-	-
Lease liabilities	**7,145**	**10,444**	2,039	2,002	869	828	616	4,090
Total contractual obligations	**40,194**	**45,039**	**36,634**	**2,002**	**869**	**828**	**616**	**4,090**

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

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

The contractual cash flows in the table above include the relevant interest and principal payments related to the total of $15,801 now drawn on the Revolver Loan as at June 30, 2021 payable until maturity dates. The Company expects further draws on the $14,199 available under the Revolver Loan secured by trade receivables, over the balance of 2021 for which it will have to incur interest charges based on actual uses. On August 10, 2021, as part of the third amending agreement with the lender of the Revolver Loan, the Company received $3,000 from the lender, maturing on December 31, 2021.

The Company's leased 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).
The contingent consideration payable relates to contingent consideration of up to 656,784 shares potentially payable to the former owners of HemPoland based on that entity achieving certain earnings targets by the end of the 2021 financial year which may be settled in cash pursuant to the terms of the agreement at the Company's option. The consideration was revalued to fair value of $Nil as the targets are not expected to be achieved.

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, 2021, 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, 2021, the Company has letters of credit in the amount of $585 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which has been recorded in other assets. As at June 30, 2021, there have been no breaches and no amounts have been drawn on the letters of credit.

Claims and Litigation

The Company may become subject to litigation from time to time in the ordinary course of business, some of which may adversely affect its business. For instance, as at the date of this MD&A, the Company is currently subject to one employment-related claim for approximately $3,000, a breach of contract claim by former warrant holders for approximately $1,250 and a civil claim in the United States District Court for the Middle District of Georgia. The employment claim relates to a former contract CFO of the Company. The former contract CFO issued a claim in the Ontario Superior Court of Justice for damages of $3,000 on September 25, 2018, and the Company filed a defence in October 2018 where management responded that it believes the claim is without merit. There have been no appearances or proceedings scheduled since the Company's defence was filed. In the breach of contract claim, a group of plaintiffs have brought a claim in British Columbia alleging breach of contract in regard to share purchase warrants they were prevented from exercising due to a restrictive trading period. On August 3, 2020, the Company was named as a defendant in a civil litigation matter commenced in the United States District Court for the Middle District of Georgia relating to its minority interest in a US-based beverage incubation business, seeking, among other things, unquantified compensatory damages and injunctive relief. The Company believes this claim against it is without merit and intends to vigorously defend the matter. No material provisions have been recorded in relation to this matter.

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.

Financial Outlook

In the Company's Base Shelf Prospectus, the Company provided a forecast for November 1, 2020, to October 31, 2021, and in its December 31, 2020, MD&A (the "Year-End MD&A") it provided a material update to forecasted Canadian operating cash flows for November 1, 2020 to October 31, 2021 to the extent required by applicable Canadian securities laws. As required, the Company is providing an additional update as per below for the same period from the Year-End MD&A:

		Year-end MD&A Forecast	*Q2-2021 MD&A Revised Forecast*
		$000s	*$000s*
Gross profit on sales before change in fair value of biological assets	(1)	15,217	10,821
Sales & marketing expenses	(2)	(5,266)	(4,832)
Research & development expenses	(2)	(575)	(683)
General & administrative expenses	(2)	(14,499)	(15,706)
Other income/(loss)		(90)	(411)
Expected Canadian operating cash flow (operating loss)		(5,213)	(10,799)

Notes

The following significant assumptions have been utilized in preparation of these forecasts which are materially consistent with the forecast assumptions disclosed in the Company's Year-End MD&A, with some updates as noted below:

(1) Gross profit has been forecasted based on, among other things:
  i. that the Company's products will meet the desired specifications of it and its distribution partners, for instance with regard to THC content and other specifications;
  ii. that its Hamilton Facility will produce between 10,000 kgs and 12,000 kgs in 2021 and specifically 10,450 kgs during the period referenced above. The expected production allows for further sales into the Company's other distribution channels across Canada, which is a key catalyst in the Company achieving positive operating cash flow on a monthly basis before the end of 2021;
  iii. that pricing of its products and product mix of its sales will remain consistent with its most recent discussions with its distribution partners and provincial boards;
  iv. that revenue will continue to grow due to increases sales of its key products across Canada, except in Q1-2021 where a reduction in revenue was expected from Q4-2020 primarily because of retail store closures with government-imposed lockdowns and resulting disruptions to the supply chain;
  v. that the total recreational and medical cannabis market in Canada will grow in line with the expectations of the analysts whose reports the Company has reviewed; and
  vi. that its cost of sales per product over the referenced 12 months was expected to be consistent with the previous cost of sales per product whereas the production cost per gram is coming down at the Company's Hamilton Facility, additional rent costs at the Quebec Facility for 2.0 production are expected to be incurred representing additional fixed costs for production that occurs at that facility.

(2) Operating expenses are expected to be slightly higher than anticipated overall, with forecasted G&A and R&D expenses reflecting necessary costs to improve efficiencies around processes and systems such as professional fees which are expected to provide longer term benefits to the Company, partially offset by certain previously planned overhead cuts. Forecasted S&M expenses are expected to decrease slightly with variable selling costs to be reduced due to the lower expected sales.

The Company's revised Canadian cash flow forecast, for November 1, 2020, to October 31, 2021, assumes that it will achieve $29 million in net sales over the 12-month period versus the $40 million previously forecast in the Year-End MD&A. Specifically, management notes:

- that the Company continues to assess the economic climate, specifically with many provincial governments imposing lockdowns and stay-at-home orders which have affected distribution and retail capabilities of cannabis store locations, reducing order levels for Q1 2021 from provincial cannabis boards compared to forecast. In addition, certain provincial boards issued revised listing mandates to assess their own profitability and efficiency. As recently as July 2021, the Company notes that one of the largest boards has indicated that they will not accept new listings until October 2021 through January 2022. The Company believes these measures are expected to hamper the rate of revenue growth in Canada that was expected in the second half of 2021 and will impact the timing of market penetration. Should the purchasing trend remain consistent with Q2-2021 the Company may be able to sell materially more product than included in the above forecast and the Company would not need to materially change its production plans for 2021.

- previously it was assumed that sales volumes may increase partly connected with some reduced pricing, however, the Company notes that the provincial board listing mandates and timelines make rapid competitive pricing decisions difficult to achieve. Therefore, the Company assumes that prices will remain more constant, with velocity impacted until such time the price changes are approved by the boards; and

- that the sales volume forecast consists primarily of premium flower, mainstream Highly Dutch flower and 2.0 products including hash. This expected product mix continues to shift towards proportionately more mainstream Highly Dutch products that have a lower margin in certain provinces.

Consequently, the Company is proactively managing costs to correlate with sales activity levels and still expects to achieve positive monthly Canadian operating cashflow, on a monthly basis, later in 2021. While the revised forecast still shows a growth in revenue through the period, this growth is slower than previously forecast which is primary factor leading to the expected decrease in Canadian operating cash flows over the same period.

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

***The Company's estimates of Canadian operating cash flows over the 12 months period herein defined constitute forward looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. Readers should not place undue reliance on forward looking information, including for the reasons set out under the headings* "Cautionary Statement Regarding Forward Looking Information" *and* "Risk Factors". *Readers should also see also the Company's discussion under the heading* "Recent Developments and Business Objectives".** 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.

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 Year-End MD&A. The following table compares the Company's previous disclosure on its intended use of proceeds from the most recent offering with the subsequent actual use of those proceeds during the six months ended June 30, 2021, 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:

Financing	Disclosed intended use of net proceeds	Actual use of proceeds and discussion of variances
December 2020 Units	Repayment of construction indebtedness and other payables - $9,250, net of transaction costs	The Company only partially used the net proceeds of the December Offering and drew less on its Revolver Loan than anticipated for the remainder of December 2020 to save on interest costs given it had sufficient cash on hand. The Company believed that this provides additional flexibility for monetization options in future periods which is further described in the Liquidity and Resources section. Primarily in December 2020, the Company purchased the remaining of the outstanding shares of QuebecCo for $750 to fully own and control the property on which the Quebec Facility is situated given it had cash on hand from the financing. The Company believes that this provides additional flexibility for monetization options in future periods which is further described in the Liquidity and Resources section. In Q1-2021, the Company used the remaining funds as intended by funding its operations, payable and funding for negative cash flows until it was expected to achieve positive Canadian operating cash flows expected which was beyond the June 30, 2021 timeframe.

		The Company's additional cash inflows from its ATM and proceeds from the exercise of warrants in Q1-2021 were sufficient to allow the Company to achieve its stated objectives to date in 2021.
ATM proceeds	General corporate purposes, working capital, including the repayment of indebtedness	The Company used the net funds raised during the ATM of $8,033 as intended.

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

Except as disclosed in Note 3 to our interim consolidated financial statements, there were no significant changes in our accounting policies and critical accounting estimates for the three and six months ended June 30, 2021. We describe our significant accounting policies and critical accounting estimates in Note 3 to the audited consolidated financial statements and MD&A for the year ended December 31, 2020. The preparation of the interim consolidated financial statements requires the use of estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

[i] New accounting policies adopted by the Company

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at each reporting period at the lower of their carrying amount and fair value less costs to sell ("FVLCS"), except for inventories, biological assets, deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are measured in accordance with the Company's other accounting policies, as applicable.

An impairment loss is recognized for any initial or subsequent write-down of the assets held for sale (or disposal group) to FVLCS. A gain is recognized for any subsequent increases in FVLCS of assets held for sale (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current assets (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

The Company adopted this accounting policy due to the classification of the Valleyfield Assets as held for sale and thus required to follow *IFRS 5 – Assets Held for Sale and Discontinued Operations* in Q1-2021. As described above, the impact of adoption led to the Company reclassifying the Valleyfield Assets to a separate line in the Q1-2021 unaudited interim condensed financial statements, under current assets. The Quebec Disposition was completed in Q2-2021 as described above.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

[a] Fair values

The Company's financial instruments were comprised of the following as at June 30, 2021: cash and cash equivalents; restricted cash; refundable sales tax receivable; trade receivables; other current assets; accounts payable and accrued liabilities; short-term loans; contingent consideration and lease liabilities.

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

[b] Fair value hierarchy

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the three months ended June 30, 2021, there were no transfers of amounts between levels (year ended December 31, 2020 – no changes).

[c] Management of key risks arising from financial instruments

Credit Risk

As at June 30, 2021, the Company's trade receivables are primarily concentrated in Canada with the exception of $406 in Europe. The Company had two customers whose balances were individually greater than 10% of total trade receivable as at June 30, 2021 (December 31, 2020 – two customers).

RELATED PARTY TRANSACTIONS

Identification of related parties

Related parties as at June 30, 2021 have been identified as follows:

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

Key transactions with related parties

There have been no material transactions with related parties and no unusual transactions outside of the normal course of business during the three and six months ended June 30, 2021. None of the balances outstanding to related parties as at June 30, 2021 are secured (June 30, 2020 – 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 new guarantees have been given or received by related parties during the three and six months ended June 30, 2021. As at June 30, 2021, the Company had no receivable or payable balances with key management personnel and $132 of director fees payable (June 30, 2020 – $nil and $83, respectively).

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, including the Cannabis regulations, promulgated under the Cannabis Act (“Cannabis Regulations”), and the new Industrial Hemp Regulations (“IHR”, and together with the Cannabis Regulations, collectively, the “Regulations”), came into force, legalizing the production, distribution and sale of cannabis for adult recreational purposes, as well as incorporating the pre-existing medical cannabis regulatory scheme under one complete framework. Amendments legalizing the sale of edible cannabis, cannabis extracts, and cannabis topicals in the Canadian market came into force on October 17, 2019. A federally licensed entity with authorization to produce and sell 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 of the laws of the foreign jurisdiction, the laws of Canada and the rules of the TSX. The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, as well as local business culture and practices, are different from those in Canada. Prior to commencing operations in a new country, in partnership with local legal counsel, consultants and partners, the Company conducts legal and commercial due diligence in order to ensure that the Company and its officers and directors gain a sufficient understanding of the legal, political and commercial framework and specific risks associated with operating in such jurisdiction. Where possible, the Company seeks to work with respected and experienced local partners who can help the Company to understand and navigate the local business and operating environment, language and cultural differences. In consultation with advisors, the Company takes steps deemed appropriate in light of the level of activity and investment it expects to have in each country to ensure the management of risks and the implementation of necessary internal controls.

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. Where hemp extracts are used for producing foodstuffs, the production facility must meet the sanitary requirements stipulated under the Act on the Safety of Food and Nutrition. The cultivation of cannabis which does not fall within the definition of hemp under the Misuse of Drugs Act, i.e. “plant species Cannabis Sativa L., in which the total content of delta-9-tetrahydrocannabidiol and tetrahydrocannabinolic acid (delta-9-THC-2-carboxylic acid) in the floral or fructifying tops of the plants, from which resins has not been removed, does not exceed 0.20% of the dry-extract content" is prohibited in Poland.

Mexico

On June 19, 2017, Mexico enacted certain amendments to the General Health Law of Mexico, allowing the use of cannabis and its derivatives for medicinal purposes that could be commercialized and prescribed by any licensed physician and sold in pharmacies, as long as the products contain less than 1% THC, as well as for the sale of other products with broad industrial uses as long as a cumulative dose of 1% THC is not exceeded. On August 14, 2019, Mexico’s Supreme Court of Justice resolved an amparo trial setting forth an obligation for the Ministry of Health to regulate the medical and therapeutic use of cannabis and its derivatives, to guarantee the human right to health to the public at large. A Bill was presented in Congress by the United Commissions of Justice, Health, and Legislative Studies of the Senate, to enact the Federal Law for the Regulation of Cannabis and the amendments to certain provisions set forth in the General Health Law and the Criminal Code (the “Bill”). On January 12, 2021, the Regulations of the General Health Law on sanitary control for the production, research and medicinal use of cannabis and its pharmacological derivatives was published in the Federal Official Gazette (the "Mexico Regulations"). The Mexico Regulations provides for the primary production for the supply and production of seed, research for health and pharmacology, manufacture of pharmacological derivatives and medicines, and the medicinal use of cannabis. However, it disregards whether to allow foreign investment or limit the percentage of its investment, the exclusivity of licenses and authorizations, nor does it limit the number of licenses that can be obtained per company or establishment, for one or all the regulated activities. The Mexico Regulations became effective on January 13, 2021. Finally, on March 10, 2021, the Chamber of Deputies approved the general terms of the Bill, which was returned to the Senate to discuss certain amendments proposed by the Chamber of Deputies. The Bill regulates the following uses of cannabis and its derivatives: personal, commercialization for recreational purposes, scientific and/or research, and hemp production for industrial uses. The National Commission against Addictions and the Agriculture and Rural Development Ministry will be the governmental entities responsible for granting the licenses and permits required to carry out the activities regulated thereby. The Bill distinguishes between the following types of cannabis: a) psychoactive cannabis, containing THC (tetrahydrocannabinol) on a concentration that amounts to or more than 1% THC, and b) hemp or no-psychoactive cannabis, which does not produce a psychoactive effect and it contains a concentration that amounts to or less than 1% THC. The Bill does not limit the percentage of foreign investment for Mexican corporations eligible to request any license. In addition, it does not prohibit the use of "neutral investment", as allowed in the Foreign Investments Law. A further analysis on this issue will be needed as the proposed legal framework for cannabis and future regulations evolves. As of this date the Bill has not been enacted.

United States

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

On December 27, 2020, President Donald Trump signed the Consolidated Appropriations Act of 2021, which included the Rohrabacher-Farr Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law. The Consolidated Appropriations Act of 2021 makes appropriations for the fiscal year ending September 30, 2021. 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, there is no imminent timeline on any potential legislation. There is no guarantee that the current Presidential administration will not change its stated policy regarding the low-priority enforcement of US 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 legislator introduced "The Cannabis as Medicine Act" ("Gesetz zur Änderung betäubungsmittelrechtlicher und anderer Vorschriften") which regulates the requirements for the marketability of cannabis pharmaceuticals and their inclusion in health insurance plans. Under this Act, statutory insured patients suffering from a severe disease (i.e. life-threatening or seriously affecting quality of life) are entitled to treatment with medicinal cannabis (flowers or extracts in standardized quality) if (i) generally recognized treatment in accordance with medical standards is either not available, or cannot be applied in individual cases according to the justified assessment of the treating physician, and (ii) if there is a not entirely distant prospect of a noticeable positive effect on the course of the disease or on serious symptoms.

Importers of cannabis pharmaceuticals which have not been produced in an EU/EFTA Member State and which shall be distributed in Germany on a commercial or professional basis must apply for an import authorization to the competent health authority in the federal state (Bundesland) in which the importer is based 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 Arzneitmittel 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 (Arzneitmittel- 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.

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 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 size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- the Company's CBD business in Europe is subject to evolving approaches to the regulation of CBD by the European Union, its member states, and the United Kingdom;
- the Company'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 intends to target a premium segment of the adult-use cannabis market, which may not materialize to levels expected, or in which it may not be able to develop or maintain a brand that attracts or retains customers;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company may be unsuccessful in competing in the overall legal adult-use cannabis market in Canada and any other countries it intends to operate in;
- the Company, or the cannabis industry more generally, may receive 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;
- the Company may not be able to develop its products, which could prevent it from ever becoming profitable;
- if the Company is unable to develop and market new products, such as beverages, it may not be able to keep pace with market developments;
- there has been limited study on the health effects of cannabis products, including CBD, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of such products;
- 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 is exposed to risks relating to the laws of various countries as a result of its existing and planned international operations;
- 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 hemp and CBD industries and markets are new and heavily regulated with rules subject to rapidly changing laws and uncertainty, compliance with which may come with significant cost;
- the hemp and CBD products industries and markets in Canada, the EU and Mexico are also subject to many of the same risks as the adult-use cannabis industry and market;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- the Company has entered into and in the future may seek to enter into strategic alliances including contractual relationships, joint ventures, selective acquisitions, licensing arrangements or other relationships, or expand the scope of currently existing relationships, with third parties that the Company believes will have a beneficial impact, and there are risks that such strategic alliances or expansions of the Company's currently existing relationships may not enhance its business in the desired manner;
- the Company may not be able to successfully identify and execute future acquisitions or dispositions or successfully manage the impacts of such transactions on its operations;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts;
- the Company is vulnerable to rising energy costs;

- the Company's 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;
- the Company may incur additional indebtedness;
- 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;
- 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 employees of or investors with cannabis operations in the United States and Canada;
- the Company may not be able to renew or secure adequate insurance to protects its assets, operations and employees;
- 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 factor:

Potential Expansion into the US:

A potential expansion of the business and operations of the Company into the US 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 US, 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 banking, financial transactions, prosecution of Company employees and 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.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The CEO and Interim CFO has designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS as at June 30, 2021.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no material changes in the Company's internal control over financial reporting that occurred during the three and six months ended June 30, 2021, which have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

OUTSTANDING SHARE DATA

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

Shares	529,143,756
Warrants	157,591,440
Escrowed share units arising from the HemPoland transaction	324,775
Contingent share units arising from the HemPoland transaction	656,784
Restricted share units issued to employees	5,242,706
Stock options	24,354,166

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