



The Green Organic Dutchman Holdings Ltd.

Management's Discussion and Analysis

For the year ended December 31, 2021 and December 31, 2020

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

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of The Green Organic Dutchman Holdings Ltd. (the "Company") for the years ended December 31, 2021 and 2020. The MD&A should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2021 and December 31, 2020 (the "Consolidated Financial Statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A provides information on the operating activities, performance and financial position of the Company and is intended to assist in understanding the Company's business and key factors underlying its financial results. **All dollar amounts referred to in this MD&A are expressed in thousands of Canadian dollars except when indicated otherwise.**

Additional information relating to the Company, including the Company's most recent annual information form for the year ended December 31, 2020 (the "Annual Information Form"), can be found on the Company's website at www.tgod.ca or at the Company's SEDAR profile at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

Assumptions

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

- (i) the Company's ability to continue as a going concern and successfully execute its plans and intentions, including but not limited to the generation of revenues, positive operating cash flows from the sale of its products;
- (ii) the continued compliance of current financing arrangements and availability of additional financing at reasonable terms;
- (iii) finding a suitable buyer for its HemPoland Operations (as defined below) and on reasonable terms;
- (iv) the implications of the Galaxie Transaction (as defined below) to the Company's business;
- (v) the ability of the Company to enter into the US market;
- (vi) continuing to obtain necessary regulatory approvals or renewals;
- (vii) general business and economic conditions, particularly in the Canadian medicinal and adult-use cannabis markets;
- (viii) regulation of the markets in which the Company operates;
- (ix) the Company's ability to attract and retain skilled staff;
- (x) market competition, including the products and technology offered by the Company's competitors;
- (xi) maintenance of our current good relationships with our suppliers, service providers and other third parties; and
- (xii) 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 April 5, 2022, the date of this MD&A.

BUSINESS OVERVIEW

The Company was incorporated under the Canada Business Corporations Act on November 16, 2016. The Company's registered and head office is located at 6205 Airport Rd., Building A – Suite 200, Mississauga, Ontario L4V 1E3. The Company's common shares (the "Common Shares") trade on the Canadian Securities Exchange ("CSE") under the symbol "TGOD" and on the OTCQX under the symbol "TGODF". The Company also had four classes of warrants listed on the CSE under the symbols "TGOD.WS", "TGOD.WR", "TGOD.WA" and "TGOD.WB".

The Company's wholly-owned Canadian subsidiary, The Green Organic Dutchman Ltd. ("TGOD") is a licensed producer ("Licensed Producer") under the Cannabis Act (Canada) (the "Cannabis Act") and holds a licence to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis at its 100-acre property near Hamilton, Ontario, (the "**Hamilton Facility**") and to sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities, in both the adult-use and medical markets. TGOD also holds a research licence for its Hamilton Facility. The Company also has a presence in Quebec with certain continuing operations out of its previously owned facility located in Valleyfield, Québec (the "**Quebec Facility**"). In addition, as described in the Recent Development and Business Objectives section below, the Company acquired Galaxie Brands Corporation ("Galaxie") on November 17, 2021, a Licensed Producer under the Cannabis Act. Galaxie holds a standard cultivation and processing licence to produce dried and fresh cannabis, cannabis plants and seeds, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis at the Company's leased facility in Puslinch, Ontario (the "**Puslinch Facility**"), which is an approximately 26,000 square foot facility with 2.0 capabilities.

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, has established other strategic partnerships for the distribution of cannabis and hemp-derived medical products in Mexico, Germany, Australia, South Africa and other countries as regulations allow.

The outbreak of the novel strain of the coronavirus, SARS-COV-2 ("COVID-19"), and its eventual declaration as a pandemic by the World Health Organization ("WHO") on March 11, 2020 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, selling, marketing, and general and administrative expenses. The Company has primarily financed its operations through equity and debt financings. The Company expects to continue to incur losses from operations in the short term and may require additional capital and increased revenues through the sale of its organic cannabis products to fulfill its debt obligations. Please refer to the section on "Liquidity and Capital Resources" below.

KEY HIGHLIGHTS AND OUTLOOK

- Gross revenue of \$39.19 million for fiscal year 2021, a 149% increase over last year
- Achieved record quarterly gross revenues of \$12.37 million, a 27% increase from Q3 2021
- Achieved record quarterly net revenues of \$9.47 million, a 30% increase from Q3 2021, and a 37% increase from Q4 2020
- Improved gross margin (before changes in fair value) to 32% from 29% in Q3 2021 and a 2% gross loss in Q4 2020
- Reduced recurring general & administrative expenses by 28% from Q3 2021 and 11% from Q4 2020
- Adjusted EBITDA (as defined below) (non-GAAP measure – see "Non-GAAP Performance Measures" below) loss was \$3.31 million for Q4 2021, representing a 40% improvement of \$2.17 million compared to Q3 2021
- As at December 31, 2021, the Company had positive working capital of \$25.72 million
- Completed strategic acquisition of Galaxie, the exclusive Canadian producer of WYLD edibles
- Continued growth in provincial listings Canada-wide, with an increase of 31% to 198 confirmed listings compared to 151 in Q3 2021.
- Amended secured revolving facility (the "Revolver Loan"), increasing the limit by \$5.00 million, to \$30.00 million
- Executive appointments of Mr. Footman and Mr. Dufourmantele to the Company's Board of Directors as well as appointment of Ms. Thompson to CFO

- Entered into a definitive agreement with Acosta Canada for exclusive and dedicated sales representation of the Company's recreational brands across Canada
- Completed first Australian commercial shipment for medical cannabis market
- Completed the sale of the majority of its assets in Valleyfield, Quebec

RECENT DEVELOPMENTS AND BUSINESS OBJECTIVES

Acquisition of Galaxie

On October 29, 2021, the Company entered into a share purchase agreement (the "Galaxie Definitive Agreement") to purchase all of the issued and outstanding shares of Galaxie (the "Galaxie Transaction"). Galaxie is a licensed producer of cannabis and cannabis related products focused on product innovation, branding, manufacturing, and distribution. Pursuant to the terms of the Galaxie Definitive Agreement, upon closing of the Galaxie Transaction on November 17, 2021, the Company paid an aggregate purchase price of up to \$24,270 (the "Purchase Price"). The Purchase Price was comprised of: (a) 80,000,000 Common Shares valued at \$12,400 (the "Escrow Shares"); (b) 40,000,000 Common Shares valued at \$6,200 (the "Indemnity Escrow Shares"); (c) 2,805,153 Common Shares valued at \$435 related to the Underlying Shares (as defined below); and (d) up to 85,714,286 Common Shares valued at \$5,235 (the "Contingent Milestone Shares"), subject to the achievement of certain financial targets over the twelve months ending December 31, 2022.

The Escrow Shares are subject to an escrow agreement with Computershare Investor Services Inc., as escrow agent, (the "Escrow Agent") whereby one sixth of these shares will be released every four months. On March 17, 2022, one-sixth of the Escrow Shares were released from escrow, with 66,666,666 Escrow Shares remaining in escrow. The Indemnity Escrow Shares and Contingent Milestone Shares have been placed into an indemnity escrow account with the Escrow Agent, to be released no later than December 31, 2023 and January 31, 2023, respectively, subject to earlier release pursuant to the escrow release terms of an indemnity escrow agreement.

All issued and outstanding options to acquire share of Galaxie (the "Galaxie Options") vested prior to the closing of the Galaxie Transaction, and each holder of Galaxie Options had the option of exercising its Galaxie Options into underlying shares of Galaxie (the "Underlying Shares"). The Underlying Shares were converted into Common Shares at the closing of the Galaxie Transaction based upon the terms set forth in the Galaxie Definitive Agreement. A total of 2,805,153 Common Shares were issued to holders of Galaxie options in exchange for the issued and outstanding Underlying Shares. Total consideration issued to the former shareholders of Galaxie was 205,714,286 Common Shares with a fair value of \$23,835, with an additional 2,805,153 Common Shares being issued to holders of Galaxie Options with a fair value of \$435.

Galaxie operates out of the Puslinch Facility, which is approximately 26,000 square feet ("sq. ft.") and is a licensed producer under the Cannabis Act and holds a licence to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities, in both the medical and adult-use markets. Galaxie is focused on product innovation, branding and manufacturing 2.0 products. Galaxie creates and produces a range of products including premium cannabis edibles, infused pre-rolls, innovative flavoured vapes, oils and solventless products. It also provides manufacturing and product development services to partners across Canada.

Management believes that the Galaxie Transaction will allow the Company to expand and diversify its portfolio as follows:

- Gaining exposure to the valuable edible category, through Galaxie's exclusive joint venture in Canada with the major edible brand WYLD in the U.S. which sells a range of cannabis edibles made with unique cannabinoids and flavors.
- Leveraging Galaxie's diverse 2.0 portfolio and gain access to its product development expertise and formulation lab capabilities. This will expand its offering to include innovative infused pre-rolls, flavoured vapes, and solventless products.
- Benefiting from improved regional distribution across Canada, providing product expansion capabilities into British Columbia for *TGOD* and *Highly Dutch* brands, and into Quebec for Galaxie's *Cruzy* brand.
- Expanding from 151 to 198 listings across Canada and key product innovations will be deployed across all brands.
- The close proximity of the Puslinch Facility and Hamilton Facility provides the Company with additional processing, packaging, extraction and product development capabilities, allowing for optimization of operations.

The Puslinch Facility, coupled with the Company's existing 166,000 sq. ft. state-of-the-art growing operations at the Hamilton Facility, and 80,000 sq. ft. of available cultivating and manufacturing space at the Quebec Facility, positions the Company to continue to expand, and move towards profitability.

Executive Leadership and Board Composition

On March 9, 2021, the Company announced that its board of directors (the “Board”) had appointed Sean Bovingdon previously the Chief Financial Officer, as Chief Executive Officer and interim Chief Financial Officer, and member of the Board, 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) up 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.

In connection with the closing of the Galaxie Transaction, Angus Footman and Olivier Dufourmantelle joined the Board with Mr. Footman appointed as Chairperson of the Board. Mr. Dufourmantelle was also appointed as President of U.S. Operations of the Company. In connection with Mr. Footman’s appointment as Chairperson of the Board, the former Chairman, Jeffrey Scott, stepped down as Chairman of the Board and was appointed as Lead Director of the Company, responsible for overseeing the Company’s governance principles. Both Mr. Footman and Mr. Dufourmantelle are experienced professionals and entrepreneurs with substantial experience in the cannabis industry. Mr. Footman is the founder of Park Lane Farms (“Park Lane”), one of the first legal producers of medical cannabis products in Canada. Mr. Footman sold Park Lane to Canopy Growth Corp. (“Canopy Growth”) in 2014 and served as the Managing Director and President of Tweed Farms (formerly Park Lane) until 2018. Mr. Dufourmantelle was previously Chief Operating Officer of Canopy Rivers Inc. (“Canopy Rivers”), and Chief Operating Officer of Canopy Growth. He has also worked in leadership and management consulting roles in Asia, Europe, and North America with both Michelin Tires and McKinsey & Company. Mr. Dufourmantelle is a certified Professional Engineer and has received an MBA from Harvard Business School.

In addition, in connection with the closing of the Galaxie Transaction, Mr. John Bell, the former Chairman of Canopy Growth and Director of Canopy Rivers, who was formerly an advisor of Galaxie, joined the Company as an Advisor to the Board. Concurrent with the closing of the Galaxie Transaction, Mr. Marc Bertrand resigned as a Director of the Company and transitioned to act as an Advisor to the Board alongside Mr. Bell. In January 2022, Mr. Bell resigned as an Advisor due to his appointment as Chair of the Board of a competitor.

On December 9, 2021, the Company announced the departure of Gayle Duncan as Chief Growth Officer effective December 31, 2021.

On December 21, 2021, the Company announced the appointment of Mr. Louis Sterling to the Board. Mr. Sterling holds an MBA from Harvard Business School and has extensive experience in investment banking and private equity, having worked at Lincolnshire Management and Goldman, Sachs & Co. Concurrent with the appointment of Mr. Sterling to the Board, Mr. Jeffrey Scott resigned as a Director of the Company. Mr. Jacques Dessureault was appointed to the position of Lead Director.

On January 24, 2022, the Company announced the appointment of Mr. Chris Schnarr to the Board. Mr. Schnarr is an entrepreneur with over 30 years of board experience across a range of industries.

On February 1, 2022, the Company announced the appointment of Ms. Nichola Thompson as Chief Financial Officer, effective immediately. Ms. Thompson brings a broad range of experience including holding the Chief Financial Officer position at Galaxie, and other Chief Financial Officer roles within the cannabis industry. Concurrent with the appointment of Ms. Thompson as Chief Financial Officer, Mr. Bovingdon resigned as interim Chief Financial Officer of the Company.

Potential Sale of HemPoland Operations

Since October 2021, the Company has been engaged with advisors for the sale of Company’s entity in Poland, HemPoland S.p.a. Z.o.o. (“HemPoland”), which was deemed non-core to future operations and the Company strategy. Preliminary Board approval and lender consents were obtained to proceed with the contemplated transaction. The Company anticipates completing the sale of all of the shares of HemPoland (the “HemPoland Operations”) within the twelve months. As a result of this assessment, the Company has classified the business as held for sale and discontinued operations. Based on the fair value of the net assets associated with the HemPoland Operations using a market approach (level 2 fair value hierarchy), the Company has included the following assumptions.

- Gross proceeds of approximately \$11.74 million are expected to be recorded on the sale

- Expected transaction costs are estimated at \$0.70 million.
- The Company is expected to repay an approximate \$5.49 million loan to HemPoland, for net proceeds of \$5.55 million

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

The Company's estimates of the gross proceeds, transaction costs, loan repayments and net proceeds in this section constitute forward looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. Readers should not place undue reliance on forward looking information, including for the reasons set out under the headings "Cautionary Statement Regarding Forward Looking Information" and "Risk Factors". The Company believes that there is a reasonable basis for the expectations reflected in the forward-looking statements in this MD&A. However, these expectations may not prove to be correct.

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. In addition, the Company entered into a lease with the purchaser concurrent with the closing of the Quebec Disposition, for approximately 80,000 sq. ft. of cultivation and processing space in the Quebec Facility. The Company remains committed to maintaining a significant portion of its operations including 2.0 products manufacturing, in Quebec.

On September 24, 2021, the Company successfully transferred its Health Canada licence relating to the Valleyfield Assets to Cannara Biotech (Valleyfield) Inc. ("Cannara"). As a result, the lease was converted into a service agreement with Cannara on September 26, 2021, whereby the Company's wholly-owned Quebec subsidiary, Medican Organic Inc. ("Medican"), will provide services in one growing zone at the Quebec Facility to produce the Company's premium certified organic cannabis in Valleyfield, Quebec in the near future. Additionally, the Company's hash and Ripple products will continue to be manufactured at the Quebec Facility

Renewal of Revolver Loan Credit Facility

On September 30, 2021, the Company announced that it had agreed with its remaining Canadian lender (the "Canadian Lender"), which has security of the Company's main operating facility (after the Q2-2021 extinguishment of the Senior Secured Credit Facility) and certain working capital, to renew its secured revolving credit facility (the "Revolver Loan") and extend the maturity date to June 30, 2023.

As part of the renewal, the Company's overall Revolver Loan was to be reduced from \$30 million to \$25 million total, within which the term loan portion was increased to \$17 million from \$16 million. The revolving component represented the \$8 million balance of the total. The Revolver Loan is secured primarily by the Company's Hamilton Facility and trade accounts receivable. In conjunction with the changes mentioned above, the Company paid a 2% commitment fee in Common Shares on September 30, 2021. In exchange, the Company had agreed to a financial covenant requiring achievement of positive EBITDA (as defined by the lender) on a monthly basis by March 31, 2022. All other terms for the Revolver Loan remained the same as before.

In connection with the Galaxie Transaction, Galaxie had agreed to become a guarantor under the guarantee agreement dated March 31, 2020 granted by the Company, The Green Organic Hemp Ltd., and Medican, in favour of the Canadian Lender under the Revolver Loan, to guarantee the obligations of the Company as it relates to the Revolver Loan, and Galaxie has entered into a general security agreement to secure its guarantee obligations.

On November 29, 2021, the Revolver Loan was amended and restated to, among other things: (i) increase the term portion of the Revolver Loan from \$17 million to \$20 million; (ii) issue 3,000,000 warrants to the lender at an exercise price of \$0.14, entitling the holder to purchase one Common Share for a period of 60 months from the issue date; (iii) update certain covenants set

forth in the Revolver Loan, including the timing of the financial covenant requiring achievement of positive EBITDA (as defined by the lender) on a monthly basis being extended to April 30, 2022; and (iv) permit the Company to terminate the credit agreement without the Canadian Lender's consent upon 90 days written notice, subject to payment of all outstanding amounts accrued under the Revolver Loan.

Subsequent to year end, on March 10, 2022, the Company announced that it has agreed with the Canadian Lender to: (i) increase the overall Revolver Loan limit by \$5 million to \$30 million; (ii) allow certain eligible inventory to be included as collateral; and (iii) and relaxed certain non-financial covenants; subject to the satisfaction of various conditions set out therein. In exchange, the Company issued 500,000 Common Shares to the lender at a price of \$0.10 per Common Share. All other terms under the Revolver Loan remained the same.

Medical Business Transition and 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 transitioned from its legacy direct-to-patient model.

On February 11, 2021, the Company announced that it had signed a supply agreement with CannMart Inc. (“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.

New Products and Distribution in 2021

On January 18, 2021, the Company announced the launch of Amsterdam Sativa under its mainstream brand, Highly Dutch Organic™. Offered in three different formats, 3.5g 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 Organic™ 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 Organic™ added Organic Afghan Black and Marrakech Gold Hash, to its line of products, which are now available in British Columbia, Alberta, Manitoba, Ontario, Quebec and Newfoundland.

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 of the Company's main premium organic strains (Organic LA Con, Organic Rockstar Tuna, Organic Maple Kush, as well as Organic Sugar Bush) are being consistently harvested now with potencies greater than 20% THC. As of the date of this MD&A, the Organic Sugar Bush is available in Quebec, Ontario, Alberta, British Columbia and the Company continues to work on expanding distribution across all Canadian provinces.

On November 4, 2021, the Company announced it had entered into a definitive agreement with Acosta Canada Corp (“Acosta”) for exclusive and dedicated sales representation of TGOD's adult recreational cannabis brands in key provinces across Canada. The Company made the strategic decision to move away from a syndicated sales model in order to enable scaled growth with a dedicated sales force through greater product education, market penetration and distribution for its TGOD™, Highly Dutch Organic™ and Ripple™ brand portfolios in the key markets of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Newfoundland. The Company also added a Regional Manager role for Quebec and Atlantic Canada to its team and named a Regional Manager in Calgary to support its presence in Western Canada.

United States of America (“US”) Market Entry Plans & CSE Listing

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 continues its exploration of strategic options towards a potential US entry.

In furtherance of the Company’s US entry goals, the Company successfully delisted its shares from trading on the Toronto Stock Exchange (“TSX”) on September 10, 2021 and began trading on the CSE on September 13, 2021. The Company expects this change to allow for additional investment capability into the US. The Company continues to trade under the symbol “TGOD”.

As noted above, effective November 17, 2021, Olivier Dufourmantelle is serving as a director of the Board and President of U.S. Operations. In his previous roles at Canopy Growth and Galaxie, Mr. Dufourmantelle worked on strategic US partnerships and created industry relationships in the US market.

Refer to the Company’s summary of regulatory framework for the US market in the “**Regulatory Landscape**” section below.

Other strategic initiatives including international expansion

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

On August 25, 2021, the Company announced that it had completed its first international commercial shipment consisting of cannabis flower and other extracts destined for the highly anticipated South African medical cannabis market. The Company’s cannabis flower will be the first to be distributed legally in the country at a commercial scale and all products have received the approval of the South African Health Products Regulatory Authority (“SAHPRA”).

In 2020, TGOD signed a distribution agreement with LeafCann for the Australian and New Zealand medical cannabis markets. On October 19, 2021, the Company completed its first commercial shipment of cannabis oils destined for the Australian medical cannabis market with LeafCann, which marked the Company’s entry into the Asia-Pacific market. The Company expects to introduce more cannabis products to the Australian and New Zealand markets in 2022.

The Company is one of very few Canadian licenced producers with access to the Mexican market, with 4 SKUs already well into the review process by the COFEPRIS.

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

Equity Issuances

At-The-Market

During the year ended December 31, 2021, the Company issued Common Shares under the Company’s registered direct at-the-market (“ATM”) prospectus supplement dated December 2, 2020 (“ATM Supplement”). The ATM Supplement permitted the Company to raise up to \$15,000 from the issuance of Common Shares from time to time at a price equal to the then prevailing market price of the Common Shares as traded on the facilities of the CSE at the time of each direction. Under the ATM Supplement, the Company issued 21,939,458 Common Shares for gross proceeds of \$9,716. The ATM Supplement expired on February 25, 2022.

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

The ATM Supplement is a supplement to the Company’s base shelf prospectus dated November 27, 2020 (“Base Shelf Prospectus”), which qualifies the distribution of up to \$50,000 of securities of the Company to be raised through the issuance of

various debt and equity securities of the Company over a period of up to 25 months from the date of the Base Shelf Prospectus. As at the date hereof, the Company is permitted to issue up to an additional \$27,631 of debt and equity securities under the Base Shelf Prospectus.

Warrants

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. 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 and its HemPoland Operations which is expected to generate gross proceeds of \$11.74 million within the coming months. See “HemPoland Operation Held For Sale and Discontinued Operation – Measurement of Fair Values”.
- 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% from April 1, 2020 until December 31, 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. The Galaxie Transaction provides additional listings to further the growth of the Company. However, the Company believes that the COVID-19 pandemic and ongoing changes to the regulatory environment have had and may continue to have certain adverse effects on distribution to the final end user customers, causing uncertainty with respect to:

- provincial cannabis boards are continually revising and updating their respective listing and purchasing procedures;
- 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 2021.

SELECTED OPERATIONAL INFORMATION

NON-GAAP PERFORMANCE MEASURES

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

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

The Company has identified Adjusted EBITDA as a relevant industry performance indicator. Adjusted EBITDA is a non-IFRS financial measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines Adjusted EBITDA as loss for the period, as reported, adjusted for deferred income tax recovery, foreign exchange gains and losses, finance costs, finance income, share of loss on investments in associates, revaluation of contingent consideration, loss (gain) on disposal of assets, impairment of investment in associates, impairment (reversal of impairment) charge for non-financial assets, loss on derecognition of investment in joint venture, impairment loss on remeasurement of disposal group, loss on assets held for sale, debt modification, acquisition related costs, change in fair value of investments, realized fair value adjustment on sale of inventories, unrealized gain on changes in fair value of biological assets, share based compensation, depreciation and amortization.

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

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

	For the three months ended		For the year ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Adjusted EBITDA (non-GAAP measure)				
Net loss from continuing operations	\$ (6,278)	\$ (14,619)	\$ (39,544)	\$ (171,778)
Adjustments:				
Deferred income tax recovery	192	—	(436)	—
Foreign exchange loss	70	(419)	648	680
Finance costs	814	2,088	6,137	3,935
Finance income	(34)	(43)	(89)	(243)
Share of loss on investments in associates	—	—	—	148
Revaluation of contingent consideration	(1,812)	(32)	(1,851)	(423)
Loss on disposal of assets	—	(3)	63	455
Impairment of investment in associates	—	—	—	3,082
Reversal of impairment / (impairment) charge for non-financial assets	—	—	(21,811)	120,602
Loss on derecognition on investment in joint venture	—	—	761	—
Impairment loss on remeasurement of disposal group	676	—	5,118	—
Loss on assets held for sale	—	—	17,688	—
Debt modification	88	(761)	(1,187)	(799)
Acquisition related costs	317	—	317	—
Change in fair value of investments	—	1,502	—	1,502
Realized fair value adjustment on sale of inventories	2,535	2,324	8,161	5,868
Unrealized gain on changes in fair value of biological assets	(4,368)	(452)	(12,118)	(7,988)
Share based compensation	865	295	3,381	4,873
Depreciation and amortization	3,621	1,583	12,164	5,561
Adjusted EBITDA (non-GAAP measure)	(3,314)	(8,537)	(22,598)	(34,525)

For the year ended December 31, 2021, Adjusted EBITDA improved by \$11,927 over the same period in fiscal 2020, as a result of the Company's increase in revenue and continued cost cutting initiatives.

SUMMARY OF KEY QUARTERLY HIGHLIGHTS – Q4-2021 as compared to Q4-2020 and Q3-2021

	Q4-2021	Q3-2021	Q2-2021 *Restated	Q1-2021 *Restated	Q4-2020 *Restated	Q3-2020 *Restated	Q2-2020 *Restated	Q1-2020 *Restated
Revenue	\$ 12,372	9,745	10,400	6,668	8,549	3,835	2,713	664
Loss from operations	\$ (5,670)	(9,151)	(8,432)	(5,488)	(11,067)	(6,214)	(9,235)	(14,448)
Impairment loss on remeasurement of disposal group	\$ (676)	(4,442)	-	-	-	-	-	-
Loss on assets held for sale	\$ -	-	(17,688)	-	-	-	-	-
Reversal of impairment / (impairment) of Canadian CGU	\$ -	-	-	21,811	-	(67,837)	-	(52,765)
Impairment of investment in associates	\$ -	-	-	-	-	-	-	(3,082)
Net income (loss) from continuing operations	\$ (6,278)	(13,941)	(32,181)	12,856	(14,620)	(75,396)	(9,504)	(72,259)
Loss from discontinued operations	\$ (1,458)	(603)	(299)	(393)	(9,057)	(848)	(271)	(1,177)
Comprehensive income (loss)	\$ (8,097)	(14,061)	(32,525)	11,159	(23,874)	(75,627)	(10,044)	(71,090)
Net income (loss) per share (basic & diluted) - continuing operations	\$ (0.01)	(0.03)	(0.06)	0.03	(0.03)	(0.20)	(0.03)	(0.23)

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

Revenues

	For the three months ended				Three months ended		
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)	Variance to Q4-2020 (%)	September 30, 2021	Variance to Q3-2021 (\$)	Variance to Q3-2021 (%)
Revenue from adult-use cannabis products	11,056	7,571	3,485	46%	8,689	2,367	27%
Revenue from medical cannabis products	988	584	404	69%	552	436	79%
Revenue from toll agreements	328	394	(66)	(17%)	504	(176)	(35%)
Total	12,372	8,549	3,823	45%	9,745	2,627	27%

Gross revenue recognized for the three months ended December 31, 2021, amounted to \$12,372, an increase of 45% versus the prior year (three months ended December 31, 2020 - \$8,549). The increase is mainly due to the improvements in the Company's premium flower sales, and the launch of the Company's Highly Dutch Organic™ flower and hash products which continue to gain traction in 2021. Gross revenue increased by 27% in comparison to Q3-2021 primarily due to increased retail distribution in Ontario and Alberta. As described above, moving from a syndicated sales force to Acosta is expected to play a significant role in aiming to double sales of the Company's TGOD™, Highly Dutch Organic™ and Ripple™ brands in Ontario and Alberta. The Company has also invested in building relationships with the retail cannabis chains to expand distribution in the past six months. With Acosta providing direct store support and budtender and consumer education, in addition to the new listings accepted in key markets for October 2021 and January 2022, the Company expects these catalysts to significantly increase revenues in key markets. 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		
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)	Variance to Q4-2020 (%)	September 30, 2021	Variance to Q3-2021 (\$)	Variance to Q3-2021 (%)
Net Revenue	9,466	6,895	2,571	37%	7,280	2,186	30%
Cost of sales	6,432	7,035	(603)	(9%)	5,154	1,278	25%
Gross profit (loss) before changes in fair value of biological assets	3,034	(140)	3,174		2,126	908	43%
<i>Gross profit (loss) % before changes in fair value of biological assets</i>	32.05%	(2.03%)			29.20%		
Realized fair value adjustment on sale of inventory	(2,535)	(2,324)	(211)	9%	(1,765)	(770)	44%
Unrealized gain on changes in fair value of biological assets	4,368	452	3,916	866%	2,185	2,183	100%
Gross profit (loss)	4,867	(2,012)	6,879		2,546	2,321	91%
<i>Gross profit (loss) %</i>	51.42%	(29.18%)			34.97%		

The Company's gross profit before change in fair value of biological assets ("direct gross profit") was \$3,034 for Q4-2021, representing 32.1% of gross profit margin before changes in fair value of biological assets (Q4-2020 - \$140 direct gross loss) reflecting higher net revenues with lower relative excise duties than the previous quarter due to sales mix of products moving towards premium flower. The Company believes that its direct gross profit in Canada can be consistently between 35% to 40% once it is able to achieve net revenue of at least \$5,000 per month.

The Company experienced an overall gross profit for Q4-2021 of \$4,867 (Q4-2020 – gross loss of \$2,012) which has increased year over year mainly due to an increase in direct gross profit. In comparison to Q3-2021, the gross profit increased by \$2,321, mainly as a result of higher unrealized gains on changes in fair value of biological assets.

Sales and marketing ("S&M") expenses

	Three months ended				Three months ended		
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)	Variance to Q4-2020 (%)	September 30, 2021	Variance to Q3-2021 (\$)	Variance to Q3-2021 (%)
Personnel costs	217	416	(199)	(48%)	357	(140)	(39%)
Third party marketing expenses	1,063	454	609	134%	555	508	92%
Travel and promotion expenses	5	-	5	n/a	3	2	67%
Sales agency costs	62	935	(873)	(93%)	(83)	145	(175%)
Other marketing expenses	28	82	(54)	(66%)	58	(30)	(52%)
Termination benefits	47	-	47	n/a	-	47	n/a
	1,422	1,887	(465)	(25%)	890	532	60%

Sales and marketing expenses of \$1,422 for the three-months ended December 31, 2021 decreased in comparison to expenses of \$1,887 for the same period in the prior year primarily due to the Company using Acosta's direct sales force which resulted in a lower fixed fee. This decrease was partially offset by an increase in third party marketing expenses incurred during Q4-2021.

In comparison to Q3-2021, sales and marketing expenses increased slightly in Q4-2021 by \$532 primarily due to additional third-party marketing expenses incurred. Also as noted above, the Company began a new sales force relationship with Acosta on a fixed fee and ended its previous direct sales force relationship which resulted in a credit in Q3-2021. To build on the sales discussed in the revenue section above, personnel costs related to sales and marketing are expected to increase slightly in 2022 due to the introduction of Acosta's direct sales force.

Research and development (“R&D”) expenses

	Three months ended				Three months ended		
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)	Variance to Q4-2020 (%)	September 30, 2021	Variance to Q3-2021 (\$)	Variance to Q3-2021 (%)
Personnel costs	53	149	(96)	(64%)	52	1	2%
Product development	2	7	(5)	(71%)	-	2	n/a
Travel related expenses	2	20	(18)	(90%)	8	(6)	(75%)
Other research and development expenses	-	-	-	n/a	-	-	n/a
Termination benefits	-	-	-	n/a	-	-	n/a
	57	176	(119)	(68%)	60	(3)	(5%)

R&D expenses of \$57 for the three-months ended December 31, 2021 decreased by \$119 in comparison to the R&D expenses of for the same period in the prior year. The Company incurred higher R&D costs in the prior year due to developing new product formulations, which were commercialized in the Canadian market in 2020. Similar costs were not incurred in Q4-2021 due to the products already being available and reduced spending in line with the Company’s cost cutting initiatives.

In comparison to Q3-2021, research and development expenses slightly decreased by \$3.

General and administrative (“G&A”) expenses

	Three months ended				Three months ended		
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)	Variance to Q4-2020 (%)	September 30, 2021	Variance to Q3-2021 (\$)	Variance to Q3-2021 (%)
Personnel costs	2,036	1,727	309	18%	1,628	408	25%
Office and other administrative expenses	1,195	1,661	(466)	(28%)	3,537	(2,342)	(66%)
Third party professional, consulting, legal fees	1,016	1,485	(469)	(32%)	1,072	(56)	(5%)
Computer and IT expenses	112	241	(129)	(54%)	132	(20)	(15%)
Termination benefits	213	-	213	n/a	-	213	n/a
	4,572	5,114	(542)	(11%)	6,369	(1,797)	(28%)

G&A expenses of \$4,572 for the three months ended December 31, 2021, decreased by \$542 in comparison to expenses of \$5,114 for the same period in the prior year. This is primarily as a result of decreased third party costs as well as a reduction in overall office expenses. This reduction was partially offset by increased personnel costs mainly attributed to management compensation being reinstated to 100% from 80% in the prior period and due to expenses stemming from the Galaxie Transaction.

In comparison to Q3-2021, G&A expenses decreased by \$1,797 which is primarily a result of the Company settling a dispute with a vendor where that resulted in a non-cash loss of \$1,564 recorded in G&A expenses in Q3-2021. This amount was partially offset with higher personnel costs associated with the Galaxie Transaction.

Share-based compensation expenses

The Company recognized a share-based compensation expense of \$865 for the three months ended December 31, 2021, compared to \$295 for the same period in the prior year due to additional equity grants in the current period. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense.

In comparison to Q3-2021, share-based compensation expense decreased by \$19.

Depreciation and amortization

The Company recognized depreciation and amortization expense of \$3,621 for the three months ended December 31, 2021, compared to \$1,583 for the same period in the prior year due to an increase in the Company's asset base arising from the impairment recovery recognized at the end of Q1-2021. Additionally, amortization increased slightly by \$127 in Q4-2021 as compared to Q3-2021, due to the acquisition of Galaxie's intangibles and property plant and equipment that are subject to depreciation and amortization.

Loss from operations

Loss from operations was \$5,670 for the three months ended December 31, 2021, compared to \$11,067 for the same period in the prior year primarily driven by a higher gross profit, partially offset by increased depreciation and amortization as noted above.

In comparison to a loss from operations of \$9,151 in Q3-2021, the Company's loss from operations for Q4-2021 was lower mainly due to higher gross profit and decreased G&A operating expenses, as noted above.

Impairment loss on remeasurement of Disposal Group

As discussed in the "Recent Developments and Business Objectives" section above, the Company has committed to a plan to sell the HemPoland Operations and accordingly reclassified the Disposal Group (as defined below) as held for sale in Q3-2021. For the three months ended December 31, 2021, the Company experienced a loss on the remeasurement of assets held for sale of approximately \$676 due to the changing market conditions in Poland (Q4-2020 - \$nil).

Net loss from continuing operations

The Company's net loss for the three months ended December 31, 2021, was \$6,278 (three months ended December 31, 2020 – \$14,619) which has decreased primarily due to a lower loss from operations discussed above.

Comprehensive loss

The Company's comprehensive loss for the three months ended December 31, 2021, was \$8,097 (three months ended December 31, 2020 – \$23,874) and is comprised of the net loss from continuing operations discussed above, and the loss from discontinued operations and other comprehensive income or losses, which for Q4-2021, comprised of foreign exchange translation loss from foreign operations.

In comparison to Q3-2021, the Company's comprehensive loss in Q4-2021 decreased by \$5,964 primarily due to the lower loss from operations.

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 consolidated financial statements and related notes:

	For the twelve months ended	
	December 31, 2021	December 31, 2020
Revenue	\$ 39,185	\$ 15,761
Loss from operations	\$ (28,741)	\$ (40,964)
Net loss from continuing operations ⁽¹⁾	\$ (39,544)	\$ (171,778)
Comprehensive loss ⁽¹⁾	\$ (43,524)	\$ (180,635)
Net loss per share from continuing operations (basic & diluted) ⁽¹⁾	\$ (0.07)	\$ (0.46)

⁽¹⁾ During the year ended December 31, 2020, the Company recorded a non-cash impairment charge of \$120,602 related to its Canadian CGU (as defined below). During the year ended December 31, 2021, the Company recorded a net \$21,811 reversal of impairment related to the Canadian CGU.

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

Revenues

	For the twelve months ended				
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)	Variance to Q4-2020 (%)	
Revenue from adult-use cannabis products	33,790	13,751	20,039	146%	
Revenue from medical cannabis products	2,801	1,616	1,185	73%	
Revenue from toll agreements	2,594	394	2,200	558%	
Total	39,185	15,761	23,424	149%	

Revenues increased by \$23,424, or 149% to \$39,185 for the twelve months ended December 31, 2021 (year ended December 31, 2020 - \$15,761) in comparison to the prior year. The significant increase over the prior year 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 the increase in current year revenues. Management believes that the legal cannabis market will continue to grow. Finally, during the year ended December 31, 2021, the Company incurred \$8,944 in excise duties thereby reducing gross revenue to arrive at \$30,241 of net revenues (year ended December 31, 2020 - \$3,017 for excise duties and net revenues of \$12,744), an increase of 137% year over year.

Gross profit

	For the twelve months ended				
	December 31, 2021	December 31, 2020	Variance to Q4- 2020 (\$)	Variance to Q4- 2020 (%)	
Net Revenue	30,241	12,744	17,497	137%	
Cost of sales	22,465	13,495	8,970	66%	
Gross profit (loss) before changes in fair value of biological assets	7,776	(751)	8,527		
Gross profit (loss) % before changes in fair value of biological assets	25.71%	(5.89%)			
Realized fair value adjustment on sale of inventory	(8,161)	(5,868)	(2,293)	39%	
Unrealized gain on changes in fair value of biological assets	12,118	7,988	4,130	52%	
Gross profit	11,733	1,369	10,364	757%	
Gross profit (loss) %	38.80%	10.74%			

The Company's gross profit for the year ended December 31, 2021, of \$11,733 was \$10,364 higher than the year ended December 31, 2020, primarily because of increased sales, as well as a higher unrealized gain on changes in fair value of biological assets. This was partially offset by the Company's realized fair value adjustment on the sale of inventory in the year ended December 31, 2021, being higher by \$2,293 in comparison to the prior year.

Sales and marketing ("S&M") expenses

	For the twelve months ended				
	December 31, 2021	December 31, 2020	Variance to Q4- 2020 (\$)	Variance to Q4- 2020 (%)	
Personnel costs	1,308	1,741	(433)	(25%)	
Third party marketing expenses	2,468	2,036	432	21%	
Travel and promotion expenses	11	35	(24)	(69%)	
Sales agency costs	182	3,181	(2,999)	(94%)	
Other marketing expenses	170	139	31	22%	
Termination benefits	47	-	47	n/a	
	4,186	7,132	(2,946)	(41%)	

Sales and marketing expenses of \$4,186 for the year ended December 31, 2021, decreased in comparison to expenses of \$7,132 for the same period in the prior year primarily as the Company began using Acosta's direct sales force which resulted in a lower fixed fee. This is also consistent with the Company's plan for cost cutting initiatives that began in 2020 and have continued to materialize.

in 2021. In the prior year, the Company received \$96 in wage subsidies from the Canada Emergency Wage Subsidy (“CEWS”) related to S&M during the year ended December 31, 2020.

Research and development (“R&D”) expenses

	For the twelve months ended			
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)	Variance to Q4-2020 (%)
Personnel costs	314	675	(361)	(53%)
Product development	4	115	(111)	(97%)
Travel related expenses	38	50	(12)	(24%)
Other research and development expenses	47	102	(55)	(54%)
Termination benefits	125	-	125	n/a
	528	942	(414)	(44%)

R&D expenses of \$528 for the year ended December 31, 2021, decreased in comparison to expenses of \$942 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 year ended December 31, 2020.

General and administrative (“G&A”) expenses

	For the twelve months ended			
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)	Variance to Q4-2020 (%)
Personnel costs	7,184	8,830	(1,646)	(19%)
Office and other administrative expenses	7,730	7,759	(29)	(0%)
Third party professional, consulting, legal fees	4,308	5,081	(773)	(15%)
Computer and IT expenses	780	1,128	(348)	(31%)
Termination benefits	213	1,027	(814)	(79%)
	20,215	23,825	(3,610)	(15%)

G&A expenses of \$20,215 for the year ended December 31, 2021, decreased in comparison to expenses of \$23,825 for the same period in the prior year primarily as a result of cost cutting initiatives realized in 2021, including a reduced headcount. This was partially offset by the settlement of a vendor dispute resulting in a loss of \$1,564 recorded as an administrative expense.

The Company received \$342 in wage subsidies from the CEWS related to G&A during the year ended December 31, 2020.

Share-based compensation expenses

The Company recognized a share-based compensation expense of \$3,381 for the year ended December 31, 2021, compared to \$4,873 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 expenses of \$12,164 for the year ended December 31, 2021, compared to \$5,561 for the same period in the prior year due to an increase in the Company’s asset base arising from the impairment recovery recognized at the end of Q1-2021.

Loss from operations

Losses from operations were \$28,741 for the year ended December 31, 2021, compared to \$40,964 for the same period in the prior year. The smaller loss related primarily to the factors discussed above where revenues have significantly increased and as 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 materially 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 non-cash loss on the assets held for sale of \$17,688.

As described above, the classification of the HemPoland Operations as held for sale and discontinued operations have resulted in impairment losses of \$5,401 related to the write-downs of the Disposal Group to the lower of its carrying amount and its fair value less costs to sell. This non-cash loss has been recognized in the year ended December 31, 2021 (year ended December 31, 2020, \$Nil). The impairment losses have been applied to reduce the carrying amount of property, plant and equipment, intangible assets, and deferred tax liability.

In the prior year, an impairment loss of \$120,602 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 Medicinals Limited of \$3,082 for the year ended December 31, 2020, due to changing market conditions in Jamaica.

Net loss from continuing operations

The Company's net loss for the year ended December 31, 2021, was \$39,544 (December 31, 2020 – \$171,778) which is comprised of the loss from operations and impairments/remeasurements discussed above.

Comprehensive loss

The Company's comprehensive loss for the year ended December 31, 2021, was \$43,524 (December 31, 2020 – \$180,635) and was comprised of the net loss from continuing operations discussed above, discontinued operations and other comprehensive income comprised of foreign exchange translation loss from foreign operations of \$1,227 (December 31, 2020 - \$1,788 – gain incurred through other comprehensive income).

HEMPOLAND OPERATION HELD FOR SALE AND DISCONTINUED OPERATION

As at December 31, 2021, management was committed to a plan to sell the HemPoland Operations. Accordingly, the Company has presented the HemPoland Operations as a disposal group held for sale (the “Disposal Group”). Efforts to sell the Disposal Group have started and a sale is expected within the next nine months.

Results of discontinued operation

	For the twelve months ended	
	December 31, 2021	December 31, 2020
Revenue	\$ 6,270	\$ 8,751
Gross profit	\$ 2,330	\$ 4,745
Expenses	\$ 5,398	\$ 16,322
Loss from discontinued operations	\$ (3,068)	\$ (11,577)
Deferred tax recovery	\$ 315	\$ 224
Loss from discontinued operations, net of tax	\$ (2,753)	\$ (11,353)
Basic and diluted loss per share	\$ (0.00)	\$ (0.04)

Cash flows from (used in) discontinued operation

	For the twelve months ended	
	December 31, 2021	December 31, 2020
Net cash provided by (used in) operating activities	\$ 1,339	\$ (697)
Net cash used in investing activities	(188)	(325)
Net cash used in financing activities	(519)	(556)
Net cash (outflows) inflows for the year	\$ 632	\$ (1,578)

Impairment losses related to the Disposal Group

Impairment losses of \$5,118 for write-downs of the Disposal Group, to the lower if its carrying amount and its fair value less costs to sell have been recognized for the year ended December 31, 2021 (year ended December 31, 2020, \$Nil). The impairment losses have been applied to reduce the carrying amount of property, plant and equipment, intangible assets, and deferred tax liability.

Assets and liabilities of Disposal Group held for sale

As at December 31, 2021, the Disposal Group was stated at fair value less costs to sell and comprised of the following assets and liabilities.

	Disposal Group
Cash and cash equivalents	841
Refundable sales taxes receivable	57
Trade receivables	446
Prepaid expenses and deposits	167
Inventories	3,035
Property, plant and equipment	1,589
Intangible assets	1,985
Loan receivable from TGODH	5,492
Assets held for sale	13,612
Accounts payable and accrued liabilities	695
Lease liabilities	1,409
Loans	466
Liabilities held for sale	2,570

Measurement of fair values

The fair value of the Disposal Group's net assets was estimated to be \$11,742 (before estimated costs to sell of \$700) using a market approach (level 2 on the fair value hierarchy), from a non-binding competitive offer which provided reliable information to determine the fair value of the disposal group.

FINANCIAL POSITION

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

	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019*
Total assets	\$ <u>194,346</u>	\$ <u>211,575</u>	\$ <u>342,181</u>	\$ <u>447,236</u>
Total non-current liabilities	\$ <u>28,144</u>	\$ <u>5,394</u>	\$ <u>21,354</u>	\$ <u>3,591</u>
Total shareholders' equity	\$ <u>136,811</u>	\$ <u>139,804</u>	\$ <u>267,600</u>	\$ <u>413,655</u>

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

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

Assets

The Company's consolidated cash and cash equivalents of \$4,089 as at December 31, 2021 (cash in Canada was approximately \$4,082) 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 \$8,833 as at December 31, 2021 (December 31, 2020 - \$10,023) represented increased sales for the year ended December 31, 2021 compared to Q4-2020, offset due to timing of collection of receivables in Q4-2020. As at December 31, 2021, the Company had \$20,942 in inventory as compared to \$17,135 as at 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 \$29,283 to \$117,980 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 and additions of \$14,308 from the Galaxie Transaction.

Liabilities

The Company's accounts payable and accrued liabilities were \$17,664 as at December 31, 2021 reduced from \$24,453 as at December 31, 2020, with the decrease primarily relating to payments made against outstanding 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 year, partially offset by liabilities assumed from the Galaxie Transaction.

The Company's loans payable decreased to \$20,225 at December 31, 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 Revolver Loan as the loan moves towards maturity on June 30, 2023, 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 \$136,811 as at December 31, 2021, primarily due to an increase in the accumulated deficit of \$42,138 related to the loss from operations for the period, partially offset by an increase in share capital of \$40,125 primarily due to share issuances in relation to the Galaxie Transaction, ATM issuances, and warrant exercises in 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended December 31, 2021, the Company generated its revenue from domestic cannabis production and sale 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 December 31, 2021 the Company had a positive working capital of \$25,716 (December 31, 2020 - \$21,997 negative working capital) primarily due to the repayment of the Senior Secured Credit Facility, modifying the Revolver Loan debt to amend the maturity date to June 2023, and reducing its accounts payable with the funds received from the Revolver Loan, ATM equity financings and warrant exercises in 2021. The total cash position was \$4,308, including \$219 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 in Q2, 2022, which is a quarter later than previously expected.

The Company has primarily financed its operations to date through the issuance of Common Shares, warrants, and drawdowns on certain of the Company's debt facilities. Should the Company not achieve positive operating cashflow as expected, the Company may need to increase its debt or obtain capital through various means including the issuance of equity to repay its obligations or the divestiture of HemPoland. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future if revenue plans, asset sales, debt refinancing and/or additional debt or equity financing or any combination thereof is realized. In addition, the terms of the renewed Revolver Loan agreement require the Company to satisfy various affirmative and negative covenants and to meet certain future financial tests. A failure to comply with these covenants, including a failure to meet the financial tests, would result in an event of default under the Revolver Loan and if not cured would allow the Lender to accelerate the debt, which could materially and adversely affect the business, results of operations and financial condition of the Company.

There can be no assurance that if needed, additional funding will be available to the Company, or, if available, that such funding will be on acceptable terms. If adequate funds are not available, the Company 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 twelve months ended		
	December 31, 2021	December 31, 2020	Variance to Q4-2020 (\$)
Net cash used in operating activities	\$ (18,038)	\$ (35,958)	\$ 17,920
Net cash proceeds from (used in) investing activities	25,796	(42,176)	67,972
Net cash provided by (used in) financing activities	(13,443)	60,470	(73,913)
Net effects of foreign exchange	(597)	1,307	(1,904)
Decrease in cash and cash equivalents	\$ (6,282)	\$ (16,357)	\$ 10,075

Operating Activities

For the year ended December 31, 2021, net cash used in operating activities was \$17,920 lower than the year ended December 31, 2020. The improvement was achieved primarily due to increased sales and the results of cost reduction initiatives for the year ended December 31, 2021.

Investing Activities

For the year ended December 31, 2021, the net cash provided in investing activities was \$67,972 higher than the year ended December 31, 2020. The increase was primarily the result of \$25,512 net proceeds received in connection with the proceeds from the Quebec Facility assets disposition, \$5,761 received related to the Hydro-Quebec deposit in connection with noted sale, \$1,242 received in connection with the sale of Califormulations and the monetization of certain capital equipment in the period, and \$41,138 more capital expenditures incurred in 2020.

Financing Activities

For the year ended December 31, 2021, net cash used in financing activities was \$73,913 higher than the year ended December 31, 2020. The increase was primarily the result of the repayments of the Senior Secured Credit Facility of \$31,700, a decrease in debt issued of \$15,231, and a decrease in cash proceeds from the issuance of shares and warrants of \$34,576, partially offset by an increase of \$6,921 related to proceeds from the exercise of stock options and warrants.

Contractual obligations

The Company had the following estimated gross contractual obligations as at December 31, 2021, which were expected to be payable in the following respective periods:

	Contractual cash flows - 12 months ending							Thereafter
	Carrying amount	Total	December 2022	December 2023	December 2024	December 2025	December 2026	
	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	17,664	17,664	17,664	-	-	-	-	-
Sales taxes payable	595	595	595	-	-	-	-	-
Loan payable to disposal group	5,492	5,492	5,492	-	-	-	-	-
Loans	20,225	26,284	4,541	21,343	100	100	200	-
Lease liabilities	7,566	17,793	1,052	1,066	1,067	1,088	1,198	12,322
Total contractual obligations	51,542	67,828	29,344	22,409	1,167	1,188	1,398	12,322

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

⁽²⁾ Contractual cash flows are exclusive of any obligations of the HemPoland Operations held for sale which primarily are all due within one year of December 31, 2021.

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 \$21,221 drawn on the Revolver Loan as at December 31, 2021 payable until maturity dates. The Company expects further draws on the \$8,779 available under the Revolver Loan secured by trade receivables, over the balance of 2022 for which it will have to incur interest charges based on actual use.

The Company's lease liabilities are measured in accordance with IFRS 16 where the Company has recognized an increase to both assets and liabilities on the consolidated statements of financial position, as well as a decrease to operating expenses (for the removal of rent expense for leases), an increase to depreciation and amortization (due to depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability). The Company assumed additional lease liabilities in connection with the Galaxie Transaction in respect of a land lease.

Other Contractual Commitments

The lease for the office space of the Company's headquarters required the issuance of a letter of credit in the amount \$350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at December 31, 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 December 31, 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 December 31, 2021, there have been no breaches and no amounts have been drawn on the letters of credit.

Claims and Litigation

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

Use of Proceeds from Previous Financings

The Company included a detailed disclosure of the Company's intended use and actual use of proceeds for financings in 2020 in the Company's MD&A for the 2020 year-end. The 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 year ended December 31, 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	<p>The Company only partially used the net proceeds of the Company's bought deal equity financing under the Base Shelf Prospectus completed on December 10, 2020 (the "December Offering") for aggregate gross proceeds of approximately \$12.65 million, 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.</p> <p>Primarily in December 2020, the Company purchased the remaining of the outstanding shares of 9731-8633 Quebec Inc. for \$750 to fully own and control the property on which the Quebec Facility is situated given it had cash on hand from the December Offering. This provided additional flexibility for monetization options which resulted in the sale of the Quebec Facility.</p> <p>In Q1-2021, the Company used the remaining funds as intended by funding its operations, payables and funding for negative cash flows until it was expected to achieve positive Canadian operating cash flows expected which was beyond the December 31, 2021 timeframe.</p> <p>The Company's additional cash inflows from its ATM offerings 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.</p>
ATM proceeds	General corporate purposes, working capital, including the repayment of indebtedness	The Company used the net funds raised during the ATM of \$9,322 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 Consolidated Financial Statements, there were no significant changes in our accounting policies and critical accounting estimates for the year ended December 31, 2021. The preparation of the Consolidated Financial Statements requires the use of estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

[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 statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

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 consolidated financial statements, under current assets. The Quebec Disposition was completed in Q2-2021 as described above.

In 2021, the Company classified its HemPoland Operation as held for sale and discontinued operations, per IFRS 5. No change was made to the Company's accounting policy as a result.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

[a] Fair values

The Company's financial instruments were comprised of the following as at December 31, 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 year ended December 31, 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 December 31, 2021, the Company's trade receivables had two customers whose balances were individually greater than 10% of total trade receivables as at December 31, 2021 (December 31, 2020 – two customers). Customer A accounted for 48% and Customer B accounted for 24% of trade receivables as at December 31, 2021.

RELATED PARTY TRANSACTIONS

Identification of related parties

Related parties as at December 31, 2021 have been identified as follows:

Related party	Business relationship	Measurement basis
Angus Footman	Director	Exchange amount
Olivier Dufourmantelle	Director, Senior Officer	Exchange amount
Nicholas Kirton	Director	Exchange amount
Louis Sterling	Director	Exchange amount
Jacques Dessureault	Director	Exchange amount
Caroline MacCallum	Director	Exchange amount
Adam Jaffe	Director	Exchange amount
Sean Bovingdon	Director, Senior Officer	Exchange amount
Michel Gagne	Senior Officer	Exchange amount
Matthew Schmidt	Senior Officer	Exchange amount
Wyld GLX Corp.	Joint venture	Exchange amount

Key transactions with related parties

	Transactions for the year ended		Outstanding balances payable as at	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Compensation	1,567	1,997	147	91
Share-based payments	1,328	1,777	-	-
	<u>2,895</u>	<u>3,774</u>	<u>147</u>	<u>91</u>

There have been no material transactions with related parties and no unusual transactions outside of the normal course of business during the year ended December 31, 2021 (December 31, 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. The former shareholders of Galaxie have guaranteed the Galaxie excise bond. No other new guarantees have been given or received by related parties during the year ended December 31, 2021. As at December 31, 2021, the Company had certain shareholder loans assumed as part of the Galaxie Transaction totaling \$1,300, which are subordinate to the Revolver Loan. There are no other receivable or payable balances with key management personnel and \$147 of director fees payable (December 31, 2020 – \$91 directors fee payable).

REGULATORY LANDSCAPE

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

Canadian Regulatory Landscape

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

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

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

Provincial Regulatory Framework for Recreational Cannabis

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

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

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

Regulatory Landscape Outside Canada

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

Poland

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

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 Regulation 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 Regulation"). The Mexico Regulation 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 Regulation 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 “U.S. FDA”) prohibits cannabis (including hemp) and its derivatives, including cannabidiol (CBD), for use as an ingredient in food and drink. The U.S. FDA held a public hearing on May 31, 2019, to obtain input from stakeholders regarding the regulation of products containing cannabis and cannabis derivatives. On March 11, 2020, the U.S. FDA extended indefinitely the comment period for that hearing. In addition, any ingredient derived from hemp in food is subject to the premarket approval requirements applicable to food additives, unless that use is generally recognized as safe (“GRAS”). The U.S. FDA has issued letters of no objection to at least three GRAS notices for ingredients derived from hemp seed that contain trace amounts of THC and CBD but has not to date addressed whether hemp-derived THC, CBD or other cannabinoids in non-trace levels are GRAS.

On December 27, 2020, former 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. 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 U.S. federal laws that conflict with State laws. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Germany

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

Importers of cannabis pharmaceuticals which have not been produced in an EU/EFTA Member State and which shall be distributed in Germany on a commercial or professional basis must apply for an import authorization to the competent health authority in the federal state (Bundesland) in which the importer is based pursuant to section 72 Medicinal Products Act (Arzneimittelgesetz –“AMG”). Generally, the import authorization can be issued for cannabis from cultivations controlled by the country of origin pursuant to the requirements of the 1961 UN Single Convention on Narcotic Drugs. Additionally, importers must apply for a manufacturing authorization pursuant to section 13 AMG if they carry out at least one manufacturing step within the meaning of section 4 (14) AMG (e.g. preparing, formulating, treating or processing, filling, decanting, packaging, labelling) after import. Furthermore, the distribution of drug products treated with radiation (e.g. E-Beam) requires a permit under the German Regulation on Drug Products treated with Radiation (Verordnung über radioaktive oder mit ionisierenden Strahlen behandelte Arzneimittel – “AMRadV”).

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

Pursuant to sec. 72a AMG, importers of medicinal cannabis must ensure that their products have been produced in compliance with applicable quality standards and must obtain a written confirmation from a competent authority to prove compliance. In particular, cannabis medicinal products must be manufactured in compliance with the manufacturing standards of the Pharmaceuticals and Active Agent Manufacturing Ordinance (Arzneimittel- und Wirkstoffherstellungsverordnung – “AMWHV”) which implements the EU Good Manufacturing Practice (“EU GMP”). In addition to standards for the growing and cultivation of the cannabis plant itself, such as the Good Agricultural and Collection Practice (GACP), which is annexed to the EU-GMP, specific pharmaceutical quality standards must be met before placing the product on the market. Such standards are established by pharmaceutical monographs (e.g. “Cannabis Flowers”, “Cannabis Extract”), which are published by the BfArM in the German Pharmacopoeia (Deutsches Arzneibuch – “DAB”).

Finally, medicinal cannabis products with a THC concentration of at least 0.2 percent qualify as narcotics under German law and are therefore subject to the authorization requirements under the German Narcotic Drugs Act (Betäubungsmittelgesetz – “BtMG”). Under this Act, the seller, buyer and other processors (e.g. importers, distributors, etc.) of medicinal cannabis products must obtain an authorization by the BfArM. Such an authorization has been issued per se for qualified doctors and pharmacists who sell or buy narcotics for the treatment of a patient or in the course of the operation of a pharmacy. Although CBD as such is not subject to the BtMG unless the possible THC traces exceed 0.2 percent, it is currently unclear whether products containing CBD will be classified and marketed as industrial hemp products or food rather than narcotic drugs following a judgment from the Court of Justice of the European Union on November 19, 2020 and the European Commission’s ongoing review of applications for approval of products containing CBD as novel foods. In its ruling of March 24, 2021, the German Federal Court of Justice (Bundesgerichtshof - “BGH”) ruled that the sale of hemp flowers and leaves to end-consumers may qualify as a narcotic but is not necessarily prohibited under the BtMG, provided that these products serve exclusively commercial or scientific purposes without intent to cause intoxication.

Australia

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

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

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

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

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

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

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

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

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

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

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

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

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

South Africa

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

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

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

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

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

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

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

Agricultural Remedies and Stock Remedies Act, 1947 (Act 36 of 1947)". Health supplements are classified as complementary medicines in terms of the General Regulations.

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

RISK FACTORS AND UNCERTAINTIES

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

- the ongoing impact of COVID-19;
- the Company's ability to continue as a going concern;
- the Company's ability to raise required additional capital through the sale of equity or debt instruments or the factoring of receivables or otherwise;
- the Company has a limited operating history;
- the Company may be unable to achieve revenue growth and development;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- the Company may incur significant ongoing costs and obligations related to its investment in infrastructure, growth, research and development, regulatory compliance and operations;
- there is no assurance that the Company will turn a profit or generate immediate revenues;
- the Company's management has broad discretion concerning the use of net proceeds of the ATM program;
- the Company is subject to risks typically associated with secured debt financing;
- the 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 unfavorable 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 protect 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 U.S. may require significant regulatory approvals, which could involve potentially high up-front costs, and there can be no assurances that the Company would be able to obtain such approvals after paying such costs. Following an expansion into the U.S., the Company would be subject to heightened regulatory and financial scrutiny which could lead to increased costs and have a material adverse effect on the financial position of the Company. As at the date of this MD&A, all cannabis-related practices and activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. This may pose a number of potential risks to the Company, including risk associated with 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.

Potential Sale of HemPoland Operations

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

Acquisition and Integration Risk

The Company recently completed the Galaxie Transaction and may in the future make further acquisitions and investments that could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations. The Company may have difficulty integrating any such acquisitions, including the Galaxie Transaction,

successfully or realizing the anticipated benefits therefrom, any of which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.

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

- diversion of management time and focus from operating the Company's business;
- use of resources that are needed in other areas of the Company's business;
- integration of the acquired company;
- implementation or remediation of controls, procedures and policies of the acquired company;
- difficulty integrating the accounting systems and operations of the acquired company;
- coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company and difficulty converting the customers of the acquired company onto its platform, including disparities in the revenue, licensing, support or professional services model of the acquired company;
- difficulty integrating, supporting or enhancing acquired products or services, including difficulty in transitioning acquired products or services;
- retention and integration of employees from the acquired company, and preservation of its corporate culture;
- the potential loss of key employees;
- unforeseen costs or liabilities, including the use of substantial portions of its available cash to consummate the acquisition;
- adverse effects to its existing business relationships with customers as a result of the acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the acquired company or investment; and
- the need to integrate potential operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

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

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

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

strategic acquisition or investment may not be retained or may leave following the strategic acquisition or investment, which could have a significant impact on the combined entity's operations, specifically if such departures were to occur in positions or roles which require significant technical and operational knowledge and for which qualified replacement personnel is scarce.

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

Permits and Approvals on Real Property

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer (the "Certifying Officers"), in accordance with National Instrument 52-109, has certified that he has reviewed the Company's year ended 2021 financial statements and this MD&A (the "Filings") and that, based on his knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the Filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings..

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

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

all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

OUTSTANDING SHARE DATA

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

Shares	751,074,489
Warrants	160,591,440
Restricted share units issued to employees	3,525,830
Stock options	23,508,663

**Included in the issued and outstanding shares are: (i) the 40,000,000 Indemnity Escrow Shares; (ii) the 66,666,666 Escrow Shares; and (iii) the 85,714,286 Contingent Milestone Shares all issued in connection with the Galaxie Transaction.*

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