WILLOW BIOSCIENCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

TSX: WLLW
OTCQB: CANSF
www.willowbio.com

This Management's Discussion and Analysis ("MD&A") of Willow Biosciences Inc. ("Willow" or the "Company") has been prepared by management as of March 29, 2022.

This MD&A should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2021. Unless otherwise stated, financial information in this MD&A is expressed in Canadian dollars. Certain dollar amounts have been rounded to the nearest million dollars, hundred thousand dollars or thousand dollars, as noted. This MD&A contains certain specified measures consisting of capital management measures, which do not have standardized meanings prescribed by generally accepted accounting policies ("GAAP") and therefore may not be comparable to similar measures presented by other companies utilizing similar terminology. Refer to "Non-GAAP and Other Financial Measures" for further information on the definition, calculation, and reconciliation of these measures.

Additional information relating to Willow can be found at www.willowbio.com. The Company's continuous disclosure materials, including its annual and quarterly MD&A, audited annual and unaudited interim financial statements, Information Circulars, Annual Information Form and various reports issued by the Company are also available through SEDAR at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A may include forward-looking statements including opinions, assumptions, estimates, the Company's assessment of future plans and operations, and, more particularly, statements concerning: Willow's milestone projections and timeline to commercialization, including the timing, costs and quantity thereof; the effects of COVID-19 on the Company and its operations; the market size potential of the synthetic cannabinoid industry; Willow's entry into new global markets; the development of a yeast-based cannabinoid production platform; improved productivity and yield; the performance of the science team, management and board of the Company; the strategic partnerships with Noramco and Curia (as defined below) and other future strategic relationships; and the business plan of the Company, generally, including cannabinoid research and production at the facilities located in British Columbia and California.

When used in this document, the words "will," "anticipate," "believe," "estimate," "expect," "intent," "may," "project," "should," and similar expressions are intended to be among the statements that identify forward-looking statements.

The forward-looking statements are founded on the basis of expectations and assumptions made by the Company which include, but are not limited to:

- the success of Willow's strategic partnerships, including the development of future strategic partnerships;
- the financial strength of the Company;
- the market for Willow's products;
- the ability of the Company to obtain and retain applicable licences; and
- the successful implementation of Willow's commercialization strategy, generally.

Forward-looking statements are subject to a wide range of risks and uncertainties, and although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to:

- the uncertainties associated with the COVID-19 pandemic, including the Company's ability and the abilities of its joint venture partners, suppliers, distributors and customers, to effectively deal with the restrictions, limitations and health issues presented by the COVID-19 pandemic, the ability of the Company to continue its production, distribution and sale of its products, and demand for and use of its products by its customers;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- the Company's international activities, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- the Company's ability to successfully create and launch brands and further create, launch and scale cannabinoid or other consumer products;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including individual cannabinoids;
- expectations regarding the use of proceeds of equity financings;
- the legalization of the use of cannabis including cannabinoids for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and the Company's intentions to participate in such markets, if and when such use is legalized;
- the Company's ability to execute on its strategy and the anticipated benefits of such strategy;
- expectations of the amount or frequency of impairment losses;
- the future performance of the Company's business and operations;
- the Company's competitive advantages and business strategies;
- the Company's ability or plans to identify, develop, commercialize or expand its technology and research and development ("R&D") initiatives in cannabinoids or other biosynthesized molecules, or the success thereof;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- expectations regarding the resolution of litigation and other legal and regulatory proceedings, reviews and investigations;
- expectations with respect to future production costs;
- expectation with respect to future sales and distribution channels and networks;
- the anticipated future gross margins of the Company's operations;
- accounting standards and estimates;
- expectations regarding the costs and benefits associated with the Company's contracts and agreements with third parties, including third party manufacturing agreements;
- risks associated with the cannabinoid industry in general;
- infringement on intellectual property;
- failure to benefit from partnerships or successfully integrate acquisitions:
- actions and initiatives of federal and provincial governments and changes to government policies or laws and the execution and impact of these actions, initiatives and policies or laws, regulatory developments;
- import/export and research restrictions for cannabinoid-based operations;
- the size of the cannabinoid market;
- competition from other industry participants;
- adverse U.S., Canadian and global economic conditions (including due to the COVID-19 outbreak);
- failure to comply with certain regulations;
- departure of key management personnel or inability to attract and retain talent;
- regulatory and other factors more fully described from time to time in the reports and filings made by the Company with securities regulatory authorities; and

- the Company's ability to successfully negotiate new manufacturing agreements and to successfully tech transfer to its manufacturing partners.

Except as required by applicable laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements.

Any financial outlook and future-oriented financial information contained in this document regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future-oriented financial information or a financial outlook. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

Overview of the Company

The Company's common shares (the "**Common Shares**") are listed on the Toronto Stock Exchange ("**TSX**") under the trading symbol "WLLW", and under the trading symbol "CANSF" on the OTCQB®. The Company's head office and registered office is located at 202, 1201-5th Street SW, Calgary Alberta, T2R 0Y6 and it has operations in Burnaby, British Columbia and Mountain View, California.

Willow Biosciences is a synthetic biology company focused on the development of biobased processes for production of ingredients, including those for consumer care, food & beverage, and pharmaceuticals. The Company engineers organisms such as baker's yeast to produce plant, animal, and petrochemical-derived ingredients through precision fermentation. These processes are more sustainable, secure, and cost-effective than traditional extraction or chemical synthesis routes and typically provide final product in higher purity.

Willow has two laboratories for research and development in Mountain View, California and Burnaby, British Columbia.

In Mountain View, California, the team exploits a wide variety of high throughput screening technologies to identify and combine beneficial genetic elements that enhance production of its yeast strains. This facility includes cutting-edge automation equipment, analytical instrumentation, and bench-scale fermentation and downstream development capabilities combined with large scale bioinformatics and data handling systems to rapidly evaluate high volumes of data and results. The research team includes several key personnel focused on strain engineering, high throughput screening, and fermentation process development.

Willow's R&D lab in Burnaby, British Columbia, consists of plant scientists, molecular biologists and chemists focused on initial pathway design and construction to enable novel activity in yeast, along with recovery and purification of target compounds. This facility also houses the Company's quality assurance and quality control teams responsible for the testing and release of its commercial products.

Technology Platform

Development of synthetic biology enabled commercial fermentation processes requires a combination of multiple technologies and capabilities for efficient and successful execution. Willow combines three key development pillars: state-of-the-art rapid strain engineering technologies, fermentation & downstream

process development, and an established manufacturing network. Willow's strain engineering technologies include propriety genomic databases for novel gene discovery, an enzyme evolution platform within the proper genomic context, and machine-learning guided genome engineering. These technologies provide the performance strains for additional fermentation process optimization and efficient product recovery and purification for scaling and implementation at commercial scale within the Company's production network. The Company's end-to-end platform can provide processes that are more sustainable, secure, and cost-effective within a reasonable development timeframe.

Cannabinoid Production Through Biosynthesis

Cannabis sativa is a plant with a range of medicinal properties. Its unique effects are due to the presence of cannabinoids, which can include cannabidiol ("**CBD**"), tetrahydrocannabinol ("**THC**") and more than 80 other related metabolites. Medical cannabis and drugs containing cannabinoids are increasingly being used to treat a range of diseases and conditions such as multiple sclerosis and chronic pain.

Currently, production of cannabinoids for pharmaceutical or other uses is through extraction from cannabinoid-producing plants such as *cannabis sativa*, or by chemical synthesis.

Biosynthesis is a multi-step, enzyme-catalyzed process where substrates are converted into more complex products within living organisms. While various living organisms can be used for biosynthesis including *E. coli*, algae or yeast, Willow uses a type of yeast known as *Saccharomyces cerevisiae*.

Biosynthesis can offer a more robust, sustainable solution for production of pure cannabinoids. For example, cannabinoid production in yeast can be achieved from hexanoic acid using five enzymes, specifically acyl-CoA activating enzyme, an olivetol synthase, a cyclase enzyme, a prenyltransferase, and a final FAD-linked oxidoreductase (e.g., CBDA synthase). Heterologous expression of the first four of these enzymes yields cannabigerolic acid ("**CBGA**"), while the oxidoreductase enzyme, e.g., cannabidiolic acid synthase, completes the final step to produce cannabidiolic acid ("**CBDA**"). The final product can then undergo decarboxylation in a separate chemical reaction to produce a neutral cannabinoid (e.g., cannabigerol ("**CBG**"), cannabidiol (**"CBD"**), tetrahydrocannabinol (**"THC"**), etc.).

Recent Developments

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a global pandemic. The global outbreak of COVID-19 has had only a minimal impact to the Company's research and development activity to date as employees have been able to work remotely effectively. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the financial effect on our business, financial position and operating results remain unknown at this time. Such impact could include a material adverse impact on the management's estimates described above. The Company is closely monitoring the impact of the pandemic.

Throughout the pandemic, the Company has been able to continue to work safely and remain operational in its research and development activities. To comply with governmental orders or other health and safety requirements, the Company has at certain times: (i) reduced the number of personnel working on-site at its research and development facilities to only the roles that are necessary to be performed on-site, (ii) implemented work-from-home policies for other employees whose work can be performed off-site, and (iii) implemented other additional health and safety measures such as, among other things, enhanced hygiene and sanitation procedures, modified work schedules and social distancing protocols at its laboratories and offices. Further, as recommended by the jurisdictions in which it operates, the Company has implemented

a documented COVID-19 prevention plan in these locations. The Company has and will continue to act in accordance with guidance from local, federal, and international health and governmental authorities, such as any government-mandated requirements for people to wear facemasks in all indoor communal spaces or at businesses, and is prepared to make additional operational adjustments, as necessary.

The impacts of these current restrictions and measures on certain strategic projects continue to be uncertain. While product development initiatives are currently expected to proceed as planned, requirements and restrictions on the operation of businesses and workforces continue to evolve as governmental and health authorities respond to the spread of the virus and changes may result in delays or suspensions if authorities require such activities to be suspended.

In addition, a recession or market correction resulting from the spread of COVID-19 would likely materially affect the Company's business and the value of its common shares. Collectively, the effects of the COVID-19 pandemic have not materially adversely affected the Company's results of operations, however at this time, neither the duration nor scope of the disruption, if any, can be predicted; therefore, the ultimate impact to the Company's business cannot be reasonably estimated but such impact could materially adversely affect the Company's business and financial results.

Despite the impacts of the COVID-19 pandemic, the Company believes that its significant cash on hand will be adequate to meet liquidity and capital requirements for at least the next twelve months. The impact of reduced interest rates has inhibited the Company's ability to generate interest income in the short-term, but this has not, and is not expected to have, a material impact on the liquidity or capital resources of the Company.

Operational Update

During 2021, Willow advanced its portfolio with a focus on developing precision fermentation-based cannabinoid processes while also improving its technology platform for broader application. Willow continued to optimize its cannabinoid producing yeast strains and their related fermentation and downstream purification processes with attention on commercial scale production of CBG at its first contract development and manufacturing organization ("**CDMO**") facilities based in Europe. Ongoing optimization of the scaled process for increased titer, yield, and efficiency will continue into 2022 along with technology transfer to a larger contract manufacturing organization ("**CMO**") which the Company expects will further reduce production costs. Willow also continued to advance its THC and tetrahydrocannabivarin ("**THCV**") strains and processes and initiated chemical development work for production of cannabinol ("**CBN**") from biosynthetic feedstocks.

CBG Production – Milestones and Costs

The Company's first commercial product is CBG, which is a promising cannabinoid with early research suggesting it has anti-microbial, anti-inflammatory, and antioxidant properties. Whereas CBG is difficult to produce in appreciable quantities from the plant, Willow's proprietary yeast production process produces commercial quantities in high purity. Willow selected its first manufacturing site, located in the EU, in the fourth quarter of 2020 and scaled the process to commercial scale in the first quarter of 2021. The Company continues to produce CBG at scale to supply samples for product qualification and fulfill commercial orders.

The total third-party development and scale up costs for CBG, and its acidic precursor CBGA, through 2021 was approximately $3 million. Additional development costs of approximately $1 million are anticipated in 2022 when the Company plans to implement a newly developed down stream process ("DSP") and transfer the developed process to an additional CMO. While the Company continues to use its

current manufacturing site for its existing customers, it has initiated technology transfer to a new, larger CDMO to accommodate future growth. The combination of the more efficient DSP with larger fermentation assets can potentially lead to substantially lower Cost of Goods for CBG and future products. The Company has also established a quality assurance and quality control group with all the internal capabilities needed for testing and release of product into multiple jurisdictions and sectors.

CBG Product Development

During the second half of 2021, the Company continued to work with Signum Biosciences to develop and characterize its own CBG-containing cosmetic products. After all required lab-based and clinic-based safety studies were completed in the second quarter of 2021 showing CBG was safe and non-irritating for skin, the Company formulated its own cosmetic products for evaluation in lab and human clinical trials. Results, published in the peer reviewed journal *Molecules*, showed CBG was a powerful anti-inflammatory that reduced skin redness and improved barrier function.

In addition, the Company is investigating the safety and activity profiles of multiple rare cannabinoids in its portfolio to help prioritize its internal development efforts.

The Company also continued work with its regulatory consulting group and a toxicology contract research organization to attain an independent Generally Recognized as Safe ("GRAS") conclusion for CBG that is required for use in food and beverage applications. The Company anticipates completion of the lab-based safety work in 2022 at an estimated cost of $0.2 million.

CBD Production

During the last half of 2021, the Company continued to make progress to increase CBD production through application of its proprietary strain and process engineering technologies. With CBG lab work nearing completion, enzyme optimization, strain optimization and process development for production of CBD will continue through 2022.

THC Production

During 2021, the Company continued to make progress toward production of THC in its proprietary yeast strains. While development has proceeded smoothly, scale up to commercial production has been impeded by the lack of licensed fermentation manufacturing assets in legal jurisdictions. The Company will continue strain and process optimization throughout 2022 to ensure readiness when external manufacturing assets become available. Commercialization of CBN is dependent on the availability of biosynthetic THC or CBD.

Varin Cannabinoids – CBGV and THCV

The success of the Company's proprietary yeast production platform has enabled Willow to develop strains for producing additional high value cannabinoids. The Company has developed yeast strains and processes that allow it to produce cannabigerovarin ("**CBGV**") and tetrahydrocannabivarin ("**THCV**") at lab scale. CBGV and THCV are considered minor or rare cannabinoids in that they occur naturally in cannabis plants at less than one percent of biomass, making them challenging and costly to produce via cultivation.

In-house research and development work for the Varin Cannabinoids began in the third quarter of 2020 and progressed throughout 2021 and is expected to continue through 2022. Willow is currently focused on THCV strain engineering at lab scale with fermentation process development and downstream process development starting in the first quarter of 2022. In-house costs related to the iterative strain engineering for THCV are expected to be $1 million, and the Company estimates that the total third-party scale up costs for THCV will be between $0.7 million to $1 million after it identifies licensed fermentation manufacturing

assets for commercialization. Willow expects significant synergies from the existing CBG and THC programs. The commercialization strategy for Varin Cannabinoids will likely follow that of the analogous non-varin cannabinoids, where the ultimate market size will be dependent on there being more clarity on the regulatory environment in various jurisdictions throughout the world.

Outlook

While there is a significant amount of uncertainty around the global outbreak of COVID-19, Willow remains committed to ensuring the safety of its employees and the communities around them. To date, Willow's employees have been able to effectively work remotely, when required, without any impact to the Company's timelines, but this is a dynamic situation that will be monitored closely.

Willow will continue to focus on developing and refining its yeast strains to biosynthesize CBG, THC, CBD, and the Varin Cannabinoids while also optimizing production levels and improving the performance and efficiency of these biosynthetic processes and its chemical process for production of CBN. The Company demonstrated production of CBG at commercial scale during the first quarter of 2021 and supplied orders throughout 2021, which will continue into 2022, while continuing to optimize its process for improved output and efficiency. Willow will continue to qualify additional CMO's as required in 2022 and beyond.

With approximately $30.1 million in cash as of December 31, 2021, Willow is well positioned to fund its operations to commercialization.

The Company believes the market for ultra-pure, consistent, cannabinoids for consumer products is continuing to mature and grow. Willow continues to evaluate strategic relationships with various entities in the consumer-packaged goods and pharmaceutical industries with a view towards defining its market participation and potentially gaining entry into new global markets.

The company also continues to evaluate related ingredient opportunities, both independently and with prospective partners, that leverage Willow's technology platform and operational capabilities.

For further information on the Company's various milestones and the anticipated timing and costs associated thereof, please refer to "*Operational Update*" above, and the section titled "*Description of the Business of the Corporation – Business Objectives and Strategy*" of the Company's Annual Information Form for the year ended December 31, 2021, dated March 29, 2022, a copy of which is available under the Company's SEDAR profile at www.sedar.com.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Financial Results	2021	2020	Change
Revenues	$ (133)	$ (10)	$ (123)
General and administrative	6,901	5,466	1,435
Research and development	11,511	7,257	4,254
Stock based compensation	1,703	951	752
Depreciation and amortization	3,192	3,182	10
Patent impairment	-	6,159	(6,159)
Loss on disposal of equipment	88	121	(33)
Inventory and accounts receivable impairment	22	-	22
Foreign exchange loss	46	15	31
Gain on derecognition of right-of-use asset	-	(38)	38
Gain on sale of patent	-	(42)	42

Fair value adjustments	(16,803)	11,000	(27,803)
Net finance income	(387)	(115)	(272)
Net loss	(6,140)	(33,946)	27,806
Foreign exchange loss on translation of foreign operations	(95)	(144)	49
Net comprehensive loss	$ (6,235)	$ (34,090)	$ 27,855
Basic and diluted loss per share	$ (0.05)	$ (0.41)	$ 0.36

		As at December 31,	
Statement of Financial Position:	**2021**	**2020**	**Change**
Cash and cash equivalents	$ 30,119	$ 15,895	$ 14,224
Total assets	35,016	21,864	13,152
Shareholders' equity (deficit)	29,682	(559)	30,241

General & Administrative Expenses

		Year Ended December 31,	
	2021	**2020**	**Change**
Consulting and technical services	$ 375	$ 281	$ 94
Salaries, wages and benefits	2,521	2,073	448
Legal, audit and accounting	843	838	5
Investor relations	596	475	121
Corporate and office	1,749	1,799	(50)
Sales and marketing	817	-	817
	$ 6,901	$ 5,466	$ 1,435

General and administrative expenses increased 26% to $6.9 million for the year ended December 31, 2021 in comparison to prior year of $5.5 million.

	Q4 2021	**Q4 2020**	**Change**
Consulting and technical services	$ 78	$ 74	$ 4
Salaries, wages and benefits	865	330	535
Legal, audit and accounting	413	357	56
Investor relations	171	152	19
Corporate and office	532	476	56
Sales and marketing	174	-	174
	$ 2,233	$ 1,389	844

General and administrative expenses increased 61% to $2.2 million in Q4 2021 in comparison to Q4 2020 of $1.4 million.

General and administrative expenses include corporate consulting services, non-research and development salaries, legal, audit and accounting, travel, public company costs and general corporate expenses.

The change during Q4 and 2021 is due to increased personnel and business development expenses as the Company executes its growth strategy. During 2021, the Company appointed a Senior Vice President of Business Development to facilitate growth through sales and marketing of CBG. The increase in additional costs is due to expenses associated with CBG branding.

Research and Development Expenses

	Year Ended December 31,		
	2021	**2020**	**Change**
Consulting and technical services	$ 68	$ 114	$ (46)
Salaries, wages and benefits	4,701	4,655	46
DNA Sequencing, consumables and other	1,795	1,061	734
Scale up and downstream processing development	5,103	1,602	3,501
Research and development recoveries	(156)	(175)	19
	$ 11,511	$ 7,257	$ 4,254

Research and development expenditures increased 59% to $11.5 million for the year ended December 31, 2021 in comparison to prior year of $7.3 million.

	Q4 2021	**Q4 2020**	**Change**
Consulting and technical services	$ 26	$ 48	$ (22)
Salaries, wages and benefits	1391	1,649	(258)
DNA Sequencing, consumables and other	497	205	292
Scale up and downstream processing development	1043	560	483
Research and development recoveries	(22)	(77)	55
	$ 2,935	$ 2,385	$ 550

Research and development expenses increased 23% to $2.9 million in Q4 2021 in comparison to Q4 2020 of $2.4 million.

In addition to costs associated directly with in-house research and development, research and development includes third party costs such as consulting and other technical services. Research and development recoveries include funding received from government programs such as Industrial Research Assistance Program ("**IRAP**").

The increase during Q4 and 2021 is attributable to expenditures related to the scale up and downstream processing. This is due to the Company ramping up its fermentation labs in both, Mountain View and Burnaby to increase its capacity.

Stock-based Compensation

	Year Ended December 31,		
	2021	**2020**	**Change**
Stock options	$ 1,326	$ 951	$ 375
Restricted share awards	280	-	280
Performance share awards	97	-	97
	$ 1,703	$ 951	$ 752

During the year ended December 31, 2021, the Company recognized stock-based compensation of $1.7 million in comparison to prior year of $1.0 million.

	Q4 2021	**Q4 2020**	**Change**
Stock options	$ 378	$ 173	$ 205
Restricted share awards	111	-	111

Performance share awards	39	-	39
	$ 528	$ 173	$ 355

Stock-based compensation increased 205% to $0.5 million in Q4 2021 compared to Q4 2020 of $0.2 million.

The increase during Q4 and 2021 is attributable to the additional stock options, restricted share awards and performance share awards granted to management and officers. The expense recognized in a given period reflects the fair value of past and newly granted outstanding during the period and is also impacted by factors such as vesting and fluctuations in share price. Stock-based expense is a non-cash base expense which does not impact operating cash flows.

Depreciation and Amortization

	Year Ended December 31,		
	2021	**2020**	**Change**
Depreciation on property, plant and equipment	$ 2,634	$ 2,452	$ 182
Depreciation on patents	-	107	(107)
Amortization on right-of-use assets	558	623	(65)
Total depreciation and amortization	$ 3,192	$ 3,182	$ 10

During the year ended December 31, 2021, depreciation and amortization remained consistent with prior year of $3.2 million.

	Q4 2021	**Q4 2020**	**Change**
Depreciation on property, plant and equipment	$ 719	$ 584	$ 135
Amortization on right-of-use assets	103	152	(49)
Total depreciation and amortization	$ 822	$ 736	$ 86

Depreciation and amortization expenses increased 12% to $0.8 million compared to Q4 2020 of $0.7 million.

Depreciation and amortization costs relate to depreciation on property, plant and equipment and patents as well as amortization of the right-of-use assets associated with leases.

This slight increase during Q4 and 2021 is due to the increased capital expenditures in lab equipment resulting in higher deprecation expense. There was no depreciation on patents in 2021 due to the remaining patents being impaired during year end 2020.

Patent Impairment

As at June 30, 2020, the Company made the decision to consolidate its lab based in Calgary, Alberta with its lab based in Burnaby, British Columbia. This resulted in a reduced headcount of approximately twelve employees, including all the research and development employees who were involved with developing the non-cannabinoid portfolio. Concurrent with the closing of the Calgary lab, the Company made the decision not to pursue any more work with respect to its non-cannabinoid intellectual property portfolio. As a result, management made the decision to impair the net book value of the non-cannabinoid portfolio to reflect the amount it ultimately expected to receive.

For the year ended December 31, 2020, the Company recorded an impairment for the entire balance of both the remaining acquired non-cannabinoid patent and the remaining acquired cannabinoid patent.

The impairment of the patent portfolio will not have an impact on other parts of the business and on future developments.

The Company's internally generated patent portfolio has not been capitalized as development expenditures are only capitalized if the development costs can be measured reliably, the product or process is technically, and commercially feasible, future and economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The development costs are not capitalized as they cannot be measured reliably and there is no reasonable assurance of commerciality.

Gain (Loss) on Change in Fair Value of Warrant Liability

As part of the Private Placement which closed on April 12, 2019, the Company issued 24,169,722 Units. The Units were issued to the management team, employees, directors and certain strategic investors as identified by the management team. Each Performance Warrant issued under the Units entitles the holder to purchase one Common Share at a price of $0.875 for a period of 5 years, after certain vesting requirements. The Performance Warrants vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the Common Shares (the "**Market Price**") equalling or exceeding $1.31, an additional one-third upon the Market Price equalling or exceeding $1.75 and a final one-third upon the Market Price equalling or exceeding $2.19. In addition, in the event the Market Price equals or exceeds $3.50, each Performance Warrant shall be exercisable for 1.5 Common Shares, provided that, at the time of exercise in respect of the additional 0.5 of a Common Share per Performance Warrant (the "**Performance Incentive**"), the Common Shares are listed on the facilities of a recognized stock exchange (other than the CSE or the TSX Venture Exchange) or the Common Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the CSE or the TSX Venture Exchange). As of September 30, 2020, the requirement of listing the Common Shares onto a senior stock exchange has been met.

Performance warrants are initially accounted for as a derivative liability and measured at fair value with subsequent changes in fair value at each reporting period accounted for through profit and loss. The Performance Warrants require the derivative liability classification on the date of issuance, as the number of Common Shares to be issued per Performance Warrant is dependent on market price conditions.

At December 31, 2021, the warrants have been fair valued at $3.8 million and (December 31, 2020- $20.6 million), using the Black-Scholes Option Pricing Model with the following updated assumptions: risk-free interest rate of 0.18%-1.02%; volatility of 86.60%; dividend yield of 0% and approximate expected lives of 2.28 years, inclusive of incremental Performance Incentive. The difference of $16.8 million has been recorded as a gain on fair value adjustments on the consolidated statement of comprehensive loss.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at December 31, 2021, the Company had working capital of $29.9 million including cash and cash equivalents of approximately $30.1 million.

As a development stage company, the Company's primary capital requirements relate to funding research and development activities and for general working capital purposes. The Company's operations have been financed primarily through the sale of common shares or units (consisting of common shares and warrants) and the Company intends to finance future research and development activities by the issuance of equity. The Company's primary objective when managing capital is to ensure it has sufficient funds available to carry out its research, development and commercialization programs based, in part, on continuous monitoring. In addition to issuing equity, the Company intends to finance at least a portion of its commercialization programs by finding partners, whereby the Company completes the majority of the early stage research and development and the partner completes the majority of the commercialization portion of the project.

On February 19, 2021, the Company closed an offering of 17,424,800 common shares of the Company at a price of $1.65 per Common Share, which includes 2,272,800 Common Shares issued pursuant to the exercise in full of the over-allotment option, for aggregate gross proceeds of approximately $28.8 million.

Cash Flows Used in Operating Activities

Cash flows used in operating activities for the year ended December 31, 2021 total $18.2 million (2020 - $12.8 million) reflecting the non-cash working capital changes during the period and the significant amount of operating activity.

Cash Flows from Financing Activities

During the year ended December 31, 2021, the Company issued a total of $26.7 million (2020 - $10.5) of common shares and $7.9 million (2020 - $nil) of warrants and compensation warrants were exercised.

Cash Flows Used in Investing Activities

During the year ended December 31, 2021, additions to property, plant and equipment amounted to $1.8 million (2020 – $1.0 million), the majority of which was spent on lab equipment.

CONTRACTUAL OBLIGATIONS

The table below summarizes the Company's contractual obligations related to operating leases for office and laboratory premises, as at December 31, 2021:

2022	$ 640
2023	162
Thereafter	-
	$ 802

From time to time, the Company may be subject to various legal proceedings and claims related to matters arising in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

On September 16, 2021, Willow was served with a claim commenced in the Federal Court of Canada by Aurora Cannabis Inc and the University of Saskatchewan alleging infringement of Canadian Patent No. 2,770,774. Willow filed a defence and counterclaim on October 18, 2021. The plaintiffs filed an amended claim on December 13, 2021, which added allegations that Canadian Patent Nos. 2,796,465 and No. 2,851,316 are also infringed. Willow filed an amended defence and counterclaim on February 14,

2022. Willow's counterclaim alleges invalidity with respect to all three patents in issue. The matter is ongoing. Willow disputes the allegations and intends to continue to vigorously defend the claim and advance its counterclaim. While Willow believes that the claim is without merit it cannot predict the final outcome or timing of the action due to the inherent risks and uncertainties of litigation.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Note 3 to the annual Financial Statements as at and for the year ended December 31, 2021 includes a summary of the Company's significant accounting policies.

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

These estimates include impairment indicators for patents, amortization period for patents and property, plant and equipment, compensation costs accrued for the share-based compensation plan and warrant valuation which are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of the Company's shares and expected term of the issued stock options, warrants and performance warrants.

Off-Statement of Financial Position Arrangements

As of March 29, 2022, the Company has not entered into any off-statement of financial position arrangements.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenues	$ 9	$ 2	$ 116	$ 6
Net income (loss)	(5,196)	3,839	6,523	(11,306)
Net comprehensive income (loss)	(5,192)	3,821	6,476	(11,340)
Net income (loss) per share	$ (0.04)	$ 0.03	$ 0.05	$ (0.10)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenues	$ 8	$ -	$ -	$ 2
Net loss	(14,866)	(7,595)	(10,069)	(1,416)
Net comprehensive loss	(14,930)	(7,651)	(10,088)	(1,421)
Net loss per share	$ (0.37)	$ (0.10)	$ (0.13)	$ (0.02)

The net loss for Q4 2021 was less than that in Q4 2020. In Q4 2021, the Company had $1.3 million gain on fair value adjustments compared to $9.6 million loss in Q4 2020.

SEGMENTED RESULTS

During 2021, the Company decided to discontinue analytical testing for external customers, and is now considered to be apart of research and development. The Company's operations has one reportable segment engaged in the research, development, and commercialization of high purity, plant derived ingredients for consumer care, food and beverage and pharmaceutical products, which is consistent with the way the Company reports information to its chief decision makers and Board of Directors of the Company (the "**Board**").

The following geographic information reflects revenue, non-current assets and total assets by location.

	As at and for the Year Ended December 31,		
Revenue	**2021**	**2020**	**Change**
Canada	$ 133	$ 10	$ 123
United states	-	-	-
	$ 133	$ 10	$ 123
Non-current assets			
Canada	$ 1,446	$ 2,089	$ (643)
United states	2,299	2,741	(442)
Total assets			
Canada	$ 31,412	$ 17,651	$ 13,761
United states	3,604	4,213	(609)

OUTSTANDING EQUITY INSTRUMENTS

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value.

As at December 31, 2021 and March 29, 2022, Willow has the following securities outstanding:

	As at December 31, 2021	**As at March 29, 2022**
Common shares	123,545,323	123,545,323
Warrants	579,313	579,313
Incentive performance warrants	1,045,488	1,045,488
Employee stock options	8,048,720	8,035,053
Performance warrants	14,963,789	14,963,789
Performance share awards	418,639	403,639
Restricted share awards	538,028	523,028
Incentive performance warrants	12,091,589	12,091,589
Total	161,230,890	161,187,223

MANAGEMENT OF FINANCIAL RISKS

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section of the MD&A describes the Company's objectives, policies and processes for

managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this section of the MD&A.

General Objectives, Policies and Processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market. Market risk is comprised of two types of risk: foreign currency risk and interest rate risk. The Company does not currently have significant market risk exposure other than foreign currency risk, as described below.

a) Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to changes in foreign exchange rates. Portions of the Company's cash and cash equivalents, deposits and prepaid expense, accounts payable and accrued liabilities and lease liabilities are denominated in US dollars. Accordingly, the Company is exposed to fluctuations in the US and Canadian dollar exchange rates.

As at December 31, 2021, the Company had a net excess of US dollar denominated cash and cash equivalents, deposits, accounts payable and accrued liabilities and lease liabilities of US$5.5 million thousand which is equivalent to $7.1 million CAD at the December 31, 2021 exchange rate. The US dollar financial assets generally result from holding US dollar cash to settle anticipated near-term accounts payable and accrued liabilities denominated in US dollars.

Each change of 5% in the US dollar in relation to the Canadian dollar will result in a gain or loss, with a corresponding effect on cash flows, of $0.4 million based on the December 31, 2021 net US dollar liabilities position.

b) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2021, the Company did not hold any floating rate investments.

The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks or credit unions with comparable credit ratings.

The Company regularly monitors compliance to its cash management policy.

The Company, as at December 31, 2021, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and short-term investments.

Cash and cash equivalents and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consists predominately of the IRAP, a government funded research grant and GST receivable.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash and cash equivalents and short-term investments with high-credit quality financial institutions and management considers this risk to be minimal for all cash and cash equivalents and short-term investments assets based on changes that are reasonably possible at each reporting date.

The Company is not exposed to any externally imposed capital requirements.

Liquidity Risk and Capital Management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

As at December 31, 2021, the Company has cash and cash equivalents and of $30.1 million, current liabilities of $1.4 million and a working capital surplus of $29.9 million.

Willow is in a development stage and is not currently generating significant revenue and expects to operate at a loss as it conducts research and development on its biosynthesis pathways. The Company's primary capital requirements relate to funding research and development activities, commercialization of its products and for general working capital purposes. The Company's operations have been financed primarily through the sale of common shares or units (consisting of common shares and warrants), and the Company will require additional financing in order to execute its business plan. Willow's ability to secure required financing will depend in part upon investor perception of its ability to create a successful business. Capital market conditions and other factors beyond the Company's control may also play important roles in its ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to its management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that management feels the business requires, or unavailable on acceptable terms, Willow may be required to cease operating or modify its business plan in a manner that undermines its ability to achieve the Company's objectives.

The Company's primary objective when managing capital is to ensure it has sufficient funds available to carry out research, development and commercialization programs based, in part, on continuous monitoring.

RISKS AND UNCERTAINTIES

An investment in the Company involves significant risks and must be considered speculative due to the nature of the Company's business. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to Willow or that Willow believes to be immaterial may also adversely affect Willow's business. In addition to the risks identified elsewhere in this MD&A, investors should carefully consider all of the risk factors associated with the Company and its business identified under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2021, dated March 29, 2022, a copy of which is available under the Company's SEDAR profile at www.sedar.com.

The global outbreak of COVID-19 has had only a minimal impact to the Company's research and development activity to date as employees have been able to work remotely effectively. The Company does not expect the COVID-19 outbreak to have a significant impact to the Company's ability to achieve its goals within the planned timelines.

Disclosure Controls and Procedures

The Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and the CFO have evaluated the effectiveness of Willow's disclosure controls and procedures as at December 31, 2021 and have concluded that such disclosure controls and procedures are effective. The assessment was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Internal Controls Over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes to the Company's internal controls over financial reporting during the period January 1, 2021 to December 31, 2021. The CEO and the CFO have evaluated the effectiveness of Willow's internal controls over financial reporting as at December 31, 2021 and have concluded that such internal controls over financial reporting are effective. The assessment was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Risks Related to the Company's Business

The Company has a history of operating losses and may never achieve profitability in the future

The Company's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract the experienced management and know-how to develop and patent new biosynthesis methods and to partner with larger, more established companies in the industry to successfully commercialize its processes. Successfully developing biosynthesized molecules into marketable products takes several years and significant financial resources and the Company cannot assure that it can achieve these objectives.

The Company's continued development may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of the Company's current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

The Company will primarily be in a developing industry and will be subject to all associated regulatory risks

The Company's business must be evaluated considering the problems, delays, uncertainties and complications encountered in connection with establishing a cannabinoid-based biosynthesis business.

There is a possibility that none of the Company's discoveries under development in the future will be found to be safe and effective, that it will be unable to receive necessary regulatory approvals in order to commercialize them, or that it will obtain regulatory approvals that are too narrow to be commercially viable.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is engaged in certain research and development activities involving cannabinoids, the making, use, sale, importation, exportation, and distribution of which may be subject to significant regulation.

Cannabis remains illegal under federal law in the United States despite the permissive regulatory environment of cannabis at the state level in many instances. The inconsistency between federal and state laws and regulations is a risk factor. Violations of federal laws and regulations could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on the TSX, its financial position, operating results, profitability or liquidity or the market price of the Common Shares.

The markets for the Company's developments and products are influenced by foreign and local government regulations and policies. Government authorities could create new laws and regulations, or amend existing laws, related to the use of cannabis for medical or recreational purposes in Canada, the U.S. and other jurisdictions. The timing and result of any new laws could impact the Company's intentions to participate in such markets.

The uncertainty regarding the application of U.S. state and federal laws related to hemp products, including CBD and biosynthesized cannabinoid products, and the scope of any regulations by federal and state regulatory agencies over hemp, CBD and biosynthesized cannabinoid products in the U.S. and the timing

and nature of legislative changes in the U.S. regarding the regulation of cannabis could impact the Company's business, financial condition, or results of operations.

The U.S. or foreign governments may take administrative, legislative, or regulatory action that could materially interfere with the Company's ability to sell products derived from engineered cells in certain countries and/or to certain customers. The uncertainty regarding future standards and policies may also affect the Company's ability to develop programs or to license engineered cells to customers and to initiate new programs, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Need to maintain and expand on CMO and customer partnerships

The Company's success depends on its ability to expand the number, size and scope of its customer collaborations and partnerships with CMOs. The Company engages in conversations with CMOs on an ongoing basis. Even if an agreement is reached, the resulting relationship may not be successful for many reasons, including the Company's inability to complete a program to regulatory or customers' specifications or within feasible time frames, or unsuccessful development or commercialization of products or processes.

Scale up, marketing and commercialization processes will be expensive and time consuming, and their outcomes uncertain

Before the Company can obtain regulatory approval for the commercial sale of any biosynthesized discoveries, it will be required to complete extensive scale-up, marketing and regulatory processes. Commercialization is expensive and can be difficult to achieve. Commercialization is also time-consuming and can often be subject to unexpected delays.

Protection of proprietary technology can be unpredictable and costly

The Company's success will depend in part on its ability to develop patents, defend patents, maintain trade secret protection and operate without infringing on the proprietary rights of others. If the Company is unable to obtain, maintain or protect its intellectual property rights, or if its intellectual property rights are inadequate, its competitive position, business, financial conditions, results of operations and prospects may be harmed.

Interpretation and evaluation of patent claims present complex and often novel legal and factual questions. Accordingly, there is some question as to the extent to which biopharmaceutical discoveries and related products and processes can be effectively protected by patents. As a result, there can be no assurance that:

• patent applications will result in the issuance of patents;
• additional proprietary products developed will be patentable;
• patents issued will provide adequate protection or any competitive advantages;
• patents issued will not be successfully challenged by third parties;
• the patents issued do not infringe the patents or intellectual property of others; or
• that the Company will be able to obtain any extensions of the patent term.

A number of pharmaceutical, biotechnology, medical device companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to the business of the Company. Some of these technologies, applications or patents may conflict with or adversely affect the technologies or intellectual property rights of the Company. Any conflicts with the intellectual property of others could limit the scope of the patents, if any, that the Company may be able to obtain or result in the denial of patent applications altogether. Further,

there may be uncertainty as to whether the Company may be able to successfully defend any challenge to its patent portfolio.

In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent protection, thereby affecting the development and commercial value of the Company's technology and products. The Company may also decide to acquire or in-license certain pending or issued patents but cannot guarantee their approval and/or commercial viability.

Risks related to intellectual property rights and intellectual property litigation

The Company may become party to litigation, mediation, and/or arbitration. Competitors and other third parties may infringe or otherwise violate Willow's issued patents or other intellectual property. In addition, the Company's patents may become involved in inventorship, ownership, or priority disputes. Any litigation concerning any of these issues would be expensive, time consuming and uncertain. There can be no assurances that the Company would prevail in any suit brought by it or against the Company by third parties, or successfully settle or otherwise resolve those claims. Parties making claims against Willow might be able to obtain injunctive or other relief, which could block the Company's ability to develop, commercialize and sell products or use its technologies, and could result in the award of substantial damages against Willow, including legal fees, costs and expenses if the Company was found to have infringed a third party's intellectual property. In the event of a successful claim against Willow, the Company could be required to pay damages and ongoing royalties, and obtain licenses from third parties, or be prohibited from selling certain products or using certain technologies. The Company may not be able to obtain these licenses on acceptable or commercially reasonable terms, if at all. In addition, the Company or its customers could encounter delays in product or service introductions while we attempt to develop alternative or redesign existing products or technologies to avoid or resolve these claims. The Company's loss in any lawsuit or failure to obtain a license could prevent the Company from using its platform and technologies. Such a loss or failure could materially affect the Company's business. Any litigation pertaining to these issues would have substantial costs, even if the eventual outcome is favorable to Willow, and would divert management's attention from its business objectives.

From time to time, the Company may in the ordinary course of business be named as a defendant in lawsuits, indemnity claims and other legal proceedings. These actions may seek, among other things, compensation for alleged product liability, personal injury, employment discrimination, breach of contract, property damage and other losses or injunctive or declaratory relief.

The Company is currently defendants to proceedings in Canada. The Company believes the claim to be without merit and intends to vigorously defend against the claims, but there is no assurance that it will be successful.

Competition

The planned business to be carried out by the Company will be highly competitive and involve a high degree of risk. There can be no assurance that the licensing or other arrangements respecting the patent-pending cannabinoid-based pathway discovery platform sought to be obtained can be secured on favorable terms or otherwise, nor are there any assurances that sales or license revenues, if obtained, will be in sufficient quantities to make the business profitable. In its efforts to achieve its objectives, the Company will compete with other companies that may have greater resources, many of which will not only develop technology but also manufacture and sell similar products on a worldwide basis.

The adult-use cannabis industry is encountering price compression, which may adversely impact the Company's profitability. The continuing evolution of these market conditions represent ongoing uncertainties that may affect the Company's future results.

The Company's success in the cannabis industry will depend in part on its ability to attract and retain customers, develop and maintain commercial relationships with Canadian and international brands and develop innovative products.

Uninsured or Uninsurable Risk

The Company may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on Willow's financial position.

Conflicts of Interest

The Company's directors and officers may currently be involved, or become involved, in other business ventures that compete with Willow's platform and services. Business opportunities for the Company may create circumstances in which outside interests of Willow's directors and officers' conflict with the interests of the Company. Directors and officers are required to act in good faith and in a manner that benefits the Company.

It is possible, however, that Willow's directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company.

Dependence on Key Personnel

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that Willow will be able to attract or retain the quality of personnel required in the future.

Costs of Maintaining a Public Listing

As a result of being a publicly listed Company, the Company will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Company may also elect to devote greater resources than it otherwise would have on communication and other investor relations activities typically considered important by publicly traded companies.

Share Price Volatility and Speculative Nature of Share Ownership

The Common Shares are listed for trading on the TSX, resulting in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Company may significantly influence the price at which the Company's shares trade, and the volatility of its share price. Annual and quarterly operating results and material developments reported by the Company can, and likely will, influence the price of its shares.

Sentiment toward biotechnology stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Common Shares. The Company's

business is at an early stage of development and is not generating any revenue. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed for the Common Shares.

The Company is subject to the rules and regulations of the TSX. Any changes to rules, regulations, policies and guidelines issued by regulatory authorities may impact any such fees paid and increase the risk of non-compliance. There is no assurance that the Company will be able to comply with the continued listing standards of the TSX, as applicable, within any projected timeframes, or at all, and maintain listing status on the TSX. Any failure to comply with applicable continued listing requirements and regulations may result in the delisting of the Company's Common Shares from the TSX. Such event may have a material adverse effects on the Company's business and financial condition.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A contains certain financial measures, as described below, which do not have standardized meanings prescribed by GAAP. As these non-GAAP financial measures are commonly used, the inclusion is useful to investors, however these amounts may not be comparable to measures presented by other companies where similar terminology is used.

"Working capital" is calculated as total current assets minus total current liabilities. Management utilizes working capital to monitor its liquidity, capital management and its ability to fund current operations.

ADDITIONAL INFORMATION

Additional information relating to Willow, can also be found on SEDAR at www.sedar.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Peter Seufer-Wasserthal
Chairman

Donald Archibald
Director

Sadiq Lalani
Director

Al Foreman
Director

Trevor Peters
Director

Dr. Fotis Kalantzis
Director

Barbara Munroe
Director

Sony Gill
Corporate Secretary

MANAGEMENT AND OFFICERS

Trevor Peters
President and Chief Executive Officer

Travis Doupe
Chief Financial Officer

Dr. Chris Savile
Chief Operating Officer

Troy Talkkari
Vice President, Corporate Development

Dr. Simon Hickling
Senior Vice President, Business Development

Dr. Trish Choudhary
Vice President, Research and Development

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STOCK EXCHANGE LISTING

Toronto Stock Exchange
Common shares "WLLW"