THE flowr™ MC CORPORATION

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021 and 2020

Management's Discussion and Analysis

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") of The Flowr Corporation, (and together with its consolidated subsidiaries, collectively **"Flowr"** or the "**Company**") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition of the Company between December 31, 2020 and September 30, 2021, and results of operations for the three and nine months ended September 30, 2021, (**"Q3 2021" and "YTD 2021"** , respectively) and for the three and nine months ended September 30, 2020, (**"Q3 2020" and "YTD 2020"**, respectively). The MD&A should be read in conjunction with Flowr's condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 and the audited consolidated financial statements for the year ended December 31, 2020 (the "**Financial Statements**"). To the extent applicable, updated information contained in this MD&A supersedes older information contained in previously filed continuous disclosure documents.*

*This MD&A is dated as of November 29, 2021. All amounts in this MD&A are expressed in thousands of Canadian dollars ("**CAD"**) except per share data and unless otherwise indicated.*

*The Financial Statements (and the financial information contained in this MD&A) were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors (the "**Board of Directors** " or the "**Board**"). The Financial Statements include the accounts of the Company and its subsidiaries as described below.*

Non-IFRS Measures

This MD&A contains certain financial performance measures that are not defined by IFRS, and are used by management to assess the financial and operational performance of the Company. These include but are not limited to adjusted EBITDA and segmented gross profit (loss) before inventory impairment and fair value adjustments on biological assets (as defined below).

As there are no standardized methods of calculating non-IFRS measures, the Company's approaches may differ from those used by other companies in the industry and may not be comparable as a result. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered independently or in substitution for measures prepared in accordance with IFRS.

*Additional information relating to the Company, including the Company's Annual Information Form dated April 28, 2021 (the "**AIF**"),is available on SEDAR at www.sedar.com.*

This MD&A contains forward-looking information within the meaning of Canadian securities legislation (see "Forward-looking Information, Risks and Uncertainties" below for a full discussion on the nature of forward-looking information). Information regarding the adequacy of cash resources to carry out the Company's operations and capital projects or the need for future financing is forward-looking information. All forward-looking information, risks and uncertainties, including information not specifically identified herein, is made subject to the cautionary language at the end of this MD&A. Readers are advised to refer to the cautionary language included at the end of this MD&A under the heading "Forward-looking Information, Risks and Uncertainties" when reading any forward-looking information. This MD&A is prepared in accordance with Form 51-102F1 and has been approved by the Company's Board of Directors prior to its release.

Company Overview

Flowr is a global cannabis company that strives to cultivate better people, plants and products. The Company's primary operations are located in Canada and Portugal. In Canada its operating campus is located in Kelowna, BC, which is part of the Okanagan Valley. This campus produces recreational and medicinal cannabis from a purpose-built indoor cultivation facility, an outdoor and greenhouse cultivation site, and a unique cannabis research and development facility knowns as the "Kelowna Research Station" ("**KRS**"). Internationally, Holigen Holdings Limited ("**Holigen**"), through its wholly owned subsidiary RPK Biopharma Unipessoal Lda ("**RPK**"), is licensed to cultivate medicinal cannabis in Portugal, where it operates a GMP licensed cultivation facility.

The Company was incorporated under the *Business Corporations Act* (Alberta) on June 1, 2016 and continued from the *Business Corporations Act* (Alberta) to the *Business Corporations Act* (Ontario) on September 25, 2018. The head office of the Company is located at 60 Adelaide Street East, Suite 1000, Toronto, Ontario, M5C 3E4. The Company's common shares ("**Common Shares**") are listed on the TSX Venture Exchange (the "**Exchange**") under the symbol "FLWR".

The following table lists Flowr's subsidiaries and percentage of holdings:

		Holdings as at (%)		
Name of Subsidiaries	Country	September 30, 2021	December 31, 2020	Parent Entity
The Flowr Canada Holdings ULC ("Flowr ULC") (1)	Canada	90.5	88.7	The Flowr Corporation
Holigen Holdings Limited ("Holigen")	Malta	100.0	100.0	The Flowr Corporation
The Flowr Group (Okanagan) Inc. ("Flowr Okanagan")	Canada	100.0	100.0	Flowr ULC
Holigen Limited ("HL")	Malta	100.0	100.0	Holigen
RPK Biopharma Unipessoal Lda ("RPK")	Portugal	100.0	100.0	HL
TCann Pty Ltd ("TCann")	Australia	—	100.0	GreyCan
GreyCan Pty Ltd ("GreyCan")(2)	Australia	100.0	100.0	HL
Terrace Global Inc. ("Terrace")	Canada	100.0	100.0	The Flowr Corporation
Oransur, S.A ("Oransur")	Uruguay	—	100.0	Terrace
Terra Nova Business Holdings Inc. ("TNBH")	BVI	—	100.0	Terrace
Pharma Binoide S.L. Unipersonal ("Pharma Binoide")	Spain	100.0	100.0	Terrace
Productos Natrurais e Farmaceuticos, LDA ("Terra Nova")	Portugal	—	100.0	TNBH

(1)Flowr owns 100% of the issued and outstanding Flowr ULC common shares and two US shareholders own 100% of the issued and outstanding Flowr ULC class A preferred shares. Combined Flowr has a 90.5% ownership interest in Flowr ULC. The Flowr ULC class A preferred shares are exchangeable for Common Shares at the sole option and discretion of the holders on a one-for-one basis and at no cost to the holder.
(2)Flowr is in the process of dissolving this holding company. There are no material assets or operations held in this entity.

K1 Facility

Flowr Okanagan holds the following licenses: (i) standard cultivation; (ii) standard processing; and (iii) sales licence issued under the Cannabis Act and Cannabis Regulations and operates an 85,000 square foot cultivation facility in Kelowna, British Columbia (the "**K1 Facility**"), designed to meet the International Council for Harmonisation's good manufacturing practices standards ("**GMP**"). In August 2021, Flowr Okanagan was granted a research license by Health Canada. The research license allows the Company to distribute and administer its cannabis for research purposes and to test and review its products based on taste, sight, smell and touch. The Company will utilize this research license in the research and development of novel product offerings.

The K1 facility has a total of 20 grow rooms, a purpose built irrigation system, and an automated packaging line that was commissioned in 2020. In addition, Flowr Okanagan holds a standard cultivation, outdoor and storage license for a greenhouse and outdoor cultivation site adjacent to Kelowna 1 ("**Flowr Forest**"). Flowr Forest covers approximately 190,000 square feet of greenhouse and 140,000 square feet of outdoor grow space. For a summary of the regulatory framework relating to the Company's operations, please refer to the Company's Annual Information Form dated April 28, 2021 (the "AIF").

KRS - R&D Facility

The Kelowna Research Station ("KRS"), a partnership with The Scotts Miracle-Gro Company through its subsidiary Hawthorne Canada Limited ("Hawthorne"), was commissioned in the fourth quarter of 2020 and provides Flowr with a platform that is unique in the industry to develop future genetics and advanced cultivation techniques. This will ensure the Company continues to stay on the leading edge among its peers and maintain its position in the premium segment. In 2021, the Company expects to incubate between 50 new high-THC strains at KRS. The Company views the development and subsequent commercialization of unique genetics as one of the pillars to creating a premium brand.

Portugal Facilities

Through its subsidiary RPK, Flowr operates the following facilities in Portugal to distribute to the Portuguese and EU medicinal cannabis markets.

Sintra indoor facility

Sintra is an indoor cultivation and finished product packaging facility located in Sintra, Portugal, just outside Lisbon. The Company received its EU GMP license for Sintra in 2020, placing it on a short list of cannabis companies with GMP certification and the ability to service both the domestic medical cannabis market and to export medicinal cannabis products to countries where legal cannabis frameworks exist.

Aljustrel outdoor site

Aljustrel is a large scale 7 million square foot outdoor cultivation site located in Aljustrel, Portugal focused on cultivating and producing medicinal cannabis outdoors. In 2020, the Aljustrel outdoor medical cannabis site was home to the largest outdoor medical cannabis grow in the history of the E.U. and one of the largest in the world.

Highlights and Key Developments

In thousands of CAD dollars (except where noted)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Grams harvested - K1	1,087,657	1,305,311	3,008,380	3,140,979
Grams sold	2,338,768	552,409	5,250,711	1,094,187
Average net sale price - Flowr Canada	1.00	5.25	1.52	5.68
Gross revenue	3,564	3,403	10,585	7,375
Net revenue(1) - Flowr Canada	2,334	2,823	7,957	5,913
Net revenue(1) - Holigen	207	—	590	—
Cost of sales(2) - Flowr Canada	6,543	2,494	14,587	6,132
Cost of sales(2) - Holigen	733	1,442	2,215	2,432
Net loss attributable to shareholders of the Company	(8,774)	(9,717)	(24,255)	(25,167)
Adjusted EBITDA	(5,916)	(3,482)	(14,904)	(13,287)
Capital Expenditure	282	3,918	716	11,802

(1) Gross revenue net of excise tax, provision for returns and concessions.
(2) Before inventory impairment and fair value adjustments.

Financial Results (presented in $000s)

- Gross revenue for Q3 2021 amounted to $3,564 compared with $3,403 in Q3 2020, while net revenue during Q3 2021 was $2,541 compared with $2,823 in Q3 2020. Net revenue from Flowr Canada during Q3 2021 amounted to $2,334 compared with $2,823 in the same period of 2020, while revenue earned by Holigen was $207 during Q3 2021 compared with $nil in the same period 2020. The decrease in revenue from Flowr Canada was primarily the result of lower grams of retail products sold during the quarter, offset by an increase in revenue from cannabis sold through bulk wholesale. During Q3 2021, Flowr sold 2,079 kilograms of inventory through bulk wholesale consisting primarily of older inventory, which reduced the overall average sale price per gram for the period. Sale of retail products during Q3 2021 was lower than that in the same period in 2020, as the Company was in the process of obtaining listing for its new strain and product formats and also due to a slower than expected roll-out of retail stores in Quebec.

- Gross revenue for the first nine months of 2021 amounted to $10,585 compared with $7,375 in the same period of 2020, while net revenue for the first nine months of 2021 totaled $8,547 compared with $5,913 in the same period of 2020. Net revenue from Flowr Canada increased to $7,957 in the first nine months of 2021 from $5,913 in the same period of 2020, as a result of higher volume of retail and bulk cannabis products sold in the current year.

- Net revenue from Holigen related to tolling service revenue earned in Portugal, which amounted to $207 during Q3 2021 and $590 for YTD 2021, compared with $nil for the same respective periods in 2020.

- SG&A expenses for Q3 2021 amounted to $3,632 compared with $3,563 in Q3 2020, while SG&A for the nine months ended September 30, 2021 totaled $12,427 compared with $14,000 for the same period in 2020. SG&A expenses continued to decrease from prior quarters as a result of the Company's cost reduction measures undertaken in early 2021.

- Gross loss for Q3 2021 was $3,213 compared with a loss of $5,197 for Q3 2020. Gross loss for Q3 2021 was lower compared with Q3 2020 primarily due to higher cost of sales recorded on significantly higher volume of grams of cannabis sold, offset by an increase in gains resulting from fair value adjustments on inventory sold. Gross loss for YTD 2021 improved to a loss of $6,614 from a loss of $10,997 during the same period in 2020, primarily as a result of the increase in net revenue, higher cost of sales recorded, offset by higher gains resulting from fair value adjustments on inventory sold.

- Cost of sales for Q3 2021 was $7,276 compared with $3,935 for Q3 2020. The increase in cost of sales resulted from a significantly higher volume of cannabis sold during the current quarter at 2,339 kilograms compared 552 kilograms sold during Q3 2020. Fair value adjustment on inventory sold during Q3 2021 amounted to a gain of $1,808 compared with a gain of $196 in Q3 2020, representing the reversal of fair value adjustment losses recorded in prior periods. Including the effect of the fair value adjustment on inventory sold, net cost of sales for Q3 2021 totaled $5,468 compared with $3,739 in Q3 2020.

- Net loss attributable to shareholders of the Company totaled $8,774 for Q3 2021 compared with a loss of $9,717 for Q3 2020. The decrease in quarterly net loss was primarily due to lower gross loss and lower other income which consisted mainly of government subsidies. Net loss attributable to shareholders of the Company for YTD 2021 totaled $24,255 compared with $25,167 for the same period in 2020. The change in net loss for was primarily due to higher revenue, lower SG&A expenses, reversal on share-based compensation, higher depreciation and amortization, loss on disposal of subsidiary, higher other expenses, and lower income tax recovery.

Operational Update

- Flowr achieved full operation in all 20 grow rooms at the K1 facility and two R&D rooms at the KRS facility. THC levels have consistently increased resulting in an average of +3.3% THC versus Q2.

- A total of 39 new and exotic genetics have been planted at KRS and 12 new genetics at K1. Based on early results, the Company targets to commercialize 12 new strains in 2022. Three of these new strains have been approved for product listing in Q1 of 2022, significantly expanding the Company's product portfolio.

- Flowr successfully introduced a new format of pre-rolls trademarked Dogwalkers which started delivery in Q4 2021. These 0.35g pre-rolls are packaged in an innovative tin pack of seven pre-rolls and have been listed in British Columbia, Alberta, and Ontario.

- Our latest strain release, BC Strawnana, is now listed in Ontario, British Columbia, Alberta, and Saskatchewan. BC Strawnana is a high THC strain (>25%) that is showing excellent sales momentum.

- Holigen has now received a total of 6,500 clones of Strawnana, Black Cherry Punch, and Pink Kush, all imported from Flowr's K1 Facility, at its E.U. GMP facility in Sintra, Portugal. Additional clones of Cookies genetics are also in the process of being imported to Sintra from Canada. The Sintra facility is expected to be operating at full capacity in early 2022.

- As announced previously, in August 2021 Holigen, through its wholly-owned subsidiary, RPK entered into a series of agreements (the "Licensing Agreements") with Cookies Creative Consulting and Promotions Inc. ("Cookies") whereby RPK will be cultivating and distributing Cookies products in Portugal from its E.U. GMP facility in Sintra. Pursuant to the terms of the Licensing Agreements, RPK will cultivate and have the exclusive rights to sell Cookies branded products, including non-cannabis merchandise, in Portugal for three years subject to certain milestone commitments. Flowr has commenced the process of importing the Cookies branded genetics from Canada into Portugal and expects to be able to commence commercial production by year-end. Cookies will consult with Flowr on the development of a medical retail distribution strategy in Portugal through the country's existing pharmacy networks and the design of up to three proprietary retail pharmacy outlets in the country.

Other Updates

- On July 28, 2021, Flowr announced that Holigen entered into a medical cannabis supply agreement (the "Supply Agreement") with Galaxiavertical - Unipessoal Lda. ("Galaxia"). Pursuant to the terms of the Supply Agreement, Galaxia has agreed to purchase from RPK the high-THC medical cannabis biomass produced from the Aljustrel site in 2020 at an aggregate price of approximately $750,000 (€500,000). This Supply Agreement represents the largest bulk medical cannabis sale in Portugal to date.

- During Q3 2021 Flowr closed two private placement financings for total gross proceeds of $7,564,000 and issued 36,019,047 units ("Units") of the Company at a price of $0.21 per Unit, with each Unit consisting of one Common Share and one Common Share purchase warrant which entitles the warrant holder thereof to acquire one Common Share at an exercise price of $0.26 per share any time for a period of 42 months from the closing date.

- During Q3 2021, Flowr made an early principal repayment of $7.5 million towards its senior amended and restated credit agreement ("ARCA") with a syndicate of lenders led by ATB Financial ("ATB Financial"). Furthermore, the ARCA was amended allowing Flowr to additional flexibility to issue equity capital and to enter into financings arrangements with respect to Holigen. Following the $7.5 million repayment, the principal amount outstanding under the ARCA as at September was reduced to approximately $9.3 million.

- On August 6, 2021, the Company announced that Ryan Roebuck joined the Board of Directors of the Company, replacing Michael Galego who stepped down as a director but will retain certain observer rights on the Board of Directors. On September 10, 2021, the Company announced that Vincent Gasparro resigned from the Board of Directors.

COVID-19 Pandemic and Operational Management

Since early 2020, the Company has had to adapt its business due to the COVID-19 pandemic. In general, the Company's operating facilities in Kelowna, British Columbia and Sintra and Aljustrel, Portugal, have been less impacted by the COVID-19 pandemic than what has been experienced in the most populous cities in Canada, such as Toronto. The extent and the duration of the lockdowns in Kelowna and Portugal have been less drastic than those seen in Toronto. Further, each of the Company's cultivation sites has implemented robust pandemic measures, including limitations on non-essential travel, increased use of personal protective equipment, social distancing, staggering staffing at our production facilities, non-essential staff have been working from home and contract tracing. Overall, cannabis consumption during the pandemic has not been materially impacted; however, the Company has seen a slower than expected roll-out of retail stores in key urban areas, such as Toronto, due to the pandemic. The Company has also seen human resources impacts relating to the pandemic as a result of restrictions on travel within Canada and abroad. The Company is not eligible for any government financing programs; however, the Company received approximately $2,992 in subsidies from the Canada Emergency Wage Subsidy in 2020 and $239 in subsidies from the same program in 2021.

In the short term, the Company is seeking to mitigate these impacts through taking current conditions into account in preparing its estimates, forecasts and expectations, and through technology-mediated engagement with retailers. The Company continues to monitor developments in order to adapt and respond in order to protect the health and safety of the Company's employees, patients and consumers and the best interests of the Company.

The development and operation of the Company's business is dependent on labour inputs which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on the Company's business, measures taken by the Canadian, Ontario and Quebec governments, and voluntary measures undertaken by the Company with a view to the safety of the Company's employees, may adversely impact the Company's business, for instance by impeding the labour required to cultivate, process, market and distribute the Company's products and disrupting the Company's critical supply chains. All of Flowr's office staff have transitioned to working remotely from home offices, with business continuing to be conducted by telephonic and electronic means. The Company's Kelowna 1 facility has implemented precautionary measures to ensure the safety of the staff and product, including limiting visits to the site to essential personnel only, ensuring proper protocols around sanitation, mask usage and physical distancing, and placing potentially exposed employees in self-quarantine for the appropriate period of time.

Key Financial and Operational Results

The following table summarizes the Company's key financial and operational results:

In thousands of CAD dollars, (except loss per share and grams harvested)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Grams harvested - K1	1,087,657	1,305,311	3,008,380	3,140,979
Grams sold	2,338,769	552,409	5,250,711	1,094,187
Gross revenue	3,564	3,403	10,585	7,375
Net revenue[(1)]	2,541	2,823	8,547	5,913
Cost of sales	7,276	3,935	16,802	8,564
Impairment of inventory	1	1,548	879	2,675
Gross loss before fair value adjustments	(4,736)	(2,660)	(9,134)	(5,326)
Selling and marketing and G&A	3,632	3,563	12,427	14,000
Share-based compensation	418	1,022	(714)	2,624
Restructuring costs	—	—	—	726
Loss from disposal of subsidiary	91	—	1,150	—
Net loss	(9,189)	(10,174)	(25,375)	(28,105)
Basic and diluted loss per share	(0.02)	(0.07)	(0.07)	(0.20)

Revenue and cost of sales from the Company's two segments, Flowr Canada and Holigen, are summarized below:

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Flowr Canada	Holigen	Total	Flowr Canada	Holigen	Total
Revenue	2,334	207	2,541	2,823	-	2,823
Cost of sales						
Production costs	1,946	433	2,379	562	896	1,458
Salaries and benefits	2,463	-	2,463	956	-	956
Share-based compensation	(112)	-	(112)	84	-	84
Depreciation	2,246	300	2,546	891	546	1,437
Total cost of sales	6,543	733	7,276	2,493	1,442	3,935
Impairment of inventory	1	-	1	983	565	1,548
Gross loss before fair value adjustments	(4,210)	(526)	(4,736)	(653)	(2,007)	(2,660)
Gross (loss) profit before non-cash items and fair value adjustments[(1)]	(2,075)	(226)	(2,301)	1,305	(896)	409

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Flowr Canada	Holigen	Total	Flowr Canada	Holigen	Total
Revenue	7,957	590	8,547	5,913	-	5,913
Cost of sales						
Production costs	3,872	1,307	5,179	1,696	816	2,512
Salaries and benefits	5,577	-	5,577	2,293	-	2,293
Share-based compensation	184	-	184	210	-	210
Depreciation	4,954	908	5,862	1,933	1,616	3,549
Total cost of sales	14,587	2,215	16,802	6,132	2,432	8,564
Impairment of inventory	879	-	879	2,110	565	2,675
Gross loss before fair value adjustments	(7,509)	(1,625)	(9,134)	(2,329)	(2,997)	(5,326)
Gross profit (loss) before non-cash items and fair value adjustments[(1)]	(1,492)	(717)	(2,209)	1,924	(816)	1,108

(1) Gross profit before non-cash items and fair value adjustments is a non-IFRS measure and is defined as revenue less production costs and salaries and benefits. Management believes this measure provides useful information as it approximates gross margin on cash basis on revenue realized in a period.

Revenue

Net revenue for Q3 2021 was $2,541 compared with $2,823 in Q3 2020. Net revenue for nine months ended September 30, 2021 was $8,547 compared with $5,913 for the nine months of 2020.

During Q3 2021, the Company sold 259,603 grams of retail cannabis products and recorded net revenue of $800, compared with 397,404 grams of retail products sold for net revenue of $2,600 in the same period in 2020. Net revenue from retail products during Q3 2021 was negatively impacted by the higher than expected returns of $669 compared with $38 in Q3 2020. Excluding the effect from the returns, retail sales would have been approximately $1,456. The decrease in revenue from retail sales during Q3 2021 was offset by an increase in revenue from bulk wholesale of cannabis. The Company sold 2,079 kilograms of cannabis and biomass through wholesale channels for net revenue of $1,534 during Q3 2021, compared with 155 kilograms sold for net revenue of $302 for the same period in 2020. The significantly higher volume of cannabis and biomass sold through wholesale channels related primarily to products in inventory that were produced in 2020.

For YTD 2021, Flowr sold 985,228 grams of retail cannabis products for net revenue of $5,442, compared with 831,910 grams of retail products sold for $5,544 in the same period of 2020. For YTD 2021, the Company sold 4,265 kg of cannabis through bulk wholesale for net revenue of $2,515, compared with 262 kg sold for net revenue of $672 in the same period of 2020.

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Grams	Net Sales ($,000)	Avg Price ($/g)	Grams	Net Sales ($,000)	Avg Price ($/g)
Retail cannabis products	259,603	800	$ 3.08	397,404	2,521	$ 6.34
Bulk wholesale	2,079,166	1,534	$ 0.76	155,005	302	$ 1.95
Total	2,338,769	2,334	$ 1.01	552,409	2,823	$ 5.11

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Grams	Net Sales ($,000)	Avg Price ($/g)	Grams	Net Sales ($,000)	Avg Price ($/g)
Retail cannabis products	985,228	5,442	$ 5.52	831,910	5,544	$ 6.30
Bulk wholesale	4,265,484	2,515	$ 0.59	262,277	672	$ 2.56
Total	5,250,711	7,957	$ 1.52	1,094,187	6,216	$ 5.40

Net revenue earned in Portugal through Holigen was $207 during Q3 2021 and $590 for YTD 2021, compared with $nil for the same respective periods in 2020. Revenue earned in Portugal during 2021 related to tolling services provided to third party licensed producers at Holigen's facilities.

Cost of Sales

Cost of sales for Flowr Canada for Q3 2021 was $6,543 compared with $2,494 in Q3 2020, with the increase a direct result of the significantly higher total grams of cannabis sold. During Q3 2021 Flowr sold 2,339 kilograms of cannabis compared with 552 kilograms in the same period of 2020. Cost of sales for Flowr Canada for YTD 2021 was $14,587 compared with $6,132 in the same period of 2020 due to higher total grams of cannabis sold. For

YTD 2021 Flowr Canada sold a total of 5,251 kilograms of cannabis compared with 1,094 kilograms during the same period in 2020.

Cost of sales for Holigen decreased to $733 in Q3 2021 from $1,442 in Q3 2020, due to lower level of operating activities in 2021. Cost of sales for Holigen for YTD 2021 was $2,215 compared with $2,432 for the first nine months of 2020. Cost of sales for Holigen relates to operating costs incurred at the facilities in Portugal.

Gross loss before fair value adjustments for Flowr Canada increased from a loss of $2,660 in Q3 2020 to $4,736 in Q3 2021 as a result of higher grams of cannabis sold as wholesale bulk at lower average prices per gram compared with retail cannabis products. During Q3 2021 Flowr sold 2,079 kilograms of cannabis through bulk wholesale channels, consisting mostly of products in inventory that were produced in 2020. Gross loss before fair value adjustments for Flowr Canada for YTD 2021 increased from a loss of $5,326 in the first nine months of 2020 to $9,134 in 2021, with the increase primarily a result of higher grams of cannabis sold through bulk wholesale at lower average prices per gram compared with retail cannabis products.

Selling and Marketing, General and Administrative ("SG&A")

SG&A expenses in Q3 2021 totaled $3,632 compared with $3,563 in Q3 2020, as a result of an increase in selling and marketing expenses offset by a decrease in G&A expenses. SG&A expenses for YTD 2021 decreased to $12,427 from $14,000 for the same period of 2020. SG&A expenses have decreased in four consecutive quarters as a result of the cost reduction measures undertaken by the Company in late 2020 and early 2021.

Adjusted EBITDA (Non-IFRS Measure)

Adjusted EBITDA is defined as net loss, plus (minus) income taxes (recovery), plus (minus) interest income (expense) including finance costs, plus depreciation and amortization, plus share-based compensation, plus (minus) non-cash fair value adjustments on biological assets and inventory sold, plus restructuring and transaction costs, plus (minus) loss (gain) on investments and plus (minus) unusual or non-recurring items. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash used by operations.

In thousands of CAD dollars	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Loss before taxes	(9,374)	(10,427)	(25,907)	(30,113)
Depreciation and amortization	3,580	1,812	9,054	4,583
Unrealized losses on fair value adjustments of biological assets	285	2,733	2,809	6,578
Fair value adjustments on inventory sold	(1,808)	(196)	(5,329)	(907)
Share-based compensation	306	1,106	(530)	2,834
Severance costs	—	—	1,181	—
Restructuring costs	—	—	—	726
Unrealized (gain) loss on fair value of investments held in shares	—	105	—	103
Unrealized loss on valuation of warrant investment	—	—	—	39
Loss on disposal of subsidiary	91	—	1,150	—
Gain on sublease	—	—	(169)	—
Finance costs	887	1,384	2,474	2,885
Interest expense	(1)	—	8	(15)
Other	118	—	355	—
Adjusted EBITDA	(5,916)	(3,483)	(14,904)	(13,287)

Summary of Quarterly Results

In thousands of CAD dollars	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019
Gross revenue	3,564	2,406	4,615	2,066	3,403	2,960	1,012	1,589	2,129
Net revenue	2,541	2,172	3,834	1,600	2,823	2,314	776	51	1,344
Net loss	(9,189)	(7,484)	(8,702)	(99,750)	(10,174)	(5,438)	(12,492)	(26,996)	(14,984)
Net loss attributable to:									
Common and preferred shareholders	(8,774)	(7,204)	(8,277)	(100,454)	(9,717)	(4,886)	(10,564)	(22,050)	(15,145)
Non-controlling interest	(415)	(280)	(425)	704	(457)	(552)	(1,928)	(4,946)	161
Basic and diluted EPS attributable common and preferred shareholders of the Company	(0.02)	(0.02)	(0.02)	(0.62)	(0.07)	(0.04)	(0.09)	(0.21)	(0.12)

Q3-2019 EPS was updated to reflect the revised calculation resulting from the finalized acquisition accounting for Holigen.

Liquidity and Capital Resources

Liquidity

The main sources of liquidity are the Company's cash and cash equivalents, other working capital, debt, and equity issuances. As at September 30, 2021, cash and cash equivalents were $7,945 compared to $20,774 at December 31, 2020. Working capital was $11,263 compared to $12,794 at December 31, 2020, calculated as total current assets less total current liabilities.

As at September 30, 2021 and December 31, 2020, the Company had $4,966 principal amount of subordinated secured convertible debentures outstanding. The debentures bear interest at 10% per annum from the closing date of April 27, 2020, calculated semi-annually in arrears on June 30 and December 31 of each year, with the last interest payment to be paid on the fourth anniversary of April 27, 2024. Subject to the Exchange's approval, interest will be paid annual in kind through the issuance of common shares based on the spot market price.

The Company also has long-term debts outstanding as at September 30, 2021, as summarized below.

ATB Credit Agreement

The Company is party to a credit agreement (the "ATB Credit Agreement") with a syndicate of lenders led by ATB Financial. In connection with the acquisition of Terrace in December 2020, the Company entered into an ARCA whereby the original financial covenants under the ATB Credit Agreement were replaced with the following financial covenants: (i) to maintain a senior debt to tangible net worth ratio of no greater than 1.3:1; (ii) a minimum cash holding of $3.5 million; and (iii) commencing on the fourth quarter of 2021, the Company must maintain certain quarterly minimum EBITDA balances. In addition, the ARCA allows for the Company to prepay the term facilities issued under the ARCA by $5 million, at which point the EBITDA covenant would be deferred for an additional year and the maturity date would be extended to November 18, 2023. As of September 30, 2021 the Company is in compliance with all credit covenants.

Under the ARCA, the outstanding balance of the loan proceeds bear interest at prime plus 2.75 basis points. The principal repayments under the term facilities issued under the ARCA are quarterly and the remaining principal amount of all loans and all other obligations in connection with such term facilities being repayable on the maturity date being November 18, 2022, with a one-year extension at the discretion of the Company. Interest payments are made on a monthly basis.

On August 6, 2021, the Company entered into an amendment to the ARCA whereby the senior creditors agreed to certain amendments allowing Flowr additional flexibility under the ARCA to issue equity and to enter into financings arrangements with respect to Holigen. The Company also repaid $7.5 million towards the credit facility on August 6, 2021, reducing the principal amount outstanding under the ATB Financial term and operating facilities to approximately $9.8 million.

Flowr had the following outstanding loan principal amounts as of September 30, 2021:

	up to 1 year	1 - 3 years	Total
Loan Commitments in CAD	2,328	6,959	**9,287**

Hawthorne Loan

On January 25, 2018, and as subsequently amended, Hawthorne and Flowr Okanagan entered into an agreement (the "R&D Agreement") to construct KRS and for Flowr Okanagan to provide certain R&D services upon completion of KRS.

Pursuant to the R&D Agreement, the Company owns the land and building comprising KRS and Hawthorne has financed all construction and development costs through a loan to the Company and in return have access to KRS over a 20 year period. The Company provides management and operational services to KRS and retains ownership facility at the end of the 20-year period. In total, Hawthorne loaned the Company $11.5 million in principal amounts for the construction and development of KRS (the "Hawthorne Loan"). Upon the completion of the first floor of KRS in October 2020, the Hawthorne Loan began amortizing through an agreed upon payment schedule over 20 years, including an annual interest rate of 4%. If the R&D Agreement is terminated under certain circumstances, the Company could be required to pay 100% of all amounts advanced by Hawthorne and $1,500 in liquidated damages.

As of September 30, 2021, the principal amount of the Hawthorne Loan was approximately $11 million. The management fees paid by Hawthorne to the Company fully reimburse the Company for all principal and interest payments due pursuant to the Hawthorne Loan.

Upon the official commissioning of R&D Facility in October 2020 Hawthorne began paying the Company a monthly management fee and a monthly SR&ED service fee for overseeing the operations of KRS, which will continue through the 20-year term. In accordance with the R&D Agreement, these fees will completely offset the monthly principal repayments and interest accruals on the Hawthorne Loan over the life of the loan.

In addition to the Hawthorne Loan, on September 30, 2020 the Company entered into an amendment to the R&D Agreement whereby Hawthorne agreed to lend up to $1,300 in additional funding to Flowr at an interest rate of 4% per annum. The funding will be used to fund approved budgeted expenses related to the development of KRS. As of September 30, 2021, total of $1,241 was advanced under the loan.

In addition to KRS, the Company has also granted Hawthorne security over a cash collateral account to a maximum of $2.5 million, which account is only required to be funded at such time that the appraised value of KRS is lower than the amount of the Hawthorne Loan. As at September 30, 2021 and December 31, 2020, the cash collateral account was $nil. The effective interest rate of the loan is 3.39%.

The Company had the following outstanding loan obligations to Hawthorne as of September 30, 2021:

	up to 1 year	1 - 3 years	3 - 5 years	over 5 years	Total
Loan Commitments in CAD	809	2,194	2,194	6,900	**12,097**

Holigen Loans

RPK has entered into several secured term loan agreements with Caixa Central de Crédito Agrícola Mútuo ("Caixa") with respect to the purchase of property, plant, and equipment, with maturities between 2024 and 2026 (the "RPK Loans"). The RPK Loans bear interest at a variable rate of the 12-month EURIBOR rate plus 3% per annum. As at September 30, 2021, a total of €4.1 million in principal amounts has been drawn down on the RPK Loans.

One of the RPK Loans (the "RPK Equipment Loan") has the following covenants: (i) loan to RPK value ratio of less than or equal to 70%; (ii) financial autonomy ratio of 20% or more; and (iii) net debt/EBITDA ratio in RPK of equal or less than four beginning from 2020. As of December 31, 2020, RPK was in breach of the Net Debt/EBITDA ratio for which a waiver was granted to RPK on April 15, 2021 by Caixa. Under the terms of the wavier, Caixa has waived the compliance with the net debt/EBITDA ratio until December 31, 2021, extended the deadline for financial autonomy ratio of less than 20% to September 2021 and extended the loan to RPK value ratio of less 70% to September 2021. As at September 30, 2021, the waiver provided by Caixa for the net debt/EBITDA covenant has a remaining term of less than 12 months, as such the RPK Equipment loan has been classified as a current loan payable in the interim condensed consolidated statements of financial position.

The Company had the following loan principal amounts outstanding related to its Holigen operations as of September 30, 2021:

	up to 1 year	1 - 3 years	3 - 5 years	over 5 years	Total
Loan Commitments in EUR	717	1,778	1,766	—	**4,261**
Loan Commitments in CAD	1,053	2,613	2,597	—	**6,263**

Commitments and Contingencies

Contractual Obligations

The Company's contractual obligations for the period ended September 30, 2021 are set out below:

As at September 30, 2021	Total	Less than 1 year	1-3 years	3 - 5 years	over 5 years
Trade and other payables	**6,819**	6,819	—	—	—
Lease obligations	**12,467**	1,221	2,387	902	7,957
Debt	**15,550**	3,381	9,572	2,597	—
Hawthorne debt	**12,097**	809	2,194	2,194	6,900
Convertible debentures	**4,412**	—	—	4,412	—
Total contractual obligations	51,345	12,230	14,153	10,105	14,857

(1) All interest and principal payments due pursuant to the Hawthorne Loan are reimbursed to the Company by Hawthorne pursuant to monthly management fee payments.

Future minimum payments as at September 30, 2021, under agreements to which the Company is a party are as follows:

In thousands of CAD dollars	Less than 1 year	1- 3 years	3- 5 years	Over 5 years	Total
Purchase obligations	188	—	—	—	188

The Company expects to meet its contractual obligations and commitments.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at September 30, 2021.

Transactions with Related Parties

The Company's related parties as defined by International Accounting Standard 24 "Related Party Disclosures" (IAS 24), include the Company's subsidiaries, executive and non-executive directors, senior officers and key management personnel. Transactions with related parties are measured at fair value, which in all cases are equivalent to the exchange amounts being the amount of consideration established and agreed upon by the related parties. All related party transactions entered into by the Company are in the normal course of business and have been approved by the Board of Directors of the Company and/or shareholders of the Company as required. Refer to Note 13 of the condensed interim consolidated financial statements for the period ended September 30, 2021 for details on related party transactions.

Risk Management

The Company's exposure to financial instruments includes, but is not limited to, the following risks:

Market risk

Market risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market conditions. The Company operates in an industry regulated by Health Canada and other regulatory authorities in Portugal. Changes in legislation could have a significant impact on the Company's operations.

Interest rate risk

Interest rate risk primarily arises from floating rate borrowing, including various revolving and other lines of credit. A ten-percentage change in the floating interest rates does not have a material impact on the condensed interim consolidated statement of loss and comprehensive loss. Certain borrowings are also transacted at fixed interest rates. The Company has an agreement with ATB that requires the Company to enter into interest rate swap contracts on 25% of its outstanding loan with ATB. On September 30, 2021, the Company entered into an interest rate swap contract on a notional amount of $4,363 with ATB whereby the Company has a fixed interest rate of 1% per annum and ATB has a floating interest rate based on benchmark bankers' acceptance. The swap contract has a three-month term and is settled monthly. The termination date of the agreement is November 18, 2022.

Foreign currency risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are, therefore, subject to currency transaction and translation risks.

The Company's main risk is associated with fluctuations in Euros and U.S. dollars. The Company holds cash in Canadian dollars, U.S. dollars and Euros. Assets and liabilities are translated based on the Company's foreign currency translation policy. The Company has determined that as at September 30, 2021, the effect of a 10% increase or decrease in Euros and U.S. dollars against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of approximately $3,216 (December 31, 2020 – $10,190) to net loss and $553 (September 30, 2020 – $925) to comprehensive loss for the period ended September 30, 2021.

As at September 30, 2021, the Company has not entered into any hedging agreements to mitigate currency risks, with respect to foreign exchange rates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not significantly exposed to other price risk with respect to its financial instruments, as their fair values and future cash flows are not impacted materially by fluctuations in market prices.

Credit Risk

The exposure to credit risk arises through the potential failure of a customer or another third party to meet its contractual obligations to the Company. As at September 30, 2021, the Company had amounts receivable of $3,028 (December 31, 2020 - $2,516). The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. The Company is not significantly exposed to credit risk as the accounts receivables are primarily due from provincial government organizations and overall amounts receivable comprise 2.5% (December 31, 2020 – 1.4%) of the Company's total assets. All cash is held with highly rated financial institutions and associated risks are considered nominal.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company relies on the cash flows generated from its operations, retained cash balances, available lines of credit under its loan facilities and its ability to raise debt and equity from the capital markets to fund its operating, investment, commitments and other liquidity needs. To reduce these risks, the Company: (i) prepares regular cash flow forecasts to monitor its capital requirements and available liquidity (ii) strives to maintain a prudent capital structure that is comprised primarily of equity and debt financing; and (iii) targets a minimum level of liquidity comprised of surplus cash balances to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavorable.

Refer to Commitments and Contingencies section for a summary of the maturity profile of the Company's financial liabilities based on contractual discounted payments.

Capital Risk Management

The Company considers its capital to be its equity. The Company's objective for capital management is to: (i) maintain sufficient levels of liquidity to fund and support its capital projects and operating activities; and (ii) maintain a strong financial position to ensure it has ready access to debt and equity markets to supplement free cash flow being invested in its growth projects. The Company monitors its financial position and the potential impact of adverse market conditions on an ongoing basis. The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. The Company's funding strategy is to maintain a capital structure comprised primarily of cash sourced from equity and debt offerings and net earnings generated from its operations. In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company's operations during the period ended September 30, 2021. The production and sale of cannabis have been recognized as essential services across Canada. The Company is continuously monitoring the impact of the COVID-19 pandemic on market conditions and will adjust its capital structure strategy accordingly.

Share Capital Information

As at the date of this MD&A, the number of Common Shares of the Company and other securities of the Company exercisable for Common Shares of the Company that are outstanding are as follows:

Securities	Common shares on exercise
Common shares	401,454,246
Flowr ULC class A preferred shares (convertible into common shares)*	41,598,000
Convertible debenture (share equivalent)	8,562,069
Warrants	108,216,743
Stock options	13,577,712
Restricted share units	2,120,439
Fully diluted share capital	575,529,209

**The Flowr ULC class A preferred shares are issued and outstanding in the Flowr ULC and convertible into Common Shares of the Company at the election of the holder and no cost to the holder.*

Disclosure Controls and Procedures

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of 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 is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's accounting policies.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Forward-looking Information, Risks and Uncertainties

Certain statements contained in this MDA constitute "forward-looking information" within the meaning of applicable Canadian securities laws, which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Statements concerning the Company's objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, future financial performance and condition of the Company is forward-looking information. The words "believe", "expect", "anticipate", "estimate", "intend", "may", "will", "would" and similar expressions, including the negative and grammatical variations of such expressions, are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking information. In addition, this MD&A, may contain forward-looking information attributed to third-party industry sources.

By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and projections that constitute forward-looking information will not occur. Such forward-looking information in this MD&A speaks only as of the date of this MD&A. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to:

- the performance of the Company's business and operations;

- the Company's strategies with respect to growing premium cannabis, attaining certain International Council for Harmonisation's good manufacturing practices standards ("GMP") and manufacturing certifications and enforcing certain protocols;
- the Company's capital expenditure programs;
- the future development of the Company, its growth strategy and the timing thereof;
- the acquisition strategy of the Company;
- the estimated future contractual obligations of the Company;
- the Company's future liquidity and financial capacity including its ability to satisfy financial obligations in future periods;
- expectations regarding the Company's ability to raise capital;
- Flowr having access to the additional financing as permitted under the ARCA;
- the supply and demand for cannabis products and services similar to the Company's products and services;
- cost and/or pricing of the Company's products;
- the ability to establish and market the Company's brands within its targeted markets;
- the launch of new product offerings and that such product offerings will meet expectations of cannabis consumers;
- the ability of Flowr to produce new product offerings that will deliver a customer experience including tastes and aroma;
- the experience and skill set of Flowr's management and directors;
- the retention of key personnel of the Company;
- the Company's treatment under government regulatory and taxation regimes;
- the acquisition of Holigen representing a stepping stone for Flowr's global cannabis strategy;
- licensing with respect to the Company's property and facilities;
- Certification of Flowr's facilities by the applicable regulatory authorities.
- KRS advancing cannabis cultivation techniques and systems;

- KRS being North America's first dedicated cannabis R&D facility focused on cultivation techniques and systems including growth media, nutrient formulations, irrigation and lighting systems, plant genetics and integrated growing systems;
- the Shoppers Drug Mart ("Shoppers") supply agreement increasing sales for Flowr;
- the Company's ability to bring new strains to market:
- foreign exchange fluctuations;
- the Company's international focus on construction of indoor and outdoor cultivation and processing facilities; and
- the Company's net sales of all or any one of its products.
- the actual costs of savings from the Company's restructuring initiatives, including with respect to its workforce;
- the Company's automated packing line driving operating efficiencies;

With respect to the forward-looking information contained in this MD&A, the Company has made certain assumptions and such forward-looking information is subject to certain risks, including, without limitation, the following risks and assumptions:

- the ability to develop and market future products;
- timing to launch new products;
- cost to develop and/or manufacture products;
- operating cost estimates and yield trends for the Company;
- the duration and extent of the impact of COVID-19;
- inventory levels;
- pricing for the Company's products;
- future market demand/trends;
- gross profitability for products;
- the ability of the Company to comply with its contractual obligations;
- the successful sale of products to third parties on terms favorable to the Company;
- the ability of the Company to maintain key strategic alliances, and licensing and partnering arrangements, now and in the future;

- the ability of the Company to maintain its distribution networks and distribute its products effectively despite significant geographical expansion;

- the cannabis regulatory environment in which the Company operate, including the areas of taxation, environmental protection, consumer safety and health regulation;

- the timely receipt of any required regulatory approvals;

- the ability of the Company to maintain and/or acquire regulatory licenses and remain in compliance with applicable regulations;

- the general economic, financial, market and political conditions impacting the industry in which the Company operates;

- the tax treatment of the Company and its subsidiaries and the materiality of legal proceedings;

- the ability of the Company to achieve or increase profitability, fund its operations with existing capital, and/or raise additional capital to fund future acquisitions and/or development, including construction and licensing of the facilities of the Company;

- the ability of the Company to acquire any necessary technology, products or businesses and effectively integrate such acquisitions;

- reliance on third-party suppliers to supply the Company with products required for their respective businesses on favourable terms;

- the ability of the Company to generate sufficient cash flow from operations;

- the availability of raw materials and finished products necessary for the Company's products;

- the impact of increasing competition;

- the ability of the Company to obtain and retain qualified staff, equipment and services in a timely and efficient manner;

- the ability of the Company to maintain and enforce the protection afforded by trade secrets or other intellectual property rights;

- the ability of the Company to conduct operations in a safe, efficient and effective manner;

- the ability of the Company to achieve lender financial covenants;

- the results of continuing and future safety and efficacy studies by industry and government agencies related to the Company's products; and

- the ability of the Company to successfully market its products and services.

- KRS not being North America's first dedicated cannabis research and development facility focused on cultivation techniques and systems, and thus not providing the Company with an advantage on various R&D activities described herein;

- Flowr's focus on research and development to breed specific cannabis varieties to identify unique characteristics not improving and differentiating Flowr's final products;

- the actual costs of savings from the Company's restructuring initiatives, including with respect to its workforce, not materializing and thus putting further strain on the Company's financial resources;

- the tax treatment of the Company and the materiality of legal proceedings;

- the commercial and production impact of COVID-19 or any future pandemics;

Forward-looking information contained in this MD&A is based on the key assumptions described herein. Readers are cautioned that such assumptions, although considered reasonable by the Company, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided in this MD&A as a result of numerous known and unknown risks and uncertainties and other factors. The Company cannot guarantee future results.

Risks related to forward-looking information include those risks referenced herein and in the Company's other filings with the Canadian Securities Regulators. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to, the risk factors described above and included under the heading "*Risk Factors*" in the AIF.

Forward-looking information contained in this MD&A is based on the Company's current plans, expectations, estimates, projections, beliefs and opinions and the assumptions relating to those plans, expectations, estimates, projections, beliefs and opinions may change. Management has included the summary of assumptions and risks related to forward-looking information included in this MD&A for the purpose of assisting the reader in understanding management's current views regarding those future outcomes. Readers are cautioned that this information may not be appropriate for other purposes. Readers are cautioned that the lists of assumptions and risk factors contained herein are not exhaustive. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of the forward-looking information contained herein.

Such forward-looking information is made as of the date of this MD&A and the Company disclaims any intention or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

All of the forward-looking information made in this MD&A are expressly qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, any forward-looking information in this MD&A, and, accordingly, investors should not place undue reliance on any such forward-looking information. New factors emerge from time to time and the importance of current factors may change from time to time and it is not possible for the Company's management to predict all of such factors, or changes in such factors, or to assess in advance the impact of each such factors on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information contained in this MD&A.

Other Disclosures

Trademarks

This MD&A includes trademarks that are protected under applicable intellectual property laws and are the property of the Company or its affiliates or licensors. Solely for convenience, the trademarks of the Company or its affiliates and/or licensors referred to in this MD&A may appear with or without the ® or ™ symbol, but such references or the absence thereof are not intended to indicate, in any way, that the Company or its affiliates or licensors will not assert, to the fullest extent under applicable law, their respective rights to these trademarks. Any other trademarks used in this MD&A are the property of their respective owners.

Market Data

This MD&A contains certain statistical data, market research and industry forecasts that were obtained, unless otherwise indicated, from independent industry and government publications and reports or are based on estimates derived from such publications and reports and management's knowledge of, and experience in, the markets in which the Company operates. Industry and government publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While the Company believes this data to be reliable, market and industry data is subject to variation and cannot be verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified the accuracy or completeness of such information contained herein. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those risk factors described above and in the AIF.