(TSX: LABS)

MEDIPHARM LABS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

May 17, 2021

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and performance of MediPharm Labs Corp. (the "**Group**") for the three months ended March 31, 2021 was prepared by management as of May 17, 2021. Throughout this MD&A, unless the context indicates or requires otherwise, the terms "the Group", "we", "us" and "our" mean MediPharm Labs Corp. and its subsidiaries. This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 (the "**Financial Statements**"), including the accompanying notes.

This MD&A has been prepared with reference to the MD&A disclosure requirements established under National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") of the Canadian Securities Administrators. Additional information regarding the Group, including the Financial Statements and our most recent annual information form dated March 30, 2020 (the "**Annual Information Form**"), is available on the Group's website at www.medipharmlabs.com or the SEDAR website at www.sedar.com.

This MD&A contains commentary from the Group's management regarding the Group's strategy, operating results, financial position and outlook. Our management is responsible for the accuracy, integrity and objectivity of the disclosure contained in this MD&A and develops, maintains and supports the necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

Our board of directors (the "**Board of Directors**") and audit committee (the "**Audit Committee**") provide an oversight role with respect to all Group public financial disclosures. The Board of Directors approved the Financial Statements and MD&A after the completion of its review and recommendation for approval from the Audit Committee, which meets periodically to review all financial reports, prior to filing.

The Financial Statements and accompanying notes were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**") and include the accounts of the Group and its subsidiaries and the Group's interests in affiliated companies. All intercompany balances and transactions have been eliminated on consolidation. All dollar amounts are expressed in thousands of Canadian dollars unless otherwise noted.

The Group also uses certain non-IFRS financial measures to evaluate its performance. These non-IFRS measures include Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA). Non-IFRS measures used in this MD&A are reconciled to, or calculated from, IFRS financial information as discussed further in "Reconciliation of non-IFRS Measures".

In addition to historical information, the discussion in this MD&A contains forward-looking statements. The discussion is qualified in its entirety by the "Cautionary Note Regarding Forward-Looking Statements" that follows.

The Group does not, directly or indirectly, have any business operations in jurisdictions where cannabis is not federally legal, such as the United States.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and forward-looking statements within the meaning of Canadian securities legislation ("forward-looking statements") including but not limited to:

- assumptions and expectations described in the Group's critical accounting policies and estimates;
- the Group's expectations regarding legislation, regulations and licensing related to the import, export, processing and sale of cannabis products by the Group, along with the market demand and pricing for such products;
- the ability to enter and participate in international market opportunities;
- product diversification and future corporate development;
- anticipated results of research and development;
- production capacity expectations including discussions of plans or potential for expansion of capacity at existing or new facilities;
- expectations with respect to future expenditures and capital activities;
- statements about expected use of proceeds from fund raising activities, including the Bought Deal Offering (as defined below); and
- the Group's expectations regarding the adoption and impact of certain accounting pronouncements.

These forward-looking statements are made as of the date of this MD&A and the Group does not intend, and does not assume, any obligation to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Group management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "considers", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved", or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "will", "intends", and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. The Group provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Risks related to forward-looking statements include, among other things, those outlined in "Risk Factors" and any other factors and uncertainties disclosed from time-to-time in the Group's filings with the Canadian Securities Administrators. Although the Group has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

EXECUTIVE SUMMARY

Operational Highlights

The following is a summary of the operational highlights for the three month period ended March 31, 2021.

International Expansion: First shipments were completed in the quarter to STADA in Germany, with additional medical cannabis products to launch in Q2 2021 after we received approval by the Australian Therapeutic Goods Administration to export cannabis oil products to white-label partners in Germany. First shipments of premium, high-THC medical cannabis were also completed to Cann Farm Peru S.A.C, marking our official entry into Latin America with additional sales expected to follow to other countries in the region, pending final import/export permits. In addition, our international footprint grew by forming agreements with Malta-based Pharma MT to supply premium, GMP certified, finished dose cannabis oil and a supply agreement for specially formulated CBD and THC cannabis oil products with Cannim Australia Pty Ltd. As of the date of this MD&A, the Company has entered into over 30 international agreements across 9 countries.

Established Global Pharmaceutical Strategy: During the first quarter, MediPharm expanded its licences, global regulatory authorizations, and product filings with health authorities to allow for future sales into established global pharmaceutical and medical channels.

Increased Domestic Presence: We added to the innovative, pharma-quality family of branded products with the retail introduction of *CBD 100 Ultra Formula Oil*, *THC30 Plus Formula Oil* and *CBN1:2 Nighttime Formula*, the Company's first cannabinoid cannabinol rich formula, which sold out in Ontario in its first few weeks of sales. In addition, we increased new listings and products with the Ontario Cannabis Store and expanded distribution to new retailers. Canadian retail sales reach expanded by entering into a supply agreement with the Société Quebecois Du Cannabis. MediPharm Labs will supply the growing medical and wellness market in Quebec with a variety of cannabis concentrate based products, many which are already available to medical patients and adult-use consumers in 6 other provinces.

Finished Product Sales Growth: International sales increased $1.8 million from Q4 2020 to $2.1 million in Q1 2021. Challenging operating conditions in domestic Canadian retail channels and reduced purchasing measures undertaken by the provincial inventory management due to the pandemic, resulted in lower volumes and a $2.4 million, or 40% decrease in revenue from Q4 2020 to $3.4 million in Q1 2021. In total, revenue in the quarter was $5.5 million, a 9% decrease from Q4 2020, but with a stronger mix or revenue due to increased international revenue offsetting a decrease in Canadian domestic revenue.

Strong Balance Sheet: During the quarter, we entered into the Bought Deal Offering for aggregate gross proceeds of $33.4 million, and the principal balance outstanding under the Notes is less than $4 million. As at the end of the quarter, the Group maintains $42.1 million in cash and cash equivalents, providing balance sheet strength to support the Company's long-term growth strategy.

Management and Corporate Governance: The Group appointed Greg Hunter as its Chief Financial Officer during the quarter, who brings over 20 years of experience as a business executive who has held various senior finance and leadership roles across multiple industries including health distribution, telecommunications, pharmaceuticals, biotechnology, medical device and consumer packaged goods. In addition, Warren Everitt, CEO, Australia Pacific joined the Group's Board of Directors.

See "Group Overview" for further management's discussion and analysis regarding the operational highlights for the period.

Financial Highlights

The following table is a summary of financial highlights for the three months ended March 31, 2021, December 31, 2020, September 30, 2020, June 30, 2020 and March 31, 2020.

	Three months ended				
	March 31, 2021 $'000s	**December 31, 2020 $'000s**	**September 30, 2020 $'000s**	**June 30, 2020 $'000s**	**March 31, 2020 $'000s**
Revenue	5,495	6,058	4,947	13,918	11,089
Gross profit	(680)	(24,720)	(10,588)	2,212	(10,882)
Gross margin %	(12%)	*(408%)*	*(214%)*	*16%*	*(98%)*
Net income/(loss) before tax	(13,867)	(30,874)	(15,422)	(3,775)	(22,029)
Adjusted EBITDA [(1)]	(6,159)	(8,767)	(7,262)	(2,180)	(5,657)
Adjusted EBITDA margin %	*(112%)*	*(145%)*	*(147%)*	*(16%)*	*(51%)*

- Revenue of $5.5 million in Q1 2021 decreased 9% sequentially over Q4 2020. Revenue in Q1 2021 was negatively impacted by COVID lockdowns and channel inventory reductions at provincial distributors. Q1 2021 revenue included $2.1 million revenue to international customers in Germany, Australia and Peru.

- Gross profit of ($0.68) million and gross margin of (12%) in Q1 2021 improved vs. Q4 2020 because Q4 2020 was impacted by write down of non-current deposits, increased deprecation expense and inventory write down to net realizable value. Q1 2021 margins were negative because of lower production volumes and inventory sold during Q1 was being held at net realizable value.

- Net loss before tax of $13.87 million in Q1 2021 was largely attributable to negative gross margins, operational expenses of $7.2 million and $9.7 million finance expense from the convertible debenture.

- Adjusted EBITDA[(1)] of $6.2 million in Q1 2021 improved $2.6 million vs. Q4 2020 due to improved gross margin and reduced operational expenses.

- Cash and equivalents balance at the end of March 31, 2021 was $42 million.

See "Discussion of Operations" for further discussion and analysis regarding the financial highlights for the periods.

Note:

(1) Adjusted EBITDA is a non-IFRS measure. See "Reconciliation of Non-IFRS Measures" for reconciliation to IFRS measures.

GROUP OVERVIEW

We are a specialized, research-driven cannabis extraction business focused on downstream extraction methodology, distillation, and derivative product development. Our mission is to become a global leader specialized in providing pharmaceutical quality derivative cannabis products and to drive future cannabis product innovation.

Our common shares (the "**Common Shares**") trade on the Toronto Stock Exchange (the "**TSX**") under the symbol "LABS", on the OTCQX in the US under the ticker symbol "MEDIF", and on the Frankfurt Stock Exchange under the ticker symbol "MLZ".

Our operations are currently conducted through wholly owned subsidiaries MediPharm Labs Inc. ("**MediPharm Labs**"), which holds a standard processing licence and research licence under the *Cannabis Act* (Canada) (the "**Cannabis Act**") and MediPharm Labs Australia Pty. Ltd. ("**MediPharm Labs Australia**"), which holds a manufacturing licence under the *Australian Narcotics Drug Act 1967* (the "**Australian Act**") authorizing the manufacture and supply of certain limited cannabis products.

Both MediPharm Labs' Canadian facility and MediPharm Labs Australia's Australian facility hold GMP certifications from the TGA.

Background

MediPharm Labs was founded in 2015 by pharmaceutical and healthcare industry experts. While initially exploring options to cultivate cannabis plants, the founders of MediPharm Labs came to recognize the opportunity for a select focus on cannabis concentrates. Accordingly, MediPharm Labs set out to master this area of production and rely on third-party cultivation experts to provide quality raw materials for its cannabis concentrates.

On January 23, 2017, the Group was incorporated under the *Business Corporations Act* (Ontario) (the "**OBCA**") as "POCML 4 Inc.", under the policies of the TSX Venture Exchange (the "**TSXV**"). On October 1, 2018, MediPharm Labs amalgamated with 2645354 Ontario Inc., a wholly owned subsidiary of the Group. The amalgamation resulted in the reverse take-over of the Group by MediPharm Labs, following which the resulting company continued as "MediPharm Labs Corp".

On October 4, 2018, the Common Shares commenced trading on a post-consolidation basis on the TSXV under the symbol "LABS", and on July 29, 2019, the Group graduated from the TSXV to the TSX.

Business Overview

We specialize in the production of purified, pharmaceutical-quality cannabis oil and concentrates and advanced derivative products utilizing GMP certified facilities and ISO standard built clean rooms. We have invested in an expert, research driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with primary extraction lines and finished formulated products capabilities used to deliver pure, trusted and precisely-dosable cannabis products for our customers. We

formulate, process, package and distribute cannabis extracts and advanced cannabinoid-based products at our Canadian and Australian facilities for domestic and international markets. The Group's mission is to become a leader specialized in providing pharmaceutical quality derivative cannabis products and to drive future cannabis product innovation.

Operations and Facilities

As of the date of this MD&A, our core business generates revenue through three primary activities, being the sale of bulk and consumer packaged cannabis concentrate-based products, contract manufacturing services, and production of finished formulated packaged goods and APIs for sale in Canadian retail markets and globally to large pharmaceutical and new cannabis companies in emerging medical cannabis markets.

MediPharm Labs operates out of a 70,000 sq. ft. Barrie, Ontario facility, which currently runs supercritical CO_2 primary extraction lines for crude resin production, rotary evaporation lines for distillation production and packaging and labelling lines for various finished formulated products. The facility was built to Good Manufacturing Practice ("**GMP**") standards and received its Australian GMP certificate in the third quarter of 2019 and, subject to various third-party audits being scheduled once permissible in the COVID-19 environment, we expect to receive a European GMP certificate in 2021, which will facilitate our entrance into the European market via export[1]. We expect that international sales will ramp-up slowly and incrementally.

On March 29, 2018, MediPharm Labs received its oil production licence (the "**Licence**") pursuant to the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") and became the first company in Canada to receive a production licence for cannabis oil production under the ACMPR without first receiving a cannabis cultivation licence. On October 17, 2018, the Cannabis Act came into force, and MediPharm Labs' Licence was transitioned from a producer's licence under the ACMPR to a standard processing licence under the Cannabis Act and *Cannabis Regulations*. On November 9, 2018, the Licence was amended to permit the sale and distribution of cannabis oil and derivatives to the following authorized classes of purchasers:

- a holder of a licence for processing under the Cannabis Act;
- a holder of a licence for analytical testing under the Cannabis Act;
- a holder of a licence for research under the Cannabis Act;
- a holder of a cannabis drug licence under the Cannabis Act;
- the Minister of Health;
- a person to which an exemption has been granted under section 140 of the Cannabis Act in relation to the cannabis or a class of cannabis that is sold or distributed; or

[1] This statement is based on the following material factors and assumptions: (a) the timely and successful completion of audits that were rescheduled due to COVID-19; (b) the Group assumes the third-party audits will be permissible in a COVID-19 environment in the 2021 calendar year; and (c) the Group assumes that there will be no further delays once the audits are scheduled and the GMP certificate will be successfully issued. The Group clarifies that as of the date hereof, it has not yet completed the aforementioned items. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

- certain individuals who are involved in testing cannabis at laboratories operated by the Government of Canada or accredited laboratories under the *Seeds Act*.

On June 7, 2019, the Licence was further amended to permit the sale of cannabis products to the following authorized classes of purchasers:

- a holder of a licence for sale of medicinal cannabis products under the Cannabis Act; and
- a person authorized to sell cannabis under a provincial Act, such as a provincially authorized retailer or distributor.

On October 21, 2019, MediPharm Labs' Licence was amended to permit the activity of production and sale of additional cannabis products included in the Cannabis Act, including cannabis extracts, cannabis edibles and cannabis topicals.

On October 25, 2019, MediPharm Labs received its research licence under the Cannabis Act. This licence permits MediPharm Labs to conduct controlled human administration trials for sensory testing of cannabis extracts and derivative products at its Barrie facility. Cannabis companies without this licence cannot use sensory experiments with taste, thus limiting their understanding of the taste profile of the raw material, in-process material and consumer products.

On December 21, 2020, MediPharm Labs received a licence under the *Natural Health Products Regulations* (the "**NHP Site Licence**"). The NHP Site Licence gives MediPharm Labs the authorization to manufacture, package and label natural health products in Canada. MediPharm Labs' Barrie site is considered to be in compliance with GMP requirements outlined in Part 3 of the *Natural Health Products Regulations*.

On February 17, 2021, MediPharm Labs received a Cannabis Drug Licence ("**CD Licence**") from Health Canada. The CD Licence allows the Group to manufacture and supply drugs that contain cannabis. These products include pharmaceutical prescription drugs that have been classified as drugs with a Drug Identification Number (DIN). The Group is positioned to supply cannabis based pharmaceutical drugs and APIs to other CD Licence holders and clinical research trials for novel drug discovery.

MediPharm Labs Australia's 10,000 sq. ft. facility is situated in Wonthaggi, Australia and received its Australian Office of Drug Control manufacturing licence (the "**Australian Licence**") under the Australian Act on May 21, 2019 with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin. Products manufactured under the Australian Licence must be only for the purpose of a clinical trial or prescribed as medical cannabis products. The Australian facility was built to the same GMP standards as the Group's Canadian facility and MediPharm Labs Australia has received a GMP certificate under the Australian *Therapeutic Goods Act 1989,* which expanded its domestic manufacturing authorizations.

For sales made by MediPharm Labs in Australia, MediPharm Labs initially sources and processes dried cannabis at our TGA GMP-certified Canadian facility before export of the resulting products to MediPharm Labs Australia. MediPharm Labs Australia then distributes throughout its local, and various accessible international markets. MediPharm Labs Australia has also entered into several agreements with Australian licenced cultivators with respect to the supply of dried cannabis flower, and a manufacturing agreement with respect to the production of cannabis oil and manufactured products. MediPharm Labs Australia commenced shipment of finished formulated products in the second quarter of 2020.

The statements regarding intended expansions, exports, distributions and GMP certifications are forward-looking statements. The current term of the Licence and Australian Licence end on September 29, 2021 and November 21, 2021, respectively. It is anticipated by our management that Health Canada and the Australian Office of Drug Control will extend or renew the Licence and the Australian Licence, as applicable, at the end of or prior to the end of their respective terms[2]. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Product Manufacturing and Sales

The Group processes its inventory of dried cannabis and sells both the resulting bulk cannabis concentrates and finished formulated products. Finished formulated products are sold both under the MediPharm family of brands, and customer brands through white label and contract manufacturing arrangements. Customers that do not hold a requisite Cannabis Act or other licence, rely on the Group for the complete manufacturing and distribution of the branded product. Customers that hold their own licence may directly purchase the finished or partially finished products from the Group to manage the remaining portion of the manufacturing and/or supply chain themselves and the Group would typically receive a fee per unit shipped under that arrangement. Going forward, the Group expects to increase the breadth (product formats) and depth (stock keeping units ("**SKUs**") per product format) of finished formulated product capabilities.

We commenced shipping initial white label vape products in December 2019, and as at the date of this MD&A are currently shipping several product formats (being formulated cannabis oil bottles, topicals, disposable vaporizer pens and vaporizer cartridges) and SKUs direct to authorized distributors or our B2B customers.

Historically, we realized the majority of our revenue from product sales through long-term and spot sales of bulk crude resin and distillate. Purchasers are then responsible for their own formulation, packaging and distribution of the final cannabis products, most typically to their own medicinal clients or provincially authorized retail distributors. During the fourth quarter of 2019 the expansion in the Canadian market for bulk concentrates seen in the ramp up to Cannabis 2.0 legalization began to slow, which resulted in smaller volumes being sold pursuant to long-term contracts and a preference for spot deals (which saw pricing pressure) as opposed to new long-term contracts from our domestic customers. We believe these trends reflect the ongoing supply and demand imbalance in the Canadian market for bulk crude and distillate, given the slower than expected roll-out of cannabis retail channels, licensing of new and specialized Cannabis 2.0 businesses, and conversion of bulk concentrates inventory into further value added goods by

[2] This statement is based on the following material factors and assumptions: (a) the Group assumes that it will receive a compliant rating from Health Canada and that both Health Canada and the Australian Office of Drug Control will renew the Licence and Australian Licence, respectively; and (b) the Group assumes that it will continue to be in compliance with the relevant regulatory frameworks, guidelines, and requirements of Health Canada and the Australian Office of Drug Control. The Group clarifies that as of the date hereof, it has received compliant ratings from Health Canada but cannot guarantee that there will not be issues with compliance inspections that may arise in the future. Such statements are informed by, among other things, regulatory guidelines for receiving and maintaining the Licence and Australian Licence. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

existing domestic market participants; trends which have all been exacerbated by the by the global COVID-19 pandemic which has increased uncertainty and disruptions for current and potential B2B customers.

New Product Offerings and Research & Development (R&D)

During Q1 2021, we continued to move up the value chain from primary extraction to the roll-out of commercial scale distillation and finished formulated products. We intend to continue developing our valued-added product line, including additional bulk and finished product categories.

We have successfully completed the manufacturing of specific cannabinoids at our facility, with the intention to commercialize some of these actives in future quarters. Such isolated minor cannabinoids are intended to form part of both our bulk and finished formulated products offerings.

In the form of final dose products in Q1 we launched new products in formulations with cannabinol ("**CBN**") and delivery methods with topical gels and creams. R&D has been completed to prepare for the near-term launch of CBN and CBD vape products, THC-free CBD oil and additional cannabis wellness oils.

Additional process development and validation was completed to ensure our Canadian products are eligible for GMP distribution globally.

The planned development and licencing of new product lines and capabilities and commercialization of R&D are forward-looking statements. See "Cautionary Note Regarding Forward Looking Statements" and "Risk Factors", including "Realization of Growth Targets", "Reliance on Licenses and Authorizations" and "Research and Development".

Highlights for the Three Months Ended March 31, 2021

During the three-month period ended March 31, 2021, we saw the following business developments:

Convertible Note Accelerations

On June 8, 2020, the Group closed a private placement with an institutional investor (the "**Investor**") for gross proceeds of $37.8 million through the issuance of (the "**2020 Private Placement**"): (i) a $20.5 million senior unsecured convertible note (the "**First Note**"); (ii) a warrant to purchase up to 3,601,427 Common Shares (the "**First Warrant**"), and (ii) a subscription receipt (the "**Subscription Receipt**") entitling the holder to receive, upon satisfaction of certain escrow release conditions, a further $20.5 million senior unsecured convertible note (the "**Second Note**" and, together with the First Note, collectively, the "**Notes**") and a further warrant (the "**Second Warrant**") to purchase up to an additional 3,601,427 Common Shares. On August 6, 2020, the escrow release conditions were satisfied, and the Subscription Receipt was exchanged for the Second Note and Second Warrant.

The principal amount of the Notes is convertible into Common Shares at the option of the holder at a conversion price of $2.28 per share, subject to adjustments in certain circumstances, with an initial maturity date of June 8, 2023 (the "**Maturity Date**"). The Notes amortize through bi-monthly installment payments payable on the first and tenth business day of each calendar month prior to the Maturity Date (the "**Bi-Monthly Installment Payments**"), which commenced in October 2020, and ending on the Maturity Date (each, an "**Installment Date**"). During the interim period between Installment Dates, the holder of the

(All dollar amounts are expressed in thousands of Canadian dollars (C$'000s) unless otherwise stated.)

Notes has the option to convert installment amounts (each, an "**Acceleration**"), in whole or in part at an installment conversion price calculated in accordance with the terms of the Notes.

The following table summarizes each Acceleration that has occurred subsequent to the year ended December 31, 2020:

Date of Conversion Notice	Principal Converted – First Note	Principal Converted – Second Note	Installment Conversion Price	Number of Common Shares issued
January 4, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
January 6, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
January 7, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
January 8, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
January 11, 2021	$966,796.89	$966,796.89	$0.4434	4,360,836
January 13, 2021	$3,867,187.56	$3,867,187.56	$0.4434	17,443,336
January 14, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
February 9, 2021	$1,611,328.15	$1,611,328.15	$0.5702	5,651,800
February 10, 2021	$2,578,125.04	$2,578,125.04	$0.5702	9,042,880
February 11, 2021	$322,265.63	$322,265.63	$0.5702	1,130,360

As at the date of this MD&A, the Group has a contractual cashflow obligation of approximately $3.9 million related to the Notes. The substantial reduction in balance through the quarter has significantly reduced the company's future cash obligations or potential share issuances under the Notes.

Retail Product Developments

On January 11, 2021, the Group announced (i) the shipment of 550,000 product units in Q4 2020; of the units shipped, 100,000 were private label MediPharm Labs SKUs compared to 25,000 SKUs in the third quarter; (ii) the ramped production of six (6) Avicanna RHO Phyto medical formulary products to date, and the expectation that the Group will continue to increase output to support consumer demand and Avicanna's plan to expand RHO Phyto SKUs to ten (10) in 2021[3] (see "Cautionary Note Regarding Forward-Looking

[3] The material factors and assumptions underlying this forward-looking statement are: (a) the Group has assessed the market size and consumer demand for Avicanna products relative to its expectation that there is a demand for increased output; and (b) the Group has a commercial agreement and business terms agreed to in principal for provincial domestic distribution of the product, whereby the Group assumes that any third-party obligations and deliverables will be performed and/or fulfilled in a timely and

Statements" and "Risk Factors"); and (iii) the commencement of a supply agreement between the Group and Nova Scotia Liquor Corporation during Q4 2020, and the shipment of initial orders to Nova Scotia.

On March 26, 2021, the Group announced a further expansion of the Group's family of branded products with the retail introduction of CBD 100, THC 30 and the Group's first cannabinoid CBN rich formula. These will continue to improve our domestic competitive profile as well as create proof-points critical to our future growth in international pharmaceutical and medical markets.

Warren Everitt Appointed to Board of Directors

On January 15, 2021, Mr. Warren Everitt was appointed to our Board of Directors. Mr. Everitt joined MediPharm Labs in 2017 to establish the Group's presence in the Australian market. As the founding CEO of Australia Pacific, he oversaw all aspects of the build out, start-up and commercialization of the GMP-certified extraction operation in Wonthaggi, Australia including licensing, factory design, finance, sales and marketing. Under his ongoing leadership, MediPharm Labs Australia has developed an impressive customer portfolio in the Asia Pacific and European medical and wellness cannabis markets. Before joining MediPharm Labs first as Managing Director, Australia, and subsequently being appointed CEO Australia Pacific, Mr. Everitt served in progressively more responsible leadership roles at MarketOne International, a global consulting firm specializing in marketing and lead generation. Over eight years, he founded MarketOne's Asia Pacific operations in Melbourne, Singapore, Bangalore and Tokyo that serve some of the world's leading brands. Earlier in his 20-year career he served as a consultant in the UK, Europe, Singapore and Canada and founded a leadership and performance coaching consultancy. He is a graduate of Swinburne University of Technology (Bachelor of Computer Science) and Chisholm Institute in Melbourne. An Australian citizen, he currently resides in Melbourne.

Greg Hunter Appointed CFO

On January 29, 2021, the Group announced that it appointed Mr. Greg Hunter as its Chief Financial Officer effective February 8, 2021. As of such date, Interim CFO Olga Utkutug stepped down. Mr. Hunter brings over 20 years of experience as a business executive holding various senior finance and leadership roles across multiple industries including healthcare distribution, telecommunications, pharmaceuticals, biotechnology, medical device and consumer packaged goods. Mr. Hunter also brings a track record and deep expertise in capital management, audit, compliance, tax, treasury, ERP, manufacturing, contract management and pricing strategy. Most recently, Mr. Hunter was Chief Financial Officer of Medical Pharmacies Group Limited, a leading pharmacy and medical equipment manufacturer and distributor in Canada. Previously in the pharmaceuticals industry, Mr. Hunter held various senior management roles with Baxter International Inc. including serving as CFO of Baxter's Canadian subsidiary. Mr. Hunter also previously held various senior operational and finance roles at Janssen-Ortho Inc., a Johnson and Johnson company.

successful manner and that the third-parties will continue to maintain all necessary licences and approvals necessary to perform their obligations under the agreements. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Cannabis Drug Licence

On February 17, 2021, the Group announced it has received a CD Licence from Health Canada. The CD Licence allows the Group to manufacture and supply drugs that contain cannabis. These products include pharmaceutical prescription drugs that have been classified as drugs with a Drug Identification Number (DIN). The Group is positioned to supply cannabis based pharmaceutical drugs and APIs to other CD Licence holders and clinical research trials for novel drug discovery. The Group will continue to expand its licences, global regulatory authorizations, and product filings with health authorities to allow for future sales into established global pharmaceutical and medical channels.

Bought Deal Offering

On March 1, 2021, the Group announced that it had entered into a bought-deal financing agreement (the "**Bought Deal Offering**") with Cantor Fitzgerald Canada Corporation ("**Cantor**"), as lead underwriter and sole bookrunner on behalf of a syndicate of underwriters (the "**Underwriters**"), to purchase 34,500,000 units of the Group (the "**Units**") on a bought deal basis at a price of $0.58 per Unit (the "**Issue Price**") for gross proceeds of $20.01 million. Each Unit is comprised of one common share in the capital of the Group (each, a "**Common Share**") and one Common Share purchase Warrant (each, a "**Warrant**"). Each Warrant shall be exercisable to acquire one Common Share at an exercise price of $0.70 per Common Share for a period of 24 months from the closing date of the Bought Deal Offering.

On March 2, 2021, the Group announced that it had entered into a revised agreement with Cantor to increase the size of its previously announced Bought Deal Offering, pursuant to which the Underwriters agreed to purchase 50,000,000 Units of the Group at the Issue Price for aggregate gross proceeds of $29 million.

On March 5, 2021 the Group announced that the Underwriters had exercised their option to purchase an additional 7,500,000 Units to increase the size of the previously announced Bought Deal Offering to an aggregate of 57,500,000 Units of the Group for aggregate gross proceeds of $33.4 million.

This additional capital is critical to creating a longer runway to deliver our international pharmaceutical and medical strategy.

Cannim Australia Agreement

On March 8, 2021, the Group announced that MediPharm Labs Australia has entered into a new GMP white-label supply and contract manufacturing agreement with Cannim Australia Pty Ltd. The Group also announced it has commenced registrations for the launch of over-the-counter products in Australia in 2021. Under the three-year agreement, with options to extend, MediPharm Labs Australia will supply a full range of specially formulated CBD and THC cannabis oil products that will be sold initially under Cannim's Lumir brand. MediPharm Labs Australia will also provide Cannim with contract manufacturing with their starting material.

Société Quebecois Du Cannabis Agreement

On March 9, 2021, the Group announced that it has entered into a supply agreement with the Société Quebecois Du Cannabis. MediPharm Labs will supply the growing medical and wellness market in Quebec

with a variety of cannabis concentrate based products from its growing portfolio of proprietary and high demand formulations, many which are already available to medical patients and adult-use consumers in 6 other provinces.

Subsequent Events

Subsequent to the three months ended March 31, 2021, the following Group developments also occurred:

International Supply Agreements

On April 1, 2021, the Group announced that STADA Arzneimittel AG ("**STADA**"), and MediPharm Labs, under an exclusive, turnkey supply agreement, have commenced sales in Germany. As a result, patients in Germany are now able to access GMP-certified quality medical cannabis from STADA through local pharmacies under the brand – CannabiSTADA, distributed through STADAPHARM, a direct subsidiary of STADA. At full launch in 2021, MediPharm Labs will provide STADA with eight differentiated products including three specialized cannabis extract formulations with different THC and CBD concentrations.

On April 6, 2021, the Group announced that it has exported its first shipment of cannabis oil products, approved by the Australian TGA, to Germany. As a result, patients in Germany are now able to access GMP-certified quality medical cannabis through MediPharm Labs German distribution partners.

On April 8, 2021, the Group announced that its wholly owned subsidiary, MediPharm Labs Inc., completed its first shipment of premium, formulated cannabis oil to its customer Cann Farm Peru S.A.C., a Lima-based producer and distributor serving Peruvian and other markets in Latin America. MediPharm Labs pre-formulated cannabis concentrate will be distributed to patients through compounding pharmacies in Peru that will complete final formulation and fill to exact prescription specification.

On April 26, 2021, the Group announced that it has signed a new agreement with MT Pharma, based in Malta to supply premium, GMP certified, finished dose cannabis oil for patients. Under MedPharm Labs Australia Pty. Ltd.'s two year-agreement, subject to further renewals, with MT Pharma, MediPharm Labs will provide pre-formulated GMP certified full spectrum cannabis concentrates that will be distributed to patients through pharmacies that will complete final formulation and fill.

DISCUSSION OF OPERATIONS

Overview

Revenue

As of the date of this MD&A, our core business generates revenue through three primary activities, being the sale of bulk and consumer packaged cannabis concentrate-based products, contract manufacturing services, and production of finished formulated packaged goods and APIs for sale in Canadian retail markets and globally to large pharmaceutical and new cannabis companies in emerging medical cannabis markets.

Cost of Sales

Cost of sales reflects the cost to extract and process the cannabis concentrates as well as the management of product throughput and inventory levels. Cost of sales includes the purchase of material and services such as the purchase of dried cannabis, freight expenses, sub-contractors (including related to GMP audits), employee wages and benefit costs, and other operating expenses such as repairs and maintenance, plant overhead, as well as depreciation and any write-downs of inventory and manufacturing equipment.

Gross Profit

Gross profit is calculated by deducting the cost of sales from revenue. The Group continues to refine its production processes and methodologies, and sell through historically acquired higher priced raw materials, and expects to increase production efficiency and gross profit.

Expenses

General administrative expenses include personnel expenses, consulting and professional fees, depreciation and amortization, travel and entertainment expenses, and occupancy cost, filing fees and shareholder communications, and other expenses related to the infrastructure required to support our business.

Marketing and selling expenses include investor relations expenses, advertising and promotion expenses, personnel expenses, travel and entertainment expenses, and other expenses incurred to win new business and retain existing clients.

R&D expenses currently include expenses related to working on new product lines.

Share-based compensation expense includes stock options and RSU's granted.

Other operating expenses include start-up and pre-manufacturing costs of MediPharm Labs Australia incurred prior to the commencement of production (research and development of products, personnel expenses, depreciation, supplies and small equipment, and other) foreign exchange loss, and bank and financial instituion service fees, which are costs that do not depend on sales or production quantities and expected credit loss of accounts receivable.

Included in other operating expenses, are expenses incurred in performing initial product testing and related manufacturing costs, materials and supplies, salaries and benefits, contract research costs, patent procurement costs, and occupancy costs prior to the commencement of operations.

Finance income

Finance income comprises interest income earned on cash balance and short-term investments.

Finance expense

Finance expense comprises finance fees and interest expenses that were incurred on the loans and convertible notes.

Unrealized gain in revaluation of derivative liabilities

Unrealized gain in revaluation of derivative liabilities pertains to the revaluation gain on the warrant derivative liability and the conversion option derivative liability.

Taxation expense

Taxation expense reflects the Group's income tax expense and deferred tax expense or recovery.

Other Comprehensive Income and Loss

Other comprehensive income and loss includes exchange gains and losses on translation of foreign operations. MediPharm Labs is the sole shareholder of subsidiary MediPharm Labs Australia, which has been developing a production facility in Victoria, Australia.

Comparison of Three-month Period Ended March 31, 2021 to 2020

Results of operations for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

	Three months ended March 31		Change		
$'000s	**2021**	**2020**	**$**	**%**	**Management Commentary**
Revenue	5,495	11,089	(5,594)	(51%)	The decreasse in sales is due to the decrease in bulk concentrate volumes and was also impacted by COVID lockdowns and channel inventory reductions with provincial distributors.
Cost of sales	(6,175)	(21,971)	15,796	72%	The decrease in cost of sales is driven by a $12.8 million inventory write-down in Q1/20 not occuring in 2021, reduced input costs and general cost reductions.
Gross profit	**(680)**	**(10,882)**	**10,202**	**94%**	See comments above.
General administrative expenses	(4,001)	(5,500)	1,499	27%	Expenses decreased due to lower headcount and completion of ERP implementation.
Marketing and selling expenses	(1,278)	(799)	(479)	(60%)	Expenses increased due to an increase in headcount from investments in sales, marketing and new product development.
R&D expenses	(352)	(1,044)	692	66%	Expenses decaresed from lower new product development costs.
Share-based compensation expenses	(880)	(2,759)	1,879	68%	The expense decreased due to stock option forfeitures

	Three months ended March 31		Change		
$'000s	**2021**	**2020**	**$**	**%**	**Management Commentary**
Other operating income/(expense), net	(724)	(951)	227	24%	Expense changed largely due to foreign exchange rates as a result of Canadian denominated loans to the Australian subsidary.
Operating (loss)/income	**(7,915)**	**(21,935)**	**14,020**	**64%**	See comments above.
Adjusted EBITDA	**(6,159)**	**(5,657)**	**502**	**9%**	Adjusted EBITDA is a non-IFRS measure. See "Reconcilation of non-IFRS Measures" for reconcilation to IFRS measures
Unrealized gain in reevaluation of derivative liabilities	3,720	-	3,720	N/A	The gain in revaluation is due to the fair value change of warrant derivative liability and conversion option derivative liability.
Finance income	57	136	(79)	(58%)	Interest income on cash balances.
Finance expense	(9,729)	(230)	(9,499)	(4,130%)	Finance expense from convertible debenture.
Loss before taxation	**(13,867)**	**(22,029)**	**8,162**	**37%**	See comments above.
Taxation recovery (expense)	**-**	4,666	(4,666)	(100%)	No tax provision of the quarter given the net loss.
Net loss for the period	**(13,867)**	**(17,363)**	**3,496**	**20%**	See comments above.
Attributable to					
- Non controlling interest	**-**	(275)	275	100%	20% interest in the Australian facility was acquired on October 8, 2020. Therefore, no loss was attributed to non-controlling interest for the current period.
- Equity holder of parents	(13,867)	(17,088)	3,221	19%	See comments above.

SUMMARY OF QUARTERLY RESULTS

The following table sets out the Group's selected quarterly consolidated financial information:

	Three months ended			
	March 31 2021 $'000s (Unaudited)	**December 31 2020 $'000s** (Unaudited)	**September 30 2020 $'000s** (Unaudited)	**June 30 2020 $'000s** (Unaudited)
Total revenue	**5,495**	6,058	4,947	13,918
Net (loss)/income attributable to equity holder of parent	**(13,867)**	(30,949)	(14,962)	(3,354)
Basic (loss)/gain per share	**(0.07)**	(0.21)	(0.11)	(0.02)
Diluted (loss)/gain per share	**(0.07)**	(0.21)	(0.11)	(0.02)

	Three months ended			
	March 31 2020 $'000s (Unaudited)	**December 31 2019 $'000s** (Unaudited)	**September 30 2019 $'000s** (Unaudited)	**June 30 2019 $'000s** (Unaudited)
Total revenue	11,089	32,444	43,386	31,472
Net loss attributable to equity holder of parent	(17,088)	(3,221)	3,376	1,999
Basic loss per share	(0.13)	(0.03)	0.03	0.02
Diluted loss per share	(0.13)	(0.02)	0.02	0.01

RECONCILIATION OF NON-IFRS MEASURES

The information presented within this MD&A includes "Adjusted EBITDA", which is not a defined term under IFRS. This non-IFRS financial measure should be read in conjunction with the Financial Statements. See reconciliations below of non-IFRS financial measures to the most directly comparable IFRS measure.

Management believes supplementary financial measures provide useful additional information related to the operating results of the Group. Adjusted EBITDA is used by management to assess financial performance of the business and is a supplement to the Financial Statements. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to using net income as a measure of profitability or as an alternative to the Group's IFRS-based Financial Statements.

Adjusted EBITDA does not have any standardized meaning and the Group's method of calculating Adjusted EBITDA may not be comparable to calculations used by other companies bearing the same description.

Adjusted EBITDA Reconciliation

Adjusted EBITDA is defined as net income (loss) excluding interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, depreciation and amortization, and share-based compensation and other non-cash expenses. Adjusted EBITDA has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, impairment losses on inventory, write down of deposits and share-based compensation. Because of these limitations, Adjusted EBITDA should not be considered as the sole measure of the Group's performance and should not be considered in isolation from, or as a substitute for, analysis of the Group's results as reported under IFRS. Adjusted EBITDA, as used within this MD&A and the Group's disclosure, may not be directly comparable to Adjusted EBITDA used by other reporting issuers.

Adjust EBITDA Margin

Adjusted EBITDA Margin is a profitability ratio that measures how much in earnings a company is generating before interest, taxes, deprecation, and amortization, as a percentage of revenue. Adjusted EBITDA Margin has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, impairment losses on inventory and on fixed assets, write down of deposits and share-based compensation. Because of these limitations, Adjusted EBITDA Margin should not be considered as the sole measure of the Group's performance and should not be considered in isolation from, or as a substitute for, analysis of the Group's results as reported under IFRS. Adjusted EBITDA Margin, as used within this MD&A and the Group's disclosure, may not be directly comparable to Adjusted EBITDA Margin used by other reporting issuers.

The following table reconciles the Group's Adjusted EBITDA and income/(loss) from operations (as reported) for each of the periods presented.

	Three months ended				
	March 31, 2021 $'000s	**December 31, 2020 $'000s**	**September 30, 2020 $'000s**	**June 30, 2020 $'000s**	**March 31, 2020 $'000s**
Income / (loss) from operations - as reported	**(7,915)**	**(29,387)**	**(16,747)**	**(4,507)**	**(21,935)**
Add / (deduct):					
Share-based compensation expense	880	(2,398)	800	1,520	2,759
Depreciation	876	7,192	925	807	708
Write down of inventory to its net realizable value	-	10,693	6,291	-	12,811

	Three months ended				
	March 31, 2021 $'000s	**December 31, 2020 $'000s**	**September 30, 2020 $'000s**	**June 30, 2020 $'000s**	**March 31, 2020 $'000s**
Impairment on fixed assets and intangibles	-	2,042	-	-	-
Restructuring related severance expenses	-	1,433	-	-	-
Write down of non-current deposits	-	1,658	1,469	-	-
Adjusted EBITDA	**(6,159)**	**(8,767)**	**(7,262)**	**(2,180)**	**(5,657)**

CAPITAL STRUCTURE

Outstanding Equity Securities

Common Shares

The Group's authorized capital consists of an unlimited number of Common Shares. As at March 31, 2021, and as at the date of this MD&A, the Group had 257,947,759 Common Shares issued and outstanding.

Dividend Policy

Payment of any future dividends by the Group, if any, will be at the discretion of the Board of Directors after considering many factors, including the Group's operating results, financial condition, and current and anticipated cash needs.

Warrants

On March 5, 2021, the Group closed the Bought Deal Offering with Cantor, as lead underwriter and sole bookrunner on behalf the Underwriters to purchase 57,500,000 Units for aggregate gross proceeds of $33.4 million. Each Unit is comprised of one Common Share and one Warrant. Each Warrant shall be exercisable to acquire one Common Share at an exercise price of $0.70 per Common Share for a period of 24 months from the closing date of the Bought Deal Offering.

As at March 31, 2021 the Group had 57,500,000 Warrants issued and outstanding. Subsequent to March 31, 2021, nil Warrants were exercised resulting in 57,500,000 Warrants remaining outstanding as of the date of this MD&A.

Stock Options

As at March 31, 2021, the Group had 10,714,650 stock options outstanding. During the three months ended March 31, 2021, options to purchase up to 1,720,000 Common Shares were issued, nil options to purchase

(All dollar amounts are expressed in thousands of Canadian dollars (C$'000s) unless otherwise stated.)

Common Shares were exercised, and options to purchase up to 2,202,560 Common Shares were cancelled and/or expired.

On January 28, 2021, the Group issued 630,000 options. On March 15, 2021, 1,090,000 options were issued, and 3,028,942 restricted stock units ("**RSUs**") were granted. The following amount of options and RSUs were granted to key personnel:

Name	Options Granted	RSUs Granted
Greg Hunter	650,000	241,237
Keith Strachan	50,000	235,051
Warren Everitt	50,000	222,680

Subsequent to March 31, 2021, nil options were issued, and 549,200 stock options were cancelled, resulting in 10,165,450 stock options remaining outstanding as of the date of this MD&A.

Subsequent to March 31, 2021, nil RSUs were issued, and 91,546 RSUs were cancelled, resulting in 2,937,396 RSUs remaining outstanding as of the date of this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management's objectives when managing the Group's liquidity and capital structure are to generate sufficient cash to fund the Group's operating and growth strategy. The Group constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion.

As at March 31, 2021, the Group had a positive working capital of $83,718 (December 31, 2020: $57,276). The decrease in working capital was driven primarily by decreased trade payables, inventory and classification of loans from long term to short term.

Management of the Group believes the Group's current resources are sufficient to settle its current liabilities, when considering inventory and trade receivables and the Bought Deal Offering.

The following table presents the net cash flows for each of the periods presented:

	Three months ended March 31			
$'000s	**2021**	**2020**	**Change**	**Management Commentary**
Cash and cash equivalents, beginning of period	19,913	38,627	(18,714)	
Net cash (used in) / provided by operating activities	(5,975)	(15,394)	9,419	Negative cash flow from operating activities mainly due to operating loss.
Net cash (used in) investing activities	(156)	(3,492)	3,336	Lower capital expense in 2021 as majority of the facility construction was completed in 2020
Net cash provided by financing activities	28,439	1,625	26,814	Financing provided by bought deal partially offset by repayment of the convertivle debenture.
Effecet of excahnge rate change on cash and cash equivalents	(97)	-	-	
Cash and cash equivalents, end of period	42,124	21,366	20,758	See comments above.

Contractual Obligations

The Group's contractual obligations as at March 31, 2021 decreased by $27,646 as compared to December 31, 2020 mainly as a result of the convertible debenture. The Group's short-term (less than one year) undiscounted contractual obligations are $16,478 and long-term undiscounted contractual obligations are $161.

Contractual Obligations	**Total**	**Payments due by Period** < 1 year	1-3 years	4-5 years	> 5 years
Convertible debt	3,944	3,944	-	-	-
Lease Liabilities	468	307	108	53	-
Trade and Other Payables	12,227	12,227	-	-	-
Total Contractual Obligations	16,639	16,478	108	53	-

Capital Resources

As of March 31, 2021, the Group does not have any commitments for capital expenditures. The Group currently expects that internally generated cash and cash equivalents, along with the net proceeds of the Bought Deal Offering that closed in March 2021, will be sufficient to maintain its currently planned growth. However, the Group is continually evaluating various debt and/or equity financing opportunities so as to lower its cost of capital and optimize its capital structure.

The Group is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support its development, including the continued expansion and development of its Barrie facility and development of its Australian facility, and continued operations and to meet its liabilities and commitments as they come due. See "Risk Factors", including "Realization of Growth Targets".

OFF-BALANCE SHEET ARRANGEMENTS

The Group has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Group has determined that key management personnel consists of directors and officers. The remuneration to directors and officers during the three month period ended March 31, 2021 was $303 (March 31, 2020: $569) included in general and administrative expenses.

During the three-month period ended March 31, 2021, the Group issued 750,000 options at an average exercise price of $0.60 per share (March 31, 2020: nil options at $nil per share) and 698,968 RSUs (March 31, 2020: nil RSUs) to its key management personnel and recognized total share-based compensation expense of $193 (March 31, 2020: $890). During the three-month period ended March 31, 2021, the Group's key management personnel exercised nil options for gross proceeds of $nil (March 31, 2020: nil options for gross proceeds of $nil).

Several key management personnel hold positions in other companies that result in them having control or significant influence over these companies. The Group had no transactions with these companies during the three-month period ended March 31, 2021.

On October 8, 2020, the Group acquired 20% ownership interest in MediPharm Labs Australia Pty. Ltd. resulting in the Group owning 100% of the entity. As at March 31, 2021, the Group has $600 (December 31, 2020: $600) of unpaid consideration for this acquisition which is recognized as due to related party.

As at March 31, 2021, the Group has $724 (December 31, 2020: $657) due to key management personnel and entities over which they have control or significant influence.

For the three-month period ended March 31, 2021, the Group has incurred $nil (March 31, 2020: $6) rent expenses as a result of transactions with the key management personnel's related entities.

FINANCIAL INSTRUMENTS AND RELATED RISKS

Financial Instruments

The 2020 Private Placement

On June 8, 2020, the Company issued the First Note in connection with the 2020 Private Placement and allocated the gross proceeds of $18,911 for purpose of initial recognition as follows: $10,693 to the First Note based on the discounted gross proceeds of the 2020 Private Placement, $6,187 to the conversion option derivative liability and $2,031 to the warrant derivative liability.

On August 5, 2020, the Company issued the Second Note in connection with the 2020 Private Placement and allocated the gross proceeds of $18,911 for purpose of initial recognition as follows: $14,540 to the Second Note based on the discounted gross proceeds of the 2020 Private Placement, $3,498 to the conversion option derivative liability and $873 to the warrant derivative liability.

Under the 2020 Private Placement, the Investor has the option to accelerate the installments. Common Shares based on current or any future accelerated Installment Amounts can be converted at the Installment Percentage which leads for variable number of Common Shares to be issued. Hence, such conversion option was recognized as derivative liability. Financing cost of $704 were expensed at recognition. As at March 31, 2021 the conversion option derivative liability was revalued and revaluation gain of $3,581 was recorded in the consolidated statements of loss for the three month period ended March 31, 2021.

On June 8, 2020, the Company issued the First Warrant in connection with the 2020 Private Placement. The First Warrant is classified as a derivative liability because of a cashless exercise option that the holder can avail itself of when the Common Shares do not satisfy certain tradability-related conditions. The First and Second Warrant related derivative liability was revalued as of March 31, 2021 using the Black-Scholes option pricing model and a gain of $139 was recognized in the consolidated statements of loss.

Related Risks

The Group is exposed to a variety of financial risks due to its operations. These risks include credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Financial risk management is carried out by the subsidiaries of the Group under policies approved by Board of Directors.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at banks and financial institutions of $42,124 (December 31, 2020: $19,913) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

As the trading price and volume of the Common Shares is subject to change, and certain minimum equity conditions must be met in order for the Group to make the Bi-Monthly Installment Payments through the issuance of Common Shares, the Group may be required to make some or all Bi-Monthly Installment Payments in cash which could negatively impact the Group's liquidity.

Credit risk

Credit risk arises from deposits with banks and financial institutions and outstanding receivables if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group holds cash of $42,124 (December 31, 2020: $19,913). The cash is held with banks and financial institutions that are either Schedule 1 Canadian Banks or large credit unions. At March 31, 2021, the

exposure to credit risk for gross trade receivables and contract assets by the type of customer is $25,556 for business to business customers (December 31, 2020: $24,972) and $2,841 for distributors and retailers (December 31, 2020: $3,291).

As at March 31, 2021, the Group holds trade receivables from two customers representing 39% and 31% of total trade receivables (December 31, 2020: two customers representing 39% and 31%). The Group has legal collection proceedings with respect to $8,531 of the Group's trade receivable balance, which are all due from one customer. The Group did not recognize any allowance for this trade receivable.

The Group limits its exposure to credit risk from trade receivables and contract assets by negotiating full or partial advance payment from business-to-business customers before the shipment of the products. Also, the Group management believes that the exposure to credit risk from distributors is very limited since most of the distributors are government organizations. The Group recognized an allowance for expected credit losses in connection with its trade receivables to an amount of $624 (December 31, 2020: $540).

Foreign exchange risk

Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. As of the end of the reporting period, the Group's foreign currency exposure is due to USD and AUD foreign currency denominate transactions.

Price risk

The Group's price risk arises from the volatility of the Group's own market share prices which could significantly affect the fair value of the derivative liabilities.

RISK FACTORS

There are a number of risk factors that could impact the Group's ability to successfully execute its key strategies and may materially affect future events, performance or results, including without limitation the following risk factors discussed in greater detail under the heading "Risk Factors" in the Annual Information Form available on www.sedar.com, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- limited operating history;
- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- reliance on licences and authorizations;
- lack of long-term client commitments;
- COVID-19 pandemic;
- supply chain;
- default under the convertible notes;
- client and receivables risks;
- risks relating to research and development milestones and the Group's equipment;
- realization of growth targets including expansion of facilities and operations;
- management of growth;
- history of net losses;

- difficulty to forecast;
- competition;
- inability to sustain pricing and inventory models;
- conflicts of interest;
- legal proceedings;
- product liability;
- product recall;
- environmental regulation and risks;
- insurance risks;
- unfavourable publicity or consumer perception;
- reliance on production facilities;
- dependence on supply of cannabis and other key inputs;
- maintenance of effective quality control systems;
- retention and acquisition of skilled personnel;
- clinical trials;
- failure to comply with laws in all jurisdictions;
- perceived reputational risk for third parties;
- risks related to intellectual property;
- marketing constraints;
- research and development;
- shelf life of inventory;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- risks as a result of international expansions;
- operations in foreign jurisdictions;
- reliance upon international advisors and consultants;
- foreign currency risk;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- tax risks;
- negative operating cash flow;
- market for the Common Shares;
- investment in the cannabis sector;
- no history of payment of cash dividends;
- reporting issuer status;
- significant sales of Common Shares;
- analyst coverage;
- tax issues related to the Common Shares;
- market for future offerings of securities;
- future sales affecting market price; and
- management discretion concerning use of proceeds.

CRITICAL ACCOUNTING ESTIMATES

See Note 2.4 of the Financial Statements.

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

Changes in Accounting Policies

The Group adopted the following new standards and amendments to standards that were effective January 1, 2021. These changes did not have a material impact on the Group's Condensed Interim Consolidated Financial Statements and are not expected to have a material effect on the Group's financial statements in the future.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID - 19 Related Rent Concessions (Amendment to IFRS 16)

Future Accounting Changes

The following new accounting standards and amendments will become effective in a future year and are not expected to have a significant impact on these Consolidated Financial Statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment "Proceeds before Intended US – Amendments to IAS 16
- Annual Improvements to IFRS Standards 2018 -2020

Standards and amendments effective from January 1, 2023

- Classification of Liabilities as Current or Non – Current – Amendments to IAS 1
- Definition of Accounting Estimate – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures and controls to provide reasonable assurance that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer (the "**CEO**") and Chief Financial Officer (the "**CFO**") of the Group, along with the assistance of senior management under their supervision, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Group is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

No changes were made in our design of internal controls over financial reporting during the three months ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance of control issues, including whether instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.