(TSX: LABS)

MEDIPHARM LABS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

August 16, 2021

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and performance of MediPharm Labs Corp. (the "**Group**") for the three and six months ended June 30, 2021, was prepared by management as of August 16, 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 and six months ended June 30, 2021 (the "**Financial Statements**") and the audited annual consolidated financial statements for the year ended December 31, 2020, 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 31, 2021 (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.

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.

GROUP OVERVIEW

Background

MediPharm is a pharmaceutical company specialized in cannabis. 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. Our common shares (the "**Common Shares**") also trade 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 Good Manufacturing Practice ("**GMP**") certifications from their respective national health authorities, Health Canada, and the Therapeutic Goods Administration ("**TGA**").

On December 21, 2020, MediPharm Labs received a GMP 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 Active Pharmaceutical Ingredients ("**APIs**") to other CD Licence holders and clinical research trials for novel drug discovery.

On July 14, 2021, MediPharm Labs received a GMP Drug Establishment Licence ("**DEL**") issued by Health Canada in accordance with the Food and Drugs Act and the associated Regulations. The DEL serves to confirm compliance to GMP standards. The DEL can be used for manufacturing, testing and sale of any non-sterile APIs and pharmaceuticals, including drug products containing cannabis. This includes drugs that have marketing authorizations as either novel or generic pharmaceutical drug products containing cannabis.

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: 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. In addition, since receiving a DEL, MediPharm Labs has commenced business development activities related to providing products and services to traditional pharmaceutical companies in relation to current or future drugs containing cannabis with marketing authorization.

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 GMP standards and received its Australian GMP certificate in the third quarter of 2019.

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
- 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 GMP 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 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 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.

On July 14, 2021, MediPharm Labs received a DEL issued by Health Canada in accordance with the Food and Drugs Act and the associated Regulations. The DEL serves to confirm compliance to GMP standards. The DEL can be used for manufacturing, testing and sale of Active Pharmaceutical Ingredients and pharmaceutical drug products containing cannabis. This includes drugs that have marketing authorizations as either novel or generic pharmaceutical drug products containing cannabis. MediPharm Labs is the only facility with large scale natural cannabinoid extraction capabilities that holds a GMP licence from a domestic health authority in North America.

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[1]. 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 (white label), and customer brands through private label and contract manufacturing (tolling) 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.

[1] 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".

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 existing domestic market participants; trends that have 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 Q2 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 Q2 2021, we ramped up the production of new final dose products in formulations with cannabinol ("**CBN**") and delivery methods with topical gels and creams.

Also in Q2 2021, we launched CBN and CBD vape products. R&D has been completed to prepare for the near-term launch of 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'.

Corporate Highlights

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 white 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[2] (see "Cautionary Note Regarding Forward-Looking 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.

[2] 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 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".

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.

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.

International Supply Agreements

On March 8, 2021, the Group announced that MediPharm Labs Australia has entered into a new GMP private-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.

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, 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 MediPharm Labs Australia'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.

On June 8, 2021, the Group announced that it has extended its supply agreement (the Agreement) with ADREXpharma GmbH ("**ADREX**"). The Agreement was renewed for 5 years, to June 2026, with a mutual option to extend further. The Group supplies ADREX with high quality, purity assured, THC and CBD cannabis products for sale and distribution in Germany to approximately 19,000 pharmacies that could provide access to cannabis products over time. The Group successfully completed its first shipment of cannabis products to ADREX in Q1 2021.

Société Québécoise Du Cannabis

On March 9, 2021, the Group announced that it has entered into a supply agreement with the Société québécoise du cannabis ("**SQDC**"). MediPharm Labs will supply the growing medical and wellness market in Québec 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.

On May 26, 2021, the Group announced that it had launched its first wellness products in Québec and shipped its first order of premium CBD oils for retail sale to the SQDC. The MediPharm-branded CBD oils in the first shipment are CBD 25 Regular Formula and CBD 50 Plus Formula.

McMaster University Research Agreement

On June 21, 2021, the Group announced that it had entered into a research partnership master agreement with McMaster University to develop drugs containing cannabis candidates. The Group's CD Licence and expertise qualifies and positions the Group to supply clinical trial material, assist in investigation protocol and provide regulatory support for multiple trials. Three initial proposed clinical trials will evaluate the effectiveness of proprietary THC and CBD drug candidates for multiple indications including pain, insomnia associated with major depression, and uremic pruritus. Under the terms of the agreement, the Group will enter into a separate Statement of Work with each clinician group. The Group will use its CD Licence to provide access to clinical trial material that meets pharmaceutical quality standards and GMP, as well as investigative protocol and regulatory approval support. The Group and McMaster University researchers have proposed three distinct clinical trials, each led by separate clinician groups looking to develop novel cannabis-based drugs to treat different indications including pain, insomnia associated with major depression, and uremic pruritus. The Group will assist in the development of the study drugs that will be evaluated, and each will name a principal investigator physician. Each study will not begin until all necessary approvals from relevant regulatory authorities, including Health Canada, are obtained.

Subsequent Events

Subsequent to the six months ended June 30, 2021, the following Group developments also occurred:

Health Canada Drug Establishment Licence

On July 14, 2021, MediPharm Labs received a DEL issued by Health Canada in accordance with the Food and Drugs Act and the associated Regulations. The DEL serves to confirm compliance to GMP standards. The DEL can be used for manufacturing, testing and sale of Active Pharmaceutical Ingredients and pharmaceutical drug products containing cannabis. This includes drugs that have marketing authorizations as either novel or generic pharmaceutical drug products containing cannabis.

Further Clinical Trial Work

In July 2021, McMaster University researchers received a letter of no objection to commence phase 2 of a randomized clinical trial ("**RCT**") to treat post knee surgery pain with MediPharm Labs CBD50 formula. The safety and toxicology portion of this trial was streamlined based on medical and adult use of the product. Now in phase 2 of the RCT researchers are recruiting patients to receive the MediPharm Labs CBD50 treatment or a related placebo.

Operational Highlights

The following is a summary of the operational highlights for the six-month period ended June 30, 2021, and period subsequent to the end of quarter.

International Sales Growth: International sales grew 24% sequentially in Q2 2021, and the Group expects the growth to accelerate due to over 30 sales agreements in place in nine countries. During the period, the Group saw repeat orders from four German partner deliveries, including the completion of first shipments to STADA. 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, the Group formed agreements with Malta-based Pharma MT to supply premium, GMP certified, finished dose cannabis oil and with Cannim Australia Pty Ltd to supply specially formulated CBD and THC cannabis oil products.

Licencing and Clinical Trial Participation: The Group has built on an industry-leading and expanding portfolio of licences by recently receiving a DEL from Health Canada, which is required for the production of pharmaceutical prescription drugs with marketing authorization. This allows for the participation in IP-capable clinical trials and partnerships with other pharmaceutical companies. The Group leveraged its collection of licences to enter into a research master agreement with McMaster University that allows participation in various cannabis based clinical trials. The first trial with Health Canada approval will study the effectiveness of MediPharm CBD50 on treating pain post knee surgery. Having completed safety and toxicology requirements, the trial is actively recruiting patients.

Cost Containment and Executive Management: The Group continues to streamline costs through building sustainable revenue growth internationally and improving efficiency with continued controls. These include reduced capital expenditures, reduction in senior management level personnel and improved staring material purchasing costs. The Group's Board of Directors previously appointed a special committee to lead the search for a permanent CEO. Following its engagement with global search firm Korn Ferry, the search committee has identified several strong candidates who can lead the Group's return to profitability.

Strong Balance Sheet: During the period, 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 $2 million as at the date of this MD&A. As at the end of the period, the Group maintains $38.8 million in cash and cash equivalents, providing balance sheet strength to support the Company's long-term growth strategy.

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.

SELECTED STATEMENT OF INCOME(/LOSS) INFORMATION

	Three months ended		Six months ended	
	June 30, 2021 $'000s	**June 30, 2020 $'000s**	**June 30, 2021 $'000s**	**June 30, 2020 $'000s**
Revenue	5,072	13,918	10,567	25,007
Gross (loss)/profit	(7,733)	2,212	(8,413)	(8,670)
Gross margin %	(152%)	16%	(80%)	(35%)
Net (loss)/profit	(11,812)	(3,490)	(25,680)	(20,853)
(Loss)/income per share – basic and diluted	(0.05)	(0.02)	(0.11)	(0.15)
Adjusted EBITDA [(1)]	(3,675)	(2,180)	(9,835)	(7,837)
Adjusted EBITDA margin % [(1)]	*(72%)*	*(16%)*	*(93%)*	*(31%)*

(1) Adjusted EBITDA is a non-IFRS measure. See "Reconcilation of non-IFRS Measures" for reconcilation to IFRS measures.

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
	June 30 2021 $'000s	**March 31 2021 $'000s**	**December 31 2020 $'000s**	**September 30 2020 $'000s**
Revenue	5,072	5,495	6,058	4,947
Gross (loss)/profit	(7,733)	(680)	(24,720)	(10,588)
Adjusted gross (loss)/profit [(1)]	(1,419)	(680)	(6,813)	(2,828)
Gross margin %	(152%)	(12%)	(408%)	(214%)
Adjusted gross (loss)/profit % [(1)]	(28%)	(12%)	(112%)	(57%)
General administrative expenses	(5,187)	(4,001)	(5,222)	(4,389)
Marketing and selling expenses	(1,054)	(1,278)	(1,274)	(1,345)
R&D expenses	(144)	(352)	(635)	(209)
Share based compensation expense	(476)	(880)	2,398	(800)
Other operating income/(expense), net	3,214	(724)	66	584
Operating (loss)/profit	(11,380)	(7,915)	(29,389)	(16,747)
Net (loss)/profit	(11,812)	(13,867)	(30,951)	(15,308)
(Loss)/income per share – basic	(0.05)	(0.07)	(0.21)	(0.11)
(Loss)/income per share – diluted	(0.05)	(0.07)	(0.21)	(0.11)
Adjusted EBITDA [(2)]	(3,675)	(6,159)	(8,767)	(7,262)
Adjusted EBITDA margin % [(2)]	(72%)	(112%)	(145%)	(147%)

	Three months ended			
	June 30 2020 $'000s	**March 31 2020 $'000s**	**December 31 2019 $'000s**	**September 30 2019 $'000s**
Revenue	13,918	11,089	32,444	43,386
Gross (loss)/profit	2,212	(10,882)	9,987	14,754
Adjusted gross (loss)/profit [(1)]	2,212	1,929	9,987	14,754
Gross margin %	16%	(98%)	31%	34%
Adjusted gross (loss)/profit % [(1)]	16%	17%	31%	34%
General administrative expenses	(6,793)	(5,500)	(6,426)	(3,578)
Marketing and selling expenses	(948)	(799)	(834)	(730)
R&D expenses	(337)	(1,044)	(448)	(420)
Share based compensation expense	(1,520)	(2,759)	(4,631)	(4,157)
Other operating income/(expense), net	2,879	(951)	(151)	(504)
Operating (loss)/profit	(4,507)	(21,935)	(2,503)	5,365
Net (loss)/profit	(3,490)	(22,029)	(3,539)	3,275
(Loss)/income per share – basic	(0.02)	(0.13)	(0.03)	0.03
(Loss)/income per share - diluted	(0.02)	(0.13)	(0.02)	0.02
Adjusted EBITDA (2)	(2,180)	(5,657)	2,661	10,066
Adjusted EBITDA margin % [(2)]	(16%)	(51%)	8%	23%

(1) The Adjusted Gross Profit is a non-IFRS measure. See "Reconcilation of non-IFRS Measures" for reconcilation to IFRS measures.
(2) Adjusted EBITDA is a non-IFRS measure. See "Reconcilation of non-IFRS Measures" for reconcilation to IFRS measures.

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 goods sold and gross margin

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, a portion of insurance expenses, 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 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.

General administrative expenses

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

Marketing and selling expenses

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

R&D expenses currently include expenses related to working on new product lines, a portion of depreciation expense and wages and benefits cost.

Other expenses

Other operating expenses include foreign exchange loss, wage and rent subsidies 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.

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.

Discussion and Analysis of the Results for the Three-Month Period Ended June 30, 2021

Results of operations for the three months ended June 30, 2021, as compared to the three months ended June 30, 2020.

	Three months ended June 30		Change		Management Commentary
	2021 $'000s	2020 $'000s	$	%	
Revenue	5,072	13,918	(8,846)	(64%)	The decreasse in sales is due to the decrease in bulk concentrate volumes as well as the market pricing of bulk concentrate. Revenue was also impacted by COVID lockdowns and channel inventory reductions with provincial distributors.
Cost of sales	(12,805)	(11,706)	(1,099)	(9%)	Q2 2021 cost of sales was impacted by $3.6M NRV and $2.1M reserve for obsolete or slow moving inventory and $0.6M for accelerated depreciation. Adjusted for these items cost of sales would have been $6.5M. The remaining difference is primarily due to the lower sales volume.
Gross profit	**(7,733)**	**2,212**	**(9,945)**	**(450%)**	Q2 2021 gross profit was impacted by the items mentioned above in cost of sales. Adjusted for these items Gross Profit would have been negative $1.4M
General administrative expenses	(5,187)	(6,793)	1,606	24%	Expenses decreased due to lower headcount and completion of ERP implementation. Q2 2021 included bad debt expense of $0.4M

	Three months ended June 30		Change		Management Commentary
	2021 $'000s	2020 $'000s	$	%	
Marketing and selling expenses	(1,054)	(948)	(106)	(11%)	Expenses increased due to an increase in headcount from investments in sales, marketing and new product launches.
R&D expenses	(144)	(337)	193	57%	Expenses decreased from lower new product development costs.
Share-based compensation expenses	(476)	(1,520)	1,044	69%	The expense decreased due to stock option forfeitures.
Other operating income/(expense), net	3,214	2,879	335	12%	Income increased largely due to government wage and rent COVID subsidies.
Operating (loss)/income	**(11,380)**	**(4,507)**	**(6,873)**	**(152%)**	See comments above.
Adjusted EBITDA	**(3,675)**	**(2,180)**	**(1,495)**	**(69%)**	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	329	1,285	(956)	(74%)	The unrealized gain in revaluation has increased mainly due to the change in the conversion option derivative liability.
Finance income	39	34	5	15%	Interest income on cash balances.
Finance expense	(564)	(587)	23	4%	Finance expense from convertible debenture.
Loss before taxation	**(11,576)**	**(3,775)**	**(7,801)**	**(207%)**	See comments above.
Taxation recovery (expense)	(236)	285	(521)	(183%)	
Net loss for the period	**(11,812)**	**(3,490)**	**(8,322)**	**(238%)**	See comments above.
Attributable to					
- Non controlling interest	**-**	(136)	136	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	(11,812)	(3,354)	(8,458)	(252%)	See comments above.

Discussion and Analysis of the Results for the Six-Month Period Ended June 30, 2021

Results of operations for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020.

	Six months ended June 30		Change		
	2021 $'000s	2020 $'000s	$	%	Management Commentary
Revenue	10,567	25,007	(14,440)	(58%)	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	(18,980)	(33,677)	14,697	44%	2021 cost of sales was impacted by $3.6M NRV and $2.1M reserve for obsolete or slow moving inventory and $0.6M accelerated depreciation. 2020 cost of sale was impacted by $12.8M NRV. Adjusted for these items 2021 cost of sales would have been $12.7M and 2020 would have been $21M. The decrease in adjusted cost of sales was largely volume related.
Gross profit	**(8,413)**	**(8,670)**	**257**	**3%**	2021 gross profit was impacted by the items mentioned above in cost of sales. Adjusted for these items Gross Profit would have been negative $2.1M.
General administrative expenses	(9,198)	(12,293)	3,095	25%	Expenses decreased due to lower headcount and completion of ERP implementation. 2021 includes bad debt expense of $0.4M.
Marketing and selling expenses	(2,331)	(1,747)	(584)	(33%)	Expenses increased due to an increase in headcount from investments in sales, marketing and new product launches.
R&D expenses	(496)	(1,381)	885	64%	Expenses decreased from lower new product development costs. The cost was higher in the previous year due to many new product development initiatives taken in 2020.
Share-based compensation expenses	(1,356)	(4,279)	2,923	68%	Expenses incurred due to remuneration in the form of share-based payments granted to employees (including senior executives) decreased due to stock option forfeitures in 2021 and fewer grants in 2021 at lower strike price.
Other operating income, net	2,490	1,928	562	29%	Expense changed largely due to government wage and rent COVID subsidies.
Operating (loss)/income	**(19,296)**	**(26,442)**	**7,146**	**27%**	See comments above.

	Six months ended June 30		Change		
	2021 $'000s	2020 $'000s	$	%	Management Commentary
Adjusted EBITDA	**(9,835)**	**(7,837)**	**(1,998)**	**(25%)**	The decrease in Adjusted EBITDA is mainly attributable to the decrease of revenue and gross profit. Adjusted EBITDA is a non-IFRS measure. See "Reconciliation of Non-IFRS Measures" for reconciliation to IFRS measures.
Unrealized gain in revaluation of derivative liabilities	4,049	1,285	2,764	215%	The unrealized gain in revaluation has increased mainly due to the change in the conversion option derivative liability.
Finance income	96	170	(74)	44%	Finance income change due to interest on cash balances.
Finance expense	(10,293)	(817)	(9,476)	(1,160%)	Finance expenses increased due to the increase in accreted interest in relation to the accelerations of the convertible debenture in 2021.
(Loss)/income before taxation	**(25,444)**	**(25,804)**	**360**	**1%**	See comments above.
Taxation recovery/ (expense)	(236)	4,951	(5187)	(105%)	Lower net income in 2021
Net (loss)/income for the period	**(25,680)**	**(20,853)**	**(4,827)**	**23%**	See comments above.
Attributable to					
- Non controlling interest	-	(411)	411	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	(25,680)	(20,442)	(5,238)	26%	See comments above.

RECONCILIATION OF NON-IFRS MEASURES

The information presented within this MD&A includes "Adjusted EBITDA" and "Adjusted Gross Profit", which are not defined terms under IFRS. These 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 measures.

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

Adjusted EBITDA and Adjusted Gross Profit do not have any standardized meanings and the Group's method of calculating Adjusted EBITDA and Adjusted Gross Profit 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		Six months ended	
	June 30, 2021 $'000s	June 30, 2020 $'000s	June 30, 2021 $'000s	June 30, 2020 $'000s
Income / (loss) from operations - as reported	**(11,380)**	**(4,507)**	**(19,296)**	**(26,442)**
Add / (deduct):				
Share-based compensation expense	476	1,520	1,356	4,279
Depreciation	1,480	807	2,356	1,515
Write down of inventory to its net realizable value	5,749	-	5,749	12,811
Impairment on fixed assets and intangibles	-	-	-	-
Restructuring related severance expenses	-	-	-	-
Write down of non-current deposits	-	-	-	-
Adjusted EBITDA	**(3,675)**	**(2,180)**	**(9,835)**	**(7,837)**

Adjusted Gross Profit

Adjusted gross profit is defined as gross profit/(loss) excluding the adjustments for accelerated depreciation, write down of non-current deposits and write down of inventory. Adjusted gross profit is a useful measure as it represents gross profit for management purposes based on costs to manufacture, package and ship inventory sold, exclusive of any impairments due to changes in internal or external influences.

Adjusted Gross Profit Margin

Adjusted gross profit margin is a profitability ratio that measures the efficiency of a company using its raw materials and labour during the production process.

The following table reconciles the Group's adjusted gross profit and gross profit/(loss) (as reported) for the previous quarters.

	Three months ended			
	June 30 2021 $'000s	**March 31 2021 $'000s**	**December 31 2020 $'000s**	**September 30 2020**
Gross (loss)/profit – as reported	(7,733)	(680)	(24,720)	(10,588)
Write down of inventory	5,749	-	10,693	6,291
Accelerated depreciation	566	-	5,556	-
Write down of non-current deposits	-	-	1,658	1,469
Adjusted gross (loss)/profit	(1,419)	(680)	(6,813)	(2,828)

	Three months ended			
	June 30 2020 $'000s	**March 31 2020 $'000s**	**December 31 2019 $'000s**	**September 30 2019**
Gross (loss)/profit – as reported	2,212	(10,882)	9,987	14,754
Write down of inventory	-	12,811	-	-
Accelerated depreciation	-	-	-	-
Write down of non-current deposits	-	-	-	-
Adjusted gross (loss)/profit	2,212	1,929	9,987	14,754

Outstanding Equity Securities

Common Shares

The Group's authorized capital consists of an unlimited number of Common Shares. As at June 30, 2021, and as at the date of this MD&A, the Group had 263,768,776 Common Shares issued and outstanding.

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 June 30, 2021, the Group had 57,500,000 Warrants issued and outstanding. Subsequent to June 30, 2021, nil Warrants were exercised resulting in 57,500,000 Warrants remaining outstanding as of the date of this MD&A.

Stock Options and RSUs

As at June 30, 2021, the Group had 10,035,350 stock options outstanding. During the six months ended June 30, 2021, options to purchase up to 1,720,000 Common Shares were issued, nil options to purchase Common Shares were exercised, and options to purchase up to 2,881,860 Common Shares were forfeited/cancelled and/or expired.

As at June 30, 2021, the Group had 2,273,699 RSUs outstanding. During the six months ended June 30, 2021, 3,028,942 RSUs were granted, 582,345 RSUs were exercised and 172,898 RSUs were forfeited/cancelled.

Subsequent to June 30, 2021, nil options were issued, 261,600 options were forfeited/cancelled and nil options were exercised, resulting in 9,773,750 stock options remaining outstanding as of the date of this MD&A.

Subsequent to June 30, 2021, nil RSUs were issued, 47,456 RSUs were forfeited/cancelled and 22,220 RSUs were exercised, resulting in 2,226,243 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 June 30, 2021, the Group had a positive working capital of $75,633 (December 31, 2020: $57,276). The increase in working capital was driven primarily by increase in cash and cash equivalents, reduction in the liability related to the convertible debentures and injection from bought deal offset by a decrease in inventory.

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

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

	Six months ended June 30			
	2021 $'000s	2020 $'000s	Change	Management Commentary
Cash and cash equivalents, beginning of period	19,913	38,627	(18,714)	
Net cash (used in) / provided by operating activities	(9,161)	(21,070)	11,909	Negative cash flow from operating activities mainly due to operating loss.
Net cash (used in) investing activities	(288)	(6,411)	6,123	Lower capital expense in 2021 as majority of the facility construction was completed in 2020
Net cash provided by financing activities	28,403	16,800	11,603	Financing provided by bought deal partially offset by repayment of the convertible debenture.
Effecet of excahnge rate change on cash and cash equivalents	(116)	-	(116)	
Cash and cash equivalents, end of period	38,751	27,946	10,805	See comments above.

Contractual Obligations

The Group's contractual obligations as at June 30, 2021, decreased by $26,348 as compared to December 31, 2020, mainly as a result of settlement of the convertible debenture. The Group's short-term (less than one year) undiscounted contractual obligations are $15,621 and long-term undiscounted contractual obligations are $139.

Contractual Obligations	Total	Payments due by Period < 1 year	1-3 years	4-5 years	> 5 years
Convertible debt	1,972	1,972	-	-	-
Lease Liabilities	382	243	139	-	-
Trade and Other Payables	13,406	13,406	-	-	-
Total Contractual Obligations	15,760	15,621	139	-	-

In addition to the contractual obligations mentioned above, as of June 30, 2021, under the cannabis material sales agreement, the Group is committed to purchase dry flower amounting to $6,340 until December 31, 2022.

Capital Resources

As of June 30, 2021, the Group does not have any commitments for capital expenditures. The Group currently expects that internally generated cash and cash equivalents will be sufficient to maintain its currently planned growth. However, the Group is continually evaluating various debt and/or equity financing opportunities 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".

FINANCIAL INSTRUMENTS

Convertible Note

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 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:

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

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
May 27, 2021	$322,265.63	$322,265.63	$0.3961	1,746,224
May 28, 2021	$644,531.26	$644,531.26	$0.3961	3,492,448

As at the date of this MD&A, the Group has a contractual cashflow obligation of approximately $1.97 million related to the Notes. The substantial reduction in balance through the quarter has significantly reduced the Group's future cash obligations or potential share issuances under the Notes.

OFF-BALANCE SHEET ARRANGEMENTS

The Group has no off-balance sheet arrangements.

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 AND POLICIES

There have been no material changes to our critical accounting estimates and policies from the information provided in the MD&A section in our condensed interim consolidated financial statements for the three-months and six-months ended June 30, 2021.

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 six months ended June 30, 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.