Rubicon Organics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2022

Expressed in Canadian dollars

Preface

In this Management's Discussion & Analysis ("MD&A"), "Rubicon Organics", "Rubicon", the "Company", or the words "we", "us", and "our" refer to Rubicon Organics Inc. together with its subsidiaries.

This MD&A comments on our operations, financial performance, and financial condition for the three and six months ended June 30, 2022. All amounts in this MD&A are in Canadian dollars, unless otherwise noted. It is supplemental to and should be read in conjunction with the Company's unaudited condensed consolidated financial statements, including the accompanying notes for the three and six months ended June 30, 2022 (the "Financial Statements"), the audited consolidated financial statements including the accompanying notes for the fiscal year ended December 31, 2021 (the "Annual Financial Statements"), and the Annual Management's Discussion and Analysis for the year ended December 31, 2021 ("Annual MDA").

All financial information contained in this MD&A and in the Financial Statements is prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, except for certain non-GAAP information as noted and where a reconciliation to IFRS is provided. Net revenue is used for analysis purposes in this MD&A as it excludes the impact of excise taxes paid to *Canada Revenue Agency*.

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS ("Non-GAAP Measures") including, but not limited to, "Adjusted EBITDA". As a result, this data may not be comparable to data presented by other companies. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. For more information, please refer to the "Selected Financial Information".

In preparing this MD&A, we have considered all information available to us up to August 12, 2022.

This MD&A contains forward-looking information within the meaning of Canadian securities laws. Refer to '*Cautionary Note Regarding Forward-Looking Statements'*.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Additional information regarding the Company is available on our website at www.rubiconorganics.com or through the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

About Us

Overview

Headquartered in Vancouver, BC, Rubicon Organics Inc. exists under the laws of the Business Corporations Act (BC) and its common shares are listed under the symbol "ROMJ" on the TSX Venture Exchange and under the symbol "ROMJF" on the OTCQX.

Rubicon Organics, through its wholly-owned subsidiary Rubicon Holdings Corp., is a licensed producer under the Cannabis Act focused on providing premium organic certified cannabis for the recreational and medical-use markets in Canada. Rubicon Organics owns and operates a fully licensed 125,000 square foot high-tech greenhouse located on a 20-acre property in Delta, BC (the "Delta Facility"). Out of its Delta Facility, the Company grows organic cannabis certified by the Fraser Valley Organic Producers Association ("FVOPA"), Canada's preeminent certification body for organic operators.

The Company obtained GACP compliance at the Delta Facility, evidenced by the Company's IMC-G.A.P. certification issued by Control Union Certifications B.V. This certification enables the sale of cannabis inputs into certain international markets, including Israel, Europe and Australia for further processing into finished goods via a GMP certified production facility.

The Company is focused on building a portfolio of premium brands in the Canadian market that is anchored by its flagship Simply Bare™ Organic cannabis brand. The Company has direct supply agreements in place with the British Columbia Liquor Distribution Branch ("BCLDB"), the Alberta Gaming, Liquor and Cannabis Commission ("AGLC"), the Ontario Cannabis Stores ("OCS"), the Société Québécoise du cannabis ("SQDC"), Cannabis NB ("CNB"), the Yukon Liquor Corporation ("YLC") and Medical Cannabis by Shoppers Drug Mart Inc. and sells directly to Manitoba Liquor & Lotteries ("MBLL") and the Northwest Territories Liquor, Cannabis Commission ("NTLCC") and the Newfoundland Liquor Corporation ("NLC"). The Company also has distribution agreements with distributors in Saskatchewan who distribute the Company's products to certain provincial distributors and retailers. In addition, the Company has entered into a supply agreement with German distributer, Canacur GmbH, to sell Rubicon Organics' cannabis products to the German medical market. The Company is working towards the European Union Good Manufacturing Practices ("EU-GMP") certification.

As at June 30, 2022, Rubicon Organics has the following subsidiaries:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings Corp.	BC, Canada	100%
West Coast Marketing Corporation	BC, Canada	100%

Rubicon Organics was the first cannabis company in the world to release an Environmental, Social and Governance ("ESG") report and expects to continue to take an ESG leadership position in the cannabis sector.

Our Operations

Delta Facility

The Delta Facility is a fully licensed 125,000 square foot state-of-the-art hybrid greenhouse owned and operated by Rubicon Organics located on a 20-acre property in Delta, BC. The entire greenhouse facility is licensed for cultivation and processing and is certified by FVOPA for organic cannabis cultivation.

The Delta Facility is made up of a processing area, a nursery, and a total of five cultivation compartments. Since March 2020, the Delta Facility has been in full scale operation. The Delta Facility utilizes cold cure processing rooms and follows Good Production Practices for processing dried flower, performing solvent-less extraction and packaging finished goods. The Delta Facility also holds a Control Union Medical Cannabis Standard Equivalency certificate in compliance with Israeli Medical Cannabis Good Agricultural Practices ("IMC-G.A.P."), World Health Organization guidelines on Good Agricultural and Collection Practices ("GACP") for Medicinal Plants and the European Medicines Agency Guideline on GACP for Herbal Medicinal Products.

Rubicon Organics has invested in the Delta Facility to create year-round organic growing conditions. Since achieving full scale cultivation operations in early 2020, we have continued to adapt our infrastructure to refine and optimize our growing environment with a focus to drive high quality production. The Delta Facility utilizes two different spectrums of supplemental LED light and advanced climate and humidity controls. In addition to sunlight, our full spectrum LED lights mimic natural sunlight, resulting in healthier plants with higher yields than conventional greenhouses while significantly reducing our energy use compared with other lighting methods. The Delta Facility is also outfitted with precision, sensor-based watering that reduces water consumption.

The Company's Delta Facility employs FVOPA organic certified cannabis cultivation methods. Soil and fertilizers used in cultivation are made in-house, using a proprietary blend of natural, locally sourced ingredients that naturally deliver nutrients to the crop, while minimizing the impact on our environment.

Rubicon Organics is in possession of an extensive genetic library of cultivars previously developed in the medical cannabis market that have been stabilized for successful growth in greenhouse conditions.

Brands and Products

Cannabis Flower Brands

Simply Bare™ Organic is Rubicon Organics' flagship super-premium brand launched in December 2019. Cannabis packaged and sold under the Simply Bare™ Organic brand is grown in a proprietary mix of 100% certified organic soil made in-house with ingredients from BC's Sunshine Coast. Each plant is grown under sunlight and full spectrum LED lights, harvested by hand and cold cured for two weeks to achieve a rich terpene profile. Buds are then selected and carefully trimmed by hand before being packaged. Simply Bare™ Organic flower is utilized to make a variety of dried flower based and cannabis 2.0 products for a true expression of each cultivar.

Product formats available as of August 12, 2022:
- 3.5 gram jar
- 7.0 gram jar
- 3 x 0.5 gram pre-rolls
- 2 x 0.5 gram pre-rolls
- 1 x 0.5 gram pre-rolls
- 1 x 1 gram pre-rolls
- 1.0 gram hash
- 2.0 gram hash
- 1.0 gram live rosin
- 0.5 gram PAX® Era™ pod
- 14 gram bag
- 28 gram bag

1964 Supply Co™, initially launched in December 2020, is now available from Coast to Coast in eight provinces from BC to Newfoundland and Labrador and two territories. 1964 Supply Co™ is aimed at offering premium cannabis at legacy market prices. The brand is available in dried flower, pre-rolls, and hash formats.

Product formats available as of August 12, 2022:
- 1 gram bag
- 1.5 gram bag
- 14 gram bag
- 15 gram bag
- 1 x 1 gram pre-roll
- 5 x 0.5 gram pre-rolls
- 5 x 0.7 gram pre-rolls
- 7 x 0.5 gram pre-rolls
- 2.0 gram hash bag
- 3.5 gram hash bag

HOMESTEAD CANNABIS SUPPLY

Homestead Cannabis Supply™ launched in Western Canada in July 2021 and hit the Ontario and Quebec market in October 2021. Homestead Cannabis Supply™ is Rubicon Organics' first mainstream brand developed for the price conscious and avid cannabis consumer. Homestead Cannabis Supply™ was the first product in Rubicon Organics' suite of brands to offer a 28-gram flower product format.

Product formats available as of August 12, 2022:

- 7 gram milled flower
- 28 gram flower
- 14 x 0.5 gram
- 60 x 0.5 gram

LAB THEORY™

LAB THEORY™ is a premium concentrate brand launched in January 2021 and is currently available in Alberta. LAB THEORY™ combines high terpene flower with industry-leading extraction techniques to produce high-quality concentrates, available in sought after formats. To create flavourful, full spectrum concentrates, every strain must be seen on its own merits. By experimenting with different processes for growing and extracting, we find the perfect formula that brings out the unique characteristics of each cultivar.

Product formats available as of August 12, 2022:

- 1.0 gram diamonds

wildflower

Wildflower™ is a brand licensed by Rubicon Organics from Wildflower Brands Inc. to bring Wildflower-branded CBD Relief Sticks and CBD Cool Sticks to the Canadian market. The Company has an exclusive license to the brand in Canada. Launched in late March 2021 and available since early April 2021 to consumers nationally and on certain medical platforms.

Product formats available as of August 12, 2022:

- 30 gram and 73 gram CBD Relief Stick
- 30 gram and 73 gram CBD Cool Stick

Strategy and Outlook

Canadian Recreational Market

Rubicon Organics is focused on achieving industry leading profitability through premium and super-premium cannabis flower products, including its flagship super-premium brand Simply Bare™ Organic, its premium flower and hash brand 1964 Supply Co™, its mainstream brand Homestead Cannabis Supply™, its premium concentrate brand LAB THEORY™ and its licenced brand Wildflower™. Simply Bare™ Organic is a top organic brand in all major provinces and maintains leadership in the premium category.

Europe and Other International Markets

To broaden its access to international markets the Company has achieved GACP compliance, evidenced by the Company's IMC-G.A.P. certification issued by Control Union Certifications B.V. The Company received notice of certification effective May 2022. This certification enables the sale of cannabis inputs into certain international markets, including Israel, Europe and Australia for further processing into finished goods via a GMP certified production facility.

The Company sold a small quantity of cannabis product to Canacur GmbH during 2021 to validate and test the logistics process of exporting to Germany. Through its supply agreement with Canacur GmbH, the Company is establishing its distribution channel to the German medical cannabis market. The Company expects commercial exports to commence pending EU-GMP certification. Commencement of commercial exports due to the delay in the EU-GMP inspection, initially resulting from COVID-19 travel restrictions, resulted in Rubicon fully repaying the $465,497 advance to Canacur GmbH in the second quarter of 2022.

The Delta Facility

The Company expects an increase in both quality and yield throughout 2022 due to the upgrade of the greenhouse climate system, genetic innovations, and improved cultivation conditions.

Rubicon continues to work with BC Hydro on a power upgrade to the Delta Facility, which will eliminate the need for generators, reduce the Company's operating costs and further contribute to one of our ESG goals to reduce greenhouse gas emissions. The power upgrade was expected to be completed close to the end of the second quarter of 2022, but due to certain supply chain issues it is now expected to be completed in the third quarter of 2022.

The Company plans to continue other relatively small scale, strategic capital investments to improve quality, yield, increase efficiency, and/or decrease operating costs.

Premium Quality and Product Line Extension

Rubicon Organics is focused on premium cannabis flower and part of its revenue growth strategy is to launch new genetics and various product formats. The Company has expanded the Simply Bare™ Organic product line and launched both the 1964 Supply Co™ and Homestead Cannabis Supply™. Further product line extension and margin optimization is expected going forward.

Company Outlook

Rubicon Organics defined a three-pillar strategy for 2022 focused on yield and quality, improving product mix to optimize margin, and obtaining certifications for international access, each of which we expect will have a positive impact on our profitability and cashflow. This strategy remains in place and the Company is having positive trajectory on each of the pillars and our strategy has resulted in Rubicon achieving Adjusted EBITDA profitability for the first time in the three months ended June 30, 2022.

Our first pillar is to optimize production processes at the Delta Facility to increase yield and THC of our super-premium cannabis. We have completed facility upgrades, invested in process improvements, and continue to identify opportunities for cost efficiencies. The Company installed new climate control systems, most critical being the dehumidification units, and refined its cultivation system, which has allowed us to reach an annualized production rate of 10,000 kg's as at the end of the second quarter 2022. In 2022 we have now consistently seen our average THC increase significantly, with certain strains as high as 29% THC. We believe that our quality step change has been experienced by the consumers in the second quarter leading to the strong rate of sale of our products and resulting increase in revenue. Our priority and focus remains delivering super-premium quality cannabis flower and pre-rolls as the key pillar of Rubicon's business.

The second pillar is to implement our commercial strategies within the Canadian domestic market to maximize the gross profit for each unit produced from our Delta Facility which, coupled with delivering increased quality of flower and higher THC, is expected to drive more volume into our Simply Bare™ Organic and 1964 Supply Co™ brands. With our approach, the provincial distributors and our consumers have access to a greater range of product formats and strain variety. Our strategy has proven successful as evidenced by Rubicon achieving 8.6%[1] market share of the premium flower and pre-roll market in the second quarter of 2022.

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[1] Hifyre data for premium flower & pre-rolled products covering the period of April 1, 2022 to June 30, 2022

We continue to expect the premium market to outpace the growth of the total market in Canada as it has done in other leader markets and believe that Rubicon Organics is well positioned to take advantage of this momentum as consumer preferences shift.

Our third pillar is to open the routes to market for our products internationally by obtaining key certifications and agreements to launch into Israel and Europe. The IMC-G.A.P. certification received May 2022 is one of the key milestones to delivering to certain international markets. The Company continues to work towards receiving its EU-GMP certification expecting for export of finished goods to the European market in 2023.

Rubicon believes that the combination of our brand positionings and offerings in each of the provincial markets that we sell along with our increased production quality and yield should enable us to generate strong operating leverage which we expect will drive topline and margin growth in 2022.

Rubicon has experienced inflationary pressures overall however, Rubicon believes it has areas that it expects to deliver cost savings such as the link of the Delta Facility to the BC Hydro grid which is expected to drive material overhead cost savings in the second half of 2022.

The Company achieved Adjusted EBITDA[2] profitability in the three months ended June 30, 2022. The Company's current expectation is to be operating cashflow positive and Adjusted EBITDA profitable in 2022. We believe that despite any market volatility and inflationary pressures, our focus on our three pillars, coupled with our increased product quality and brand portfolio has positioned Rubicon to deliver on its commitments and win in the premium cannabis market.

Recent Activities

Key Developments in the six months ended June 30, 2022

- $8.8 million in net revenue, 92% increase over Q2 2021
- Achieved Adjusted EBITDA of $0.3 million in Q2 2022
- 2.7%[3] national market share of flower and pre-rolls
- 8.6%[1] national market share of premium flower and pre-rolls
- #1 Premium flower and pre-roll brand in Canada with Simply Bare™ Organic[3]
- #1 Topical brand in Canada with the licensed brand Wildflower™ topical sticks[4]
- Extended existing Debenture for 18 months to December 31, 2024
- Granted IMC-G.A.P. Certification by the Control Union ("CU") a milestone to export to Israel and EU-GMP facilities in Europe and Australia

For the three months ended June 30, 2022, the Company reported net revenues of $8,834,795, a 92% increase compared to the same period in the prior year. For the six months ended June 30, 2022, the Company reported net revenues of $13,983,009, a 61% increase compared to the same period in the prior year. The Company also reported Adjusted EBITDA profitability for the first time with $261,206 for the three months ended June 30, 2022 (loss of $3,416,332 in the three months ended June 30, 2021). For the six months ended June 30, 2022, the total Adjusted EBITDA amounted to a loss of $1,255,228 (loss of $6,791,699 in the six months ended June 30, 2021).

The Company continues to launch new formats and products as well as expanding distribution of existing products. Despite increasing competition in the premium market segment, the Company has increased revenues and grown

[2] Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes. See ***Selected Financial Information*** for details on the Adjusted EBITDA calculation.

[3] Hifyre data for flower and pre-roll products covering the period of April 1, 2022 to June 30, 2022.

[4] Hifyre data for topical products covering the period of April 1, 2022 to June 30, 2022.

its overall market share. For the six months ending June 30, 2022, the Company operated with its entire portfolio of brands in the market with coast-to-coast distribution.

Market Share

The Company's total market share in the Canadian flower and pre-roll category amounted to 2.7%[3] for the three months ended June 30, 2022, compared to 2.2%[5] for the twelve months ending June 30, 2022, indicating consistent gain of market share. These market share gains are attributable to steadily rising sales of the Company's brand portfolio, including Simply Bare™ Organic, 1964 Supply Co™ and Homestead Cannabis Supply™.

For the three months ended June 30, 2022, Simply Bare™ Organic has been ranked as the number one premium brand in the Canadian market, capturing 8.6%[1] of the premium flower and pre-roll market.

The Company's brand, 1964 Supply Co™, only launched nationally since last autumn and has steadily delivered on its results becoming the number one[6] mainstream brand in BC.

Rubicon also holds the Canadian license for the Wildflower™ topical sticks and has delivered it to the number one brand position in the topical market[7].

Commercial

On January 10, 2022, the Company announced that it received its first purchase order from NTLCC, the Northwest Territories' provincial cannabis distributor and retailer. The Company has had repeat orders from NTLCC since that time.

In the first quarter of 2022, Rubicon launched its first Lebanese-style hash under the 1964 Supply Co™ brand.

During April and May of 2022, Rubicon launched new SKU's through its Simple Bare™ Organics and 1964 Supply Co™ brands. The launches included new, higher THC strains in existing and new larger formats such as 14-gram and 28-gram bags. New products landed in BC, Alberta, and Ontario during this period, and these products landed in the first instance in the Company's home province of BC.

Throughout June 2022, Rubicon continued to expand its portfolio launching more new strains, and new formats of pre-rolls across its brand portfolio, as well as launching its first milled format under the Homestead Cannabis Supply™. New product offerings are expected to be expanded into other markets throughout the year.

In June 2022, the Company secured its first purchase order from NLC, the Newfoundland and Labrador Liquor Corporation, and made the first sale in August 2022.

Regulatory and Licensing

Effective January 26, 2022, the Company renewed its Health Canada licenses issued in accordance with the Cannabis Act and Cannabis Regulations. The licenses expire on January 26, 2027.

Environmental, Social and Governance

Rubicon's next major capital project is the completion of the BC Hydro power project at the Delta Facility and this project will allow Rubicon to access clean, cost-efficient hydro power from BC Hydro. The power project is expected to be completed in the coming weeks (see above).

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[5] Hifyre data for flower and pre-roll products covering the period of July 1, 2021 to June 30, 2022.
[6] Buddi Data for the period January 1, 2022 to June 30, 2022 for mainstream 3.5-gram flower priced from $9-$11 per gram.
[7] Hifyre data for topical products covering the period of April 1, 2022 to June 30, 2022.

Corporate

On January 10, 2022, the Company announced that Julie Lassonde has been appointed to the Company's Board of Directors after receipt of security clearance from Health Canada.

In March 2022, the Company performed a rigorous internal cost review and reduced spend to assist in driving the business towards profitability as quickly as possible. The impact is being seen with the Company meeting forecasted revenues throughout the second quarter of 2022 with the lower cost structure and achieving Adjusted EBITDA profitability.

On April 18, 2022, the Company announced the departure of Tim Roberts, formerly President.

On May 9, 2022, Canacur GmbH's $465,497 advance to Rubicon was fully repaid in cash.

During May 2022, the Company obtained a surety bond for its excise bond requirements with the Canada Revenue Agency ("CRA"). The surety bond will cover further deposit requirements as net sales grow. The Company's $483,000 on deposit with the CRA was receivable at June 30, 2022.

Effective May 20, 2022, the Company has accepted the resignation of Bryan Disher as Chair of the Board of Directors (the "Chair") and has appointed Julie Lassonde as the new Chair, until the close of the Company's next Annual General Meeting.

Effective May 20, 2022, the Board of Directors accepted the resignation of the former auditor of the Company, Deloitte LLP, and appointed PricewaterhouseCoopers LLP as the new auditor until the close of the Company's next Annual General Meeting.

On May 27, 2022, the Company announced that it has amended the exercise price, vesting terms, and expiry dates of 778,500 Amended Options (the "Amendment") for employees in accordance with the Company's Equity Incentive Plan and Deferred Share Unit Plan (together, the "Equity Plans"). The Amendment has been approved by Rubicon's Board of Directors and approval has been received by the TSX Venture Exchange. The Amended Options were originally awarded between July 31, 2017, and November 16, 2021, at exercise prices of US$2.00 to CAD$4.10 per unit and were adjusted on May 25, 2022, to an exercise price of $0.85 per unit. Of the Amended Options, 688,500 units, issued prior to November 16, 2021, were also amended to vest 1/3 on December 31, 2022, 1/3 on June 30, 2023, 1/3 on December 31, 2023, and expire on December 31, 2025. The vesting and expiry of all other Amended Options remain unchanged. The Amendment applies to employees of the Company holding stock options to recognize their significant contributions to Rubicon and increase their incentivization. No insiders (senior executive or directors of the Company) were part of the Amendment.

On May 27, 2022, the Company also granted incentive stock options for a total of 40,000 common shares to employees of the Company pursuant to the Equity Plans. The stock options are exercisable at $0.85 per share until December 31, 2025, and vest in tranches between December 31, 2022, and December 31, 2023.

On June 16, 2022, the Company agreed to extend the maturity date of a previously announced US$8 million principal amount secured debenture (the "Debenture") to Green Island Investments Ltd. (the "Financier") by approximately 18 months, from June 29, 2023, to December 31, 2024 (the "Extension"). In addition, the interest rate of the Debenture will increase from 6.5% to 7.5% on July 1, 2023, the Company will not repay the Debenture in full or in part on or before June 30, 2023, and all other terms of the Debenture will remain in full force and effect. In connection with the Extension, the Company paid to the Financier a cash fee of US$40,000 and issued 882,000 warrants to the Financier. Each warrant entitles the Financier to purchase one common share in the capital of the Company at an exercise price of $1.34 per common share and expires on December 31, 2025. The terms of the original 907,000 warrants that were granted on June 29, 2021, remain unchanged.

International

The Company has completed its onsite inspection and received its IMC-G.A.P. certification effective May 2022, enabling the Company to sell cannabis into certain international markets. The IMC-G.A.P. certification represents a standard of quality and consistency for cannabis propagation, cultivation and post-harvest processes and is compliant with the Israeli medical cannabis requirements, the World Health Organization, and European Medicines Agency Good Agricultural and Collection Practice guidelines.

Developments Subsequent to June 30, 2022

Commercial

In July 2022, the Company continued to expand the 1964 Supply Co™ pre-roll formats across BC and Ontario as well as new 1-gram bag formats in BC and Alberta for 1964 Supply Co™. In addition, Simply Bare™ Organic introduced 1-gram pre-rolls into Alberta and Ontario for the first time.

Rubicon has also received its first purchase order for Homestead Cannabis Supply™ pre-rolls to BC in August which was previously only available in Alberta.

The Company now has confirmed new product listings with both the key markets of Quebec and Ontario. In Quebec, the initial orders for the new SKU's will be delivered for the first time in September. In Ontario, the new listings include greater format sizes and new strains and is expected to be delivered through the autumn of 2022.

In early August 2022, Rubicon completed the first shipment to Newfoundland and Labrador.

Corporate

On July 13, 2022, the Company granted 734,000 stock options to directors and officers of the Company pursuant to the Equity Plans. The options are exercisable at $0.86 per share for a period of five years. These stock options have been issued in lieu of cash compensation to directors and officers of Rubicon where their cash compensation has been partially or fully reduced in order to reduce cash spend by the Company in 2022. The Options vest over the remainder of 2022.

On July 13, 2022, the directors of the Company also approved proposed amendments to the exercise price, vesting terms, and expiry date of 765,000 incentive stock options (the "Proposed Amendments") in accordance with the Equity Plans. The incentive stock options were initially awarded to directors and officers of the Company on July 31, 2018 at an exercise price of C$3.25 per unit expiring on July 31, 2023 and have fully vested. The Proposed Amendments would change the exercise price to $0.86 per unit, would vest 1/3 on December 31, 2022, 1/3 on June 30, 2023, 1/3 on December 31, 2023, and expire on December 31, 2025. The Proposed Amendments remain subject to approval from disinterested shareholders of the Company at the upcoming annual general and special meeting and acceptance by the TSXV.

On July 29, 2022, a notice of a civil claim was filed by Tim Roberts, former president of Rubicon against the Company with respect to his termination in April 2022.

On August 12, 2022, the Company accepted the resignation of Bryan Disher from the Board of Directors. The Company thanks Mr. Disher for his valuable contributions and offer our best wishes for his future.

Capital Projects

Rubicon continues to work with BC Hydro on a power upgrade to the Delta Facility, which will eliminate the need for generators, reduce the Company's operating costs and further contribute to one of our ESG goals to reduce greenhouse gas emissions. The power upgrade is expected to be completed in the coming weeks.

Results of Operations and Financial Review

	Three months ended		Six months ended	
	June 30, 2022 $	June 30, 2021 $	**June 30, 2022 $**	June 30, 2021 $
Net revenue	**8,834,795**	4,595,591	**13,983,009**	8,706,154
Production costs	**2,701,354**	2,361,176	**5,074,174**	4,971,103
Inventory expensed to cost of sales	**2,977,216**	2,022,433	**4,897,546**	3,515,653
Inventory written off or provided for	**312,547**	623,171	**423,287**	1,222,587
Gross profit before fair value adjustments	**2,843,678**	(411,189)	**3,588,002**	(1,003,189)
Fair value adjustments to cannabis plants, inventory sold, and other charges	**340,323**	(329,818)	**2,086,421**	335,819
Gross profit (loss)	**3,184,001**	(741,007)	**5,674,423**	(667,370)

Net revenue

For the three and six months ended June 30, 2022, net revenue increased by $4,239,204 and $5,276,855, respectively, compared to the same periods in the prior year. The Company achieved significant quarter over quarter revenue growth of $3,686,581 for the three months ended June 30, 2022 as compared to the three months ended March 31, 2022 with an increase from $5,148,214 to $8,835,795. Taking into account both quarters of 2022, the Company delivered aggregate revenue for the six months ended June 30, 2022 of $13,983,009 (six months ended June 30, 2021: $8,706,154).

During the three and six months ended June 30, 2022, the Company launched several new strains, product formats and brands in markets relative to the comparative period in the prior year. In addition, both the 1964 Supply Co™ and Homestead Cannabis Supply™ were available in our key markets during the entire period relative to the prior year. Rubicon also more than doubled the number of SKUs it had available for sale in the Canadian market. While the impact of this growth was not visible in the seasonally weak first quarter, Rubicon delivered year-on-year revenue growth of 92% and 61% over the three and six months ended June 30, 2022.

In the first quarter of 2022, the Company experienced year-on-year sales growth compared to the first quarter of 2021 across all markets except Quebec, which was relatively flat from the prior year. Alberta, BC, Ontario, and Quebec continue to drive the majority of sales at 97% of total sales (March 31, 2021: 85%). In that period, the Company's growth in concentrate sales triggered an increase in excise tax offsetting net revenue gains as compared to the prior year. Concentrates attract higher excise taxes as a percentage of revenue than flower products.

In the second quarter of 2022, Rubicon has seen a significant improvement in the rate of sale of our Simply Bare™ Organic and our 1964 Supply Co™ which we believe is due to the continued improvement in our product quality and higher THC of our cannabis products in market. This increase in quality has been noticeable in driving additional points of distribution and stores that carry our products. The revenue growth was experienced relatively evenly across all our key markets (Alberta, BC, Ontario, and Quebec) which together make up 97% of our sales in both the three and six months to June 30, 2022 (98% and 92% for the three and six months to June 30, 2021, respectively).

Production costs

For the three and six months ended June 30, 2022, production costs increased by $340,178 and $103,071, respectively, compared to the same periods in the prior year.

Under the Company's accounting policy, production costs are expensed as incurred. Production costs consist of the direct and indirect costs incurred to grow cannabis plants to the point of harvest. They include labour related costs, cultivation materials and consumables, utilities, facility costs, certain overheads, and production related depreciation. This methodology means that unless product is produced and sold during the year, the production costs associated with inventory held at year end are expensed prior to revenue being derived.

Production costs in the three months ended June 30, 2022 increased by $340,178 from the same period in 2021 and increased $328,534 from the three months ended March 31, 2022. The total production costs for the six months ended June 30, 2022 increased by $103,071 from $4,971,103 to $5,074,174. The increase in production costs is related to an increase in plant density, plant handling techniques applied and increased overall yield of cannabis crops meaning additional labour is required during the cultivation cycle and at harvest. In addition, there has been a notable increase in the costs of fertilizer and other input materials due to inflation as well as the need to use additional inputs due to larger crop sizes and an increased number of plants on hand. The additional cultivation labour, plant density and plant handling techniques have directly related to increased quality and yield from the Delta Facility.

Inventory expensed to cost of sales

For the three and six months ended June 30, 2022, inventory expensed to cost of sales increased by $954,783 and $1,381,893, respectively, compared to the prior year.

After cannabis is harvested, the remaining costs incurred in drying, processing, and packaging are capitalized to inventory and expensed once the finished good is sold. The ratio of inventory expensed to cost of sales was 34% and 35% of net revenue for the three and six months ended June 30, 2022 (June 30, 2021: 44% and 40%, respectively). This ratio is directly impacted by throughput from the facility meaning that overheads are spread over a larger number of units and given the increase in production this has positively impacted the ratio. The product mix also has a large impact on the ratio of inventory expensed to cost of sales relative to sales and in the period the Company's ratio has been most impacted by the growth of larger format products such as 28-gram bags which, in some provinces, give the customers a lower per gram price and the increase of sales in 1964 Supply Co.™ which sells at a lower price point than Simply Bare™ Organic.

Given the high inflationary environment in which the Company is operating in 2022, Management continues to monitor these costs closely and identify cost savings initiatives.

Inventory written off or provided for

For the three and six months ended June 30, 2022, inventory written off or provided for was $312,547 and $423,287, respectively (June 30, 2021: $623,171 and $1,222,587, respectively).

The Company was able to reduce the amount of inventory written off or provided through with continuous improvement of our supply and demand planning, and better aligning our production of finished goods and bulk cannabis inventory with sales. Improving flower quality and the introduction of product formats to enable us to sell different grades of flower has further contributed to this improvement. Inventory written off or provided for was 3.5% of net revenue for the second quarter ended June 30, 2022, compared to 13.6% for the comparable period in 2021.

Gross profit before fair value adjustments

For the three and six months ended June 30, 2022, gross profit before fair value adjustments was $2,843,678 and $3,588,002, respectively (June 30, 2021: $411,189 and $1,003,189, respectively).

Improvements in the cultivation program over the last six months have resulted in increased crop quality and yield which have resulted in higher rate of sale of our products. This quality increase is noticeable in our revenue figures whereby we have grown revenue significantly in our higher margin Simply Bare™ Organic and 1964 Supply Co™ brands. In addition, further production flowing through the Delta Facility has meant that our overhead costs are spread over a larger number of products driving higher margin.

Fair value adjustments to cannabis plants, inventory sold and other charges

Unrealized gain on changes in fair value of cannabis plants

Unrealized gain on changes in fair value of cannabis plants is the gain resulting from management's estimate of the fair value less costs to sell of live cannabis plant inventory up to the point of harvest. IFRS requires management to estimate the fair value of cannabis through its growth phase, to the point of harvest. Once harvested, the fair value estimate of a plant at the harvest date becomes "crystallized" and forms the cost base of that plant as it is further processed, packaged, and sold.

For the three and six months ended June 30, 2022, unrealized gain on changes in fair value of cannabis plants was $4,335,749 and $8,025,943, respectively (June 30, 2022: $2,346,044 and $5,273,849, respectively).

The gain for the three and six months ended June 30, 2022, increased by $1,989,705 and $2,752,094 respectively compared to the same period in the prior year. This increase is driven by an overall improvement in the yield and quality of flower produced from operations in 2022. Increased yield per plant offset by a lower fair value less costs to sell on a per dried gram basis drove a larger gain than in the prior year. The increase was impacted by the additional plant density per square foot under production in 2022. The increased expected average yield per plant and flower quality is a result of improvements to the Company's cultivation program.

Realized fair value of inventory sold

For the three and six months ended June 30, 2022, realized fair value of inventory sold was $3,552,147 and $5,219,357, respectively (June 30, 2021: $1,092,879 and $2,446,099, respectively). Realized fair value of inventory sold is the non-cash fair value released from inventory when cannabis is sold. Refer to '*Inventory expensed to cost of sales'* discussion above.

Adjustment to net realizable value of inventory on hand at period end

For the three and six months ended June 30, 2022, the adjustment to net realizable value of inventory on hand at period end was $443,279 and $720,165, respectively (June 30, 2021: $1,582,983 and $2,491,931, respectively). The adjustment consists of the fair value component of inventory that was written off or provided for in the year. Refer to '*Inventory write off'* discussion above.

Operating Expenses

	Three months ended		**Six months ended**	
	June 30, 2022 $	June 30, 2021 $	**June 30, 2022 $**	June 30, 2021 $
Consulting, salaries and wages[1]	**2,261,560**	2,184,328	**4,056,854**	4,180,836
General and administrative[2]	**708,439**	733,241	**1,411,217**	1,524,802
Sales and marketing	**288,785**	610,610	**665,881**	1,022,078
Share-based compensation	**788,028**	615,396	**1,454,474**	787,854
Depreciation and amortization	**81,151**	62,600	**159,168**	118,371
Total operating expenses	**4,127,963**	4,206,175	**7,747,594**	7,633,941

[1] and [2] contains research and development charges

Consulting, salaries and wages

For the three months ended June 30, 2022, consulting, salaries and wages increased by $77,232 compared to the same period in the prior year. This increase was driven by severance costs relating to the former President of $450,000 and was partially offset by the CEO and CFO reducing cash compensation to nil for the three months ended June 30, 2022, resulting in a net increase of $262,750 during the three months. This was further offset by a lower personnel cost with the result of restructuring in 2021.

Consulting, salaries and wages decreased by $123,982 for the six months ended June 30, 2022, compared to the same period in the prior year as a result the lower personnel cost base in 2022 however offset by the net increase noted in the three months ending June 30, 2022.

General and administrative expenses

For the three and six months ended June 30, 2022, general and administrative expenses decreased by $24,802 and $113,585 respectively, compared to the same periods in the prior year. General and administrative expenses consist of certain short-term leases, insurance, professional fees, investor relations fees, office expenses, research and development and other licensing costs.

Sales and marketing

For the three and six months ended June 30, 2022, sales and marketing expenses decreased by $321,825 and $356,197, respectively, compared to the same periods in the prior year. Sales and marketing expenses consist of the costs to maintain the Company’s brands, carry out marketing initiatives, and develop new brands. Rubicon has focused its sales and marketing spending so that our spend has direct measurable impact. Throughout 2022 the Company has focused on cost control in order to deliver profitability resulting in less sales and marketing spend during the year compared to 2021 when the focus was to develop and launch the new brands in the market.

Share-based compensation

Non-cash share-based compensation reflects the estimated value of stock options, restricted share units, restricted share awards and deferred share units issued to employees and directors of the Company.

For the three and six months ended June 30, 2022, share-based compensation increased by $172,632 and $666,620, respectively, compared to the same periods in the prior year. The Company amended the terms of 778,500 existing stock options for employees of the Company which resulted in an additional expense of $170,674 to be recognised in the second quarter of 2022. The Company also issued 40,000 stock options to employees which also resulted in an increase to the share-based compensation expense recorded in the second quarter of 2022.

Selected Financial Information

The following tables present selected financial information of the Company:

As at:	**June 30, 2022** **$**	December 31, 2021 $
Current assets	**26,505,862**	27,174,025
Non-current assets	**27,413,323**	27,667,267
Current liabilities	**7,071,789**	6,937,753
Non-current liabilities	**8,969,865**	9,004,355
Shareholders' equity	**37,877,531**	38,899,184

	Three months ended		**Six months ended**	
	June 30, 2022 **$**	June 30, 2021 $	**June 30, 2022** **$**	June 30, 2021 $
Net revenue	**8,834,795**	4,595,591	**13,983,009**	8,706,154
Other income	-	31,450	-	31,450
Loss from operations	**(943,962)**	(4,915,732)	**(2,073,171)**	(8,269,861)
Net loss for the period	**(1,232,227)**	(5,096,459)	**(2,723,766)**	(9,083,775)
Adjusted EBITDA*	**261,206**	(3,416,332)	**(1,255,228)**	(6,791,699)
Loss per share	**(0.02)**	(0.09)	**(0.05)**	(0.17)

*Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes as shown below. Management uses Adjusted EBITDA to assess the Company's performance. Adjusted EBITDA may not be comparable to similar measures presented by other issuers. The following table presents the Company's Adjusted EBITDA for the three and six months ended June 30, 2022, and June 30, 2021.

Below is the Company's quantitative reconciliation of Adjusted EBITDA calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes. The following table presents the Company's reconciliation of Adjusted EBITDA to the most comparable IFRS financial measure for the three and six months ended June 30, 2022 and June 30, 2021.

	Three months ended		**Six months ended**	
	June 30, 2022 **$**	June 30, 2021 $	**June 30, 2021** **$**	June 30, 2020 $
Loss from operations	**(943,962)**	(4,915,732)	**(2,073,171)**	(8,269,861)
IFRS fair value accounting related to cannabis plants and inventory	**340,323**	(329,818)	**2,086,421**	335,819
	(1,284,285)	(4,585,914)	**(4,159,592)**	(8,605,680)
Depreciation and amortization	**757,463**	554,186	**1,449,890**	1,026,127
Share-based compensation expense	**788,028**	615,396	**1,454,474**	787,854
Adjusted EBITDA	**261,206**	(3,416,332)	**(1,255,228)**	(6,791,699)

In calculating the Company's Adjusted EBITDA, the impact of certain one-time charges have not been included to be consistent with prior Adjusted EBITDA reporting and if they had been included the result would be Adjusted EBITDA of $836,503 for the three months ended June 30, 2022 and an Adjusted EBITDA loss of $569,191 for the six months ended June 30, 2022.

One-time charges in the period include: (a) the termination payment accrual to the former President of $450,000 ($262,750 in the three months ended June 30, 2022, net of CEO and CFO compensation reduction to nil in Q2

2022) as well as provisions for inventory write-offs of $312,547 and $423,287 for the three and six months ended June 30, 2022.

Summary of Quarterly Results

The following table summarizes quarterly financial results for Rubicon Organics for the last eight quarters:

	2022		2021				2020	
(C$000's)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net revenue	8,835	5,148	6,815	7,090	4,596	4,111	4,774	3,167
Inventory written off or provided for	(313)	(111)	(280)	(149)	(623)	(599)	(905)	(460)
Gross profit	2,844	744	1,530	1,778	(411)	(592)	(719)	(641)
Net loss for the period	(1,232)	(1,492)	(1,591)	(3,847)	(5,096)	(3,987)	(5,043)	(4,317)
Weighted average shares outstanding (000's)	56,247	56,231	56,170	56,033	55,632	51,776	47,260	46,148
Net loss per share, basic and diluted	(0.02)	(0.03)	(0.03)	(0.07)	(0.09)	(0.08)	(0.11)	(0.09)

Initial revenues were earned in the first quarter of 2020, and the Company realized significant growth throughout the remainder of that year as it launched its Simply Bare™ Organic flower brand across Canada. In the first half of 2021, revenues flattened as compared to the fourth quarter of 2020 given the impact of seasonality, and COVID-19 related store closures. The Company realized significant growth once again in the second half of 2021 due to greater market penetration of Simply Bare™ Organic and the successful launch of 1964 Supply Co™ and Homestead Cannabis Supply™ in key Canadian markets. The seasonal decline in sales was observed in the first quarter of 2022, however sales have increased in the second quarter of 2022 due to increased distribution and product rate of sale with improved product quality.

Cultivation costs are expensed prior to the Company earning revenues. In 2020, the Company invested in its organization and new product launches resulting in increased costs for headcount, research and development, sales and marketing, and certain non-cash costs. Products that did not meet our strict quality standards were written down, which limited improvements to both gross profit and net loss. The benefits of the new product launches started to be realized in the third quarter of 2021 with the launch of Homestead Cannabis Supply™ and the clear out of product that did not meet the other flower brands quality standard.

The Company has continued to reduce its cost of product and incidence of write off as internal production processes were enhanced, economies of scale realized, and new products launched. Since the third quarter of 2021, the Company realized significant revenue growth, achieved positive gross profit, and consistently reduced its net loss. During 2022, the Company has continued its prudence on spending, while seeking to optimize its Delta Facility operations and drive revenue growth.

For a detailed review of the three and six months ended June 30, 2022, refer to the results analysis under '*Results of Operations and Financial Review*'.

Liquidity and Capital Resources

Liquidity

Our objectives when managing our liquidity and capital structure are to maintain sufficient cash to fund our working capital needs, capital asset development and contractual obligations.

	Six months ended		
	June 30, 2022	June 30, 2021	Change
	$	$	$
Net cash provided (used in):			
Operating activities	**(2,238,557)**	(9,676,193)	7,437,636
Investing activities	**(2,129,626)**	(3,591,502)	1,461,877
Financing activities	**(411,352)**	5,139,177	5,550,529
Effect of foreign exchange on cash	**15,136**	1,989	13,147
Increase (decrease) in cash	**(4,764,399)**	(8,126,529)	3,362,130
Cash beginning of the period	**11,583,443**	12,136,459	
Cash end of the period	**6,819,044**	4,009,930	

Operating Activities

In the six months ended June 30, 2022, net cash used in operating activities improved by $7,437,636 compared to the same period in the prior year. Revenue growth in 2022 from the addition of the 1964 Supply Co™ and Homestead Cannabis Supply™ brands in the second half of 2021 has contributed additional margin to improve cash flows from operating activities. The Company has also curtailed extraneous operating costs through its 2021 restructuring and process improvement initiatives resulting in further improved operating cash flows in the six months ended June 30, 2022 compared to the prior period. The Company continues to prioritize process improvements, with a focus in the cultivation department to increase crop quality and yield, which are expected to drive continuing improvement in the Company's financial results.

Investing Activities

In the six months ended June 30, 2022, net cash used in investing activities decreased by $1,461,876 compared to the same period in the prior year. During the same period in 2021 the Company continued ramping up to full scale operations at the Delta Facility and incurred capital expenditure to fully commission its final two growing compartments (total of five growing compartments plus the nursery at the Delta Facility). In the six months ended June 30, 2022, the Company had two significant projects underway. The first project was the completion of the installation of the final dehumidification units and the second project remains underway to link the Delta Facility to BC Hydro.

Financing Activities

In the six months ended June 30, 2022, net cash used by financing activities was $411,352, compared to net inflows of $5,139,177 in the comparable period of the prior year.

During the six months ended June 30, 2022, the Company's only financing related activity was to service its existing debts (interest and lease payments). In the same period in 2021, the Company completed a prospectus offering for net proceeds of $21,203,825. This cashflow was offset by $16,186,186 in repayments of debt and accrued interest. The remaining amount related to proceeds from stock options exercised, repayment of finance lease and prepayment of financing costs.

Capital Resources

The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2022, the Company had cash and cash equivalents of $6,819,044 and net working capital of $19,434,073. The Company fully repaid all prior loans and borrowings during the first and second quarter of 2021 and refinanced with a US$8.0 million Debenture at 6.5% interest. The Company had also extended the maturity date of the Debenture to December 31, 2024, with the interest rate increasing to 7.5% effective July 1, 2023.

The Company believes it is sufficiently capitalized to maintain ongoing operations and has no further plans for additional financing. After the February 26, 2021 bought deal financing, the Company has $17.0 million remaining on its $40.0 million Base Shelf Prospectus filed on December 29, 2020.

Contractual Obligations

The Company has the following contractual obligations as at June 30, 2022:

Payments due by period:	Less than one year $	One to three years $	Over three years $	Total $
Lease liabilities[1]	146,655	—	—	146,655
Trailer leases[2]	148,803	—	—	148,803
Loans and interest obligations[3]	983,775	11,450,900	—	12,434,675
Total contractual obligations	**1,279,233**	**11,540,900**	**—**	**12,730,133**

[1] Consists of right-of-use Vancouver head office and right-of-use tractors.
[2] Modular buildings to provide additional space at the Delta Facility.
[3] Includes principal and interest on maturing loans. All USD amounts were translated at the future exchange rates specified in the swap contracts (the Derivatives).

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at August 12, 2022, the Company has the following securities outstanding:

	Number of units
Common Shares	55,999,994
Stock Options	3,581,849
Warrants	4,815,315
Restricted Share Units	2,723,333
Deferred Share Units	250,000
Fully Diluted Shares Outstanding	66,370,491

Proposed Transactions

There are no undisclosed proposed transactions that will materially affect the Company.

Off-balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements.

Related Party Transactions

Accounts payable and accrued liabilities at June 30, 2022 included $12,932 (December 31, 2021: $57,357) owed to executives and directors of the Company for expenses paid on behalf of the Company.

Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Key management compensation was comprised of:

	June 30, 2022 $	June 30, 2021 $
Salaries and accrued salaries	**379,539**	646,500
Bonuses in accrued liabilities	**40,625**	—
Termination benefits	**450,000**	—
Share based compensation	**523,799**	134,662
Total compensation of key management personnel	**1,393,963**	781,162

Critical Accounting Estimates and Judgments

The preparation of the Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Management considers the areas described in Note 4 of the Financial Statements to be the most critical in understanding the judgments and estimates that are involved in the preparation of the Company's Financial Statements and the uncertainties that could impact its results of operations, financial condition, and cash flows.

Changes in Accounting Policies Including Initial Adoption

The Company has not identified any new accounting standards that would be applicable and are not yet effective that would have a material impact on the Company.

Financial Instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Derivatives	Fair value through profit or loss
Deposits and Security deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Interest payable	Amortized cost
Loans and borrowings	Amortized cost

The fair values of cash and cash equivalents, accounts receivable, deposits and security deposits, accounts payable and accrued liabilities and interest payable approximate their carrying amounts due to the short-term maturity of those instruments.

The Company entered the Derivatives to offset the future foreign exchange impact of the principal and interest payments on the US$8.0 million Debenture. Refer to Note 13 in the Annual Financial Statements for more information on the Derivatives.

Loans and borrowings were incurred to fund upgrades of the Delta Facility and general operations. Refer to Note 12 in the Annual Financial Statements for more information on loans and borrowings.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk, interest rate risk and foreign exchange risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on its cash and cash equivalents, accounts receivable, security deposits and the Derivatives. The carrying amount of these assets represent the maximum credit exposure.

The Company limits exposure to credit risk by maintaining its cash and cash equivalents and security deposits with institutions of high credit worthiness.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into arrangements with reputable and stable counterparties and frequent reviews of exposure to individual entities. With regards to receivables, the Company is not exposed to significant credit risk as the majority of the Company's sales and trade receivables are with government bodies and crown corporations.

An impairment analysis of receivables is performed at each reporting date and the balances are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and a change in the commercial terms associated with the balance held.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue debt or additional common shares to ensure that there is cash available for its programs.

Current liabilities, being accounts payable and accrued liabilities, interest payable, the current portion of lease liabilities and the current portion of loans and borrowings are payable within one year and are to be funded from cash. Long term liabilities consist of the non-current portion of lease liabilities and the non-current portion of loans and borrowings.

Interest rate risk

Interest rate risk is the risk the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's debt is held at a fixed interest rate and no significant interest rate risk applies.

Foreign exchange risk

The Company and its subsidiaries conduct certain transactions denominated in currencies other than the functional currency of the Company (United States dollars and Euros). Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

The Company's main risk is associated with the impact of fluctuations in US$ exchange rates on the Debenture. The Company entered several foreign exchange swap contracts (referred to as the Derivatives) to offset the future exchange impact of the principal and interest payments on the Debenture. The Company has not included the impact of foreign exchange on the US$ Debenture in the analysis below as it is mitigated by the purchase of the Derivatives.

For the six months ended June 30, 2022, the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		June 30, 2022		December 31, 2021
Cash		**531,725**		528,510
Accounts payable and accrued liabilities		**(286,144)**		(176,546)
Interest payable		**(260,000)**		(260,000)
	US$	**(14,419)**	US$	91,964

A 10% change of the US$ against the CAD$ would increase net loss by $1,858 (December 31, 2021: $11,659).

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – Financial Instruments; Fair Value Measurement ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

There were no transfers within the fair value hierarchy during the three and six months ended June 30, 2022.

The fair value of the Derivatives was determined using prices obtained from the Company's foreign exchange broker on the measurement date. These fair value measurements have been categorized as Level 2 on the fair value hierarchy.

Capital Management

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders. Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing market conditions. In doing so, the Company may issue new shares or refinance existing long-term debt. Annual budgeting is the primary tool used to manage the Company's capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors, proposed expenditure programs and market conditions.

Risks and Uncertainties

The Company is exposed to risks and uncertainties relating to the business of the Company that should be considered by both existing and potential investors. The risks and uncertainties appearing in the Company's Management, Discussion and Analysis for the three and six months ended June 30, 2022 are qualified in their entirety by reference to, and must be read in conjunction with, the Company's Annual Information Filing dated April 18, 2022 available on the Company's SEDAR page at www.sedar.com. These risks and uncertainties are intended to serve as an overview and should not be considered comprehensive. Investing in the Company's common shares involves significant risks. The Company may face additional risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner. Many factors could cause the Company's results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this MD&A.

Conflicts of Interest

To the best of our knowledge, there are no known existing or potential material conflicts of interest among us and our directors, officers or other members of Management as a result of their outside business interests except that certain of our directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director, officer or advisor of such other companies.

Cautionary Note Regarding Forward-Looking Statements

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "if", "expects", "estimates", "may", "could", "should", "will", "intends" and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking statements are based on certain assumptions and analyses made by the Company considering the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to: (i) information or statements concerning the Company's expectations of financial resources availability to fund operations; (ii) obtaining the necessary regulatory approvals; (iii) that regulatory requirements will be maintained; (iv) general business and economic conditions; (v) the Company's ability to successfully execute its plans and intentions; (vi) the Company's ability to obtain financing at reasonable terms though the sale of equity and/or debt commitments; (vii) the Company's ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company's competitors; (x) that our current good relationships with our suppliers, service providers and other third parties will be maintained; and (xi) the impact of the current global health crisis caused by COVID-19 pandemic.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: general risks associated with the COVID-19 global pandemic, the legal status of cannabis cultivation, distribution and sales in Canada; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; uncertainty about the Company's ability to continue as a going concern; risk that the Company will not obtain or retain any relevant licenses; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

The global pandemic related to an outbreak of the COVID-19 novel coronavirus disease has cast uncertainty on the Company's assumptions. There can be no assurance that they continue to be valid. Given the rapid pace of change, it is premature to make further assumptions about these matters. The COVID-19 outbreak was declared a pandemic by the World Health Organization in 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. These impacts could include an impact on our ability to maintain operations, to obtain debt and equity financing, access to necessary supplies, credit risk associated with our accounts receivable, impairments in the value of our long-lived assets, or potential future decreases in revenue or the profitability of our ongoing operations. The Company continues to work diligently to ensure operations continue and product is delivered while continuing to emphasize the safety of our product and employees.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Many of the factors are beyond our control. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events, new information, or for any other reason except as required by law. These forward-looking statements are made as of the date hereof.

Additional Information

Additional information related to the Company is available on the Company's website at www.rubiconorganics.com and through its public filings on www.sedar.com.

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