Rubicon Organics Inc.

Management's Discussion & Analysis

For the three months ended March 31, 2023 and 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 months ended March 31, 2023. 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 months ended March 31, 2023 (the "Financial Statements") the audited consolidated financial statements including the accompanying notes for the fiscal year ended December 31, 2022 (the "Annual Financial Statements"), and the Annual Management's Discussion and Analysis for the year ended December 31, 2022 ("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.

In preparing this MD&A, we have considered all information available to us up to May 19, 2023.

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 SEDAR website at www.sedar.com.

About Us

Overview

Headquartered in Vancouver, British Columbia, Rubicon Organics Inc. exists under the laws of the Business Corporations Act (British Columbia) 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 our 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, British Columbia (the "Delta Facility"). Out of our Delta Facility, the Company grows organic cannabis certified by the Fraser Valley Organic Producers Association ("FVOPA"), Canada's preeminent certification body for organic operators.

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

We are focused on building a portfolio of premium brands in the Canadian market, including our flagship super-premium brand Simply Bare™ Organic, our premium brand 1964 Supply Co™, our mainstream brand Homestead Cannabis Supply™, our premium concentrate brand LAB THEORY™ and our cannabis wellness product brand Wildflower™. We currently have over 120 unique SKUs available for sale across Canada, with over 97% coverage of the addressable market[1]. The Company has direct supply agreements

[1] *By population per Statistics Canada*

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"), the Northwest Territories Liquor, Cannabis Commission ("NTLCC") and the Newfoundland Liquor Corporation ("NLC"). We have distribution agreements with distributors in Saskatchewan who distribute the Company's products to certain provincial distributors and retailers.

As at March 31, 2023, Rubicon Organics has the following subsidiaries:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings Corp. ("RHC") †	BC, Canada	100%
West Coast Marketing Corporation	BC, Canada	100%

† Formerly Rubicon Organics Canada Corp.

Our Operations

Delta Facility

Our 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, British Columbia. The entire greenhouse facility is licensed for cultivation and processing and is certified by FVOPA for organic cannabis cultivation.

Our Delta Facility is made up of a processing area, a nursery, and a total of five cultivation compartments. Since March 2020, the facility has been in full scale operation. Our Delta Facility utilizes cold cure processing rooms and follows Good Production Practices ("GPP") for processing dried flower, performing solvent-less extraction and packaging finished goods.

Rubicon Organics has invested in our 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. Our Delta Facility utilizes two different spectrums of supplemental LED light and advanced climate and humidity controls. Full spectrum LED lights mimic natural sunlight, resulting in healthier plants with higher yields than conventional greenhouses while 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. Our soil is a proprietary blend of structural and nutritional components, locally sourced to naturally deliver nutrients to the crop, while minimizing the impact on our environment.

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 British Columbia'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, to preserve quality, 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 May 19, 2023:

- 3.5 gram jar
- 7.0 gram jar
- 14 gram bag
- 28 gram bag
- 1 x 0.5 gram pre-roll
- 2 x 0.5 gram pre-rolls
- 3 x 0.5 gram pre-rolls
- 1 x 1 gram pre-roll
- 1 x 1 gram pre-roll *(rosin infused)*
- 1.0 gram hash
- 2.0 gram hash
- 1.0 gram live rosin
- 0.5 gram PAX® Era™ pod

1964 Supply Co™, initially launched in December 2020, is now available from Coast to Coast in eight provinces from British Columbia 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, hash formats and edibles.

Product formats available as of May 19, 2023:

- 1 gram bag
- 3.5 gram bag
- 14 gram bag
- 15 gram bag
- 28 gram bag
- 1 x 1 gram pre-roll
- 1 x 1 gram pre-roll *(hash infused)*
- 1 x 1 gram blunt
- 1 x 1 gram blunt *(hash infused)*
- 1 x 0.7 gram pre-roll *(diamond infused)*
- 5 x 0.5 gram pre-rolls
- 5 x 0.7 gram pre-rolls
- 7 x 0.5 gram pre-rolls
- 2 gram hash bag
- 3.5 gram hash bag

- 2 x 5 milligram edibles *(live rosin infused)*

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.

Product formats available as of May 19, 2023:

- 7 gram milled flower
- 15 gram milled flower
- 28 gram flower
- 14 x 0.5 gram pre-rolls
- 60 x 0.5 gram pre-rolls
- 30 x 1 gram pre-rolls

LAB THEORY™ is a premium concentrate brand launched in January 2021 and is currently available in Alberta and BC. 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 May 19, 2023:

- 1 gram diamonds

Wildflower™ is a cannabis wellness product brand owned by Rubicon Organics in Canada[2]. CBD Relief Sticks and CBD Cool Sticks launched in April 2021 to consumers nationally and on certain medical platforms.

Product formats available as of May 19, 2023:

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

Strategy and Outlook

Canadian Recreational Market, Premium Quality and Product Line Extension

Rubicon Organics' strategy is to achieve industry leading profitability through premium and super-premium cannabis flower products, including our flagship super-premium brand Simply Bare™ Organic, premium brand 1964 Supply Co™, mainstream brand Homestead Cannabis Supply™, premium concentrate brand LAB THEORY™ and cannabis wellness brand Wildflower™.

The Company is focused on premium and organic cannabis flower and part of our strategy is to launch new genetics and various product formats. In 2022, we expanded the product lines under each of Simply Bare™ Organic, 1964 Supply Co™ and Homestead Cannabis Supply™ and further expect to launch new genetics, formats and products in 2023 all with the focus on margin optimization for each gram produced from our Delta Facility.

[2] *Rubicon Organics purchased the Wildflower brand in Canada in October 2022.*

The Delta Facility

In 2022, the Company achieved an increase in both quality and yield due to the upgrade of our greenhouse climate system, genetic innovations, improved cultivation conditions and continued learning and optimization of our crop work. We expect that while there are optimization opportunities, our Delta Facility is largely running at capacity with maintenance and downtime projects needed to maintain quality. Rubicon completed the BC Hydro power upgrade to the Delta Facility in September 2022. This project has eliminated the on-going dependence on natural gas generators, reduced the Company's operating costs and further contributes to our ESG goal to reduce greenhouse gas emissions.

In 2023 and beyond, the Company plans to continue certain strategic capital investments to improve quality, yield, increase efficiency, and/or decrease operating costs with items such as additional tables for plants in our cultivation area, a second boiler and automation opportunities. The Company's capital expenditures committee reviews every proposal for quality and yield improvement, risk management and payback of expenditure to cost savings.

Company Outlook

Rubicon Organics has set out four key priorities for 2023:

1. *Optimize Yield and Cultivation at our Delta Facility*

Our priority is delivering super-premium quality cannabis flower products in the Canadian market. Producing at scale in a greenhouse environment is subject to seasonal impacts and commercializing new strains to meet the demand in market and our brand standards can present challenges. We remain focused on ongoing refinement and optimization in our cultivation systems. In 2022 the Company achieved several crops exceeding our nameplate 11,000 kg's capacity, and we expect 2023 to be a year of steady and consistent quality production. Additional tables will be installed in our facility to improve air circulation and increase capacity in the second half of 2023, with standard maintenance scheduled during downtime.

2. *Maximize Canadian Premium Opportunity*

Rubicon is focused on maximizing the gross margin we earn from each gram produced from our Delta Facility. Delivering both the right genetics and product formats to the customer at the right price to value ratio and maintaining good relationships with the provincial distributors and retail stores are critical to our success. In 2023 we are driving to grow our Simply Bare™ Organic brand and to premiumize opportunistically elements of our 1964 Supply Co™ brand the impact of both would be positive on our gross profit.

As we have forecast demand beyond our available supply from our Delta Facility we have begun projects that we expect to incrementally grow our net revenue and gross profit. We intend to launch products that do not require our Delta Facility's capacity that we anticipate will add incremental gross profit to our results in a cost effective and efficient manner such as through contract grow relationships which will be to Rubicon's quality standards. We are also actively looking to build our revenue with the launch of new products under our existing brands which can be contracted to other licensed producers thus not utilizing our existing capacity. We intend to deliver this incremental gross profit without significant incremental overhead cost to our business, thus driving additional overall profitability.

3. *Drive Efficiency in Processes and Systems*

As steady state has been established at our Delta Facility, we now are seeking to create efficiency in our systems away from manual processes or those where there is reliance on key individuals to increase the resilience and repeatability of our systems and reduce cost. As part of this process, Rubicon is evaluating new information systems and expects to begin implementing new systems beginning in the second half of

2023. This project will increase costs in the short-term, but we believe will improve efficiency of the existing business and ready Rubicon for further growth.

4. *Build a Proud, Engaged Team Delivering Outstanding Results*

With turmoil in the cannabis sector in the last number of years, coupled with the stresses relating to work in the pandemic and tightness of the labour market, we have seen considerable turnover in the business. We believe that in order to deliver a premium product to market, our team members being engaged and proud is important to put our best foot forward with our consumers and customers. Furthermore, the cost and resources used when there is labour turnover can be considerable. As part of achieving an engaged and proud team, we have set clear goals and objectives linked to reward to recognize the hard work and accomplishments of team members. We also have begun reviewing our Company values listening to our people as part of the process and Rubicon's evolution now that we are in a more steady state.

Rubicon believes that our cannabis quality, brand positionings and product offerings will drive continued growth in net revenue, resulting in an increase in gross profit and Adjusted EBITDA[3] for the full year 2023. With a stable cost base, this anticipated growth in net revenue and gross profit would improve our operating leverage. Additionally, we expect to achieve positive cashflow for the full year, pending opportunistic investment decisions.

As a business we are now looking to increase the volume of product that we have available for sale to fill the demand we have for our quality products. The business is evaluating several options to increase our capacity. We believe that despite any market volatility, inflationary pressures, regulatory change, our product quality and brand portfolio has positioned Rubicon to win in the premium cannabis market.

Recent Activities

Key Developments in the three months ended March 31, 2023

- Record net revenue of $8.8 million (71% increase) for the three months ended March 31, 2023
- Achieved Adjusted EBITDA[3] of $0.2 million for the three months ended March 31, 2023
- Achieved operating cash flow of $0.2 million for the three months ended March 31, 2023
- 2.1%[4] national market share of flower and pre-rolls
- 5.3%[5] national market share of premium flower and pre-rolls

For the three months ended March 31, 2023, the Company reported net revenue of $8,799,940, a 71% increase compared to the prior year. For the three months ended 31 March 2023, Adjusted EBITDA[3] was a profit of $168,665, compared to a loss of $1,521,490 in the three months ended March 31, 2022.

Market Share

The Company's total market share in the Canadian flower and pre-rolls category increased to 2.1%[4] for the three months ended March 31, 2023, an increase from 1.6%[6] as compared to the prior year. The market share gains are attributable to the success from the 1964 Supply Co™ brand.

The Company has maintained its positioning in the premium flower and pre-rolls category with 5.3%[5] for the three months ended March 31, 2023 (5.3%[7] for the three months ended March 31, 2022).

[3] *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.*

[4] *Hifyre data for flower & pre-rolled products covering three months ending March 31, 2023*

[5] *Hifyre data for premium flower & pre-rolled products covering three months ending March 31, 2023*

[6] *Hifyre data for flower & pre-rolled products covering three months ending March 31, 2022*

[7] *Hifyre data for premium flower & pre-rolled products covering three months ending March 31, 2022*

The Company's topical brand, Wildflower™, continues to be the number one[8] topical brand in Canada with a market share of 16.5%[8] increasing from 13.2%[9] from the comparative period in the prior year.

Corporate

On January 6, 2023, the Company granted an aggregate of 1,055,000 stock options to certain employees of the Company pursuant to the Equity Plan. The options are exercisable at $0.90 per share, for a period of 5 years. The options vest over 3 years.

On March 20, 2023, the Company announced the appointment of Michael Detlefsen to its Board effective immediately, and the anticipated nomination of Doris Bitz, Len Boggio, Ian Gordon and Karen Proud (together the "Nominees") to stand for election at the next Annual General Meeting expected in the summer of 2023. The Nominees must also receive Health Canada's customary security clearance before they can join the Board.

Developments Subsequent to March 31, 2023

Commercial

During April 2023, the Company successfully launched 2 x 5 milligram THC edibles under the 1964 Supply Co™ brand in BC and Ontario. These products are the first single-strain live rosin edibles available in the Canadian recreational market. The rollout of the product line includes two flavors, Pink Lemonade and Berry Blitz, each paired with a specific live rosin strain. On May 9, 2023, these products also became available in Alberta.

[8] *Hifyre data for topical products covering three months ending March 31, 2023*
[9] *Hifyre data for topical products covering three months ending March 31, 2022*

Results of Operations and Financial Review

	Three months ended	
	March 31, 2023 **$**	March 31, 2022 $
Net revenue	**8,799,940**	5,148,214
Production costs	**2,678,604**	2,372,820
Inventory expensed to cost of sales	**2,934,894**	1,920,330
Inventory written off or provided for	**157,424**	110,740
Gross profit before fair value adjustments	**3,029,018**	744,324
Fair value adjustments to cannabis plants, inventory sold, and other charges	**139,463**	1,746,098
Gross profit	**3,168,481**	2,490,422

Net revenue

The Company delivered net revenue of $8,799,940 for the three months ended March 31, 2023. This represents significant net revenue growth of 71%, compared to the same period in the prior year.

Compared to Q1 2022, the Company doubled the number of SKUs for sale with the launch of several new strains, and product formats. The sales growth was underpinned by an increase in product yield, THC and quality from our Delta Facility.

Net revenue growth in Q1 2023 versus the prior year was primarily driven by the expansion of 1964 Supply Co™, having a full year of sales in all key markets, continued range expansion, and a new hero strain with Comatose.

Simply Bare™ Organic also increased in net revenue compared to the prior year. The brand benefitted from the launch of new strains, larger formats, and an infused pre-roll offering that was launched in the fourth quarter of 2022.

Revenue growth has continued across all our key markets (Alberta, BC, Ontario, and Quebec) which together make up 99% of our sales in the three months ended March 31, 2023 (March 31, 2022: 97%).

Production costs

For the three months ended March 31, 2023, production costs increased by $305,784 (13%) compared to 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 period, the production costs associated with inventory held at period end are expensed prior to revenue being derived.

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 months ended March 31, 2023, inventory expensed to cost of sales increased by $1,014,564 (53%) 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 33% of net revenue for the three months ended March 31, 2023 (March 31, 2022: 37%). 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.

Given the high inflationary environment in which the Company is operating in 2023, Management continues to monitor these costs closely and identify cost savings initiatives.

Inventory written off or provided for

For the three months ended March 31, 2023, inventory written off or provided for was $157,424, compared to $110,740 in the prior year. This represents 1.8% of net revenue for the three months ended March 31, 2023, compared to 2.2% in the prior year.

The Company was able to reduce the amount of inventory written off or provided for relative to sales through 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.

Gross profit before fair value adjustments

For the three months ended March 31, 2023, gross profit before fair value adjustments was $3,029,018, compared to $744,324 in the prior year. This represents a gross profit margin of 34% for the three months ended March 31, 2023, compared to 14% in the prior year.

The improved gross profit margin is primarily driven by the increased yield and corresponding sales from gaining leverage of the largely fixed production costs of the Delta Facility.

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 months ended March 31, 2023, unrealized gain on changes in fair value of cannabis plants was $3,083,913 compared to $3,690,194 in the prior year.

The gain for the three months ended March 31, 2023, decreased by $606,281 compared to the prior year.

The Company has realized quality and yield improvements from cultivation operations. There has been a change in growing approach to increase planting density and uniformity that has resulted in a higher quantity of plants (therefore decreasing the grams per plant metric), however, the overall yield per square foot has been increasing. The comparable selling price of wholesale dried cannabis has also decreased year-over-year contributing to the overall decrease in the unrealized gain on changes in fair value of cannabis plants.

Realized fair value of inventory sold

For the three months ended March 31, 2023, realized fair value of inventory sold was $2,869,485 compared to $1,667,210 in the prior year. 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 months ended March 31, 2023, the adjustment to net realizable value of inventory on hand at period end was $74,964, compared to $276,886 in the prior year. 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	
	March 31, 2023 **$**	March 31, 2022 $
Consulting, salaries and wages ‡	**2,058,978**	1,795,294
General and administrative ‡	**847,739**	702,778
Share-based compensation	**(132,158)**	666,446
Sales and marketing	**610,369**	377,096
Depreciation and amortization	**88,050**	78,017
Total operating expenses	**3,472,978**	3,619,631

‡ Contains research and development charges

Consulting, salaries and wages

For the three months ended March 31, 2023, consulting, salaries, and wages increased by $263,684 compared to the prior year. This increase is driven by a 2023 bonus accrual for employees in line with the corporate bonus plan, and non-recurring recruitment costs.

General and administrative expenses

For the three months ended March 31, 2023, general and administrative expenses increased by $144,961 compared to 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. The increase compared to the prior year is primarily driven by the increased Health Canada fee as a result of increasing sales, as well as some increased software security costs. The Company continues to monitor its spend closely to remain fiscally prudent.

Sales and marketing

For the three months ended March 31, 2023, sales and marketing expenses increased by $233,273 compared to 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.

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 months ended March 31, 2023, share-based compensation decreased by $798,604 compared to the prior year. The gain of $132,158 for the three months ended March 31, 2023 arose due to a reversal of the share based compensation related to RSU's expensed in prior periods which expired in the period given the departure of certain employees.

Selected Financial Information

The following tables present selected financial information of the Company:

As at:	**March 31, 2023 $**	December 31, 2022 $
Current assets	**26,371,385**	27,694,524
Non-current assets	**27,990,635**	28,412,176
Current liabilities	**7,072,850**	8,372,553
Non-current liabilities	**9,663,280**	9,401,052
Shareholders' equity	**37,625,890**	38,333,095

	Three months ended	
	March 31, 2023 $	March 31, 2022 $
Net revenue	**8,799,940**	5,148,214
Other income	—	5,056
Profit loss from operations	**(304,497)**	(1,129,209)
Net loss for the period	**(575,047)**	(1,491,539)
Adjusted EBITDA*	**168,665**	(1,521,490)
Loss per share, basic	**(0.01)**	(0.03)
Loss per share, diluted	**(0.01)**	(0.03)

*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 months ended March 31, 2023, March 31, 2022, and December 31, 2022.

	Three months ended		
	March 31, 2023	March 31, 2022	December 31, 2022
	$	$	$
Profit (loss) from operations	**(304,497)**	(1,129,209)	(2,717,482)
IFRS fair value accounting related to cannabis plants and inventory	**139,463**	1,746,098	(2,379,925)
	(443,960)	(2,875,307)	(337,557)
Interest revenue	**—**	(5,056)	—
Depreciation and amortization	**744,783**	692,427	790,030
Share-based compensation expense	**(132,158)**	666,446	813,876
Adjusted EBITDA	**168,665**	(1,521,490)	1,266,349

Summary of Quarterly Results

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

	2023			**2022**			**2021**	
(C$000's)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Net revenue	**8,800**	10,992	10,543	8,835	5,148	6,815	7,090	4,596
Inventory written off or provided for	**(157)**	(241)	(201)	(313)	(111)	(280)	(149)	(623)
Gross profit (loss) before fair value adjustments	**3,030**	4,509	4,114	2,844	744	1,530	1,778	(411)
Net profit (loss) for the period	**(575)**	(3,158)	2,026	(1,232)	(1,492)	(1,591)	(3,847)	(5,096)
Weighted average shares outstanding (000's), basic	**56,425**	56,300	56,250	56,247	56,231	56,170	56,033	55,632
Weighted average shares outstanding (000's), diluted	**56,858**	56,733	56,733	56,247	56,231	56,170	56,033	55,632
Net profit (loss) per share, basic	**(0.01)**	(0.06)	0.04	(0.02)	(0.03)	(0.03)	(0.07)	(0.09)
Net profit (loss) per share, diluted	**(0.01)**	(0.06)	0.04	(0.02)	(0.03)	(0.03)	(0.07)	(0.09)

In the first half of 2021, revenues were relatively static given the impact of seasonality, and COVID-19 related store closures. The Company realized significant growth 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 been on an upward trend for the last three quarters in 2022. This was due to increased distribution and product rate of sale with improved product quality. As per previous years, the seasonal decline in sales was again observed in Q1 2023, however still increasing sales relative to prior year continuing on the positive momentum from end 2022.

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 to reach net profit in Q3 2022. Despite increasing sales and gross profit, Q4 2022 reported a loss as a result of non-cash fair value adjustments to inventory. In Q1 2023, the Company saw a reduction in Gross profit before fair value adjustments compared to Q4 2022 as a result of the seasonality of sales. The Company's net loss in Q1 2023 was the lowest compared to previous quarters. The Company has continued its prudence on spending in 2022 and beyond, while seeking to optimize its Delta Facility operations and drive revenue growth.

For a detailed review of the three months ended March 31, 2023, 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.

	Three months ended		
	March 31, 2023 $	March 31, 2022 $	Change $
Net cash provided (used in):			
Operating activities	**192,523**	(1,564,435)	1,756,958
Investing activities	**(486,332)**	(886,411)	400,079
Financing activities	**(395,778)**	(375,212)	20,566
Effect of foreign exchange on cash	**(4,053)**	(6,598)	2,545
Increase (decrease) in cash	**(693,640)**	(2,832,656)	2,139,016
Cash beginning of the period	**8,294,117**	11,583,443	
Cash end of the period	**7,600,477**	8,750,787	

Operating Activities

In the three months ended March 31, 2023, net cash used in operating activities decreased by $1,756,958 compared to the prior year.

Revenue has continued to grow from 2022 into 2023 primarily due to the performance 1964 Supply Co™ nationally since launch in 2021 which together with the other brands contributed gross margin to improve cash flows from operating activities. The Company continues to use financial prudence in its operating spend and 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 three months ended March 31, 2023, net cash used in investing activities decreased by $400,079 to $486,332. Projects identified are smaller in scale than in the past and focused on those which deliver a less than one year return on investment or maintenance or risk mitigation for the Delta Facility.

In 2022, the Company completed two significant capital projects. The first project was the completion of the installation of the final dehumidification units improving crop quality and climate in the cultivation area in the first quarter and the second being the link of the Delta Facility to BC Hydro completed in September 2022.

Financing Activities

In the three months ended March 31, 2023, net cash used by financing activities was $395,778 compared to $375,212 in the prior year.

During the three months ended March 31, 2023 and 2022, the Company's only financing related activity was to service its existing debts (interest and lease payments).

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 March 31, 2023, the Company had cash and cash equivalents of $7,600,477 and net working capital of $19,298,535. The Company refinanced in the second quarter of 2021 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 had $17.0 million remaining on its $40.0 million Base Shelf Prospectus filed on December 29, 2020. This Base Shelf Prospectus expired on January 29, 2023.

Contractual Obligations

The Company has the following contractual obligations as at March 31, 2023:

Payments due by period:	**Less than one year** **$**	**One to three years** **$**	**Over three years** **$**	**Total** **$**
Lease liabilities[1]	35,226	—	—	35,226
Trailer leases[2]	214,831	—	—	214,831
Loans and interest obligations[3]	714,440	11,065,100	—	11,779,540
Total contractual obligations	**964,497**	**11,065,100**	**—**	**12,029,597**

[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 May 19, 2023, the Company has the following securities outstanding:

	Number of units
Common Shares	56,124,994
Stock Options	3,974,949
Warrants	4,815,315
Restricted Share Units	2,123,333
Deferred Share Units	300,000
Fully Diluted Shares Outstanding	**67,338,591**

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 March 31, 2023, included $19,008 (March 31, 2022: $50,690) 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 for the three months ended March 31, 2023 and March 31, 2022, was comprised of:

	March 31, 2023 $	March 31, 2022 $
Salaries and accrued salaries	**176,876**	325,250
Bonuses in accrued liabilities	**75,000**	—
Share based compensation	**153,384**	581,174
Total compensation of key management personnel	**405,260**	906,424

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
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, 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 14 in the 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 13 in the 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 and forward 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 three months ended March 31, 2023, the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		March 31, 2023		March 31, 2022
Cash		**530,128**		530,927
Accounts payable and accrued liabilities		**(187,839)**		(255,983)
	US$	**342,289**	US$	274,944

A 10% change of the US$ against the CAD$ would have increased net loss by $46,322 (March 31, 2022: $34,357).

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 months ended March 31, 2023.

The fair value of the Derivatives were 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 months ended March 31, 2023 are qualified in their entirety by reference to, and must be read in conjunction with, the Company's Annual Information Filing dated March 31, 2023. 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 related to us is available by accessing the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

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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