Rubicon Organics Inc.

Management's Discussion & Analysis

For the three months ended March 31, 2021

Expressed in Canadian dollars

Preface

In this Management's Discussion & Analysis ("MD&A"), "Rubicon Organics", 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, 2021. 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 interim financial statements including the accompanying notes for the three months ended March 31, 2021 (the "Financial Statements"), the audited consolidated financial statements including the accompanying notes for the fiscal year ended December 31, 2020 (the "Annual Financial Statements"), and the Annual Management's Discussion and Analysis for the year ended December 31, 2020 ("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 taken into account all information available to us up to May 17, 2021.

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 ("TSXV") and under the symbol "ROMJF" on the OTCQX.

Rubicon Organics, through its wholly-owned subsidiary Rubicon Holdings Corp., is a licensed producer ("LP") under the *Cannabis Act* focused on providing premium organic certified cannabis products 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 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 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") and the Yukon Liquor Corporation ("YLC") and sells directly to the Manitoba Liquor & Lotteries ("MBLL"). 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 expects first exports in the second half of 2021, pending European Union Good Manufacturing Practices ("EU-GMP") certification.

As at March 31, 2021, Rubicon Organics has the following subsidiaries:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings Corp. (“RHC”) (formerly Rubicon Organics Canada Corp.) (licensed producer under the Cannabis Act)	BC, Canada	100%
West Coast Marketing Corporation	BC, Canada	100%

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, British Columbia. 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 was fully utilized for cultivation and has been in full scale operation. The Delta Facility has cold cure processing rooms and Good Production Practices (“GPP”) processing facilities for dried flower and solvent-less extraction.

Rubicon Organics has invested in the Delta Facility to create year-round organic growing conditions. Through the first full year of cultivation, we have been adapting our infrastructure to continue to refine and optimize our growing environment with a focus to drive high quality production. The Delta Facility has two different spectrums of supplemental LED light and advanced climate and humidity controls. Our full spectrum LED lights mimic natural sunlight, resulting in healthier plants with higher yields than conventional greenhouses while reducing our energy use by up to 60% 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 the 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

Simply Bare™ Organic is Rubicon Organics' flagship premium brand launched in December 2019.

Cannabis packaged and sold under the Simply Bare™ Organic brand is grown in a proprietary mix of living, 100% certified organic soil made in-house with ingredients from BC's Sunshine Coast. Each plant is grown under full-spectrum sunlight, harvested by hand and cold cured for two weeks to achieve a rich terpene profile. Buds are then selected and carefully trimmed before being packaged into a sustainable terracotta-coloured glass jar. Simply Bare™ Organic pre-rolls take the same dried flower, delivered in a convenient format at a more accessible price point.

Product formats available as at May 17, 2021:

- 3.5 gram jar
- 7.0 gram jar
- 3 x 0.5 gram pre-rolls
- 1.0 gram hash

Lab Theory™ is a premium concentrate brand launched in December 2020. Lab Theory™ combines high terpene flower with industry-leading extraction techniques to produce high-quality concentrates.

1964™ launched initially in Quebec in December 2020 and is expected to be launched nationally in 2021. 1964™ is available in dried flower and hashish formats currently in Quebec only.

Product formats available as at May 17, 2021:

- 3.5 gram bag
- 2.0 gram hash bag

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 in Ontario, British Columbia, Alberta and Saskatchewan.

Product formats available as at May 17, 2021:

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

Strategy and Outlook

Canadian Recreational Market

Rubicon Organics is focused on building its portfolio of premium brands in the Canadian market that is anchored by its flagship Simply Bare™ Organic cannabis brand. In December 2020, the Company launched its first concentrate brand, LAB THEORY™, in British Columbia. In December 2020, the Company also launched the 1964™ brand in Quebec, including both flower and hash products. The Company intends to launch additional brands into its existing distribution channels (Ontario, British Columbia, Alberta, Quebec, Saskatchewan, Manitoba and the Yukon) in both the flower and extract categories, along with a diverse portfolio of cannabis 2.0 products.

New Product Innovation

Rubicon has hired an experienced team of consumer-packaged goods (“CPG”) professionals with a focus on continuous innovation with a plan to launch new product innovation throughout 2021 and beyond.

On March 3, 2021, the Company entered into a services agreement with the Valens Company (“Valens”) to provide organic certified extraction services. This agreement is expected to accelerate the launch of our 2.0 innovation pipeline.

On March 24, 2021, the Company announced the launch of Wildflower topicals including the CBD Relief Stick and CBD Cool Stick. The Wildflower-branded products were available in early April 2021 to consumers in Ontario, British Columbia, Alberta and Saskatchewan.

Rubicon has partnered with PAX LABS®, a leader in premium cannabis vaporization technology, to launch organic cannabis oil pods for the PAX® ERA™ and PAX® ERA Pro™ premium vaporizers. We expect the PAX® pods to be available for distribution in Q2 2021.

European market and other markets

Through its supply agreement with Canacur GmbH signed in 2020, the Company established its first distribution channel to the German medical cannabis market. The Company expects first exports to Germany in the second half of 2021, pending European Union GMP (“EU-GMP”) certification. Although the Delta Facility is ready for the EU-GMP inspection, it has been delayed due to COVID-19 travel restrictions.

The Company continues to seek additional distribution channels into the European cannabis market.

The Delta Facility

The Company expects to continue to invest at its Delta Facility to drive best in class production quality. Furthermore, the Company is performing an assessment of areas for additional capital expenditure which could increase throughput and efficiency. Any investments made by the Company are focused on improving quality, increasing efficiency or decreasing operating costs.

After receiving approval from Health Canada on May 5, 2020 for site amendments that included the use of its land at the Delta Facility for an outdoor grow, the Company conducted a pilot scale outdoor grow in 2020. The Company is expecting to utilize its outdoor grow area for research and development purposes in 2021.

Company Outlook

In Q1 2021, the Company maintained significant market share in the premium and organic product categories with its Simply Bare Organic™ brand[1]. The Company held a top six position in premium in each of Ontario, Alberta and Quebec and remained the #1 premium brand in BC[1]. Consistent with industry trends and guidance, the shutting of stores in Q1 2021 had a significant impact on sales to provincial distributors relative in forecast, particularly in Ontario and Alberta. This trend of decreased sales in Ontario and Alberta has continued with the ongoing lock-downs and store closures where sales are limited to "click and collect" shopping in those markets. In the few weeks that stores in Ontario were open to in-store shopping, Rubicon saw significant in-store sales increases. The government restrictions on retail operations remains challenging for revenue growth, but the results of the few weeks being open indicated a strong consumer demand in the premium segment for our Simply Bare Organic™ brand.

As a proactive measure to an uncertain outlook for store re-openings, Rubicon Organics is undergoing a company-wide restructuring and has already achieved an annualized savings of $2.6 million. Rubicon is also accelerating the launch of additional products and brands in the coming months which we expect will drive revenue within more segments of the premium flower category and with cannabis 2.0 product launches.

COVID-19 related store closures will impact Rubicon Organics' ability to achieve its previously disclosed Adjusted EBITDA and operating cash flow targets in Q2 2021. The Company's current expectation for the achievement of such milestones has been delayed to Q3 2021, subject to the impact of further provincial restrictions on retail store openings and distributor buying patterns. We remain confident in our product appeal and plan to win in the premium market given the additional SKU's being added in various markets across the country.

On March 31, 2021, the Company fully repaid the $5.0 million first mortgage on the Delta Facility. On April 23, 2021, the Company fully repaid two tranches of second mortgages totaling $8.4 million in principal and $2.1 million in accrued interest. In Q2 2021, the Company expects to enter into a mortgage financing facility at more favourable terms.

COVID-19

In March 2020, the World Health Organization declared the outbreak of the COVID-19 virus a global pandemic. This outbreak continues to cause major disruptions to businesses and markets worldwide as the virus continues to spread and new variants of concern spread. A number of countries as well as certain provinces and cities within Canada have enacted temporary closures of businesses, issued quarantine or shelter-in-place orders, and taken other restrictive measures in response to COVID-19. The extent to which COVID-19 and the related global economic crisis affect our business, results of operations and financial condition, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any recovery period, future actions taken by governmental authorities, central banks and other third parties (including new financial regulation and other regulatory reform) in response to the pandemic, and the effects on our products, clients, vendors and employees. We continue to service our customers amid uncertainty and disruption linked to COVID-19 and we are actively managing our business to respond to the impact.

[1] Based on information from industry data sources including the Ontario Cannabis Stores and Buddi data during the period from January 1, 2021 to March 31, 2021.

Financial Highlights

	Three months ended March 31, 2021 $	Three months ended March 31, 2020 $	Three months ended December 31, 2020 $
Net revenue	**4,110,563**	454,043	4,774,488
Other income	**—**	131,173	—
Loss from continuing operations	**(3,987,316)**	(3,696,245)	(4,805,606)
Loss from discontinuing operations	**—**	(111,926)	(237,096)
Net loss for the period	**(3,987,316)**	(3,808,171)	(5,042,702)
Adjusted EBITDA*	**(3,375,368)**	(3,036,260)	(2,958,525)
Cash	**20,213,416**	1,650,313	12,136,459
Working Capital	**20,534,187**	2,476,598	4,166,180

* 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.

Information relating to the three months ended December 31, 2020 has been included for comparative purposes for the benefit of the users of the MD&A as it presents a more recent comparative than March 31, 2020 when the Company did not have its Health Canada sales license or provincial supply agreements.

Recent Activities

Key Developments in the three months ended March 31, 2021

- Received Health Canada license sales amendment for the direct sale of cannabis topical, edible and concentrate products
- Completed $23.0 million bought deal offering at $3.80 per unit
- Entered into an agreement with Valens for organic certified extraction services
- Launched Wildflower CBD Relief Sticks and Wildflower CBD Cool Sticks across Canada
- Repaid $5.0 million first mortgage loan

On January 14, 2021, Rubicon announced that it received its Health Canada license sales amendment which authorizes the direct sale of cannabis topical, edible and concentrate products to provincially authorized distributors/retailers and registered patients, in addition to dried and fresh cannabis products. The Company used a licensed intermediary to launch its LAB THEORY™ and 1964 Supply Co.™ brand of concentrate products to provincial distributors and recently completed the process of transitioning its Quebec concentrate sales to be direct with the SQDC. Since launching LAB THEORY™ in December 2020, new entrants have entered the hydrocarbon concentrate market which has resulted in a significant price drop for products in this market. As a result, the Company is assessing how LAB THEORY™ will be positioned in the Canadian market in the future.

On February 26, 2021, Rubicon closed a bought deal offering of 6,052,631 units at $3.80 per unit for aggregate gross proceeds of $23.0 million. Each unit is comprised of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $5.30 until February 26, 2024, subject to an accelerated expiry if the 20-trading day volume-weighted average price of the common shares on the TSX Venture Exchange is equal to or greater than $6.90 per common share.

On March 3, 2021, Rubicon announced that it has entered into an agreement with Valens for organic certified extraction services. The agreement will enable the Company to accelerate the launch of our organic certified 2.0 innovation pipeline.

On March 24, 2021, Rubicon announced that it has received purchase orders from distributors in Ontario, British Columbia, Alberta and Saskatchewan for Wildflower CBD Relief Sticks and Wildflower CBD Cool Sticks. The Wildflower-branded products have been available to consumers in all four provinces since the first week of April 2021.

On March 31, 2021, the Company fully repaid the $5.0 million first mortgage loan that matured.

Developments Subsequent to March 31, 2021

On April 16, 2021, the Company granted an aggregate of 2,540,000 RSUs to certain executives of the Company pursuant to the Company's Equity Plans. These RSUs vest as follows: (i) 350,000 vesting between one and three years from the date of grant; and (ii) 2,190,000 vesting in tranches based on 12-month EBITDA targets.

The Company also granted 79,000 stock options to certain employees of the Company pursuant to the Equity Plans. These stock options are exercisable at $3.25 per share for a period of five years from the date of grant and vest over two or three years.

On April 19, 2021, Rubicon announced that it has signed a Cannabis Purchase and Sale Agreement with the YCL for the distribution of its portfolio of cannabis products to consumers in Yukon territory. The Company has received its first purchase order and has made its first shipment to the YCL in May 2021.

On April 23, 2021, the Company fully repaid a second mortgage which had matured. The Company repaid a total of $4,207,635 representing $3,355,000 in principal and $852,635 in accrued interest.

On April 23, 2021, the Company also early repaid a second mortgage tranche originally due on May 27, 2021. The Company repaid a total of $6,268,057 representing $5,000,000 in principal and $1,268,057 in accrued interest.

On April 27, 2021, Rubicon announced that it has received its first direct purchase order from the MBLL. Rubicon was previously selling our portfolio of cannabis products to the MBLL indirectly through our Manitoba distributor.

With the cultivation operations in more steady state, Peter Doig, the Chief Scientific Officer, has resigned as a full time employee of the Company and will transition to a consultant role as Scientific Advisor effective May 31, 2021.

Results of Operations and Financial Review

	Three months ended		Three months ended
	March 31, 2021 $	March 31, 2020 $	December 31, 2020 $
Net revenue	**4,110,563**	454,043	4,774,488
Production Costs	**2,609,927**	1,708,778	2,558,921
Inventory expensed to cost of sales	**1,493,220**	215,902	2,029,211
Inventory written off	**599,416**	—	905,222
Gross profit before fair value adjustments	**(592,000)**	(1,470,637)	(718,866)
Unrealized gain on changes in fair value of cannabis plants	**2,927,805**	837,616	3,191,004
Realized fair value of inventory sold	**(1,353,220)**	(258,501)	(2,212,058)
Fair value of inventory written off	**(908,948)**	—	(623,037)
Gross profit (loss)	**73,637**	(891,522)	(362,957)

Net Revenue

Rubicon Organics had $4,110,563 of net revenue in Q1 2021, a $3,656,520 increase from Q1 2020 net revenue of $454,043. Revenue increased with the ramp up of Simply Bare™ Organic product availability and provincial distribution agreements in Quebec, Ontario, Alberta and BC as well as private distribution in Saskatchewan and Manitoba. In Q1 2020, the Company started the quarter with only two strains available for sale in 3.5 gram jars of Simply Bare™ Organic. Through 2020, the Company launched several new strains, product formats and brands and by Q1 2021 the Company had the following products available for sale across Canada: Simply Bare™ Organic 3.5 gram jars and pre-rolls (6 strains); 1964™ 3.5 gram flower bags and hash available in Quebec; and Lab Theory™ premium concentrate products available in BC.

We believe net revenues in Q1 2021 were negatively impacted by COVID-19 cannabis store closures in Ontario and reduced store capacity in Alberta. Ontario had a province-wide lock-down and store closures from December 26, 2020 to March 5, 2021. Curbside pick-up and delivery dampened the sales of our premium products which benefits from in-store budtender recommendations and word-of-mouth advertising. In addition, many provincial distributors across Canada built up significant inventory in Q4 2020 and were therefore focused on selling through their existing product in Q1 2021. This resulted in significantly reduced orders by the provinces in January and February 2021, returning to more normalized volumes by mid-March 2021 when we saw momentum once again in sales prior to the most recent "third wave" store closures and lockdowns which began in early April.

Gross Profit

Gross profit for Q1 2021 was $73,637 compared to a gross loss of $891,522 in Q1 2020, an increase of $965,159.

Production costs
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 and production related depreciation. This means that the costs capitalized to inventory are limited to post harvest costs and the cannabis plants' fair value calculated under IAS 41. This methodology also means that unless product is produced and sold in the period, the production costs associated with inventory held at the period end are expensed prior to revenue being derived.

During Q1 2021, the Company incurred production costs of $2,609,927 compared to $1,708,778 for Q1 2020. During Q1 2021, production costs included $384,745 of depreciation expense. The Company incurred additional production costs for quality testing and costs related to COVID-19 for protective equipment, additional trailer space leased for social distancing on site, and labour due to quarantining of personnel and time off.

Production costs are expected to be largely consistent quarter over quarter now that the Delta Facility is operating at full capacity, with moderately more cost in the winter months when additional energy is consumed to heat the facility. Production costs for Q1 2020 were less than in subsequent quarters as operations were being ramped up through the first half of 2020 and the Delta Facility was not fully planted until the end of March 2020.

Inventory expensed to cost of sales

After cannabis is harvested, the remaining costs incurred in drying, processing and packaging are capitalized to inventory and expensed once a finished good is sold and associated revenue is recorded. During Q1 2021, the inventory expensed to cost of sales was $1,493,220 compared to $215,902 for Q1 2020. During Q1 2021, inventory expensed to cost of sales included $31,424 of depreciation expense (Q1 2020: $5,208). Inventory expensed to cost of sales was 36% of net revenue for Q1 2021 compared to 48% for the comparable period. Given that the Company is building up scale and the existing costs were recorded against a relatively low net revenue figure, the ratio of inventory expensed to net revenue is expected to continue to improve over the coming quarters. Furthermore, the Company incurred additional processing costs related to COVID-19 for protective equipment, additional trailer space leased for social distancing on site, and additional labour costs due to quarantining of personnel and related personnel changes.

Inventory written off

During Q1 2021, we concluded that certain finished packaged goods should be written off. As sales increased month over month through 2020, the Company increased its finished packaged goods inventory to meet forecasted sales demand. However, the Covid-19 lockdowns that occurred in Q1 2021 meant that Q1 2021 sales were lower than forecasted, resulting in the aging of some finished packaged goods inventory. Management determined that certain of these finished packaged goods did not meet Rubicon's premium quality standards and that it would therefore not be sold into the market. The affected finished packaged goods were written down to their estimated net realizable value. Of this inventory, the amount of post-harvest cost incurred and capitalized to inventory, including depreciation, was $599,416. Certain of this cannabis product has been fully written down but may have an alternative use in our cannabis 2.0 pipeline.

Fair value of inventory written off consists of the non-cash fair value component of inventory. In Q1 2021, $908,948 of non-cash fair value in cannabis inventory was written off.

There was no inventory written off in Q1 2020.

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 of growing cannabis plants 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 in post-harvest activities.

The gain for Q1 2021 was determined using a model to estimate the fair value of cannabis plants, using the stage of plant growth at the period end and expected harvest yield per plant applied to the estimated fair value, less costs to sell per gram of dried flower. The gain in Q1 2021 is higher than in Q1 2020 because more plants were harvested in Q1 2021. During Q1 2020 the Delta Facility was ramping up and had not yet reached full scale operations.

Realized fair value of inventory sold
Realized fair value of inventory sold is the fair value estimate associated with a batch at the point of harvest, traced through inventory with throughput to cost of goods sold.

Operating Expenses

	Three months ended		Three months ended
	March 31, 2021 $	March 31, 2020 $	December 31, 2020 $
Consulting, salaries and wages	**1,996,508**	1,400,786	1,234,740
General and administrative	**791,561**	502,066	978,910
Sales and marketing	**411,468**	107,938	465,285
Share-based compensation	**172,458**	434,273	1,223,255
Depreciation and amortization	**55,771**	4,689	47,571
Total operating expenses	**3,427,766**	2,449,752	3,949,761

Operating expenses increased year-over-year to support the ramp up of operations at the Delta Facility. We also expanded our sales and marketing efforts to support the brands we introduced into the market, are spending on research and development on our cannabis 2.0 products and are developing new brands to expand our organic certified cannabis s in Canada.

Consulting, salaries and wages in Q1 2021 were $1,996,508, an increase of $595,722 from $1,400,786 in Q1 2020. This increase was due to a rise in headcount along with an increase in executive compensation. Headcount increases were largely attributed to the build out of the sales, marketing, innovation, commercial, and finance teams. Headcount increases specific to the Delta Facility are accounted for separately, as they are expensed through production costs, or capitalized to inventory and ultimately charged to cost of sales.

General and administrative expenses consist of certain short-term leases, insurance, professional fees, investor relations fees, office expenses, and research and development costs. General and administrative costs in Q1 2021 were $791,561 compared to $502,066 in Q1 2020. This reflects increased costs of personnel from additional head count, insurance premiums, and expanded research and development. During Q1 2021, the Company experienced a significant rise in its insurance premiums with the growth of its business as well as tightness in the insurance market and broad premium increases in the cannabis sector.

During Q1 2021, the Company incurred $434,601 of research and development costs related to the development of cannabis 2.0 products, including those products for Wildflower, PAX and Lab Theory (March 31, 2020: $nil). Of the $434,601, $175,663 has been recorded in consulting, salaries and wages and $258,938 has been recorded in general and administrative expenses. In Q4 2020, the Company incurred $273,063 of research and development costs primarily related to consulting, salaries and wages as the Company increased headcount in the department.

Non-cash share-based compensation reflects the estimated value of stock options granted to new and existing employees, restricted share awards issued to senior management and deferred share units issued to directors. The decrease from Q1 2020 to Q1 2021 is due to fewer option grants in recent periods.

Sales and marketing expenses consist of the costs to maintain the Simply Bare™ Organic brand, carry out marketing initiatives, and develop new brands. Sales and marketing expenses in Q1 2021 were $411,468 compared to $107,938 in Q1. This increase period over period reflects the Canada-wide rollout of Simply Bare™ Organic and the development of new brands. Sales and marketing expenses as a percentage of net sales decreased from 24% in Q1 2020 to 10% in Q1 2021. In an effort to manage costs against decreased net revenues, marketing costs were limited in Q1 2021 to essential expenditures required to support our brands. These costs are expected to grow in line with revenue growth over the coming year.

Q4 2020 to Q1 2021 Financial Review

Rubicon Organics had $4,110,563 of net revenue in Q1 2021, a $663,925 decrease from Q4 2020 net revenue of $4,774,488. We believe net revenues in Q1 2021 were negatively impacted by COVID-19 cannabis store closures, particularly in Ontario, along with reduced orders from provincial distributors as they were focused on selling through inventory built up in Q4 2020.

Gross profit in Q1 2021 was $73,637 compared to a gross loss of $362,957 in Q4 2020, an increase of $436,594.

The change in production costs between Q1 2021 to Q4 2020 was an increase of $51,006. Production costs remain relatively consistent as the Delta Facility was fully planted and at steady state in both periods.

Inventory expensed to cost of sales and realized fair value of inventory sold decreased from Q4 2020 to Q1 2020 by $1,394,829. This decrease is consistent with the decrease in net revenue from period to period along with improved margins from processing efficiencies.

Unrealized gain on changes in fair value of cannabis plants decreased from Q4 2020 to Q1 2021 by $263,199 due to the timing of harvests resulting in fewer plants harvested in Q1 2021.

Inventory written off and fair value of inventory written off decreased from Q4 2020 to Q1 2020 by $19,895. Inventory written off in Q1 2021 consisted of aged finished packaged goods. Inventory written off in Q4 2020 consisted of bulk flower and concentrate products that did not meet Rubicon's premium quality standards.

Total operating expenses in Q1 2021 were $3,427,766, a $521,995 decrease from Q4 2020 operating expenses of $3,949,761. The change is driven by a $1,050,797 decrease in share-based compensation, a $187,349 decrease in general and administrative expenses, offset by a $761,768 increase in consulting, salaries and wages. Share-based compensation in Q4 2020 consisted of additional expense for vesting of 300,000 restricted share awards and 75,000 deferred share units. The decrease in general and administrative expenses is due to additional legal and accounting costs in Q4 2020 for the dissolution of US entities and year-end audit fees. The increase in consulting, salaries and wages is due to the full quarter compensation impact of Q4 2020 new hires. In addition, consulting, salaries and wages in Q4 2020 included a one-time release of bonus accruals during the year from one hundred percent to fifty percent.

Selected Financial Information

The following tables present selected financial information of the Company:

As at	**March 31, 2021** **$**	December 31, 2020 $
Current assets	**36,771,042**	26,175,413
Total assets	**62,673,572**	51,072,247
Current liabilities	**16,236,855**	22,009,233
Total liabilities	**16,412,258**	22,230,367
Shareholders’ equity	**46,261,314**	28,841,880

For the three months ended	**March 31, 2021** **$**	March 31, 2020 $	December 31, 2020 $
Net revenue	**4,110,563**	454,043	4,774,488
Other income	**—**	131,173	—
Loss from operations	**(3,354,129)**	(3,210,101)	(4,312,718)
Loss from continuing operations	**(3,987,316)**	(3,696,245)	(4,805,606)
Loss from discontinued operations	**—**	(111,926)	(237,096)
Net loss for the period	**(3,987,316)**	(3,808,171)	(5,042,702)
Total comprehensive loss	**(3,987,316)**	(3,182,280)	(5,066,324)
Adjusted EBITDA**	**(3,375,368)**	(3,036,260)	(2,958,525)
Loss per share from continuing operations	**(0.08)**	(0.09)	(0.10)
Loss per share	**(0.08)**	(0.10)	(0.11)

**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, 2021, March 31, 2020 and December 31, 2020.

For the three months ended	**March 31, 2021** **$**	March 31, 2020 $	December 31, 2020 $
Loss from operations	**(3,354,129)**	(3,210,101)	(4,312,718)
IFRS fair value accounting related to cannabis plants and inventory:			
Unrealized gain in changes of fair value of cannabis plants	**2,927,805**	837,616	(3,191,004)
Realized fair value of inventory sold	**(1,353,220)**	(258,501)	2,212,058
Fair value of inventory written off	**(908,948)**	—	623,037
Net fair value adjustment	**665,637**	579,115	(355,909)
Depreciation and amortization	**471,940**	318,683	486,847
Share-based compensation expense	**172,458**	434,273	1,223,255
Adjusted EBITDA	**(3,375,368)**	(3,036,260)	(2,958,525)

Summary of Quarterly Results

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

	2021			**2020**			**2019**	
(C$000's)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Net revenue	**4,111**	4,774	3,167	992	454	—	—	—
Net loss from continuing operations	**(3,987)**	(4,806)	(4,279)	(1,568)	(3,696)	(2,699)	(2,777)	(3,211)
Net loss for the period	**(3,987)**	(5,043)	(4,317)	(1,815)	(3,808)	(4,031)	(4,454)	(3,458)
Weighted average shares outstanding (000's)	**51,776**	47,260	46,148	42,047	40,041	40,041	38,122	36,811
Net loss per share from continuing operations, basic and diluted	**(0.08)**	(0.10)	(0.09)	(0.04)	(0.09)	(0.07)	(0.07)	(0.09)
Net loss per share, basic and diluted	**(0.08)**	(0.11)	(0.09)	(0.04)	(0.10)	(0.10)	(0.12)	(0.10)

Revenue in 2020 relates to the sale of the Company's Simply Bare™ Organic flower in British Columbia, Alberta, Ontario, Quebec, Saskatchewan and Manitoba. The Company had not commenced sales in Canada prior to 2020. The net loss of the Company grew quarter over quarter until Q4 2019, as the Company has grown and expanded its team to prepare for sustained operations. In 2020, the quarterly loss was lower in Q2 as the Company experienced increased product sales. In Q3 2020, the Company wrote down $2,724,056 of inventory (including non-cash fair value write down of $2,264,159) resulting in a higher loss despite an increase in net revenue of $2,174,783. In Q4 2020, the Company wrote down $1,528,259 of inventory (including non-cash fair value write down of $623,037) resulting in a higher net loss despite an increase in net revenue of $1,607,702.

In Q1 2021, we believe COVID-19 had a significant impact and delay on revenue ramp up, which together with seasonal cyclicality resulted in the net revenue decrease when compared to Q4 2020. The net loss for Q1 2021 decreased when compared to Q4 2020 due to a decrease in inventory write offs. For a detailed review of Q1 2021, 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.

	March 31, 2021 **$**	March 31, 2020 $	Change $
Net cash provided (used in):			
Operating activities	**(6,132,232)**	(3,116,072)	(3,016,160)
Investing activities	**(1,832,217)**	(2,138,697)	306,480
Financing activities	**16,041,406**	4,839,627	11,201,779
Effect of foreign exchange on cash	**—**	(18,133)	18,133
Increase (decrease) in cash	**8,076,957**	(433,275)	8,510,232
Cash beginning of the period	**12,136,459**	2,083,588	
Cash end of the period	**20,213,416**	1,650,313	

Operating Activities

In Q1 2021, net cash used in operating activities was $3,016,160 higher than Q1 2020. Operating activities in Q1 2021 represent full scale operations compared to the ramp up stage in Q1 2020. The Delta Facility was not fully planted until the end of March 2020 and the Company has since increased headcount across our operation to meet the needs of our growing operations and revenues.

Investing Activities

In Q1 2021, net cash provided by investing activities was $306,480 lower than Q1 2020. In Q1 2020, the Delta Facility was ramping up to full scale operations and incurred capital expenditure to fully commission the remaining two growing compartments of the greenhouse (total of five growing compartments plus the nursery at the Delta Facility). In Q1 2021, the Company incurred capital expenditures to upgrade the Delta Facility's HVAC system to improve temperature and humidity controls, and to expand the processing area to allow for the production of cannabis 2.0 products and add additional packing space.

Financing Activities

In Q1 2021, net cash provided by financing activities was $11,201,779 higher than Q1 2020. In Q1 2021 we received proceeds of $21,203,825 from the bought deal financing and repaid the $5,000,000 first mortgage on the Delta Facility. In Q1 2020 we had proceeds from loans of $4,993,861.

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, 2021, the Company had cash of $20,213,416 and net working capital of $20,534,187. On April 23, 2021, the Company fully repaid two tranches of second mortgages totaling $8,355,000 in principal and $2,120,692 in accrued interest. As at May 17, 2021, the Company has long term debt outstanding of $500,010 maturing on July 11, 2021.

With the relatively high rate first and second mortgages settled, we expect to refinance a portion of this debt through a mortgage financing facility at more favourable terms. We may seek other capital through equity. After our 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 March 31, 2021:

Payments due by period	Less than one year $	One to three years $	Over three years $	Total $
Lease liabilities[1]	168,998	189,432	—	358,430
Trailer leases[2]	123,933	—	—	123,933
Loans maturing[3]	11,038,458	—	—	11,038,458
Total contractual obligations	**11,331,389**	**189,432**	**—**	**11,520,821**

[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. Refer to Developments Subsequent to March 31, 2021 where the majority of this debt was repaid.

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value.

As at May 17, 2021, the Company has the following securities outstanding:

	Number of units
Common Shares	55,471,955
Stock Options	4,279,584
Warrants	10,727,589
Restricted Share Units	2,540,000
Deferred Share Units	150,000
Fully Diluted Shares Outstanding	**73,169,128**

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, 2021 included $653,166 (December 31, 2020: $566,327) owed to executives and directors of the Company for deferred salaries, deferred bonuses and other expenses paid on behalf of the Company.

As at March 31, 2021, the CEO, CFO and President owed a total of $100,253 to the Company related to tax remittances associated with RSA grants in December 2020. This amount was cash remitted to the CRA on behalf of the individuals and is expected to be repaid from executive compensation in the three months ending June 30, 2021.

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:

For the three months ended	**March 31, 2021 $**	March 31, 2020 $
Salaries and accrued salaries	**326,250**	288,587
Bonuses in accrued liabilities	**—**	185,000
Share based compensation	**66,959**	278,343
Total compensation of key management personnel	**393,209**	751,930

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 policies described in Note 4 of the Financial Statements and Annual Financial Statements to be the most critical in understanding the judgments 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	Amortized cost
Accounts receivable	Amortized cost
Security deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost

The fair values of cash, accounts receivable, security deposits, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of those instruments. Loans and borrowings were incurred to fund the purchase and retrofitting of the Delta Facility and to fund operations. Refer to Note 12 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 and market 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 accounts receivable. The carrying amount of these assets represent the maximum credit exposure.

The Company limits exposure to credit risk by maintaining its cash 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 are to government bodies. The Company provides credit to some of its customers in the normal course of business. The majority of trade receivables are held with 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.

All current liabilities, being accounts payable and accrued liabilities, the current portion of the loans and borrowings, current portion of lease liabilities, and interest payable are payable within one year and are to be funded from cash. Deferred revenue is due within one year and is expected to be funded through the delivery of cannabis product. Long term liabilities consist of the non-current portion of lease liabilities.

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 debts are all held at fixed interest rates 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.

For the three months ended March 31, 2021 the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		March 31, 2021		December 31, 2020
Cash		**30,216**		9,641
Accounts payable and accrued liabilities		**(275,966)**		(404,164)
	US$	**(245,750)**	US$	(394,523)

A 10% change of the US$ against the CAD$ at March 31, 2021 would have decreased net loss by $30,903 (December 31, 2020: $50,231) or increased net loss by $30,903 (December 31, 2020: $50,231).

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, 2021.

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets.

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 year ended December 31, 2020 are qualified in their entirety by reference to, and must be read in conjunction with, the Company's Annual Information Filing dated July 27, 2020. 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.

RUBICON ORGANICS INC.

Head Office	Unit 505 - 744 West Hastings Street Vancouver, BC, Canada, V6C 1A5 +1-604-331-1296
Registered & Records Office	C/O Borden Ladner Gervais LLP 1200 Waterfront Centre, PO Box 48600, 200 Burrard Street Vancouver, BC, Canada, V7X 1T2
Directors	Bryan Disher David Donnan John Pigott Jesse McConnell Margaret Brodie Julie Lassonde* **Currently Board Observer status as Director appointment is pending Health Canada security clearance*
Officers	Jesse McConnell – Chief Executive Officer Margaret Brodie – Chief Financial Officer Tim Roberts – President
Registrar and Transfer Agent	Odyssey Trust Company 323-409 Granville Street Vancouver, BC, Canada, V6C 1T2
Auditor	Deloitte LLP, Chartered Professional Accountants 939 Granville Street Vancouver, BC, Canada, V6Z 1L3
Solicitors	Borden Ladner Gervais LLP 1200 Waterfront Centre, PO Box 48600, 200 Burrard Street Vancouver, BC, Canada, V7X 1T2
Shares Listed	TSX Venture Exchange Trading symbol: ROMJ OTCQX Best Market Trading symbol: ROMJF
Investor Relations	IR@RubiconOrganics.com +1-437-929-1964