Rubicon Organics Inc.

Management Discussion and Analysis

For the Years Ended December 31, 2019 and 2018

April 21, 2020

Expressed in Canadian dollars

INTRODUCTION

This management discussion and analysis ("MD&A") of the financial condition and results of operations of Rubicon Organics Inc. ("Rubicon Organics", "ROI" or the "Company") is for the year ended December 31, 2019. It is supplemental to and should be read in conjunction with the Company's audited consolidated financial statements including the accompanying notes for the year ended December 31, 2019 (the "Financial Statements"). The Company's Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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. This discussion covers the year ended December 31, 2019, and the subsequent period up to the date of April 21, 2020.

Throughout this document the terms we, us, our, Rubicon Organics, ROI and the Company refer to Rubicon Organics Inc. and its subsidiaries during the year ended December 31, 2019.

All figures in this MD&A are in Canadian Dollars unless otherwise noted.

DESCRIPTION OF THE BUSINESS

Corporate Structure

Rubicon Organics was incorporated pursuant to the *Business Corporations Act* (British Columbia) on May 15, 2015. On May 22, 2018, the Company changed its name from West Coast Land Corporation to Rubicon Organics Inc. and replaced its articles in their entirety, the effect of which included adding advance notice provisions for the election of directors. The Common Shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "ROMJ" and on the OTCQX under the symbol "ROMJF".

The address of the Company's registered office and records is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2. The Company's head office is unit 505 - 744 West Hastings Street, Vancouver, British Columbia V6C 1A5. The Company's corporate website is www.rubiconorganics.com.

Entities in Rubicon's consolidated financial statements are as follows:

Name	Place of Incorporation	Ownership Percentage
Rubicon Organics Canada Corp. (formerly 1113603 B.C. Ltd.)	BC, Canada	100%
Bridge View Greenhouses Ltd. ("Bridge View")	BC, Canada	100%
Vintages Organic Cannabis Company Inc. ("Vintages") (licensed producer under the Cannabis Act)	BC, Canada	100%
West Coast Marketing Corporation	BC, Canada	100%
Rubicon Holdings, Inc. ("RHI")	WA, United States ("US")	100%
West Coast Property Holdings, Inc.	WA, US	100%
Rubicon Property 1, LLC	WA, US	100%
Rubicon Property 2, LLC	WA, US	100%
Rubicon California, LLC	CA, US	100%
Great Pacific Brands, LLC	WA, US	100%

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Red Dog Operations, Inc.	WA, US	100%
Seymour Soils, Inc.	WA, US	100%
Kool Gildea, Inc. (1)	CA, US	0%

(1) *On January 30, 2018, an agreement was executed between the Company and Kool Gildea, Inc. ("KG Inc."), a California non-profit mutual benefit corporation granting the Company the power to direct relevant activities of KG Inc., in particular the appointment and removal of governing members. As a result of this control, KG Inc. is consolidated in the Financial Statements in accordance with IFRS 10. KG Inc. has been inactive since its California state cannabis license expiry in 2018.*

Business of the Company

Rubicon Organics is a holder of licenses under the *Cannabis Act* ("LP") focused on providing premium certified organic cannabis products for the recreational and medical-use markets in Canada. In the second half of 2019 the Company decided to discontinue its US operations, which consisted of providing ancillary services to the cannabis industry in the State of Washington and California. On April 3, 2020, Rubicon Organics sold its principal asset in the US, a Washington greenhouse facility, for US$8,500,000.

Canada

Rubicon Organics owns and operates a 125,000 square foot high-tech greenhouse located on a 20-acre property in Delta, British Columbia (the "Delta Facility"). The property was acquired in September 2017 and retrofitted in 2018 to comply with Health Canada standards in preparation for cannabis cultivation and processing licensing.

On February 1, 2019, the Company's wholly owned subsidiary, Vintages, was awarded a cultivation license and a processing license (the "Cultivation & Processing Licenses") from Health Canada with respect to the Delta Facility. The Company's entire greenhouse facility is licensed for cultivation and processing. The Cultivation & Processing Licenses allowed the Company to bring in an extensive library of genetic starting materials that included unique and proven cultivars previously developed in the medical cannabis market that are stabilized for greenhouse growing conditions.

In July 2019, the Company received its organic certification from the Fraser Valley Organic Producers Association ("FVOPA"), Canada's preeminent certification body for organic operators. Rubicon Organics is one of only three LPs in Canada to receive the organic certification from FVOPA and one of just six LPs to have organic certification for cannabis production in the country.

As at December 31, 2019, the Company was focused on ramping up the Delta Facility which expects to have annual production capacity of 11,000 kilograms of certified organic cannabis. The Company completed its first commercial scale harvest in October 2019 and launched its premium certified organic cannabis brand, Simply Bare™ Organic in December 2019. The Company has applied for a sales amendment and authorization to its Cultivation & Processing Licenses (the "Sales License") to sell its cannabis products directly to consumers such as provincial liquor boards. Simply Bare™ Organic products are currently being distributed through a sales arrangement (the "Agro-Greens Agreement") with Agro-Greens Natural Products Ltd., ("Agro-Greens"), a Health Canada licensed cannabis producer and processor. Rubicon Organics expects to complete the required pre-sale inspection to obtain its Sales License in the first half of 2020 (subject to COVID-19 site inspection restrictions discussed below), at which time, the Company will distribute its adult use Simply Bare™ Organic and other cannabis products directly.

United States

In order to focus on bringing premium certified organic cannabis to the Canadian market, in the second half of 2019 the Company decided to exit the US and will therefore no longer provide ancillary services in the states of Washington and California. Accordingly, at December 31, 2019, all of the Company's US assets and liabilities were classified as held for sale and presented as discontinued operations. The Company's principal asset in the US was its 40,000 square foot venlo-style greenhouse on 16.6 acres of industrial land as well as certain greenhouse equipment (the "Washington Facility"). On April 3, 2020, the Company completed the sale of the Washington Facility for US$8,500,000.

The Company's remaining assets in the US are extraction equipment and a three-acre parcel of land in Greenfield, California. The Company is in the process of selling these assets and winding down its remaining US entities.

KEY DEVELOPMENTS IN THE YEAR ENDED DECEMBER 31, 2019

Highlights

- Awarded Cultivation & Processing Licenses from Health Canada
- The Delta Facility commenced commercial cultivation of premium certified organic cannabis
- The Delta Facility received its organic certification from the Fraser Valley Organic Producers Association ("FVOPA")
- The Delta Facility completed the Environmental Farm Plan
- Secured $13,855,010 in debt financing
- Secured gross proceeds of $8,505,000 from a marketed public offering of 3,150,000 units of common shares and warrants and the listing of the warrants for trading on the CSE
- The Delta Facility completed its first commercial harvest of premium certified organic cannabis
- Launched the premium certified organic cannabis brand Simply Bare™ Organic
- Secured third party distribution for Simply Bare™ Organic
- Acquired 30 new strains of rare genetics to bolster the Company's product offering
- Began exit from US to focus on bringing premium certified organic cannabis to the Canadian market

Canada

On February 1, 2019, Health Canada awarded the Cultivation & Processing Licenses to the Delta Facility. As a result of receiving these licenses, the Company's entire 125,000 square foot facility is licensed for cultivation and processing. The Delta Facility has been specifically designed to utilize both industry-leading LED technology and supplemental sunlight allowing Rubicon Organics to produce certified organic cannabis at scale at the highest possible quality.

On receipt of the Cultivation & Processing Licenses, the Company was able to bring into the Delta Facility an extensive library of unique and proven genetic starting materials including unique stabilized cultivars previously developed in the medical cannabis market. These cultivars are expected to be instrumental in Rubicon Organics' breeding program to bring new strains to the Canadian market.

On July 16, 2019 the Delta Facility received its organic certification from FVOPA, Canada's preeminent certification body for organic operators. As a result, the Company is one of only a few LPs in Canada positioned to supply premium certified organic cannabis grown at scale to a market where organic products are in high demand, short supply and priced at significant premiums. FVOPA's rigorous certification program is compliant with International Organization for Standardization ("ISO") 17065, Canadian Organic Standards and BC Certified Organic programs.

On July 17, 2019, the Company completed the Environmental Farm Plan ("EFP") assessment at its Delta Facility. The EFP in British Columbia is a Canadian Agriculture Partnership initiative that is jointly funded by Agriculture and Agri-Food Canada and the BC Ministry of Agriculture which is delivered by the BC Agricultural Research and Development Corporation ("ARDCorp"). The program is voluntary, requires a comprehensive workbook assessment and a plan developed by the program to assess environmental sustainability in agricultural production with regards to mitigation of the effects of water, nutrients and pesticides use on the environment and human health. The EFP Program in British Columbia supports agricultural operations to complete agri-environmental risk assessments. Benefits of completing an EFP include improved sustainability of British Columbia's agricultural industry, recognition of efforts to manage land in an environmentally sustainable manner, enhanced marketing opportunities and improved relationships with environmental agencies and improved response to environmental incidents through contingency planning.

All soil used in cultivation at the Company's Delta Facility is composted on site for future reuse. In addition, the Delta Facility has been retrofitted to be environmentally sustainable through use of the following:

(i) Hydro power and industry-leading energy efficient LED lighting;
(ii) Recapture of carbon dioxide from carbon emissions generated by operations and use as a crop supplement; and
(iii) Water conservation through use of precision, sensor-based watering.

The Delta Facility is made up of a processing area, a nursery and a total of five cultivation compartments. During most of 2019 only the nursery and one compartment were used for cultivation, while the remainder of the facility continued to have optimization work performed on it. As at December 31, 2019, the Company had commissioned for cultivation three out of the five compartments. Since March 2020, all compartments have been commissioned and are under cultivation, with most of the planned optimization work complete. There remains further optimization that the Company could do to the facility, including additional lights, but these are not currently budgeted and will likely be funded in the future through operating cash flows, debt and equity sources.

Over the course of the year, the Company ramped-up the Delta Facility, and worked toward full scale commercial production. With the initial genetic starting materials on site, the first pilot scale harvest was completed in June 2019. In July 2019, commercial planting began in the first fully optimized compartment of the facility. In addition, the cultivation team has tested genetics and their response to the facility and climate in order to optimize future commercial harvests.

In early October 2019, the Company successfully completed its first commercial harvest and after a drying and curing process the first harvest passed the testing requirements of Health Canada.

In addition to the facility optimization and the commenced roll out of the cultivation compartments, Rubicon has onboarded new team members at the Delta Facility site in roles for cultivation, compliance, operations management, processing and packaging.

In December 2019, the Company announced the launch of its first brand of premium certified organic cannabis to the Canadian recreational market, Simply Bare™ Organic. Rubicon Organics' cannabis plants are 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. Only the finest buds are then selected and carefully trimmed before being placed in 3.5-gram terracotta-coloured packaging. Under its commitment to sustainability, the Company has chosen packaging that is the least harmful to the environment so Simply Bare™ Organic flower is only available in recyclable glass jars with no additional, unnecessary external boxing.

On December 18, 2019, the Company announced the Agro-Greens Agreement to distribute the Company's Simply Bare™ Organic branded flower to provincial distributors and retailers in the Canadian recreational market.

On December 19, 2019, the Company acquired rare new genetic material from Just Kush Enterprises Ltd. The acquisition provided the Company with 30 new strains, some of which are yet to be available for sale in Canada. These strains are being tested for their performance in Rubicon's greenhouse environment and for their viability in future commercial production and the Company's breeding program for the development of premium certified organic strains.

United States

In order to focus on bringing premium certified organic cannabis to the Canadian market, in the second half of 2019 the Company decided to exit the US and will therefore no longer provide ancillary services in the states of Washington and California. Accordingly, at December 31, 2019, all of the Company's US assets and liabilities were classified as held for sale and presented as discontinued operations. The Company's principal asset in the US was the 40,000 square foot Washington Facility. On April 3, 2020, the Company completed the sale of the Washington Facility for US$8,500,000.

The Company's remaining assets in the US are extraction equipment and a three-acre parcel of land in Greenfield, California. The Company is in the process of selling these assets and winding down its remaining US entities.

Corporate

In March 2019, the Company was invited and gained membership in the Global Cannabis Partnership (the "GCP"). The GCP is a collaboration of leaders in the government-sanctioned adult-use recreational cannabis industry. With representation from government, private-sector and affiliate organizations, the GCP works to create international standards for the safe and responsible production, distribution and consumption of legal recreational cannabis.

On March 20, 2019, the Company completed a $6,000,000 mortgage financing loan (the "Mortgage"). On March 25, 2019, the Company drew $5,000,000 under the Mortgage, $2,946,722 of which was used to settle the original mortgage on the Delta Facility. The Mortgage is collateralized by a first charge on the Delta Facility, bears interest at a rate of 12.0% per annum and matures on September 30, 2020. The Company has the right to extend the Mortgage by six months to March 31, 2021. On March 19, 2020, the Company agreed to cap the Mortgage at $5,000,000 and not draw the additional $1,000,000.

On April 24, 2019 the Company re-appointed Mr. Bryan Disher and Mr. David Donnan to its Board of Directors. The two directors, originally appointed to the Board on May 24, 2018 had resigned as Directors on January 25, 2019 to allow the Company to receive its Cultivation and Processing Licenses from Health Canada in the most timely manner as there were delays in receiving their foreign security clearances.

On April 25, May 28, and July 12, 2019 the Company entered into a series of loans of $3,355,000, $5,000,000 and $500,010, respectively, for aggregate net proceeds of $7,483,653 . The $3,355,000 loan included $1,655,000 provided by two executive officers and one insider shareholder and included the rollover of $1,371,447 outstanding under existing revolving credit facilities. The loans are collateralized by a second charges on the Delta Facility, each ranking on par with the other second mortgages. The loans bear interest at a rate of 12.0% per annum (compounded quarterly) and mature on April 25, May 28 and July 12, 2021, respectively. The lenders were also issued 671,000, 1,000,000 and 100,002 warrants, respectively, with an exercise price of $4.50 per common share that expire on April 25, May 28 and July 12, 2022.

On May 28, 2019, the Company issued an aggregate of 200,000 stock options to a service provider of the Company. The options were forfeited on August 7, 2019 when the service provider was terminated.

On May 28, 2019, July 12, 2019, and September 20, 2019, the Company issued 213,250, 166,000 and 45,500 respectively for a total of 424,750 stock options to new employees of the Company. These options are exercisable at 3.25 per share for a period of five years expiring on May 28, 2024, July 12, 2024 and September 20, 2024, pursuant to the terms of the Company's equity incentive plan.

On August 23, 2019, the Company completed a marketed public offering of 3,150,000 units at a price of $2.70 per unit for gross proceeds of $8,505,000 (the "August Financing"). Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price equal to $3.50 per share for a period of 30 months following the closing of the offering, subject to an accelerated expiry if the volume-weighted average price of the common shares on the CSE is equal to or greater than $3.80 per common share for 20 consecutive trading days. The warrants are listed for trading on the CSE.

On September 20, 2019, the Company granted 75,000 deferred share units ("DSUs") to the Company's independent directors under the Company's DSU plan as compensation for their services. The DSUs vest immediately and may only be redeemed for an equivalent number of common shares of the Company upon a holder ceasing to be a director of Rubicon Organics.

DEVELOPMENTS SUBSEQUENT TO DECEMBER 31, 2019

Canada

On January 20, 2020, the Company announced that, under the Agro-Greens Agreement, it received the first purchase orders for the Company's Simply Bare™ Organic flower from both the British Columbia Liquor Distribution Branch ("BCLDB") and National Cannabis Distribution ("NCD") in Saskatchewan.

On February 7, 2020 Simply Bare™ Organic flower was made available for the first time for purchase in BC Cannabis Stores and on the BC Cannabis Stores' website, as well as in retail stores in Saskatchewan. Simply Bare™ Organic was made available with two product offerings: BC Organic Blue Dream and BC Organic Creek Congo. BC Organic Blue Dream is the certified organic version of the classic sativa dominant strain boasting high THC potency, strong blueberry aromas and an impressive terpene profile. BC Organic Creek Congo is a rare sativa dominant hybrid strain with a spicy, aromatic aroma, and a robust terpene profile.

Effective March 2020 Rubicon Organics entire Delta Facility was under cultivation for the first time and the Delta Facility was in full scale operations. The Company has now completed several harvests of cannabis flower and multiple shipments to the BC Liquor Distribution Board as well as retailers in Saskatchewan. In addition, all of the significant budgeted capital build projects are completed, Rubicon has completed its ramp up phase and is now entering steady state production and is focusing on refining its processes and procedures and launching its innovation pipeline. While there remain outstanding Delta Facility optimization projects, there are no further significant capital projects planned for 2020.

Rubicon is in the final stages with Health Canada for a Sales License and expected the onsite inspection in March 2020. Health Canada has informed the Company that the site visit is delayed until at least May 1, 2020 as a result of the COVID-19 pandemic. Until such time that the Sales License is received, Rubicon continues to sell through its Agro-Greens Agreement.

Given the COVID-19 pandemic, Rubicon has formed a COVID-19 Committee and it has reviewed all critical supplies for three-months of operations, and increased hygiene protocols such as hand washing, social distancing and fever scanning. In the current environment, the Company has prioritized risk-mitigation and business continuity planning for the safety of the team, community and maintenance of on-going operations.

On April 20, 2020, the Company announced that, under the Agro-Greens Agreement, it received the first purchase orders for the Company's Simply Bare™ Organic flower from the Ontario Cannabis Stores, making its product available in Ontario for the first time in the coming weeks.

United States

On March 2, 2020, the Company completed a $4,006,800 (US$ $3,000,000) debt financing loan from a US real estate group. The loan was for a term of 24 months, bore interest at 12.9% per annum, and was secured by a first ranking mortgage on the Company's Washington Facility. The loan was repaid on April 3, 2020 concurrent with the sale of the Washington Facility.

On April 3, 2020, the Company completed the sale of its Washington Facility for US$8,500,000 to a group of real estate investors, which includes Rubicon's CEO as a minority investor. Proceeds from the sale strengthen the Company's balance sheet, providing working capital to ramp-up production and sales across Canada. In accordance with good corporate governance practices, Rubicon Organics formed a Special Committee, comprised entirely of independent directors, who supervised the negotiation of the sale of the Washington Facility and recommended the sale for approval to the full Board.

With the goal of ceasing all business activity in the US, the Company is in the process of selling its remaining assets and winding down its remaining US entities.

The exit from the US may allow the Company further access to capital and banking as well as reducing compliance costs overall.

Corporate

Beginning from November 1, 2019, certain executives of the Company agreed to defer portions of their salaries. In January 2020, the Board approved revolving credit lines with the CEO, CFO, President and CSO of the Company for $500,000, $300,000, $150,000, and $150,000 at an annual interest rate of 12% with repayment no later than December 31, 2020. These revolving credit lines were effective for amounts loaned effective November 1, 2019. On April 21, 2020 the Board approved an increase in the revolving credit line with the CEO to $1,000,000.

On February 11, 2020, a shareholder of the Company entered into a revolving credit line with the Company for up to $250,000 at an annual interest rate of 12% with repayment no later than December 31, 2020.

In connection with amounts owed to them under the $3,355,000 second mortgage financing loan, the majority of the lenders agreed to defer the interest payment due on April 24, 2020 in the amount of $383,429 until the maturity of the loan on April 24, 2021. The deferred interest will be compounded to the principal amount owing.

In connection with the departure of certain employees, in 2020, 42,750 stock options were forfeited and cancelled.

OUTLOOK

Canada

Rubicon Organics plans to continue to produce premium certified organic cannabis products for sale to the Canadian market and seek access to international markets in 2021. The Company is focused on achieving positive operating cash flows and profitable operations in 2020, subject to the increased negative effects of the COVID-19 pandemic.

The Company expects to complete the required pre-sale inspection to obtain the Sales License in Q2 2020, pending availability of Health Canada site inspectors as discussed above. Prior to receipt of the Sales License, the Company will continue to distribute its products through the Agro-Greens Agreement. Throughout 2020, the Company expects to expand the provinces that its products are available in as well as establishing a medical route to market.

The Company is also awaiting further site amendments from Health Canada including the use of its land at the Delta Facility for an outdoor grow. In 2020, pending available capital, Rubicon Organics expects to do a pilot scale outdoor grow to, if successful, launch a larger outdoor grow program in 2021.

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.

Corporate

The Company expects to refinance debt maturing in 2020 to a long-term mortgage financing facility at lower interest rates and may seek other capital through equity, debt arrangements, and the sale of its remaining US assets.

Expressed in Canadian dollars

FISCAL 2019 HIGHLIGHTS

The following table sets forth select financial information of the Company for the years ended December 31, 2019, 2018 and 2017:

	As at December 31,		
	2019	2018	2017
	$	$	$
Current assets	18,357,477	2,290,446	3,284,645
Total assets	39,776,021	28,328,663	21,918,468
Current liabilities	12,853,863	3,355,530	2,283,435
Non-current liabilities	8,406,762	2,911,820	2,946,722
Total liabilities	21,260,625	6,267,350	5,230,157
Shareholders' equity	18,515,396	22,061,313	16,688,311

	For the years ended December 31,		
	2019	2018	2017
	$	$	$
		(Restated)*	*(Restated*)*
Revenue	–	–	–
Other income	–	176,364	–
Loss from continuing operations	(11,104,993)	(25,027,963)	(1,656,923)
Loss from discontinued operations	(3,168,801)	(4,847,124)	(4,116,612)
Net loss for the year	(14,273,794)	(29,875,087)	(5,850,479)
Total comprehensive loss	(14,811,787)	(28,723,875)	(6,551,785)
Loss per share from continuing operations	(0.29)	(0.74)	(0.06)
Loss per share	(0.37)	(0.89)	(0.15)

**Restated due to discontinued operations*

There were no distributions or cash dividends per share.

The table below summarizes the Company's cash flows for the years ended December 31, 2019, 2018 and 2017:

	For the years ended December 31,		
	2019	2018	2017
	$	$	$
Net cash (used in)			
Operating activities	(10,680,072)	(9,296,742)	(4,195,378)
Investing activities	(5,337,812)	(9,080,813)	(9,020,551)
Financing activities	17,753,193	15,506,714	12,773,918
Effect of foreign exchange on cash	115,859	182,209	(268,692)
Increase (decrease) in cash	1,851,168	(2,688,631)	(710,703)
Cash beginning of the year	232,420	2,921,051	3,631,754
Cash end of the year	2,083,588	232,420	2,921,051

Throughout 2019, the Company focused on ramping up its primary asset, the Delta Facility. The Company expanded its Canadian team to help execute its business plan of bringing premium certified organic cannabis brands to market. During 2019, the Company achieved several important milestones, including:

- obtaining its Cultivation & Processing Licenses;
- obtaining FVOPA organic certification,
- commissioning the Delta Facility;
- planting its first commercial crop;
- harvesting a commercial yield of premium certified organic cannabis;
- launching the Simply Bare™ Organic brand; and
- entering the Agro-Greens Agreement to facilitate the distribution of Simply Bare™ Organic flower.

The loss from continuing operations was lower in 2019 because significant costs were incurred in the prior year with respect to the re-organization, financing and public listing of the Company including non-cash costs associated with the reverse takeover transaction of $15,598,083.

There were no sales of cannabis product the 2019 year. Other income in 2018 related to greenhouse consulting fees generated in Canada. In the latter half of 2019, the Company decided to exit the US market. In April 2020, it sold its principal asset in the US and the remainder of the its US assets are expected to be disposed of in the second quarter of 2020. Discontinued operations are the results of the Company's US operations including revenues from the sale of cannabis products and branded packaging in California and Washington.

Through the Agro-Greens Agreement, the Company began the distributing its premium certified organic cannabis to British Columbia and Saskatchewan since February 2020 and to Ontario since April 2020.

Rubicon Organics' operations continue to be funded through equity and debt financing as well as the sale of its US assets.

Expressed in Canadian dollars

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

The following summary of financial information has been derived from the Financial Statements:

	For the year ended 2019	2018 (restated)*
Revenue		
Product sales	–	–
Cost of sales		
Production costs	2,467,020	–
Inventory expensed to cost of sales	–	–
Loss on inventory write-off	–	–
Gross profit before fair value adjustments	(2,467,020)	–
Gain on changes in fair value of biological assets	3,520,959	–
Gross profit (loss)	1,053,939	–
Other income	–	176,364
Operating expenses		
Consulting, salaries and wages	4,331,209	3,030,573
General and administrative	2,773,810	4,124,913
Share-based compensation	2,903,594	1,927,619
Depreciation and amortization	72,883	68,318
Sales and marketing	603,066	293,874
	10,684,562	9,445,297
Loss from operations	(9,630,623)	(9,268,933)
Interest on loans	1,507,685	135,067
Other expenses	41,020	15,623,963
Loss from continuing operations before income tax	(11,179,328)	(25,027,963)
Income tax recovery	74,335	–
Net loss from continuing operations	(11,104,993)	(25,027,963)
Net loss from discontinued operations	(3,168,801)	(4,847,124)
Net loss for the period	(14,273,794)	(29,875,087)
Total comprehensive loss	(14,811,787)	(28,723,875)

**Restated for the presentation of discontinued operations*

Revenue and Other Income

There were no product sales during 2019. Through the Agro-Greens Agreement, Rubicon Organics began sales of cannabis flower in February 2020.

The Company recorded a gain on cannabis plants during the year reflecting that plants are now under cultivation at the Delta Facility with multiple compartments in production at year end. The fair value of the cannabis plants was determined using a valuation model to estimate the stage of plant growth at year end and expected harvest yield per plant applied to the estimated fair value less costs to sell per gram of dried flower.

Other income in 2018 relates to greenhouse consulting services provided by the Company.

Production Costs

The Company incurred production costs of $2,467,020 in the year ended December 31, 2019. Production costs consist of labour, crop inputs, overheads incurred in the cultivation of cannabis plants to the point of harvest, and depreciation. In 2019, production costs included $665,224 of depreciation expense. For most of 2019, only the nursery and first compartment (of five compartments) were utilized for production because of facility optimization work underway in the other four compartments. In accordance with IFRS, during this ramp up of the Delta Facility, overhead and depreciation costs were included in production costs from the time compartments were deemed available for use. Therefore in 2019 overheads and depreciation for compartments considered available for use but not yet planted and utilized for cultivation, were included in production costs.

Operating expenses

Operating expenses have increased year over year with the ramp up of operations, including the build out of the Canadian team. Consulting, salaries and wages increased significantly with headcount in Canada increasing from 18 as at December 31, 2018 to 54 as at December 31, 2019 to support the cultivation and sale of our first crops. Headcount increases included the build out of the compliance team, operations management (cultivation and production), commercial and sales teams. The expense includes $258,507 (2018 - $438,333) related to stock options issued to consultants, a non-cash expense. The Company anticipates that salaries expense will continue to increase through 2020 with the continued expansion of the staffing at the Delta Facility as the Company enters steady state production.

Non-cash share-based payments reflect the issuance of stock options and DSU's to new and existing employees and directors. The increased expense in 2019 reflects the increased headcount.

General and administrative expenses consist of the head office lease, insurance, professional and legal fees, investor relations fees, and office expenses. General and administrative costs were $2,773,810 (2018 - $4,123,913) and have decreased year over year primarily due to a decrease in professional and legal fees. Professional and legal fees for the year were $866,835 (2018 - $2,092,239) due to prior year expenses related to corporate re-organization and the initial public offering. Also included in professional and legal fees was $258,507 (2018 – $438,333) in share-based compensation to external consultants of the Company. This is offset by an increase in insurance costs for Directors and Officers insurance of $205,701 (2018 – $43,090) and $139,718 for the Delta Facility (2018 – $37,545).

Other expenses

Other expenses are comprised of net realized foreign exchange of $41,020 (2018 – $25,880). In 2018, in connection with the corporate re-organization, the Company had non-cash expense of $15,598,083 as a result of the deemed equity consideration of the reverse-takeover transaction.

Discontinued operations

In the latter half of 2019 the Company decided to exit the US market. In April 2020 it sold its principal asset in the United States and the remainder of its US assets are expected to be disposed of in the second quarter of 2020. Loss from discontinued operations in 2019 of $3,168,801 consists of rental and ancillary revenue of $1,284,397 less $2,098,059 of cost of sales and operating costs, a $1,246,848 provision for credit losses and $1,108,291 of impairment charges to write down the US assets to their estimated fair value less costs of disposal. Discontinued operations in 2018 consist of the results of the Company's US operations, including Vega Ventures LLC. The loss in 2018 consists of revenue from product sales of $1,852,581 less cost of sales and operating expenses of $5,947,924 and impairment charges of $751,781.

Other comprehensive income (loss)

The other comprehensive income (loss) with respect to foreign currency translation difference varies at each reporting date and is a result of fluctuations between the US Dollar and the Canadian Dollar. This foreign currency translation difference includes the impact of foreign exchange on intercompany loans whose retranslation is treated as equity (until the foreign operation is disposed of) and the translation of the foreign operation from its functional currency into Canadian Dollars. For the year ended December 31, 2019, the impact of the foreign currency translation differences was other comprehensive loss of $537,993 (December 31, 2018 – gain of $1,151,212).

FOURTH QUARTER

During the three months ended December 31, 2019, the Company incurred a net loss of $4,031,229 (2018 - $4,672,703) and total comprehensive loss of $4,189,660 (2018 - $3,721,461). Included within net loss in 2019 is $915,895 of loss from continuing operations (2018 – $894,826) and $3,115,334 of discontinued operations (2018 – $4,021,081). Discontinued operations in 2018 is the result of restated comparative information following the deconsolidation of Vega Ventures LLC on January 1, 2019 and the exit from all US operations in 2019. The fourth quarter loss from continuing operations is higher than 2018 as a result of the Company ramping up its Delta Facility. This includes a gain on changes in fair value of biological assets of $1,764,099 in the quarter (2018 – $nil) which is offset by production costs of $1,719,538 (2018 – $nil).

SUMMARY OF QUARTERLY RESULTS

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

	2019				2018			
(C$000's)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue*	—	—	—	—	—	—	95	81
Net Loss for the period	(4,031)	(4,423)	(3,489)	(2,331)	(4,672)	(3,504)	(19,128)	(2,571)
Weighted average shares outstanding	40,041	38,122	36,811	36,811	36,811	33,153	32,735	32,735
Net loss per share, basic and diluted	($0.10)	($0.12)	($0.09)	($0.06)	($0.12)	($0.11)	($0.58)	($0.08)

* Revenue in 2018 related to the US discontinued operations except for $176,364 presented here. This amount has been reclassified to other income in the Company's Financial Statements.

The Company did not have any revenue from continuing operations in 2019. Revenue in 2018 related to sales in Washington and California from pilot scale operations. The net loss of the business has grown as the team and activity of the Company has grown with expansion of the team, increased professional services being obtained and the impact of non-cash, share-based payments on the quarterly results. For a detailed review of the year ended 2019, refer to the results analysis under '*Financial Review and Results of Operations*'.

Revenue from discontinued operations in 2019 was $1,284,397 (2018 - 1,852,581) and net loss from discontinued operations was $3,168,801 (2018 – 4,847,124). Refer to the results analysis under '*Financial Review and Results of Operations*' for more detailed results regarding discontinued operations.

LIQUIDITY AND GOING CONCERN

As at December 31, 2019, the Company had cash available of $2,083,588 and positive working capital of $5,503,614. Operating activities in the year ended December 31, 2019 used $10,680,072 of cash, largely driven by the operating expenses (described above) in preparation and execution of commercial scale operations. Further, the Company continued to invest in the Delta Facility to optimize the nursery, each of the five cultivation compartments and expand and optimize the processing area.

During the year ended December 31, 2019, the Company received $10,184,930 in net proceeds from debt financings being net of the repayment of the original first mortgage on the Delta Facility with Farm Credit Canada ("FCC"). On August 23, 2019, the Company completed the August Financing for gross proceeds of $8,505,000 and incurred agent and legal fees of $925,772.

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.

In February 2019, the Company received its Cultivation and Processing licenses from Health Canada for its Delta Facility. The Company completed its first commercial harvest at the Delta Facility in October 2019. On December 17, 2019, the Company entered into the Agro-Greens Agreement to distribute the Company's products to Canadian provincial distributors and retailers in the Canadian recreational market. The Company has applied for and is awaiting approval from Health Canada of its own Sales License to sell directly to the Canadian market. Sales of the Company's products began in February 2020.

In the second half of 2019 the Company decided to focus its resources on the more profitable Canadian market and therefore dispose of its US operations. On April 3, 2020, the Company sold its Washington greenhouse for gross proceeds of $12,020,700 (US$8,500,000), netting the Company $7,685,194 after discharging a loan on against the property, and excluding transaction costs.

However, as at December 31, 2019, the Company had not achieved profitable operations and had accumulated losses of $56,339,813 since its inception. Until such time that the Company achieves positive operating cashflows, the continuing operations of the Company are dependent upon its ability to obtain debt or equity financing. There can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and business disruptions, can all have an impact on the Company's operations and access to capital. The Company has taken extensive measures to protect and sustain its operations during the pandemic but there can be no assurance that the Company will not be further impacted by adverse consequences that may be brought about by the COVID-19 pandemic on access to markets and supplies and global financial markets which may see reduced share prices and financial liquidity and thereby severely limit the financing capital available.

The above conditions present material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

CAPITAL RESOURCES

The Company has the following contractual obligations as at December 31, 2019:

(C$000's)	Payments due by period				
Contractual obligations[1]	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating leases[2]	41	41	—	—	—
Lease liability[3]	65	18	47	—	—
Total contractual obligations	106	59	47	—	—

[1] Mortgage related contractual obligations are disclosed in note 14 of the Financial statements.

[2] Operating leases relate to rental of the Vancouver head office.

[3] Related to right-of-use tractor.

Since March 2020, all compartments have been commissioned and are under cultivation, with most of the planned optimization work complete. There remains further optimization that the Company could do to the facility, including additional lights, but these are not currently budgeted and will likely be funded in the future through operating cash flows, debt and equity sources.

OUTSTANDING SHARE DATA

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

As at April 21, 2020 the Company has the following securities outstanding.

	Number of units
Common Shares	39,966,425
Stock Options	5,470,000
Warrants	7,331,442
Deferred share units	75,000
Fully Diluted Shares Outstanding	52,842,867

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

On January 21, 2019, two executive officers and one significant shareholder increased the existing revolving credit facilities provided to the Company in 2018 to a total of $600,000 and on February 28, 2019 the facilities were further increased to a total of $2,100,000. The revolving credit facilities bore an annual interest rate of 11%.

On April 25, 2019, the two executive officers and significant shareholder loaned the Company $1,655,000 as part of the $3,355,000 second mortgage financing loan, under the same terms and conditions as the third party lenders who provided loans on April 25, May 28 and July 12, 2019. The $1,655,000 included the rollover of $1,371,447 outstanding under the revolving credit facilities. In connection with the loan, the Company issued 331,000 warrants to the related parties. These warrants were issued in the same ratio and with the same terms and conditions as provided to the third party lenders. As at December 31, 2019, $1,655,000 and $138,478 of interest is owed to these related parties.

In December 2019, the Company executed a letter of intent to sell its Washington greenhouse for US$8,500,000 to a buyer group that includes the Company's CEO as a minority shareholder, owning 41.5% of the buyer. A Special Committee of the Company's Board of Directors, comprised solely of independent directors, supervised the negotiation of the sale and recommended it for approval to the full Board. On December 20, 2019 the Company received a $2,597,600 (US$2,000,000) deposit in connection with the sale, including $649,400 (US$500,000) from Rubicon's CEO.

Beginning from November 1, 2019, certain executives of the Company agreed to defer portions of their salaries. In January 2020, the Board approved revolving credit lines with the CEO, CFO, President and CSO of the Company for $500,000, $300,000, $150,000, and $150,000 at an annual interest rate of 12% with repayment no later than December 31, 2020. These revolving credit lines were effective for amounts loaned effective November 1, 2019. On April 21, 2020 the Board approved an increase in the revolving credit line with the CEO to $1,000,000. On February 11, 2020, a shareholder of the Company entered into a revolving credit line with the Company for up to $250,000 at an annual interest rate of 12% with repayment no later than December 31, 2020.

As at December 31, 2019, included in accounts payable and accrued liabilities is $75,459 (December 31, 2018: $181,360) owed to officers and directors of the Company for expenses paid on behalf of the Company in the normal course of operations. Included in accounts payable and accrued liabilities at December 31, 2019 is $151,250 in accrued salaries to executives (December 31, 2018: $103,126).

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:

Expressed in Canadian dollars

	December 31, 2019 $	December 31, 2018 $
Salaries	1,086,688	681,614
Bonuses accrued	500,000	—
Share based compensation	1,896,071	937,224
Total compensation of key management personnel	3,482,759	1,618,838

The Company has accrued bonuses for key management personnel of $500,000. These bonuses are estimates relating to 2019 and will not be paid until the Board approves payment which is not expected prior to positive operating cashflows of the Company.

CRITICAL ACCOUNTING ESTIMATES

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 3 of the 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

IFRS 16 – Leases ("IFRS 16")

IFRS 16 replaces the previous guidance on leases, predominantly IAS 17, *Leases*. The Company has applied IFRS 16 with an initial application date of January 1, 2019, in accordance with the transitional provisions specified in IFRS 16. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

The Company as lessee
The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Comparative information has not been restated. As a result, there was no adjustment required to the accumulated deficit as at January 1, 2019.

The Company has applied the following practical expedient:
On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts

that were not identified as leases under IAS 17, were not reassessed for whether there is a lease. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The Company has recognized lease liabilities and right-of-use assets at the date of initial application for leases previously classified as operating leases. The Company has elected not to recognize right-of-use assets and lease liabilities for lease terms of 12 months or less and leases for which the underlying asset is of low value. The Company has elected to measure the right-of-use assets at the carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application. For the lease the Company previously classified as a finance lease under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is equal to the carrying amount of the leased asset and lease liability immediately before the date of initial application.

The following is the Company's policy for accounting for lease contracts in accordance with IFRS 16:

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property, plant and equipment. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. The Company has elected not to recognize right-of-use assets and lease liabilities for lease terms of 12 months or less and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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	Fair value through profit or loss ("FVTPL")
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost
Lease liabilities	Amortized cost
Loans and borrowings	Amortized cost
Investment	FVTPL

The fair values of accounts receivable, due from related parties, accounts payable and accrued liabilities, and due to a related party 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 14 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.

Institution	$
National banks	2,083,537
Cash	51

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.

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, accrued liabilities, the current portion of the loans and borrowings and due to related parties, are payable within one year and are to be funded from cash. Long term liabilities consist of the 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 debts are all held at fixed interest rates and no significant interest rate risk applies.

Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company or the subsidiaries conducting the business. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

For the year ended December 31, 2019 the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		December 31, 2019		December 31, 2018
Cash		1,433,813		35,903
Accounts payable and accrued liabilities		(345,811)		(610,936)
	US$	1,088,002	US$	(575,033)

A 10% change of the US$ against the C$ at December 31, 2019 would have decreased net loss by $137,413 (December 31, 2018: $78,466) or increased net loss by $137,413 (December 31, 2018: $78,466).

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.

Cash is classified as a Level 2 financial instrument.

There were no transfers within the fair value hierarchy during the year ended December 31, 2019.

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.

The Company currently has limited sources of revenues and as such the Company is dependent upon external financings and debt to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed until it reaches profitable operations. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management program during the year ended December 31, 2019.

RISKS AND UNCERTAINTIES

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is 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.

Risks Generally Related to the Company

The Company has a limited operating history, a history of losses and the Company cannot assure profitability

The Company has been incurring operating losses and cash flow deficits since the inception of such operations, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the legalization of recreational cannabis in Canada. The Company's lack of operating history makes it difficult for investors to evaluate the Company's prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, especially given the Company's lack of an operating history, there is no assurance that the Company will be successful and the likelihood of success must be considered in light of its relatively early stage of operations.

Uncertainty about the Company's ability to continue as a going concern

The Company has not yet generated substantial revenue from its primary asset in British Columbia. While crops have now been harvested in British Columbia in 2019, the Company is currently seeking additional capital to further optimize the Delta Facility and to expand its product offerings in the cannabis industry and grow its revenue. The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

There is no assurance that the Company will turn profits, generate immediate revenues, or pay dividends

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the US were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

The Company had negative operating cash flow for the financial years ended December 31, 2019 and December 31, 2018

The Company had negative operating cash flow for the financial years ended December 31, 2019 and December 31, 2018. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes in its operating plans and certain delays in the timing of its plans. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be more costly than expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

Refinancing debt on the Delta Facility

The Company currently has approximately $13,900,000 of debt outstanding secured against the Delta Facility. The debt matures between September 2020 and July 2021 and must be repaid by a combination of operating cash flows and refinancing. Upon maturity of the debt, there can be no certainty that such refinancing will be available at terms acceptable to the Company, or at all.

Facility Optimization and Expansion

The optimization of the Delta Facility is subject to various potential problems and uncertainties and such optimization may be delayed or adversely affected by a number of factors beyond Rubicon Organics' control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of the optimization may exceed the amount budgeted. As the result of delays, cost overruns, changes in market circumstances or other factors, Rubicon Organics may not be able to achieve the intended economic benefits from the optimization of the Delta Facility, which in turn may affect Rubicon Organics' business, prospects, financial condition and results of operations. In addition, any future expansion of the Delta Facility is subject to Health Canada regulatory approvals. The delay or denial of such approvals may have a material adverse impact on the business of Rubicon Organics and may result in Rubicon Organics not meeting anticipated or future demand when it arises.

There are factors which may prevent the Company from the realization of growth targets

The Company is currently in the stage of expansion from early development. There is a risk that business objectives will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "*Risk Factors*" and the following:

- reliance on the Delta Facility as the sole facility for its Canadian operations;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- the Company's ability to successfully withstand the economic impact of COVID-19, including relation to staffing of the Delta Facility and launch of the Simply Bare™ Organic products into new provinces and associated revenue;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, pandemics or storms.
- labour shortages and supply chain disruptions caused by global catastrophes such as the COVID-19 pandemic

Reliance on Licenses

The continuation of Rubicon Organics' business of growing, storing and distributing medical and recreational cannabis is dependent on the good standing of all licenses required to engage in such activities and upon adhering to all regulatory requirements related to such activities. Vintages Organic Cannabis Company Inc., a wholly-owned subsidiary of Rubicon Organics, was granted the Cultivation & Processing Licenses from Health Canada on February 1, 2019, pursuant to the Cannabis Act.

The licenses are valid until February 1, 2022, at which point, Vintages Organic Cannabis Company Inc. must apply to Health Canada for renewal. Failure to comply with the requirements of the licenses or any failure to maintain the licenses would have a material adverse impact on the business, financial condition and operating results of Rubicon Organics. Although Rubicon Organics believes it will meet the requirements of the Cannabis Act for future extensions or renewal of the licenses, there can be no guarantee that Health Canada will extend or renew the licenses or that, if extended or renewed, the licenses will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the licenses, or should it renew the licenses on different terms, the business, financial condition and results of operations of Rubicon Organics would be materially and adversely affected.

The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations

The *Cannabis Act*, and related ancillary amendments to other legislation, came into effect October 17, 2018. As a result, the Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company endeavours to comply with all relevant laws, regulations and guidelines.

The Cannabis Act may also materially and adversely affect the future business, financial condition and results of operations of the Company, as, among other things, the legislation permits home cultivation, and implements restrictions on advertising and branding. It is possible that such developments could significantly adversely affect the future business, financial condition and results of operations of the Company.

Valuation of cannabis plants

Pursuant to IFRS, the Company measures the value of its cannabis plants using the income approach at fair value less costs to sell up to the point of harvest. As market prices are generally not available for cannabis plants while they are growing, the Company is required to make assumptions and estimates relating to, among other things, future plant yields, cannabis prices and production costs. The assumptions and estimates used to determine the fair value of the cannabis plants, and any changes to such prior estimates, directly affect the Company's reported results of operations. If actual yields, prices, costs, market conditions or other results differ from the Company's estimates and assumptions, there could be material adjustments to the Company's results of operations.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the

Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Organic Certification and Products

The Company believes that organic products will command a higher price in the marketplace and has completed an organic certification process with FVOPA, a leading organization in organic certification in Canada. FVOPA provides inspection and certification for sustainable development and maintains organic standards on products, systems and services. The certification process generally includes validation of inputs, production methods and preparation procedures in accordance with Canadian organic product regulation. Organic certification aims to guarantee the organic integrity of products throughout the entire production chain. Failure to maintain the organic standards may have an adverse effect on the market price of the Company's products.

Public Health Crises, Including COVID-19

A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products. COVID-19 could affect the Company's ability to conduct its operations and may result in temporary shortages of staff to the extent its work force is impacted. Such an outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including lost revenue.

Furthermore, the COVID-19 pandemic is expected to have an ongoing impact on Health Canada's ability to visit the Delta Facility to perform the site visit necessary for the issuance of the Sales License. At this time there can be no assurance of the timing of this needed site visit nor the success of such site visit as Health Canada has informed the Company that they are not performing site visits for Sales Licenses at this time. This site delay can reasonably expect to have an impact on the Company's revenue given that the Company cannot sell directly to customers without this Sales License.

The COVID-19 pandemic is also expected to impact the opening of new stores in Canada, existing stores purchases, and provincial purchasing relationships. The Company's business is dependant on a number of key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemics. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 outbreak on our business. These factors are beyond our control, may adversely affect us, our customers and our suppliers or cause disruptions to their and our businesses and may impact their ability to supply us or our ability to supply them.

The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the US

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register its intellectual property under US federal and state law is impaired by the illegality of cannabis under US federal law;

- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products;
- the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages;
- the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Company develops;
- another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law and the specifics of which may be unfamiliar to or misunderstood by courts, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

Further, the production of substances for use or consumption by humans can result in product liability claims by consumers. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against the Company. The Company may not be able to obtain or maintain adequate insurance or other protection against potential liabilities arising from product sales. Product liability claims could also result in negative perception of the Company's products or other reputational damage which could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates

These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require more strict standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company faces competition from other companies where it will conduct business that have higher capitalization, and may have more experienced management or be more mature as a business

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition. In addition, despite Canadian federal and United States state-level legalization of marijuana, illicit or "black-market" operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business, and accordingly may have significantly lower costs of operation.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the

Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of our employees.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

The Company continues to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares. The Company's articles permit the issuance of an unlimited number of common shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional common shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

If you purchase securities in a public offering, you will experience substantial and immediate dilution, because the price that you pay will be substantially greater than the net tangible book value per share of the common shares that you acquire. This dilution is due in large part to the fact that the Company's earlier investors will have paid substantially less than a public offering price when they purchased their common shares.

The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage

The Company believes that it and its subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary. Additionally, the Company may experience losses that our insurance policies have specific exclusions for or events that the Company is unable obtain insurance for resulting in losses having material adverse effects.

The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others

The Company's future business involves the growing of marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks

In order for customers of the Company to receive their product, the Company will rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financials and prospects. Any such breach could impact the Company's future ability to continue operating under its licenses or the prospect of renewing its licenses.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operational results

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the US and is new to Canada

Research in Canada, the US and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in its early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

Under Canadian regulations, a licensed producer of cannabis has restrictions on the type and form of marketing it can undertake which could materially impact sales performance

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other highly-regulated industries, including significant limitations on promotion. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, pandemics, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws

Given the nature of the Company's product and its lack of legal availability outside of appropriately licensed channels, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Changes in the public's perception of medical and/or adult-use cannabis could increase future regulation

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, or elsewhere. A negative shift in the public's perception of cannabis in any applicable jurisdiction could affect future legislation or regulation. Any inability to fully implement the Company's expansion and sales strategies may have a material adverse effect on the Company's business, financial condition and results of operations.

In certain circumstances, the Company's reputation could be damaged

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

There can be no assurance that the Company will be able to execute cannabis supply agreements with the provincial regulators to distribute its cannabis products in Canada

The Company's ability to sell its cannabis products in Canada is dependent on its ability to execute cannabis supply agreements with the provincial regulators and distributors including the LDB, the AGLC, and OCS. There can be no assurance that the Company will be able to secure such supply agreements and failure to do would likely have a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

The Company's targets, among other segments. the premium adult-use cannabis market, which may not materialize, or in which the Company may not be able to develop or maintain a brand that attracts or retains customers

The Company targets users of cannabis in the Canadian adult-use cannabis market who are looking for premium products; however, such a market may not materialize or be sustainable. If this premium market does materialize, the Company may not be successful in creating and maintaining consumer perceptions of the value of premium products. The promotion of cannabis is strictly regulated in Canada. For example, promotion is largely restricted to the place of sale and subject to prescribed conditions set out in the Cannabis Act and the Cannabis Regulations. Among other restrictions, the Cannabis Act prohibits testimonials and endorsements, lifestyle branding and promotion that is appealing to young persons. Such restrictions on advertising, marketing and the use of logos and brand names, and other restrictions on advertising imposed by Canadian federal or provincial laws or regulations, or similar regulations imposed in other jurisdictions, may prevent the Company from creating and maintaining consumer perceptions in the value of its premium products and establishing itself as a premium producer. If the Company cannot successfully compete in the premium market, the Company may face significant challenges in gaining or maintaining a market share in Canada or in other cannabis markets in which it operates, or it may be forced to sell products at a lower price, which may materially adversely affect results of operations.

Necessary security clearances take time to obtain and may impact the Company's ability to attract and retain board members and officers

The *Cannabis Act* and Cannabis Regulations require several individuals to obtain and maintain a valid security clearance, including directors, officers, and large shareholders of the Company. A security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the Company's existing directors and officers who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. Prospective qualified directors or officers may be deterred from accepting appointments to positions in the cannabis industry that require security clearances due to the onus of the lengthy application process and uncertainty that a security clearance will be granted at all. Inability to attract and retain such qualified directors and officers may result in a material adverse effect on the Company's business, operating results, financial condition or prospects.

Inability to Enforce Legal Rights

One director of the Company, David Donnan, resides outside of Canada, in the US. Although he has appointed Borden Ladner Gervais LLP as his agent for service of process in Canada, it may not be possible for investors to enforce judgments in Canada against him. The Company has subsidiaries which are organized under the laws of foreign jurisdictions. Given that the Company has and plans to own certain assets that are or will be located outside of Canada, investors may have difficulty in enforcing against foreign assets of the Company, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada.

The adult-use recreational cannabis market in Canada may become oversupplied

The Company and other cannabis producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian market, and the Company may be unable to export that oversupply into other jurisdictions where cannabis use is fully legal under all applicable laws of such jurisdictions. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If this were to occur, there is no assurance that the Company would be able to generate sufficient revenue from the sale of adult-use recreational cannabis to result in profitability.

Macroeconomic and other geo-political risks

The Company's business is subject to risks associated with adverse economic conditions in Canada and globally, including economic slowdown, inflation and the disruption, volatility and tightening of credit and capital markets. Increases in unemployment rates, tax increases, governmental spending cuts or a return of high levels of inflation could adversely affect consumer spending patterns and result in a reduction in consumption of cannabis products in Canada and elsewhere in the world, including the Company's products. The Company's business, prospects, financial condition, results of operations and prospects may suffer as a result. These conditions could also worsen cash flows, liquidity and access to capital for the Company and cause and other financial hardships for the Company and its suppliers, distributors, retailers and clients, thereby adversely impacting the Company's ability to produce and distribute its products. In addition, natural disasters, pandemic outbreaks, boycotts, civil unrest and other geo-political disruptions could adversely affect the Company. These events may damage the Company's properties, deny the Company access to an adequate workforce, increase the cost of energy and other raw materials, temporarily or permanently close the Company's facilities, disrupt the production, supply and distribution of the Company's products and disrupt the Company's information systems.

Risk Factors Specifically Related to the US Regulatory System

The Company is currently in the process of exiting the US and with the WA Sale expects to have reduced the risks associated with cannabis in the US described below.

Cannabis is Illegal under Federal Law

The Company has agreements for brand licensing, consulting services and facilities leasing with licensed processors and producers in Washington (and previously in California). Although these activities are permitted by state law in the states where the Company is currently engaged in business, directly or with agreements with licensed entities, these activities remain illegal under federal law. Marijuana remains a Schedule I controlled substance under the federal CSA, and the penalties for violating the federal CSA are very serious and, depending on the quantity of marijuana involved, may include criminal penalties of up to life in prison and a fine of up to U.S.$50,000,000. In addition, the federal government can seize and seek the civil forfeiture of the real or personal property used to facilitate the sale of marijuana as well as the money or other proceeds received in connection with such sale.

Some of the Company's current and historical business activities are illegal under US federal law

Although certain states and territories of the US authorize medical or recreational cannabis production and distribution by licensed or registered entities, under US federal law, the possession, use, cultivation, and transfer of cannabis and drug paraphernalia is illegal. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Because the possession and use of cannabis and drug paraphernalia is illegal under US federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products and services that it intends to provide. As a result, US law enforcement authorities, in their attempt to regulate the illegal use of cannabis and drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, a claim regarding the Company aiding and abetting another's criminal activities. The federal aiding and abetting statute provides that anyone who "commits an offense against the US or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on the Company's business and operations. The enforcement of relevant US federal laws is a significant risk.

Changes to state or local laws and regulations could affect the Company's business and the exit of the US

Cannabis is a new industry subject to extensive regulation at every level of government. In particular, state and local regulatory regimes with respect to cannabis are frequently changed, amended, adjusted, or otherwise modified to respond to varied pressures from stakeholders, regulators and the public. Such changes may require the Company to incur substantial legal and compliance costs and/or materially alter the Company's business plan.

Therefore, although the Company believes that its US operations are carried out in accordance with all applicable rules and regulations of the states in which it does business, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to produce, process or sell cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of cannabis, or more stringent implementation thereof could have a substantially adverse impact on the Company.

Investors in the Company and the Company's directors, officers and employees may be subject to entry bans into the US

Because cannabis remains illegal under US federal law, those employed at or investing in state licensed U.S. cannabis companies could face detention, denial of entry or lifetime bans from the US for their business associations with cannabis U.S. businesses. Entry happens at the sole discretion of U.S. Customs and Board Protection ("CBP") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by US federal laws, could mean denial of entry to the US. Business or financial involvement in the legal cannabis industry in Canada or in the US could also be reason enough for US border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the US. It stated that Canada's legalization of cannabis will not change CBP enforcement of US laws regarding controlled substances and because cannabis continues to be a controlled substance under US law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the US. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the US or Canada (such as the Company), who are not US citizens face the risk of being barred from entry into the US for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the US for reasons unrelated to the cannabis industry will generally be admissible to the US; however, if such person is found to be coming into the US for reasons related to the cannabis industry, such person may be deemed inadmissible.

News media have reported that US immigration authorities have increased scrutiny of Canadian citizens who are crossing the US–Canada border with respect to persons involved in cannabis businesses in the US. There have been a number of Canadians banned for life from entering the US as a result of an investment in or act related to US cannabis businesses. Company employees traveling from Canada to the US for the benefit of the Company may encounter enhanced scrutiny by US immigration authorities that may result in the employee not being permitted to enter the US for a specified period of time. If this happens to Company employees, then this may reduce our ability to effectively manage our business in the US. The Company has mitigated the impact of this risk by employing Canadian citizens to work in Canada and US citizens to work the

US, minimizing the need for cross border travel. In addition, the Company's CEO is a dual citizen of Canada and US, which reduces the risk of being barred from entering the country.

There is uncertainty of existing protection from US federal prosecution

While the RBA was renewed in February 2019 as part of an omnibus spending bill and is in effect through September 30, 2019, the rider applies only to medical marijuana, and does not prohibit the DOJ from investigating or prosecuting conduct and commerce involving adult-use marijuana. Moreover, there can be no certainty that Congressional support for the RBA amendment will continue after the September 30, 2019 expiration. If the RBA or an equivalent thereof is not successfully amended to the next or any subsequent federal omnibus spending bill, the protection afforded thereby to U.S. medical cannabis businesses would lapse, and such businesses would be more at risk to prosecution under federal law. There is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions of the RBA are not included in the base federal omnibus spending bill or other law, these protections would lapse. The Company regularly monitors the regulatory activities of Congress.

There is uncertainty surrounding the current U.S. presidential administration and its influence and policies in opposition to the cannabis industry as a whole

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump Administration or the policies of any future presidential administration about recreational and medical cannabis.

On January 4, 2018, then Attorney General Jeff Sessions and the DOJ issued the Sessions Memo. The effect of the Sessions Memo has been to rescind the guidance issued on August 29, 2013 relative to medical marijuana enforcement under the Cole Memo. The effect of the Cole Memo's rescission remains to be seen. On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole-Memo-era status quo despite the DOJ's decision to rescind it. Although Attorney General William Barr has stated publicly that he does not intend to "go after parties who have complied with the state law in reliance on the Cole Memorandum," his position could change. The impact that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

There is no certainty as to how Attorney General William Barr, Federal Bureau of Investigation, the Drug Enforcement Agency and other federal government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to enforce strongly the federal laws. The Company regularly monitors the activities of the current administration for evidence that it will change its current approach to state-legal cannabis industry.

The cannabis industry is a new industry that may not succeed

Should the federal government in the US begin prosecuting those dealing in medical or other cannabis under applicable law, there may not be any market for the Company's products and services in the US.

Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Company to succeed. The Company is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, the property of the Company may be seized and the operations of the Company shut down

The US federal government, including, but not limited to, through both the DEA and US Internal Revenue Service (the "IRS"), has the power to investigate, audit and shut-down marijuana growing facilities, processors and retailers. The US federal government may also attempt to seize the Company's property. Any action taken by the federal government to interfere with, seize, or shut down the Company's operations will have a material adverse effect on the Company's business, operating results and financial condition.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital

The Company's business activities rely on newly established and/or developing laws and regulations in multiple jurisdictions, including in Washington. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes, including changes in the interpretation and/or administration of applicable regulatory requirements may adversely affect the Company's profitability or cause it to cease operations entirely. Any determination that the Company's business fails to comply with Washington's cannabis regulations would require the Company either to significantly change or terminate its business activities, which would have a material adverse effect on the Company's business. The cannabis industry may come under the scrutiny or further scrutiny by the US Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Authority or other federal, California, Washington or other applicable state or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or non-medical purposes in the US. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the US for securities of the Company or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

The Company may incur significant tax liabilities if the IRS continues to determine that certain expenses of cannabis businesses are not permitted tax deductions under section 280E of the Tax Code

Section 280E of the Tax Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (including cannabis) which are prohibited by federal law. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the US that are authorized under state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from under payment of taxes due to the lack of deductibility of otherwise ordinary business expenses the deduction of which is prohibited by Section 280E. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. The Company's current financial plans include federal tax payable on gross profit rather than is typical in other jurisdictions on earnings before tax.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the US Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances that are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

Any re-classification of cannabis or changes in US controlled substance laws and regulations may affect the Company's business

If cannabis is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible. However, if cannabis is re categorized as a Schedule II or other controlled substance, the resulting re-classification may result in the requirement for approval by the US Food and Drug Administration (the "U.S. FDA") before medical claims could legally be made about the Company's products. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the U.S. FDA. In that case, the Company may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of the Company's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Company's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings. Furthermore, if the U.S. FDA, DEA, or any other regulatory authority determines that the Company's products may have potential for abuse, it may require the Company to generate more clinical or other data than the Company currently anticipates establishing whether or to what extent the substance has an abuse potential, which could increase the cost and/or delay the launch of that product.

US federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance

As long as cannabis remains illegal under US federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

The Company could also be subject to additional requirements to comply with these laws, such as franchise disclosure and registration requirements. If the Company becomes subject to fines or other penalties or if the Company determines that the franchise and related requirements in a jurisdiction are overly burdensome, the Company may elect to terminate operations in that jurisdiction, which may adversely affect the business, results of operations and financial condition.

US federal or state franchise laws may apply to the Company's US operations.

US federal and state franchise laws have been broadly interpreted by courts or the applicable administrative agencies to apply to arrangements where a party licenses trademarks and business methods, provides facility designs and business and marketing plans to others. It is therefore possible that a federal or state agency or court might find that certain franchise laws do apply to our relationships with our licensees. If that happens or if any state's franchise regulatory requirements relating to the Company's method of business impose additional requirements on the Company, the Company may be required to modify its operations in that state in a manner that undermines the Company's attractiveness to licensees. The Company could also be subject to additional requirements to comply with these laws, such as franchise disclosure and registration requirements. If the Company becomes subject to fines or other penalties or if the Company determines that the franchise and related requirements in a jurisdiction are overly burdensome, the Company may elect to terminate operations in that jurisdiction, which may adversely affect the business, results of operations and financial condition.

The Company's contracts may not be legally enforceable in the US

Because the Company's contracts involve cannabis and other activities that are not legal under US federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in US federal and certain state courts.

Unsophisticated Individuals and Entities

The Canadian and US market for cannabis products is highly volatile. Many entities and persons operating in the industry were formerly involved in the illegal market. Some still are, and many operate in unconventional ways. Some of these unconventional ways, which represent challenges to the Company, include not keeping appropriate financial records, inexperience with business contracts, not having access to customary business banking relationships, not having quality manufacturing relationships, and not having customary distribution arrangements. They may not be accustomed to entering into written agreements or keeping financial records according to Generally Accepted Accounting Principles. These entities and persons may not pay attention to obligations to which they have agreed in written contracts. Therefore, it may become challenging for the Company to enter into more complex commercial transactions, which could limit the Company's growth or otherwise adversely affect the Company. Any one of these challenges, if not managed, could adversely impact the Company. These challenges may also increase the cost of the Company's operations in the near-term.

Greater Risk of Tax Audits

Based on anecdotal information, the Company believes that there is a greater likelihood that the Internal Revenue Service will audit cannabis-related businesses, including the Company. Any such audit could result in the Company's subsidiaries paying additional tax, interest and penalties, as well as incremental accounting and legal expenses.

Lack of Access to US Bankruptcy Protections

Because cannabis is a Schedule I substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that US federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Limited number of tenants and customers

Because the Company, through its affiliates and subsidiaries, has leased a small number of facilities, to a small number of select tenants involved in the production of cannabis and processing of cannabis, any problems associated with the business of such tenants will have an adverse effect on the Company's business, operating results and financial condition. Problems associated with such tenants may include loss of licenses to do business, delays and other problems in production; regulatory interference, including inspections and penalties for violations of the Washington Administrative Code which may affect the revenues and operations of the business; and additional unforeseen circumstances. There can be no guarantees that the Company, and/or its affiliates, will be able to find suitable tenants for their facilities, or that such tenants' performance will enable such tenants to make timely payments of rent.

Risks Related to the Company's Securities

The Company's securities have not been registered under the U.S. Securities Act

The Common Shares have not been, and may never be, registered under the U.S. Securities Act or under applicable state or foreign securities laws. In addition, subscribers may be unable to deposit Rubicon securities with a US brokerage house.

The market price for common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control

The market price for common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding common shares;
- sales or perceived sales of additional common shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Company's competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;

- impacts from pandemics or other major global events such as the COVID-19 pandemic;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; and
- regulatory changes in the industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the common shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely affected and the trading price of the Common Shares might be materially adversely affected.

The Company does not anticipate paying dividends

The Company's current policy is to retain earnings to finance the development and enhancement of the Company's products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying dividends on the common shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition and other relevant factors. Until the time that the Company does pay dividends, which the Company may never do, the Company's shareholders will not be able to receive a return on their common shares unless they sell them.

Dilution to common shares

The increase in the number of common shares issued and outstanding as a result of public offerings, may have a depressive effect on the price of the common shares. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be diluted.

Loss on Dissolution or Termination of Company

Upon the dissolution and termination of the Company, the proceeds realized from the liquidation of assets, if any, will be distributed to the shareholders only after the claims of all creditors have been satisfied. Accordingly, the ability of a shareholder to recover all or any portion of its investment under such circumstances will depend on the amount of funds so realized and the claims to be satisfied from such funds.

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 the US United States and 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.

Expressed in Canadian dollars

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