Rubicon Organics Inc.

Management's Discussion & Analysis

For the year ended December 31, 2020 and 2019

April 5, 2021

Expressed in Canadian dollars

Preface

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

This MD&A comments on our operations, financial performance and financial condition for the fiscal year ended December 31, 2020. All amounts in this MD&A are in Canadian dollars, unless otherwise noted. It is supplemental to and should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the fiscal year ended December 31, 2020 (the "Financial Statements").

All financial information contained in this MD&A and in the Financial Statements is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, except for certain non-GAAP information as noted and where a reconciliation to IFRS is provided.

In preparing this MD&A, we have taken into account all information available to us up to April 5, 2021.

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

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

About Us

Overview

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

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

The Company is focused on building a portfolio of premium brands in the Canadian market that is anchored by its flagship Simply Bare™ Organic cannabis brand. The Company has direct supply agreements in place with the British Columbia Liquor Distribution Branch ("BCLDB"), the Alberta Gaming, Liquor and Cannabis Commission ("AGLC"), the Ontario Cannabis Stores ("OCS") and the Société Québécoise du cannabis ("SQDC"). The Company also has distribution agreements with distributors in Saskatchewan and Manitoba who distribute the Company's products to certain provincial distributors and retailers. In addition, the Company has entered into a supply agreement with German distributer, Canacur GmbH, to sell Rubicon Organics' cannabis products to the German medical market. The Company expects first exports in the second half of 2021, pending European Union Good Manufacturing Practices ("EU-GMP") certification.

As at December 31, 2020, the entities in Rubicon Organics' consolidated financial statements are as follows:

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

On October 1, 2020, the Company amalgamated Bridge View Greenhouses Ltd. (“Bridge View”) and Vintages Organic Cannabis Company Inc. (“Vintages”) into RHC. In this process, the Health Canada license issued in accordance with the Cannabis Act and Cannabis Regulations held by Vintages was transferred to RHC.

During the years ended December 31, 2020 and December 31, 2019 the following subsidiaries were consolidated prior to their sale or dissolution:

Name	Transaction	Transaction Date	Place of Incorporation	Ownership Percentage
Rubicon Holdings, Inc. (“RHI”)	Dissolved	December 1, 2020	WA, United States	100%
West Coast Property Holdings, Inc.	Dissolved	December 1, 2020	WA, United States	100%
Rubicon Property 1, LLC	Sold	April 3, 2020	WA, United States	100%
Rubicon Property 2, LLC	Dissolved	October 26, 2020	WA, United States	100%
Rubicon California, LLC	Dissolved	December 1, 2020	CA, United States	100%
Great Pacific Brands, LLC	Dissolved	October 26, 2020	WA, United States	100%
Red Dog Operations, Inc.	Dissolved	October 26, 2020	WA, United States	100%
Seymour Soils, Inc.	Dissolved	October 26, 2020	WA, United States	100%

Our Operations

Delta Facility

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

The Delta Facility is made up of a processing area, a nursery and a total of five cultivation compartments. Since March 2020, the Delta Facility was fully utilized for cultivation and has been in full scale operations. The Delta Facility has cold cure processing rooms and Good Production Practices (“GPP”) processing facilities for dried flower and solvent-less extraction.

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

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

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

Brands and Products

	Simply Bare™ Organic is Rubicon Organics' flagship premium brand launched in December 2019. Cannabis packaged and sold under the Simply Bare™ Organic brand is grown in a proprietary mix of living, 100% certified organic soil made in-house with ingredients from BC's Sunshine Coast. Each plant is grown under full-spectrum sunlight, harvested by hand and cold cured for two weeks to achieve a rich terpene profile. Buds are then selected and carefully trimmed before being packaged into a sustainable terracotta-coloured glass jar. Simply Bare™ Organic pre-rolls take the same incredible dried flower, delivered in a convenient format at a more accessible price point. Simply Bare™ Organic customers are the connoisseurs of cannabis, seeking a premium experience. Product formats available as at April 5, 2021: • 3.5 gram jar • 7.0 gram jar • 3 x 0.5 gram pre-rolls • 1.0 gram hash
	Lab Theory™ is a premium concentrate brand launched in December 2020. Lab Theory™ combines high terpene flower with industry-leading extraction techniques to produce best-in-class concentrates.
	1964™ launched exclusively in Quebec in December 2020. In 1964, Professor Mechoulam discovered the organic compound THC. Whilst it took nearly 60 years from its discovery to its legalization, that spirit of exploration has only grown stronger. Representing a pivotal time in cannabis culture, 1964™ talks directly to where time relaxes and a new modern world emerges. 1964™ is available in dried flower and hashish formats currently in Quebec only. Product formats available as at April 5, 2021: • 3.5 gram bag • 2.0 gram hash bag

* wildflower	**Wildflower™** is a brand licensed by Rubicon Organics from Wildflower Brands Inc. to bring Wildflower-branded CBD Relief Sticks and CBD Cool Sticks to the Canadian market. The Wildflower brand is owned by Wildflower Brands Inc. and the Company has an exclusive license to the brand in Canada. Launched in late March 2021 and available since early April 2021 to consumers in Ontario, British Columbia, Alberta and Saskatchewan. Product formats available as at April 5, 2021: • 30 mg CBD Relief Stick • 73 mg CBD Relief Stick • 30 mg CBD Cool Stick • 73 mg CBD Cool Stick

Strategy and Outlook

Canadian Recreational Market

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

New Product Innovation

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

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

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

Rubicon’s partnership with PAX LABS®, a leader in premium cannabis vaporization technology, means that Rubicon Organics expects to launch organic cannabis oil pods for the PAX® ERA™ and PAX® ERA Pro™ premium vaporizers. We expect the PAX® pods to be available for distribution in Q2 2021.

European market and other markets

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

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

The Delta Facility

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

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

Company Outlook

Rubicon Organics is determined to achieve positive operating cash flow and profitability. In Q4 2020, the Company gained significant market share in the premium category, in particular in Ontario and BC., including the capture of the #1 premium brand in BC[1] and the #2 premium brand in Ontario and Alberta[1]. Through the winter of 2021 in Canada, the Company experienced a significant decrease in orders from the provincial distributors in Ontario and Alberta relative to forecast. This decrease from forecast was particularly noteworthy where store closures were in effect or stores were limited to "click and collect" shopping. In addition, there has been inventory de-stocking events at provincial distributors impacting total short-term market demand and lower first-time purchases of new product innovation by the distributors. These factors will impact Rubicon Organics' ability to achieve its previously disclosed Adjusted EBITDA and operating cash flow targets in Q1 2021. The Company's current expectation for the achievement of such milestones has been delayed to Q2 2021, subject to the impact of further provincial restrictions on retail store openings and distributor buying patterns. We remain confident in our product appeal and plan to win in the premium market given that with the recent significant SKU rationalization at various provincial distributors, Rubicon Organics retained all of its SKU listings with the provincial distributors and also added new SKUs such as 7g jars of Simply Bare Organic and Wildflower topicals.

Despite these external factors, the Company has maintained pricing for its premium products, remained rigorous in the control of cash costs, implemented efficiencies across its production process and tailored its innovation pipeline to product categories with high consumer demand and premium margin potential.

The Company expects to fully repay the mortgage facilities existing at December 31, 2020 as they come due between April 2021 and July 2021, and to refinance approximately half of the debt to a long-term mortgage financing facility, potentially with more favourable terms.

COVID-19

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

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[1] Based on information from industry data sources including the Ontario Cannabis Stores and Buddi data during the period from October 1, 2020 to December 31, 2020.

Investor Highlights

	Year ended December 31, 2020 $	Three months ended December 31, 2020 $	Three months ended September 30, 2020 $
Product sales	11,203,893	5,756,749	3,725,367
Net revenue	9,387,320	4,774,488	3,166,786
Other income	929,867	—	491,405
Loss from continuing operations	(14,349,541)	(4,805,606)	(4,279,330)
Loss from discontinuing operations	(633,631)	(237,096)	(37,918)
Net loss for the period	(14,983,172)	(5,042,702)	(4,317,248)
Adjusted EBITDA*	(11,081,996)	(2,958,525)	(2,576,283)
Cash	12,136,459	12,136,459	8,061,527
Working Capital	4,166,180	4,166,180	917,958

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

Key Events in Q4 2020

- Earned $4.8 million of net revenue, an increase of $1.6 million or 51% as compared to Q3 2020.
- Launched additional strain – BC Organic Apple Toffee in Simply Bare™ Organic, available in jar and pre-roll format.
- Launched in Quebec with the Simply Bare™ Organic and the 1964™ brands and received first purchase orders for both flower and hash.
- Launched the Lab Theory™ premium concentrates brand in BC.
- Signed agreement with PAX LABS® to fill organic cannabis oil pods for the PAX® ERA™ and PAX® ERA Pro™ premium vaporizers.
- Triggered expiry acceleration on 3.15 million warrants with an exercise price of $3.50, resulting in the exercise of 2.04 million warrants and gross proceeds of $7.1 million.
- Amalgamation of three Canadian subsidiaries which will allow for use of over $20 million in tax losses in future.
- Appointed a new board member, Julie Lassonde, pending security clearances.
- Completed the dissolution of all remaining US entities. Rubicon now has no operations in the United States.
- 300,000 restricted share awards were granted to officers of the Company.
- Completion of the pilot scale outdoor grow research program.

Recent Activities

Key Developments in the year ended December 31, 2020

- Delta Facility reached full scale operation and was fully planted commencing March 2020.
- Obtained Health Canada license amendments for outdoor grow, medical sales, and sales for recreational use.
- Signed direct supply agreements with the AGLC, BCLDB, OCS and SQDC.
- Signed a product supply agreement with Canacur GmbH, a German medical cannabis distributor.
- Signed a licensing agreement with Wildflower for topical cannabis products.
- Signed agreement with PAX LABS® to fill organic cannabis oil pods for the PAX® ERA™ and PAX® ERA Pro™ premium vaporizers.

- Completed a non-brokered private placement for gross proceeds of $13.5 million and warrant acceleration and exercises for gross proceeds of $7.1 million.
- Sold Washington greenhouse for gross proceeds of $12.0 million. All US entities formally dissolved or sold in 2020, thereby completing Rubicon Organics' exit from the United States.
- Amalgamation of three Canadian subsidiaries which will allow for use of over $20 million in tax losses in the future.

The Delta Facility

By the end of the first quarter of 2020, our Delta Facility was fully utilized for cultivation and was in full scale operation. We spent most of 2020 seeking to establish consistent quality production as we learned how the facility fully planted reacted to various weather, humidity and lighting levels. We are focused on refining our processes and procedures to keep costs low through realizing efficiencies without sacrificing on quality.

On May 5, 2020, the Company received its medical sales license from Health Canada, allowing for direct to patient sales, as well as site amendments that allow for expansion of the Company's licensed area to include an 11-acre outdoor grow site. The Company completed a pilot scale outdoor grow project in the summer months of 2020. By the end of October 2020, the Company completed its pilot scale cultivation program at the Delta Facility. Following on from the lessons of this pilot scale program, the Company is expecting to utilize its outdoor grow area for research and development purposes in 2021.

On May 8, 2020, the Company received its sales amendment from Health Canada to sell dried and fresh cannabis products for recreational use (the "Sales License") directly to all provincial and territorial distributors.

Throughout Q3 2020, we installed new high-performance LED lights in the final three of five compartments at the Delta Facility, providing supplemental light that mimics sunlight for growing in the darker months.

Business Development

The Company commenced 2020 with its launch of Simply Bare™ Organic under its distribution agreement with Agro-Greens Natural Products Ltd. ("Agro-Greens") into Saskatchewan, Manitoba, British Columbia and Ontario. The Company received its Sales License in May 2020 and soon thereafter in June 2020 announced direct supply agreements with the AGLC, BCLDB and the OCS for the sale of and distribution of Simply Bare™ Organic products. Rubicon Organics continued to work with Agro-Greens to distribute its cannabis products in the medical market and certain areas of Saskatchewan and Manitoba throughout 2020.

On June 22, 2020, the Company announced that it has signed a supply agreement with Canacur GmbH, a medical cannabis distributor incorporated in Nuremburg, Germany ("Canacur"). Under the agreement, Canacur will purchase dried cannabis from ROI for an initial term of three years with two optional two-year extensions available. The Company expects first exports in the second half of 2021, pending EU-GMP certification following renovations in the Delta Facility's processing area. As part of the agreement, Canacur has agreed to provide ROI up to $700,000 as advance payment for product, which is secured behind existing secured lenders on the Delta Facility. The advance payment were used to fund the necessary renovations to obtain the expected EU-GMP certification.

On September 16, 2020, Rubicon Organics announced an agreement with Wildflower Brands Inc. ("Wildflower") wherein Wildflower will license its brand and intellectual property to Rubicon Organics for the production of Wildflower-branded CBD Relief Sticks and CBD Cool Sticks in Canada. The Wildflower-branded products were launched in late March 2021 and were available in early April 2021 to consumers in Ontario, British Columbia, Alberta and Saskatchewan.

On October 6, 2020, Rubicon Organics announced a partnership with PAX LABS®, a leader in premium cannabis vaporization technology, wherein Rubicon Organics expects to launch organic cannabis oil pods for the PAX® ERA™ and PAX® ERA Pro™ premium vaporizers. We expect the PAX® pods to be available for distribution in the first half of 2021.

On October 26, 2020, Rubicon Organics announced that it signed a cannabis 2.0 product distribution agreement with Canada House Wellness Group Inc ("Canada House"). Through the distribution agreement, Canada House distributed Rubicon Organics' line of concentrate products to Canada House's provincial distributors. In January 2021, the Company received authorization from Health Canada for the sale of extracts, topicals and edibles and thus this distribution is shifting to be direct from the Company to provincial distributors throughout the first quarter of 2021.

On November 24, 2020, the Company entered a letter of understanding ("LOU") with SQDC for the distribution of its cannabis products to consumers in the province of Québec. With this letter of understanding, Rubicon was able to sell its flagship Simply Bare™ Organic premium organic flower as well as launch 1964™ flower and hash to the Québec market. The first purchase order with Quebec was received and completed in late December 2020.

Over the course of 2020, we expanded our Simply Bare™ Organic product offering from the original two strains, BC Organic Blue Dream and BC Organic Creek Congo to a total of six strains in market:

- BC Organic Blue Dream
- BC Organic Creek Congo
- BC Organic Sour Cookies
- BC Organic SFV OG Kush
- BC Organic Apple Toffee
- BC Organic Charlotte CBD

These strains will likely change in future pending consumer and customer preferences.

Corporate Activities in 2020

Beginning from November 1, 2019, certain executives of the Company agreed to defer portions of their salaries and expenses. 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 retrospectively 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 April 22, 2020, the Company repaid the accrued salaries and expenses to the CEO, CFO, CSO, and President and on May 19, 2020, the Company repaid the principal and interest owing to the CEO under the revolving credit line.

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. The principal plus interest was repaid in full on May 19, 2020.

In connection with amounts owed under the Company's $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 is compounded to the principal amount owing.

On May 29, 2020, the Company completed a non-brokered private placement of 5,744,681 units at $2.35 per unit for gross proceeds of $13,500,000 and issued 22,766 units as finder units. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $3.25 per common share until May 29, 2021.

On July 23, 2020, the Company received conditional approval to list the common shares and 3,150,000 warrants of the Company on the TSXV. On August 19, 2020, the Equity Incentive Plan and Deferred Share

Unit Plan were amended to comply with TSXV listing requirements set forth in the conditional approval. The Company received final approval and commenced trading on the TSXV on September 22, 2020.

On August 10, 2020, the Company executed an extension option on its First Mortgage debt extending the maturity date six months from September 30, 2020 to April 1, 2021.

On August 18, 2020, the Company granted an aggregate of 92,500 stock options to employees of the Company. The options are exercisable at $3.33 per share for a period of five years expiring on August 18, 2025, pursuant to the terms of the Equity Incentive Plan. The options vest over three years.

On October 1, 2020 the Company amalgamated three Canadian subsidiaries: Rubicon Holdings Corp, Bridge View and Vintages to continue as one entity being Rubicon Holdings Corp. At the same time, Health Canada acknowledged and transitioned the Company's cannabis license previously held by Vintages into Rubicon Holdings Corp. The amalgamation of these three subsidiaries consolidates over $20 million in non-capital tax losses into the resulting company, Rubicon Holding Corp. available to offset against future taxable income.

On October 15, 2020, the Company granted 75,000 deferred share units ("DSU's") and 80,000 stock options to Directors and employees of the Company, respectively. The DSU's vested immediately and may only be redeemed upon a holder ceasing to be a director of Rubicon Organics. The stock options vest pursuant to the Company's Equity Incentive Plan and are exercisable at $4.10 per share for a period of five years from the grant date.

On November 16, 2020, the Company elected to accelerate the expiry date of 3,150,000 outstanding common share purchase warrants with an exercise price of $3.50 per common share and an original expiry date of February 23, 2022 (the "Accelerated Warrants"). The Company was able to accelerate these warrants on the basis that it met the metric pursuant to the warrant indenture following its common shares' volume weighted average trading price exceeding $3.80 for 20 consecutive trading days. As of the accelerated expiration date of December 16, 2020, 2,036,900 Accelerated Warrants were exercised for gross proceeds of $7,129,150.

On December 28, 2020, the Company granted an aggregate of 300,000 restricted share awards ("RSAs") in accordance with the Company's equity incentive plan to certain officers of the Company. The RSAs vested immediately as compensation for their services.

On December 29, 2020, the Company filed a base shelf prospectus ("Base Shelf Prospectus"), qualifying the distribution of up to $40.0 million of securities of the Company to be raised through the issuance of various debt and equity securities of the Company over a period of up to 25 months from the date of the Base Shelf Prospectus through the filing of prospectus supplements. On February 22, 2021, the Company completed a bought deal equity financing as part of a prospectus supplement to its Base Shelf Prospectus whereby it issued 6,052,631 units of the Company at $3.80 per unit for gross proceeds of $23.0 million. $17.0 million remains available under the Base Shelf Prospectus.

Exit of the United States

On April 3, 2020, the Company completed the sale of the Washington Greenhouse for gross proceeds of $12,020,700. This was the first asset sold as part of the Rubicon's planned exit from the United States. On May 15, 2020, the Company terminated its lease on the extraction lab in Washington and sold all related cannabis extraction equipment, thereby ceasing all ancillary services to the cannabis industry in the US.

On October 26, 2020, Rubicon Organics completed the dissolution of Rubicon Property 2, LLC, Great Pacific Brands, LLC, Red Dog Operations, Inc., and Seymour Soils, Inc. On November 17, 2020, the Company sold its final US asset, a three-acre parcel of land in Greenfield, California. The remaining US entities were formally dissolved by December 1, 2020, thereby completing Rubicon Organics' exit from the United States.

Developments Subsequent to December 31, 2020

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

On February 26, 2021, Rubicon closed a bought deal offering of 6,052,631 units for aggregate gross proceeds of $23 million. The financing was priced at $3.80 per unit and each unit is comprised of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $5.30 for a period of 36 months following the closing of the offering, subject to an accelerated expiry if the 20-trading day volume-weighted average price of the common shares on the TSX Venture Exchange is equal to or greater than $6.90 per common share. The Offering was conducted by a syndicate of underwriters with Raymond James Ltd. as co-lead underwriter and sole bookrunner, together with BMO Nesbitt Burns Inc. and Desjardins Securities Inc. as co-lead underwriters, and Mackie Research Capital Corporation.

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

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

On April 1, 2021, the $5.0 million first mortgage loan matured and the Company repaid the loan in full.

Results of Operations and Financial Review

	Year ended		**Three months ended**	
	December 31, 2020 $	**December 31, 2019 $**	**December 31, 2020 $**	**September 30, 2020 $**
Net revenue	9,387,320	—	4,774,488	3,166,786
Production Costs	8,051,854	2,467,020	2,558,921	2,053,801
Inventory expensed to cost of sales	3,967,624	—	2,029,211	1,293,663
Inventory written off	1,394,363	—	905,222	459,897
Gross profit before fair value adjustments	**(4,026,521)**	**(2,467,020)**	**(718,866)**	**(640,575)**
Unrealized gain on changes in fair value of cannabis plants	10,838,979	3,520,959	3,191,004	3,591,441
Realized fair value of inventory sold	(4,206,039)	—	(2,212,058)	(1,361,395)
Fair value of inventory written off	(3,270,381)	—	(623,037)	(2,264,159)
Gross profit (loss)	**(663,962)**	**1,053,939**	**(362,957)**	**(674,688)**

Net Revenue

Rubicon Organics earned $9,387,320 of net revenue in 2020, with an increase in net revenue every quarter from Q1 2020 to Q4 2020 (December 31, 2019: $nil). Revenue has been increasing quarter over quarter with the ramp up of Simply Bare™ Organic product availability and provincial distribution agreements in Quebec, Ontario, Alberta and BC as well as private distribution in place in Saskatchewan and Manitoba.

Rubicon Organics started the year with two strains available for sale in 3.5 gram jars of Simply Bare™ Organic for sale through a distribution partner, Agro-Greens (Rubicon was awaiting its Sales License from Health Canada). Through 2020 the Company launched several new SKU's of Simply Bare™ Organic and by the end of 2020 had six strains under the brand. By the end of 2020 the Company had more SKU's and products available overall including Simply Bare™ Organic strains in 3.5 gram jars and pre-rolls; 1964™ 3.5 gram flower bags and one strain of 1964™ hash available in Quebec; and Lab Theory™ launched in BC.

The Company had several direct routes to market open in 2020 after the receipt of the Company's Sales License in May 2020. In June 2020 provincial sales agreements were signed with the BCLDB and AGLC with first direct orders going out in June 2020. Immediately thereafter, Rubicon Organics also signed a sales agreement with the OCS with its first order shipped in August 2020. In the fourth quarter, the Company obtained access to the Quebec market with a letter of understanding with the SDQC, a significant milestone for Rubicon Organics given the limited number of LP's who have sales agreements with Quebec. The first purchase order with Quebec was received and completed in late December 2020.

During the year, COVID-19 had a significant impact and delay on our revenue ramp up, most significantly due to travel restrictions for inspections and agreements. The receipt of our Sales License was delayed from March until May due to travel restrictions.

Gross Profit

Gross profit for the three months ended December 31, 2020 was ($362,957) compared to ($674,688) in the previous quarter, an improvement of 46% from the prior quarter.

Production costs
Under the Company's accounting policy, production costs are expensed as incurred. Production costs consist of the direct and indirect costs incurred to grow cannabis plants to the point of harvest. Production costs include labour related costs, cultivation materials and consumables, utilities, facility costs and production related depreciation. This means that the costs capitalized to inventory are limited to post harvest costs and the cannabis plants' fair value calculated under IAS 41. The methodology applied means unless the product is produced and sold in the period, the production costs associated with any inventory held are expensed prior to revenue being derived.

During the year ended December 31, 2020, the Company incurred production costs of $8,051,854 (December 31, 2019: $2,467,020). The production costs ramped up through the first half of the year as the Delta Facility was not fully planted until March 2020. In the year ended December 31, 2020, production costs included $1,332,967 of depreciation expense. The Company incurred additional production costs related to COVID-19 for protective equipment, additional trailer space leased for social distancing on site, and labour due to quarantining of personnel and time off. Production costs are expected to be largely consistent quarter over quarter with moderately more cost in the winter months when additional energy is consumed to heat the facility.

Inventory expensed to cost of sales
After cannabis is harvested, the remaining costs incurred in drying, processing and packaging are capitalized to inventory and expensed once a finished good is sold and associated revenue is recorded. During the year ended December 31, 2020, the inventory expensed to cost of sales was $3,967,624 (December 31, 2019: $nil). During the year ended December 31, 2020, inventory expensed to cost of sales included $262,223 of depreciation expense. Inventory expensed to cost of sales was 42% of net revenue for the year ended December 31, 2020. Given that the Company is building up scale and the existing costs were recorded against a relatively low net revenue figure, the ratio of inventory expensed to net revenue is expected to improve over the coming quarters. Furthermore, the Company incurred additional production

costs related to COVID-19 for protective equipment, additional trailer space leased for social distancing on site, and labour due to quarantining of personnel and related labour personnel changes.

Inventory written off
Rubicon Organics adheres to strict internal quality standards. During the year ended December, 31, 2020, our team assessed that certain flower did not meet the quality standard that we believe in and that consumers have come to expect from Simply Bare™ Organic flower or certain other factors impacting quality or saleability. The affected batches were written down to their estimated net realizable value or destroyed. Of this inventory, the amount of post-harvest cost incurred and capitalized to inventory, including depreciation, was $1,394,363 for the year ended December 31, 2020. In addition, there was $3,270,381 of non-cash fair value gain associated with this cannabis inventory that was written down. Certain of this cannabis product that has been written down is expected to have alternative use in our cannabis 2.0 pipeline and therefore remains in inventory at a reduced valuation.

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

The gain for the year ended December 31, 2020 was determined using a model to estimate the fair value less costs to sell of cannabis plants using the stage of plant growth at the period end and expected harvest yield per plant applied to the estimated fair value less costs to sell per gram of dried flower. The gain in 2020 is higher than in 2019 given that at December 31, 2019 only a small portion of the Delta Facility was planted and at December 31, 2020 the full facility was under cultivation.

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

Fair value of inventory written off consists of the fair value estimate associated with grams of inventory written off.

Operating Expenses

	Year ended		**Three months ended**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**September 30, 2020**
Consulting, salaries and wages	5,867,231	4,331,209	1,234,740	1,809,693
General and administrative	2,669,831	2,773,810	978,910	776,123
Share-based compensation	2,552,786	2,903,594	1,223,255	476,258
Sales and marketing	1,043,470	603,066	465,285	324,879
Depreciation and amortization	122,457	72,883	47,571	42,304
Total operating expenses	**12,255,775**	**10,684,562**	**3,949,761**	**3,429,257**

Overall, operating expenses have increased year-over-year to support the ramp up of the business operations at the Delta Facility. We have expanded our sales and marketing efforts to support the brands we have launched into market, are spending on research and development in the cannabis 2.0 market and are working to develop new brands to expand our organic certified cannabis offering in the Canadian market.

People costs for the year ended December 31, 2020 were $5,867,231 (December 31, 2019: $4,331,209). Headcount increases included the build out of the innovation, commercial and sales teams. The Company anticipates that salaries expense may increase moderately in 2021 where roles are added to sales and marketing personnel with expected increased distribution and sales. Headcount increases specific to the Delta facility are accounted for separately, as they are expensed through production costs, or capitalized to inventory and ultimately cost of sales.

General and administrative expenses consist of certain short-term leases, insurance, professional and legal fees, investor relations fees, and office expenses. General and administrative costs for the year ended December 31, 2020 was $2,669,831 (December 30, 2019: $2,773,810). The annual comparative shows a decrease of $103,979 period largely due to less travel and similar expenses offset by increased costs of personnel and insurance premiums. The Company expects its insurance premiums to rise again in 2021 with the growth of its business as well as tightness in the insurance market and broad premium increases in the cannabis sector.

Non-cash share-based compensation reflects the issuance of stock options to new and existing employees, issuance of restricted share awards to senior management and issuance of deferred share units to directors. The decrease period over period is the result of fewer options granted in recent periods and fewer options vesting overall.

Sales and marketing expenses consist of the costs to maintain the Simply Bare™ Organic brand, carry out marketing initiatives, and develop new brands. Sales and marketing expenses for year ended December 31, 2020 was $1,043,470 (December 31, 2019: $603,066). Sales and Marketing expenditure increased period over period due to increased selling effort to bring Simply Bare™ Organic into the Canadian retail space, maintenance of the Simply Bare™ Organic brand that was launched in December 2019, as well as for the development of new brands in our innovation pipeline. In 2020, the Company has kept its sales and marketing costs very lean, but these costs are expected to grow in line with revenue growth over the coming year.

Fourth Quarter Results

In Q4 2020, Rubicon Organics earned $4,774,488 of net revenue which is an increase of $1,607,702 or 51% as compared to the third quarter (Q3 2020: $3,166,786). This increase in net revenue is attributable to higher sales volume under direct sales to provincial suppliers and wider product SKU availability. During Q4 2020, the Company launched an additional strain, BC Organic Apple Toffee, making six total strains available to consumers in both 3.5-gram jar format and pre- rolls. At the very end of the fourth quarter, the Company also had its first sales in Quebec.

During the three months ended December 31, 2020, the Company incurred production costs of $2,558,921 (Q3 2020: $2,053,801). The production costs were higher in the fourth quarter due to use of additional energy in the winter months and certain additional labour costs associated with COVID-19 quarantining of team members who needed to be replaced, as well as additional trailer space leased for social distancing on site. The inventory cost of sales was largely consistent on a ratio incurred in the third quarter, but the Company identified additional product from the year where the quality standard or aging meant that it was written off or destroyed.

The operating expenses increased from $3,429,257 for the three months ended September 30, 2020 to $3,949,761 for the three months ended December 31, 2020 largely related to share based compensation expense increase and increase in insurance premiums at the time of renewal (to be incurred evenly across the next twelve months). The decrease in the consulting, salaries and wages from the third quarter of 2020 to the fourth quarter of 2020 was due to a release of the amount accrual for bonuses throughout the year from a one hundred percent bonus accrual to fifty percent accrual. These costs are offset by the increase in executive compensation approved late in the year and the onboarding of more senior personnel in H2 2020 to meet the needs of our increased operations and for the expected growth of the business.

In the fourth quarter, there was also the impact on the net loss for the year of the dissolution of the remaining US entities whose currency was in US dollars and historically translated into Canadian dollars with the foreign exchange difference going into the other comprehensive income in equity. Given that the entities were dissolved, the amount relating to their historical translation was reclassified from other comprehensive income and put through net loss from discontinued operations in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2020.

Selected Annual Information

The following tables present select financial information of the Company:

As at	**December 31, 2020 $**	December 31, 2019 $	December 31, 2018 $
Current assets	**26,175,413**	18,357,477	2,290,446
Total assets	**51,072,247**	39,776,021	28,328,663
Current liabilities	**22,009,233**	12,853,863	3,355,530
Non-current liabilities	**221,134**	8,406,762	2,911,820
Total liabilities	**22,230,367**	21,260,625	6,267,350
Shareholders' equity	**28,841,880**	18,515,396	22,061,313

For the year ended	**December, 31 2020 $**	December 31, 2019 $	December 31, 2018 $
Product revenue	**11,203,893**	—	—
Net revenue	**9,387,320**	—	—
Other income	**929,867**	—	176,364
Loss from operations	**(11,989,870)**	(9,630,623)	(9,268,933)
Loss from continuing operations	**(14,349,541)**	(11,104,993)	(25,027,963)
Loss from discontinued operations	**(633,631)**	(3,168,801)	(4,847,124)
Net loss for the period	**(14,983,172)**	(14,273,794)	(29,875,087)
Total comprehensive loss	**(14,324,021)**	(14,811,787)	(28,723,875)
Adjusted EBITDA**	**(11,104,202)**	(9,251,374)	(6,761,053)
Loss per share from continuing operations	**(0.33)**	(0.29)	(0.74)
Loss per share	**(0.34)**	(0.37)	(0.89)

**Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes as shown below. Management uses Adjusted EBITDA to assess the Company's performance. Adjusted EBITDA may not be comparable to similar measures presented by other issuers. The following table presents the Company's adjusted EBITDA for the year ended December 31, 2020, 2019 and 2018.

	December, 31 2020 $	December 31, 2019 $	December 31, 2018 $
Loss from operations	**(11,989,870)**	(9,630,623)	(9,268,933)
IFRS fair value accounting related to cannabis plants and inventory:			
Unrealized gain in changes of fair value of cannabis plants	**(10,838,979)**	(3,520,959)	—
Realized fair value of inventory sold	**4,206,039**	—	—

Fair value of inventory written off	**3,270,381**	—	—
Net fair value adjustment	**(3,362,559)**	(3,520,959)	—
Depreciation and amortization	**1,717,647**	738,107	141,928
Share-based compensation expense	**2,552,786**	3,162,101	2,365,952
Adjusted EBITDA	**(11,081,996)**	(9,251,374)	(6,761,053)

Summary of Quarterly Results

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

	2020				**2019**			
(C$000's)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net revenue	4,774	3,167	992	454	—	—	—	—
Net loss from continuing operations	(4,806)	(4,279)	(1,568)	(3,696)	(2,699)	(2,777)	(3,211)	(2,417)
Net loss for the period	(5,043)	(4,317)	(1,815)	(3,808)	(4,031)	(4,454)	(3,458)	(2,331)
Weighted average shares outstanding (000's)	47,260	46,148	42,047	40,041	40,041	38,122	36,811	36,811
Net loss per share from continuing operations, basic and diluted	(0.10)	(0.09)	(0.04)	(0.09)	(0.07)	(0.07)	(0.09)	(0.07)
Net loss per share, basic and diluted	(0.11)	(0.09)	(0.04)	(0.10)	(0.10)	(0.12)	(0.10)	(0.06)

Revenue in 2020 relates to the sale of the Company's Simply Bare™ Organic flower in British Columbia, Alberta, Ontario, Quebec, Saskatchewan and Manitoba. The Company had not commenced sales in Canada prior to 2020. The net loss of the Company grew quarter over quarter until Q4 2019, as the Company has grown and expanded its team to prepare for sustained operations. In 2020, the quarterly loss was lower in Q2 as the Company experienced increased product sales. In Q3 2020, the Company wrote down $2,724,056 of inventory resulting in a higher loss despite an increase in net revenue of $2,174,783. In Q4 2020, the Company wrote down $1,528,259 of inventory resulting in a higher net loss despite an increase in net revenue of $1,607,702. For a detailed review of the year ended December 31, 2020, refer to the results analysis under '*Results of Operations and Financial Review'.*

Liquidity and Capital Resources

Liquidity

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

	December 31, 2020 $	December 31, 2019 $	Change $
Net cash provided (used in):			
Operating activities	**(14,310,854)**	(10,139,434)	(4,171,420)
Investing activities	**3,075,087**	(5,337,812)	8,412,899

Financing activities	**21,259,365**	17,212,555	4,046,810
Effect of foreign exchange on cash	**29,273**	115,859	(86,586)
Increase (decrease) in cash	**10,052,871**	1,851,168	8,201,703
Cash beginning of the period	**2,083,588**	232,420	
Cash end of the period	**12,136,459**	2,083,588	

Operating Activities

For the year ended December 31, 2020, net cash used in operating activities was $4,171,420 higher than the year ended December 31, 2019. The increase was primarily related to the costs of preparing and executing full scale operations at the Delta Facility. Headcount increases in supply chain, innovation, operations management, commercial and sales teams were required to meet the needs of our growing operations and sales.

Investing Activities

For the year ended December 31, 2020, net cash provided by investing activities was $8,412,899 higher than the year ended December 31, 2019. The increase was primarily due to the sale of the Washington Greenhouse for gross proceeds of $12,020,700 on April 3, 2020. For the year ended December 31, 2020, the Company invested $5,984,326 (December 31, 2019: $7,935,412) into the Delta Facility primarily related to optimization of the five cultivation compartments with new LED lights and the expansion and optimization of the processing area.

Financing Activities

For the year ended December 31, 2020, net cash provided by financing activities was $4,046,810 higher than the year ended December 31, 2019. The increase was primarily due to additional proceeds of $5,732,742 from the non-brokered private placement closed in the period as well as additional in cash $8,779,135 related to the exercise of stock options and warrants during the period compared to the year ended December 31, 2019. The increase was primarily offset by the net loans and borrowings of $10,184,930 in the year ended December 31, 2019 (nil for the year ended December 31, 2020).

Fourth Quarter Cashflow

In the three-month period ended December 31, 2020, cash increased by $4,074,932 from $8,061,527 as at September 30, 2020 to $12,136,459 as at December 31, 2020. The largest contributors to the increase in cash balances were the funds received from warrant exercises of $7,204,671 and stock option exercises of $788,019, offset by the use of $2,047,686 from operations in the fourth quarter and additional $1,584,562 spend on capital expenditures at the Delta Facility.

Capital Resources

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2020, the Company had cash of $12,136,459 and working capital of $4,166,180, including the impact of debt due in the next 12 months. On February 26, 2021, the Company closed a prospectus offering for gross proceeds of approximately $23 million.

As the Company moves toward profitability in 2021, it expects to refinance approximately 50% of its debt maturing in 2021 to a long-term mortgage financing facility at lower interest rates and may seek other capital through equity and debt arrangements. After its February 26, 2021 bought deal financing, the Company currently has $17.0 million remaining on its $40.0 million Base Shelf Prospectus filed on December 29, 2020.

The following table provides information about the Company's funds from recent public offering and private placement.

Date	Type	Details
June 4, 2020	Unbrokered private placement of units	$13.5 million On May 29, 2020, the Company completed a non-brokered private placement of 5,744,681 units at $2.35 per unit for gross proceeds of $13,500,000 and issued 22,766 units as finder units. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $3.25 per common share until May 29, 2021.
Various up to December 16, 2020	Warrant acceleration and warrant exercises	$7.2 million On November 16, 2020, the Company elected to accelerate the expiry date of the outstanding common share purchase warrants with an exercise price of $3.50 per common share and an original expiry date of February 23, 2022. The Company was able to accelerate the expiry date of these warrants to December 16, 2020 on the basis that it met the metric pursuant to the warrant indenture for its common shares volume weighted average trading price exceeded $3.80 for 20 consecutive trading days. As at December 16, 2020, 2,036,900 of these warrants were exercised and 1,113,100 expired. The remaining warrants exercised under other warrant terms.
February 26, 2021	Bought deal financing of units *Issued under Base Shelf Prospectus dated December 29, 2021*	$23.0 million bought deal financing of units On February 26, 2021, the Company closed a prospectus offering issuing 6,052,631 units of the Company at $3.80 per unit for gross proceeds of approximately $23 million, including full exercise of the over-allotment option granted to the underwriters in connection with the Offering. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of $5.30 for a period of 36 months following the closing of the offering, subject to an accelerated expiry if the 20 trading day volume-weighted average price of the common shares of the TSX Venture Exchange is equal to or greater than $6.90 per Common Share. The Company intends to use the proceeds from the offering for repayment of indebtedness and working capital.

Contractual Obligations

The Company has the following contractual obligations as at December 31, 2020:

Payments due by period	Less than one year $	One to three years $	Over three years $	Total $
Lease liabilities[1]	170,866	231,741	—	**402,607**
Trailer leases[2]	129,308	—	—	**129,308**
Loans maturing[3]	16,154,251	—	—	**16,154,251**
Total contractual obligations	**16,454,425**	**231,741**	**—**	**16,686,166**

[1] Consists of right-of-use Vancouver head office and right-of-use tractors.
[2] Modular buildings to provide additional space at the Delta Facility.
[3] Includes principal and interest on maturing loans.

Outstanding Share Data

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

As at April 5, 2021, the Company has the following securities outstanding:

	Number of units
Common Shares	55,471,955
Stock Options	4,215,083
Warrants	10,727,589
Deferred Share Units	150,000
Fully Diluted Shares Outstanding	**70,564,627**

Proposed Transactions

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

Off-balance Sheet Arrangements

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

Related Party Transactions

Accounts payable and accrued liabilities at December 31, 2020 included $566,327 (December 31, 2019: $75,459) owed to executives and directors of the Company for deferred salaries, deferred estimated accrued bonuses and other expenses paid on behalf of the Company.

In January and February 2020, the Board approved revolving credit lines from the CEO, CFO, CSO, President, and a shareholder of the Company for aggregate proceeds of up to $1,350,000 at an annual interest rate of 12% requiring repayment no later than December 31, 2020. On April 21, 2020, the amount was increased to $1,850,000. On April 22, 2020, the Company repaid $335,377 of accrued salaries and expenses to the CEO, CFO, CSO, and President as well as $100,000 in principal and $2,926 in interest to the CFO amounts drawn on the revolving credit line. On May 19, 2020, the Company repaid $1,000,000 in principal and $32,795 in interest to the CEO and shareholder for amounts drawn on the revolving credit line. There are no further amounts owing under these loans.

The issuance of the 300,000 RSAs to the CEO, CFO and President resulted in $392,100 withholding taxes payable to the Canada Revenue Agency at December 31, 2020. The withholding taxes were paid by the Company on behalf of the individuals in February 2021 and all funds receivable from the CEO, CFO and President have been received.

Compensation of key management personnel

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

For the year ended	**December 31, 2020 $**	December 31, 2019 $
Salaries and accrued salaries	**1,527,787**	1,086,688
Bonuses in accrued liabilities	**560,000**	500,000
Share based compensation	**1,957,875**	1,896,071
Total compensation of key management personnel	**4,045,662**	3,482,759

During the year ended December 31, 2020, $448,750 in bonuses and $170,481 in salaries were paid in connection with amounts previously accrued for the year ended December 31, 2019.

Critical Accounting Estimates and Judgments

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

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

The following accounting policies are subject to such judgments and because of the uncertainty associated with the estimation process they could have the most significant impact on the reported results and financial position:

a. Estimated useful lives and depreciation of property and equipment and intangible assets

   Amortization of property and equipment and intangible assets are dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgment.

b. Valuation of cannabis plants

   Cannabis plants are measured at their fair value less costs to sell up to the point of harvest. Determination of the fair value of cannabis plants requires management to estimate selling prices, selling costs, stage of growth of cannabis plants, harvest yields, and post-harvest costs to bring harvested cannabis to bulk inventory. Refer to Note 9 of the Financial Statements for further details.

c. Valuation of share-based transactions

   The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17 of the Financial Statements.

d. Valuation and bifurcation of compound financial instruments

Compound financial instruments are bifurcated and recorded as separate liability and equity components. On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The equity component is assigned the residual amount after deducting from the fair value of the whole instrument the amount separately determined for the liability component. Valuation of the liability component requires management to exercise judgment in the determination of the interest rate of debt with substantially the same credit status, cash flows and terms.

e. Return allowance

The Company estimates a return allowance on invoiced sales using a tiered structure which considers whether the product was produced in-house or by a third-party and whether the product was an existing SKU or new innovation. A different return allowance percentage is applied to each of these product categories based on historical actual returns.

f. Inventory net realizable value

The Company uses judgment in determining the net realizable value of inventory. When assessing net realizable value, the Company considers the impact of product quality, age, spoilage, expected future demand, expected future use, and price fluctuation.

g. Going concern

The ability of the Company to continue as a going concern is dependent on its ability to achieve future profitable operations. Current management forecasts and related assumptions support the view that the Company can adequately manage the operational needs of the business with the additional financing of $23 million secured on February 26, 2021.

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. 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. The extent to which COVID-19 impacts the Company's operations will depend on future developments, which continue to be highly uncertain and cannot be predicted with confidence. The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business.

Changes in Accounting Policies Including Initial Adoption

IFRS 15 – Revenue from contracts with customers ("IFRS 15")

The following is the Company's policy for accounting for revenue from contracts with customers in accordance with IFRS 15:

Revenue is recognized at the amount of consideration that the Company expects to be entitled to in exchange for transferring promised goods to a customer. Revenue from the sale of goods is recognized when control of the goods has transferred, as determined by respective shipping terms and subject to certain additional considerations, as this is when the Company has satisfied its performance obligation under the contract. The Company does not have performance obligations after the delivery on sale of goods to customers. Net revenue is presented net of a variable sales allowance to account for the potential return of goods, as well as applicable excise taxes.

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20")

The following is the Company's policy for accounting for government grants and disclosure of government assistance in accordance with IAS 20:

Government grants and assistance that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expenses are recognized, unless the conditions for receiving the grant or assistance are met after the related expenses have been recognized. In that case, the grant is recognized when it becomes receivable.

Financial Instruments

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

Cash	Amortized cost
Accounts receivable	Amortized cost
Security deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost

The fair values of cash, accounts receivable, security deposits, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of those instruments. Loans and borrowings were incurred to fund the purchase and retrofitting of the Delta Facility and to fund operations. Refer to Note 15 in the Financial Statements for more information on loans and borrowings.

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

Credit risk

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

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

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into arrangements with reputable and stable counterparties and frequent reviews of exposure to individual entities. With regards to receivables, the

Company is not exposed to significant credit risk as the majority of the Company's sales are to government bodies. The Company provides credit to some of its customers in the normal course of business. The majority of trade receivables are held with crown corporations.

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

Liquidity risk

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

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

Interest rate risk

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

Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (Euros and United States dollars) or one of its (now sold or dissolved) 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, 2020 the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		December 31, 2020		December 31, 2019
Cash		**9,641**		1,433,813
Accounts payable and accrued liabilities		**(404,164)**		(345,811)
	US$	**(394,523)**	US$	1,088,002

A 10% change of the US$ against the CAD$ at December 31, 2020 would have decreased net loss by $50,231 (December 31, 2019: $137,413) or increased net loss by $50,231 (December 31, 2019: $137,413).

Fair value

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

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

There were no transfers within the fair value hierarchy during the year ended December 31, 2020.

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

Capital Management

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

Risks and Uncertainties

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

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 and our ability to obtain financing on favourable terms (if at all).

The COVID-19 pandemic is also expected to impact the opening of new stores in Canada, purchases at existing stores, and provincial purchasing relationships. The Company's business is dependent 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. The ultimate extent of the impact of COVID-19 or any epidemic, pandemic or other health crisis on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 or any other such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread. 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 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.

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.

The Company had negative operating cash flow for the financial years ended December 31, 2020 and December 31, 2019

The Company had negative operating cash flow for the financial years ended December 31, 2020 and December 31, 2019. 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 $8,900,000 of debt outstanding secured against the Delta Facility which matures between April and July 2021. In addition, Canacur has agreed to provide the Company up to $700,000 as advance payment for product, which is secured against the Delta Facility, behind existing secured lenders. The debt outstanding must be repaid by a combination of existing cash, operating cash flows, delivery of product, 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 supply chain challenges, slow down in store opening, retail store closures and curbside pick-up, and decreased demand from the provincial distributors
- labour shortages and supply chain disruptions caused by global catastrophes such as the COVID-19 pandemic.
- 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;
- major incidents and/or catastrophic events such as fires, explosions, pandemics or storms

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. On October 1, 2020, the Company completed an internal re-organization and amalgamated Vintages into RHC. In this process, the Health Canada license, which was originally issued to Vintages on February 1, 2019 in accordance with the *Cannabis Act,* was transferred to RHC. RHC is a wholly-owned subsidiary of Rubicon Organics.

The licenses are valid until February 1, 2022, at which point, RHC 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 could 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.

EU-GMP Certification

If the Company cannot successfully meet or maintain the EU-GMP certification, the Company would not be able to export its products to Germany, which may have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

TSX-V Listing

The Company must meet and maintain the listing requirements of the TSX-V. The inability to meet or maintain these listing requirements could adversely affect the results of the Company's operations or its financial condition.

The Company may be unable to adequately protect its proprietary and intellectual property rights

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;
- 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 of 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 may not be legal in some foreign jurisdictions 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 jurisdictions in which it operates

These environmental 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 cannabis, 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 may continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders

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.

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 cannabis, 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 reputation and 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's 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 is new to Canada and has been restricted in some international jurisdictions

Research in Canada 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.

The Company 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, the Cannabis Regulations and Further 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. 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 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 (including recent protests in Canada, the U.S. and abroad) 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.

Unsophisticated individuals and entities

The 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.

Risk Factors Specifically Related to the U.S. Regulatory System

Some of the Company’s historical business activities were illegal under U.S. federal law

The Company previously had agreements for brand licensing, consulting services and facilities leasing with licensed processors and producers in Washington and California. These activities were permitted by state law in the states where the Company was engaged in business, directly or with agreements with licensed entities but were not permitted under federal law.

While the Company no longer performs any such services to the cannabis industry in the United States, and completed its exit from the United States effective December 1, 2020, cannabis was a Schedule I controlled substance under the federal Controlled Substances Act (“CSA”) at the time of such past activities and remains so today. The penalties for violating the federal CSA are very serious and, depending on the quantity of cannabis 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 cannabis as well as the money or other proceeds received in connection with such sale.

Because the possession and use of cannabis and drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to have historically been aiding and abetting illegal activities through the contracts it entered into and the products and services that it provided. As a result, U.S. 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 U.S. or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.” Prosecution under U.S. Federal law would have a material negative effect on the Company’s business and operations.

Investors in the Company and the Company’s directors, officers and employees may be subject to entry bans into the U.S.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in the Company could face detention, denial of entry or lifetime bans from the U.S. 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. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the U.S. It stated that Canada’s legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the legal cannabis industry in Canada (or in U.S. states where it is deemed legal) may affect admissibility to the U.S. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the U.S. 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 U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

While the Company has completed its exit from the U.S., in the unlikely event that any Company employees must travel from Canada to the U.S. for the benefit of the Company, such employees may encounter enhanced scrutiny by U.S. immigration authorities that may result in the employees not being permitted to enter the U.S. for a specified period of time. The Company has mitigated the impact of this risk by completing its exit from the U.S., minimizing the need for any cross border travel of behalf of the Company. In addition, the Company’s CEO is a dual citizen of Canada and the U.S., which reduces the risk of being barred from entering the country.

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 Organics securities with a U.S. 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 U.S. 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 ownership of the business and voting power of the Company's existing shareholders will be diluted.

Speculative Nature of Investment Risk

An investment in the Securities carries a high degree of risk and should be considered as a speculative investment. The Company has no history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future.

Business Interruption Risks

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 and our ability to obtain financing on favourable terms (if at all).

The COVID-19 pandemic is also expected to impact the opening of new stores in Canada, purchases at existing stores, and provincial purchasing relationships. The Company's business is dependent 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. The ultimate extent of the impact of COVID-19 or any epidemic, pandemic or other health crisis on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 or any other such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread. 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.

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 Canada; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; uncertainty about the Company's ability to continue as a going concern; risk that the Company will not obtain or retain any relevant licenses; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

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

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

Additional Information

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

RUBICON ORGANICS INC.

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