



Rubicon Organics Inc.

Management's Discussion & Analysis

For the three and nine months ended September 30, 2022

Expressed in Canadian dollars

Preface

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

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

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

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

In preparing this MD&A, we have considered all information available to us up to November 14, 2022.

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

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

About Us

Overview

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

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

The Company is focused on building a portfolio of premium brands in the Canadian market, including its flagship super-premium brand Simply Bare™ Organic, its premium flower and hash brand 1964 Supply Co™, its mainstream brand Homestead Cannabis Supply™, its premium concentrate brand LAB THEORY™ and its cannabis wellness product brand Wildflower™. The Company currently has over 70 unique SKUs available for sale across Canada, with over 97% coverage of the addressable market¹. The Company has direct supply agreements in place with the British Columbia Liquor Distribution Branch (“BCLDB”), the Alberta Gaming, Liquor and Cannabis Commission (“AGLC”), the Ontario Cannabis Stores (“OCS”), the Société Québécoise du cannabis (“SQDC”), Cannabis NB (“CNB”), the Yukon Liquor Corporation (“YLC”) and Medical Cannabis by Shoppers Drug Mart Inc. and sells directly to Manitoba Liquor & Lotteries (“MBLL”), the Northwest Territories Liquor, Cannabis Commission (“NTLCC”) and the Newfoundland Liquor Corporation (“NLC”). The Company also has distribution agreements with distributors in Saskatchewan who distribute the Company’s products to certain provincial distributors and retailers.

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

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

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

Our Operations

Delta Facility

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

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

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

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

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

¹ By population per Statistics Canada

Brands and Products

Cannabis Flower Brands



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

Product formats available as of November 14, 2022:

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



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

Product formats available as of November 14, 2022:

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



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

Product formats available as of November 14, 2022:

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



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

Product formats available as of November 14, 2022:

- 1 gram diamonds



Wildflower™ is a cannabis wellness product brand owned by Rubicon Organics in Canada². CBD Relief Sticks and CBD Cool Sticks launched in April 2021 to consumers nationally and on certain medical platforms.

Product formats available as of November 14, 2022:

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

Strategy and Outlook

Canadian Recreational Market

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

The Delta Facility

The Company has achieved an increase in both quality and yield throughout 2022 due to the upgrade of the greenhouse climate system, genetic innovations, improved cultivation conditions and continued learning and optimization of our crop work.

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

Rubicon completed the BC Hydro power upgrade to the Delta Facility in September 2022. This eliminates the on-going dependence on natural gas generators, reduces the Company's operating costs and further contributes to one of our ESG goals to reduce greenhouse gas emissions.

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

Premium Quality and Product Line Extension

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

Other Markets

Rubicon Organics currently has domestic demand in excess of the volume available from our Delta Facility and is prioritizing the domestic sale of our cannabis to continue to develop our Canadian brands. The Company's priority remains to achieve consistent profitability in the domestic business. While we believe that there will be opportunities in the international markets, we have decided to continue to focus on the Canadian market in the short-term and thus for the time being, the Company will not continue to pursue its EU-GMP certificate or maintain other certifications required solely for international export. Rubicon expects to continue to evaluate and investigate international markets for future opportunities.

Company Outlook

Rubicon Organics achieved Adjusted EBITDA³ profitability of \$1,896,578 and \$641,349 for the three and nine months ended September 30, 2022, respectively. For the three months ended September 30, 2022, the Company also achieved quarterly positive operating cash flow of \$1,351,246, Free Cash Flow⁴ of \$353,909 and positive net profit for the period of \$2,025,532.

Rubicon Organics defined a three-pillar strategy for 2022 focused on yield and quality, improving product mix to optimize margin, and investigating the international market.

Our first pillar is to optimize production processes at the Delta Facility to increase yield and THC of our super-premium cannabis. We have completed facility upgrades, invested in process improvements, and continue to identify opportunities for cost efficiencies. In early 2022, the Company completed the installation of new climate control systems, most critical being the dehumidification units, and refined its cultivation operations for additional crop work, which together has allowed us to reach an annualized production rate of 10,000 kg's as at the end of the second quarter of 2022. The Company has now achieved repeated crops over our nameplate capacity although certain crops in the third quarter have fallen below targets due to seasonal growing conditions and facility maintenance. Since the beginning of 2022 we have consistently seen our average THC increase significantly, with certain strains as high as 29% THC. We believe that our quality step change has been experienced by the consumers since April 2022 leading to the improved rate of sale of our products and increased demand. Our priority and focus remains delivering super-premium quality cannabis flower products in the Canadian market as the key pillar of Rubicon's business. We plan to continue to work to optimize yield and quality in 2023 with relatively modest capital spending planned for items such as tables in the cultivation areas that do not yet have them.

The second pillar is to implement our commercial strategies within the Canadian domestic market to maximize the gross profit for each unit produced from our Delta Facility which, coupled with delivering increased quality of flower

³ Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes. See **Selected Financial Information** for details on the Adjusted EBITDA calculation.

⁴ Free Cash Flow is a non-GAAP measure that is calculated as net cash provided by (used in) operating activities, less purchases of and deposits on property, plant and equipment.

and higher THC, is expected to drive more volume into our Simply Bare™ Organic and 1964 Supply Co™ brands. With our approach, the provincial distributors and our consumers have access to a greater range of product formats and strain variety. Our strategy has proven successful as evidenced by Rubicon achieving 8.0%⁵ market share of the profitable premium flower and pre-roll market in the third quarter of 2022. We continue to expect the premium market to outpace the growth of the total market in Canada as it has done in other leader markets and believe that Rubicon is well positioned to take advantage of this momentum as consumer preferences shift.

At the beginning of 2022 our third pillar was to open the routes to market for our products internationally. However, due to domestic demand of our products over available volumes produced, Rubicon plans to focus on the profitable premium Canadian market in the short term. The Company will continue to assess international opportunities in the future.

With the success of the first two pillars of Rubicon's strategy demonstrating profitability, we now have demand beyond our available supply and we are actively planning how to meet the demand and incrementally grow our net revenue and gross profit. We are seeking ways we can cost effectively and efficiently satisfy the demand for our cannabis flower products such as through contract grow relationships to Rubicon's quality standards. We are also actively looking to build our revenue with the launch of new products under our existing brands which can be contracted to other licensed producers thus not utilizing our existing capacity. We expect to build our revenue and gross profit without significant incremental overhead cost to our business, thus driving additional overall profitability.

Rubicon believes that the combination of our brand positionings and offerings in each of the provincial markets that we sell along with our increased production quality and yield should enable us to generate strong operating leverage which we expect will drive topline and margin growth in 2022 and 2023.

The Company expects to build on the success of our past two quarters and anticipates to deliver operating cash flow positive and Adjusted EBITDA profitable for the full year 2022 and beyond. We believe that despite any market volatility and inflationary pressures, our increased product quality and brand portfolio has positioned Rubicon to deliver on its commitments and win in the premium cannabis market.

Recent Activities

Key Developments in the nine months ended September 30, 2022

- Record net revenue of \$10.5 million (49% increase) and \$24.5 million (55% increase) for the three and nine months ended September 30, 2022, respectively
- Achieved Adjusted EBITDA of \$1.9 million and \$0.6 million for the three and nine months ended September 30, 2022, respectively
- Achieved net profit of \$2.0 million and a net loss of \$0.7 million for the three months and nine months ended September 30, 2022, respectively
- Achieved operating cash flow of \$1.4 million and first quarter of positive Free Cash Flow⁶ of \$0.4 million in three months ended September 30, 2022
- 3.2%⁷ national market share of flower and pre-rolls
- 8.0%⁸ national market share of premium flower and pre-rolls
- #1 Premium flower and pre-roll brand in Canada with Simply Bare™ Organic⁹
- #1 Topical brand in Canada with Wildflower™ topical sticks¹⁰
- Extended existing Debenture for 18 months to December 31, 2024

⁵ Hifyre data for premium flower & pre-rolled products covering the period of July 1, 2022 to September 30, 2022

⁶ Free Cash flow is a non-GAAP measure that is calculated as net cash provided by (used in) operating activities, less purchases of and deposits on property, plant and equipment.

⁷ Hifyre data for flower and pre-roll products covering the period of July 1, 2022 to September 30, 2022.

⁸ Hifyre data for premium flower and pre-roll products covering the period of July 1, 2022 to September 30, 2022.

⁹ Hifyre data for premium flower and pre-roll products covering the period of October 1, 2021 to September 30, 2022.

¹⁰ Hifyre data for topical products covering the period of July 1, 2022 to September 30, 2022. Wildflower brand was licensed in the nine months to September 30, 2022.

For the three months ended September 30, 2022, the Company reported net revenues of \$10,543,139, a 49% increase compared to the same period in the prior year. For the nine months ended September 30, 2022, the Company reported net revenues of \$24,526,148, a 55% increase compared to the same period in the prior year. The Company reported Adjusted EBITDA profitability for the second consecutive quarter of \$1,896,578 for the three months ended September 30, 2022, compared to a loss of \$644,093 in the three months ended September 30, 2021. For the nine months ended September 30, 2022, Adjusted EBITDA was a profit of \$641,349, compared to a loss of \$7,435,793 in the nine months ended September 30, 2021.

The Company continues to launch new formats and products as well as expanding distribution of existing products. Despite increasing competition in the premium market segment, the Company has increased revenues and grown its overall market share. For the nine months ending September 30, 2022, the Company operated with its entire portfolio of brands in the market with coast-to-coast distribution.

Market Share

The Company's total market share in the Canadian flower and pre-roll category amounted to 3.2%³ for the three months ended September 30, 2022, compared to 2.5%¹¹ for the twelve months ending September 30, 2022, indicating consistent gain of market share. These market share gains are attributable to steadily rising sales of the Company's brand portfolio, including Simply Bare™ Organic, 1964 Supply Co™ and Homestead Cannabis Supply™.

For the twelve months ended September 30, 2022, Simply Bare™ Organic has been ranked as the number one premium brand in the Canadian market, capturing 5.1%¹² of the premium flower and pre-roll market.

The Company's brand, 1964 Supply Co™, only launched nationally since last autumn is one of the fastest growing premium brands in Canada with a market share of 2.1%, ranked #10, for the premium flower and pre-roll market¹³.

The Company's brand, Wildflower™, is the number one^{5, 14} selling topical in the Canadian market for the three and twelve months ended September 30, 2022.

Commercial

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

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

During April and May of 2022, Rubicon launched new SKUs in BC, Alberta and Ontario through its Simple Bare™ Organics and 1964 Supply Co™ brands. The launches included new, higher THC strains in existing and new larger formats such as 14 gram and 28 gram bags.

Throughout June 2022, Rubicon continued to expand its portfolio launching more new strains, and new formats of pre-rolls across its brand portfolio, as well as launching its first milled format under the Homestead Cannabis Supply™.

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

¹¹ Hifyre data for flower and pre-roll products covering the period of October 1, 2021 to September 30, 2022.

¹² Hifyre data for premium flower and pre-roll products covering the period of October 1, 2021 to September 30, 2022.

¹³ Hifyre data for premium flower and pre-roll products covering the period of July 1, 2022 to September 30, 2022.

¹⁴ Hifyre data for topical products covering the period of October 1, 2021 to September 30, 2022.

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

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

On August 5, 2022, the logistic partner for OCS was impacted by a cyber attack resulting in no deliveries for a week causing delay in shipments and low inventory at retail stores.

On August 15, 2022, the BC General Employees' Union (BCGEU) went on strike resulting in the immediate halting of shipments and closing of retail stores until job action allowed the resumption of shipments beginning September 1, 2022.

Since May 2022, there has been rotating store closures in Quebec because of employee strike action at the government-owned retail stores. The conciliation process is ongoing and Rubicon continues to monitor the situation as additional listings have been strengthening its in-store presence.

During Q3 2022, Rubicon launched new SKUs in BC, Alberta, Ontario and Quebec through its Simple Bare™ Organics and 1964 Supply Co™ brands. The launches included new, higher THC strains in existing and new formats such as the first 28 gram bag under 1964 Supply Co™ and infused pre-rolls under both Simple Bare™ Organics and 1964 Supply Co™ brands.

During September 2022, Rubicon launched new pre-roll SKUs through its Homestead Cannabis Supply™ brand to BC, which was previously only available in Alberta.

In September 2022, Rubicon secured new in-store listings in Quebec across Simple Bare™ Organics and 1964 Supply Co™ brands which has doubled the number of Rubicon SKUs available at SQDC retail stores, including a variety of formats such as the newly launched 1 x 1 gram Lebanese hash infused pre-roll. The Company has become one of the first to provide the Quebec market with hash infused pre-rolls available in-store.

Regulatory and Licensing

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

Environmental, Social and Governance

In September 2022, Rubicon completed BC Hydro power project at the Delta Facility and this project will allow Rubicon to access clean, cost-efficient hydro power from BC Hydro.

Corporate

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

In March 2022, the Company performed a rigorous internal cost review and reduced spend to assist in driving the business towards profitability as quickly as possible. The impact is being seen with the Company meeting internally forecasted revenues throughout 2022 with the lower cost structure and achieving Adjusted EBITDA and net income profitability in Q3 2022.

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

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

During May 2022, the Company obtained a surety bond for its excise bond requirements with the Canada Revenue Agency (“CRA”). The surety bond will cover further deposit requirements as net sales grow. The Company’s \$483,000 on deposit with the CRA was receivable at September 30, 2022 and deposited in October 2022.

In May 2022, the Company received its IMC-G.A.P. certification in May 2022 which would enable the Company to sell cannabis into certain international markets. Refer to ‘*Strategy and Outlook*’ section above, given the excess demand over available supply of our cannabis products in Canada, the Company does not expect to make any international sales in the short term.

Effective May 20, 2022, the Company has accepted the resignation of Bryan Disher as Chair of the Board of Directors (the “Chair”) and has appointed Julie Lassonde as the new Chair.

Effective May 20, 2022, the Board of Directors accepted the resignation of the former auditor of the Company, Deloitte LLP, and appointed PricewaterhouseCoopers LLP as the new auditor to be approved by shareholders at the Annual General and Special Meeting in December 2022.

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

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

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

On July 13, 2022, the Company granted 734,600 stock options to directors and officers of the Company pursuant to the Equity Plans. The options are exercisable at \$0.86 per share for a period of five years. These stock options have been issued in lieu of cash compensation to directors and officers of Rubicon where their cash compensation has been partially or fully reduced in order to reduce cash spend by the Company in 2022. The Options vest over the remainder of 2022.

On July 13, 2022, the directors of the Company also approved proposed amendments to the exercise price, vesting terms, and expiry date of 765,000 incentive stock options (the “Proposed Amendments”) in accordance with the Equity Plans. The incentive stock options were initially awarded to directors and officers of the Company on July 31, 2018 at an exercise price of C\$3.25 per unit expiring on July 31, 2023 and have fully vested. The Proposed Amendments would change the exercise price to \$0.86 per unit, would vest 1/3 on December 31, 2022, 1/3 on June 30, 2023, 1/3 on December 31, 2023, and expire on December 31, 2025. The Proposed Amendments have received

acceptance by the TSXV and remain subject to approval from disinterested shareholders of the Company at the upcoming Annual General and Special Meeting in December 2022.

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

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

On August 25, 2022, Co-Founder and CEO, Jesse McConnell, provided his notice of resignation as CEO of the Company effective December 31, 2022. The Board of Directors is currently running a comprehensive search process to identify a successor.

Capital Projects

Rubicon Organics completed the BC Hydro power upgrade to the Delta Facility, which eliminates the need for generators, reducing the Company's operating costs and further contributing to one of our ESG goals to reduce greenhouse gas emissions.

Developments Subsequent to September 30, 2022

Commercial

On October 5, 2022, the Company completed the purchase of the Wildflower™ brand and related trademarks for the sale of cannabis-infused wellness products in Canada.

In October 2022, the Company landed its first order of infused pre-rolls to Alberta, BC, Quebec, and Ontario. 1 x 1 gram rosin infused pre-rolls were launched under Simple Bare™ Organics in Alberta, BC, and Ontario. 1964 Supply Co™ landed 1 x 0.7 gram diamond infused pre-rolls in Alberta in October and 1 x 1 gram Lebanese hash infused pre-rolls in Alberta and Quebec with the first product landing in Ontario in early November 2022. The Company has received repeat orders for all pre-rolls across both brands in each of the markets that have been launched. There has been significant sales growth of infused pre-rolls across Canada and the Company expects the growth to continue in line with other more mature cannabis markets.

On October 31, 2022, the Company received it's first purchase order from BC for Lab Theory 1 gram diamonds.

Corporate

On October 7, 2022, the Company provided notice that it will hold its Annual General and Special Meeting On December 13, 2022.

On November 1, 2022, the Company announced that Julie Lassonde has tendered her resignation as a member of the Board of Directors effective October 31, 2022.

As of November 14, 2022, Melanie Ramsey was promoted to the role of Chief Commercial Officer and appointed as a member of the Board of Directors.

Results of Operations and Financial Review

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Net revenue	10,543,139	7,090,467	24,526,148	15,796,621
Production costs	2,850,646	2,118,908	7,924,820	7,090,011
Inventory expensed to cost of sales	3,377,239	3,044,544	8,274,785	6,560,197
Inventory written off or provided for	201,478	148,694	624,765	1,371,281
Gross profit before fair value adjustments	4,113,776	1,778,321	7,701,778	775,132
Fair value adjustments to cannabis plants, inventory sold, and other charges	1,889,334	(1,821,571)	3,975,755	(1,485,752)
Gross profit (loss)	6,003,110	(43,250)	11,677,533	(710,620)

Net revenue

The Company delivered record net revenue of \$10,543,139 and \$24,526,148 for the three and nine months ended September 30, 2022, respectively. This represents significant net revenue growth of 49% and 55% for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. The Company also achieved significant quarter over quarter revenue growth of \$1,708,344 (19%) for the three months ended September 30, 2022 as compared to the three months ended June 30, 2022.

During the three and nine months ended September 30, 2022, the Company launched several new strains, product formats and brands in markets relative to the comparative period in the prior year. In addition, both the 1964 Supply Co™ and Homestead Cannabis Supply™ were available in our key markets during the entire period relative to the prior year. Rubicon also more than doubled the number of SKUs it had available for sale in the Canadian market.

The strike in BC, the cyber attack impacting the distribution center in Ontario and rotating strikes in SQDC stores (refer to 'Commercial' section above) in August had an impact on the net revenue achieved in the quarter given that the orders were either halted for weeks or significantly slowed down in both BC and Ontario, but we are unable to quantify the impact of these events.

Rubicon delivered year-on-year revenue growth of 49% and 55% over the three and nine months ended September 30, 2022. In the third quarter of 2022, revenue growth continued across all our key markets (Alberta, BC, Ontario, and Quebec) which together make up 98% and 97% of our sales in the three and nine months to September 30, 2022, respectively (97% and 94% for the three and nine months to September 30, 2021, respectively). Rubicon has seen a significant improvement in the rate of sale of Simply Bare™ Organic and 1964 Supply Co™ which we believe is due to the continued improvement in our product quality, higher THC of our cannabis products in market, and a wider product format offering to cater to different consumer preferences. This increase in quality has been noticeable in driving additional points of distribution and stores that carry our products.

Production costs

For the three and nine months ended September 30, 2022, production costs increased by \$731,738 (35%) and \$834,809 (12%), respectively, compared to the same periods in the prior year.

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

Production costs in the three months ended September 30, 2022 increased by \$731,738 from the same period in 2021 and increased \$149,292 from the three months ended June 30, 2022. The total production costs for the nine months ended September 30, 2022 increased by \$834,809 from \$7,090,011 to \$7,924,820. The increase in production costs is related to an increase in plant density, plant handling techniques applied and increased overall yield of cannabis crops meaning additional labour is required during the cultivation cycle and at harvest. In addition, there has been a notable increase in the costs of fertilizer and other input materials due to inflation as well as the need to use additional inputs due to larger crop sizes and an increased number of plants on hand. The additional cultivation labour, plant density and plant handling techniques have directly related to increased quality and yield from the Delta Facility.

Inventory expensed to cost of sales

For the three and nine months ended September 30, 2022, inventory expensed to cost of sales increased by \$332,695 (11%) and \$1,714,588 (26%), respectively, compared to the prior year.

After cannabis is harvested, the remaining costs incurred in drying, processing, and packaging are capitalized to inventory and expensed once the finished good is sold. The ratio of inventory expensed to cost of sales was 33% and 43% of net revenue for the three and nine months ended September 30, 2022 (September 30, 2021: 43% and 42%, respectively). This ratio is directly impacted by throughput from the facility meaning that overheads are spread over a larger number of units and given the increase in production this has positively impacted the ratio. The three months ended September 30, 2022 have also benefitted from an improved brand mix with a larger share of our sales coming from our premium brands, Simply Bare™ and 1964 Supply Co.™, and less of the brand, Homestead Cannabis Supply™, relative to the comparable period in 2021.

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

Inventory written off or provided for

For the three and nine months ended September 30, 2022, inventory written off or provided for was \$201,478 and \$624,765, respectively (September 30, 2021: \$148,694 and \$1,371,281, respectively).

The Company was able to reduce the amount of inventory written off or provided for through continuous improvement of our supply and demand planning, and better aligning our production of finished goods and bulk cannabis inventory with sales. Improving flower quality and the introduction of product formats to enable us to sell different grades of flower has further contributed to this improvement. Inventory written off or provided for was 2.5% of net revenue for the nine months ended September 30, 2022, compared to 8.7% for the comparable period in 2021.

Gross profit before fair value adjustments

For the three and nine months ended September 30, 2022, gross profit before fair value adjustments was \$4,113,776 and \$7,701,778, respectively (September 30, 2021: \$1,778,321 and \$775,132, respectively). This represents a gross profit margin of 39% and 31% for three and nine months ended September 30, 2022, respectively, compared to 25% and 5% in the comparable periods in the prior year.

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

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

Unrealized gain on changes in fair value of cannabis plants

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

For the three and nine months ended September 30, 2022, unrealized gain on changes in fair value of cannabis plants was \$6,047,126 and \$14,073,069, respectively (September 30, 2021: \$1,628,034 and \$6,901,883, respectively).

The gain for the three and nine months ended September 30, 2022, increased by \$4,419,092 and \$7,171,186, respectively compared to the same period in the prior year. This increase is driven by an overall improvement in the yield and quality of flower produced from operations in 2022. Increased yield per plant and a higher fair value less costs to sell on a per dried gram basis drove a larger gain than in the prior year. The increase was impacted by the additional plant density per square foot under production in 2022. The increased expected average yield per plant and flower quality is a result of improvements to the Company's cultivation program.

Realized fair value of inventory sold

For the three and nine months ended September 30, 2022, realized fair value of inventory sold was \$3,980,791 and \$9,200,148, respectively (September 30, 2021: \$3,164,125 and \$5,610,224, respectively). Realized fair value of inventory sold is the non-cash fair value released from inventory when cannabis is sold. Refer to 'Inventory expensed to cost of sales' discussion above.

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

For the three and nine months ended September 30, 2022, the adjustment to net realizable value of inventory on hand at period end was \$177,001 and \$897,166, respectively (September 30, 2021: \$285,480 and \$2,777,411, respectively). The adjustment consists of the fair value component of inventory that was written off or provided for in the year. Refer to 'Inventory write off' discussion above.

Operating Expenses

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Consulting, salaries and wages ¹	1,849,406	1,724,821	5,906,260	5,905,657
General and administrative ¹	852,604	870,450	2,263,822	2,395,252
Sales and marketing	242,098	414,046	907,979	1,436,124
Share-based compensation	773,769	579,940	2,228,243	1,367,794
Depreciation and amortization	83,255	71,933	242,423	190,304
Total operating expenses	3,801,132	3,661,190	11,548,727	11,295,131

¹ contains research and development charges

Consulting, salaries and wages

For the three months ended September 30, 2022, consulting, salaries and wages increased by \$124,585 (7%) compared to the same period in the prior year. This increase is driven by a larger bonus accrual for employees given the results of the Company achieving Adjusted EBITDA profitability. Consulting, salaries and wages for the nine months ended September 30, 2022 were in line with same period in the prior year.

General and administrative expenses

For the three and nine months ended September 30, 2022, general and administrative expenses decreased by \$17,846 (-2%) and \$131,430 (-5%) respectively, compared to the same periods in the prior year. General and administrative expenses consist of certain short-term leases, insurance, professional fees, investor relations fees, office expenses, research and development and other licensing costs. The Company continues to monitor its spend closely to remain fiscally prudent.

Sales and marketing

For the three and nine months ended September 30, 2022, sales and marketing expenses decreased by \$171,948 (-42%) and \$528,145 (-37%), respectively, compared to the same periods in the prior year. Sales and marketing expenses consist of the costs to maintain the Company's brands, carry out marketing initiatives, and develop new brands. Rubicon has focused its sales and marketing spending so that our spend has direct measurable impact. Throughout 2022 the Company has focused on cost control in order to deliver profitability resulting in less sales and marketing spend during the year compared to 2021 when the focus was to develop and launch the new brands in the market.

Share-based compensation

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

For the three and nine months ended September 30, 2022, share-based compensation increased by \$193,829 (33%) and \$860,449 (63%), respectively, compared to the same periods in the prior year. The Company issued 734,600 options to directors of the Company, in lieu of cash compensation, resulting in an additional expense during the three months ended September 30, 2022.

During Q2 2022, the Company amended the terms of 778,500 existing stock options for employees of the Company which resulted an additional expense to be recognised over the period from the modification date to the end of the vesting period of December 31, 2023. The Company also issued 40,000 stock options to employees which also resulted in an increase to the share-based compensation expense recorded in the nine months ended September 30, 2022.

Selected Financial Information

The following tables present selected financial information of the Company:

As at:	September 30, 2022	December 31, 2021
	\$	\$
Current assets	29,675,020	27,174,025
Non-current assets	27,792,012	27,667,267
Current liabilities	6,985,358	6,937,753
Non-current liabilities	9,804,843	9,004,355
Shareholders' equity	40,676,831	38,899,184

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Net revenue	10,543,139	7,090,467	24,526,148	15,796,621
Other income	—	85,872	—	117,322
Profit (loss) from operations	2,201,978	(3,618,568)	128,806	(11,888,429)
Net profit (loss) for the period	2,025,532	(3,846,535)	(698,235)	(12,930,310)
Adjusted EBITDA*	1,896,578	(644,093)	641,349	(7,435,793)
Profit (loss) per share, basic	0.04	(0.07)	(0.01)	(0.24)
Profit (loss) per share, diluted	0.04	(0.07)	(0.01)	(0.24)

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

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

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Profit (loss) from operations	2,201,978	(3,618,568)	128,806	(11,888,429)
IFRS fair value accounting related to cannabis plants and inventory	1,889,334	(1,821,571)	3,975,755	(1,485,752)
	312,644	(1,796,997)	(3,846,949)	(10,402,677)
Interest revenue	—	(83,469)	—	(83,469)
Depreciation and amortization	810,165	656,433	2,260,055	1,682,559
Share-based compensation expense	773,769	579,940	2,228,243	1,367,794
Adjusted EBITDA	1,896,578	(644,093)	641,349	(7,435,793)

Summary of Quarterly Results

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

(C\$000's)	2022			2021			2020		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net revenue	10,543	8,835	5,148	6,815	7,090	4,596	4,111	4,774	3,167
Inventory written off or provided for	(201)	(313)	(111)	(280)	(149)	(623)	(599)	(905)	(460)
Gross profit (loss)	4,114	2,844	744	1,530	1,778	(411)	(592)	(719)	(641)
Net profit (loss) for the period	2,026	(1,232)	(1,492)	(1,591)	(3,847)	(5,096)	(3,987)	(5,043)	(4,317)
Weighted average shares outstanding (000's), basic	56,250	56,247	56,231	56,170	56,033	55,632	51,776	47,260	46,148
Weighted average shares outstanding (000's), diluted	56,733	56,247	56,231	56,170	56,033	55,632	51,776	47,260	46,148
Net profit (loss) per share, basic	0.04	(0.02)	(0.03)	(0.03)	(0.07)	(0.09)	(0.08)	(0.11)	(0.09)
Net profit (loss) per share, diluted	0.04	(0.02)	(0.03)	(0.03)	(0.07)	(0.09)	(0.08)	(0.11)	(0.09)

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

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

The Company has continued to reduce its cost of product and incidence of write off as internal production processes were enhanced, economies of scale realized, and new products launched. Since the third quarter of 2021, the Company realized significant revenue growth, achieved positive gross profit, and consistently reduced its net loss to reach net profit in Q3 2022. During 2022, the Company has continued its prudence on spending, while seeking to optimize its Delta Facility operations and drive revenue growth.

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

Liquidity and Capital Resources

Liquidity

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

	Nine months ended		Change
	September 30, 2022	September 30, 2021	
	\$	\$	\$
Net cash provided (used in):			
Operating activities	(887,311)	(10,932,313)	10,045,002
Investing activities	(3,126,963)	(4,666,606)	1,539,643
Financing activities	(795,833)	15,346,928	(16,142,761)
Effect of foreign exchange on cash	64,503	87,609	(23,106)
Increase (decrease) in cash	(4,745,604)	(164,382)	(4,581,222)
Cash beginning of the period	11,583,443	12,136,459	
Cash end of the period	6,837,839	11,972,077	

Free Cash Flow

Free cash flow is a non-GAAP measure used by management that is not defined by IFRS and may not be comparable to similar measures presented by other companies. Management believes that free cash flow presents meaningful information regarding the amount of cash flow required to maintain and organically expand our business, and that the free cash flow measure provides meaningful information regarding our liquidity requirements.

Free cash flow is calculated as net cash provided by (used in) operating activities, less purchases of and deposits on property, plant and equipment.

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Net cash used in operating activities	1,351,246	(1,256,120)	(887,311)	(10,932,313)
Purchases of and deposits on property, plant and equipment	(997,337)	(1,075,104)	(3,126,963)	(4,666,606)
Free cash flow	353,909	(2,331,224)	(4,014,274)	(15,598,919)

Operating Activities

In the nine months ended September 30, 2022, net cash used in operating activities improved by \$10,045,002 compared to the same period in the prior year. The Company delivered operating cashflow of \$1,351,246 in the three months ended September 30, 2022.

Revenue grew in each quarter of 2022 primarily due to the performance of Simply Bare™ Organic in the premium market segment and the significant growth of 1964 Supply Co™ nationally since launch in 2021 with each brand contributing gross margin to improve cash flows from operating activities. The Company has also curtailed extraneous operating costs through its 2021 restructuring and process improvement initiatives resulting in further improved operating cash flows in the nine months ended September 30, 2022 compared to the prior period. The Company continues to use financial prudence in its operating spend and to prioritize process improvements, with a

focus in the cultivation department to increase crop quality and yield, which are expected to drive continuing improvement in the Company's financial results.

Investing Activities

In the nine months ended September 30, 2022, net cash used in investing activities decreased by \$1,539,643 compared to the same period in the prior year. The Company used \$997,337 for investing activities in the three months ended September 30, 2022.

During the same period in 2021 the Company continued ramping up to full scale operations at the Delta Facility and incurred capital expenditure to fully commission its final two growing compartments (total of five growing compartments plus the nursery at the Delta Facility). In the nine months ended September 30, 2022, the Company completed two significant projects. The first project was the completion of the installation of the final dehumidification units and the second project being the link of the Delta Facility to BC Hydro.

Financing Activities

In the nine months ended September 30, 2022, net cash used by financing activities was \$795,833, compared to net inflows of \$15,346,928 in the comparable period of the prior year. The Company used \$384,481 for financing activities in the three months ended September 30, 2022.

During the nine months ended September 30, 2022, the Company's only financing related activity was to service its existing debts (interest and lease payments). In the same period in 2021, the Company completed a prospectus offering for net proceeds of \$21,203,825 and a debenture loan for net proceeds of \$9,834,185. This cashflow was offset by \$16,186,186 in repayments of debt and accrued interest. The remaining amount related to proceeds from stock options exercised, repayment of finance lease and prepayment of financing costs.

Capital Resources

The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2022, the Company had cash and cash equivalents of \$6,837,839 and net working capital of \$22,689,662. The Company fully repaid all prior loans and borrowings during the first and second quarter of 2021 and refinanced with a US\$8.0 million Debenture at 6.5% interest. The Company had also extended the maturity date of the Debenture to December 31, 2024, with the interest rate increasing to 7.5% effective July 1, 2023.

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

Contractual Obligations

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

Payments due by period:	Less than one year \$	One to three years \$	Over three years \$	Total \$
Lease liabilities ¹	103,640	-	-	103,640
Trailer leases ²	109,378	-	-	109,378
Loans and interest obligations ³	656,474	11,450,900	-	12,107,374
Total contractual obligations	869,492	11,450,900	-	12,320,392

¹ Consists of right-of-use Vancouver head office and right-of-use tractors.

² Modular buildings to provide additional space at the Delta Facility.

³ Includes principal and interest on maturing loans. All USD amounts were translated at the future exchange rates specified in the swap contracts (the Derivatives).

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at November 14, 2022, the Company has the following securities outstanding:

	Number of units
Common Shares	56,074,994
Stock Options	3,248,949
Warrants	4,815,315
Restricted Share Units	2,723,333
Deferred Share Units	175,000
Fully Diluted Shares Outstanding	67,037,591

Proposed Transactions

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

Off-balance Sheet Arrangements

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

Related Party Transactions

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

Compensation of key management personnel

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

	September 30, 2022	September 30, 2021
	\$	\$
Salaries and accrued salaries	409,289	969,750
Bonuses in accrued liabilities	150,000	—
Termination benefits	450,000	—
Share based compensation	1,924,186	1,094,785
Total compensation of key management personnel	2,933,475	2,064,535

Critical Accounting Estimates and Judgments

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

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

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

Changes in Accounting Policies Including Initial Adoption

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

Financial Instruments

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

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

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

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

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on its cash and cash equivalents, accounts

receivable, security deposits and the Derivatives. The carrying amount of these assets represent the maximum credit exposure.

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

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

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

Liquidity risk

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

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

Interest rate risk

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

Foreign exchange risk

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

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

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

	September 30, 2022	December 31, 2021
Cash	535,231	528,510
Accounts payable and accrued liabilities	(341,569)	(176,546)
Interest payable	-	(260,000)
	US\$ 193,662	US\$ 91,964

A 10% change of the US\$ against the CAD\$ would result in an incremental foreign exchange loss of \$26,545 (December 31, 2021: \$11,659).

Fair value

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

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

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

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

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

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

Capital Management

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

Risks and Uncertainties

The Company is exposed to risks and uncertainties relating to the business of the Company that should be considered by both existing and potential investors. The risks and uncertainties appearing in the Company’s Management, Discussion and Analysis for the three and nine months ended September 30, 2022 are qualified in their entirety by reference to, and must be read in conjunction with, the Company’s Annual Information Filing dated April 18, 2022 available on the Company’s SEDAR page at www.sedar.com. These risks and uncertainties are intended to serve as an overview and should not be considered comprehensive. Investing in the Company’s common shares involves significant risks. The Company may face additional risks and uncertainties not discussed

in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner. Many factors could cause the Company's results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this MD&A.

Conflicts of Interest

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

Cautionary Note Regarding Forward-Looking Statements

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

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

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

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

The global pandemic related to an outbreak of the COVID-19 novel coronavirus disease has cast uncertainty on the Company's assumptions. There can be no assurance that they continue to be valid. Given the rapid pace of change, it is premature to make further assumptions about these matters. The COVID-19 outbreak was declared a pandemic by the World Health Organization in 2020. The situation is dynamic and the ultimate duration and

magnitude of the impact on the economy and our business are not known at this time. These impacts could include an impact on our ability to maintain operations, to obtain debt and equity financing, access to necessary supplies, credit risk associated with our accounts receivable, impairments in the value of our long-lived assets, or potential future decreases in revenue or the profitability of our ongoing operations. The Company continues to work diligently to ensure operations continue and product is delivered while continuing to emphasize the safety of our product and employees.

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

Additional Information

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

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