Rubicon Organics Inc.

Management's Discussion & Analysis

For the years ended December 31, 2022 and 2021

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 fiscal year ended December 31, 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 audited consolidated financial statements including the accompanying notes for the fiscal year ended December 31, 2022 (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 considered all information available to us up to March 31, 2023.

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

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

About Us

Overview

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

Rubicon Organics, through 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 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.

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

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 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 120 unique SKUs available for sale across Canada, with over 97% coverage of the addressable market[1]. 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

---

[1] *By population per Statistics Canada*

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 December 31, 2022, Rubicon Organics has the following subsidiaries:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings Corp. (“RHC”) [1]	BC, Canada	100%
West Coast Marketing Corporation	BC, Canada	100%

[1.] Formerly Rubicon Organics Canada Corp.

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 has been in full scale operation. The Delta Facility utilizes cold cure processing rooms and follows Good Production Practices (“GPP”) for processing dried flower, performing solvent-less extraction and packaging finished goods.

Rubicon Organics has invested in 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. Our full spectrum LED lights mimic natural sunlight, resulting in healthier plants with higher yields than conventional greenhouses while reducing our energy use compared with other lighting methods. The Delta Facility is also outfitted with precision, sensor-based watering that reduces water consumption.

The Company’s Delta Facility employs FVOPA organic certified cannabis cultivation methods. Our soil is a proprietary blend of structural and nutritional components, locally sourced to naturally deliver nutrients to the crop, while minimizing the impact on our environment.

Brands and Products

Cannabis Flower Brands

Simply Bare™ Organic is Rubicon Organics' flagship super-premium brand launched in December 2019. Cannabis packaged and sold under the Simply Bare™ Organic brand is grown in a proprietary mix of 100% certified organic soil made in-house with ingredients from British Columbia's Sunshine Coast. Each plant is grown under sunlight and full-spectrum LED lights, harvested by hand and cold cured for two weeks to achieve a rich terpene profile. Buds are then selected and carefully trimmed by hand 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 March 31, 2023:

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

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

Product formats available as of March 31, 2023:

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

Homestead Cannabis Supply™ launched in Western Canada in July 2021 and hit the Ontario and Quebec market in October 2021. Homestead Cannabis Supply™ is Rubicon Organics' first mainstream brand developed for the price conscious and avid cannabis consumer.

Product formats available as of March 31, 2023:
- 7 gram milled flower
- 15 gram milled flower
- 28 gram flower
- 14 x 0.5 gram pre-rolls
- 60 x 0.5 gram pre-rolls

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 March 31, 2023:
- 1 gram diamonds

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

Product formats available as of March 31, 2023:
- 30 gram and 73 gram CBD Relief Stick
- 30 gram and 73 gram CBD Cool Stick

Strategy and Outlook

Canadian Recreational Market, Premium Quality and Product Line Extension

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

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

In 2022 the Company continued to optimise the portfolio across all 5 brands, maximising both biomass and profitability, tailoring the offer for each individual provincial requirements. 2023 will see the Company continuing with portfolio and margin optimisation, whilst expanding into new genetics and categories.

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

The Delta Facility

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

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

Reviewing 2022's Key Priorities

Rubicon Organics achieved Adjusted EBITDA[3] profitability of $1,907,698 and positive operating cash flow of $1,952,008 for the year ended December 31, 2022. The Company also achieved a Free Cash Flow[4] of $2,219,327 in the second half of 2022.

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.

Optimize Yield & Quality - In 2022, the Company completed facility upgrades, invested in process improvements, and continued to identify opportunities for cost and quality efficiencies. Two significant facility upgrades occurred with the installation of new dehumidification units and completion of the BC Hydro grid connection. From January until August we saw an increase in both quality and yield of cannabis produced, but in the autumn with certain facility maintenance and seasonal growing conditions we had a relative plateau in production. In 2022, the Company has now achieved repeated crops over our nameplate capacity of 11,000 kg's and seen an increase in our average THC per crop, with certain strains as high as 29% THC. We believe that our quality step change was experienced by the consumers beginning in April 2022 leading to the improved rate of sale of our products and increased demand.

Premiumization - The second pillar was to implement our commercial strategies within the Canadian domestic market to maximize the gross profit for each unit produced from our Delta Facility. With our approach, the provincial distributors and our consumers have access to a greater range of product formats and strain varieties. During 2022, our strategy has proven successful as evidenced by Rubicon achieving 6.3%[5] market share of the premium flower and pre-roll market. In 2022, there was noticeable increase in competition with the rise of the craft producers and we believe that this competition led to the super-premium brand Simply Bare™ Organic experiencing a relatively flat year on revenues, despite increase in units sold. In contrast 1964 Supply Co.™, our premium flower and hash brand, had a tremendous positive groundswell in the market, in particular from summer 2022 and with the success of the Comatose Strain.

We continue to expect the premium market to outpace the growth of the total market in Canada in line with the performance in established markets such as Colorado and California. While the premium market has grown, there have been many new entrants from the smaller craft and micro-cultivator licensed producers who have been successful in gaining share overall. Despite this increase in competition we believe that

---

*[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.
[5] Hifyre data for premium flower & pre-rolled products covering twelve months ending December 31, 2022

Rubicon is well positioned to take advantage of the rise of craft momentum as consumer preferences shift from a focus on THC to the importance of terpenes to their experience.

International - At the beginning of 2022 we set our third pillar to open the routes to market for our products internationally. However, there has been significant price compression in the international markets and Rubicon Organics currently has domestic demand in excess of the volume available from our Delta Facility, thus we are prioritizing the domestic sale of our cannabis to continue to develop our Canadian brands which should deliver more consistent profitability. 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 has set out four key priorities for 2023:

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

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

2. *Maximize Canadian Premium Opportunity*

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

As we have forecast demand beyond our available supply from the Delta Facility we have begun projects that we expect to incrementally grow our net revenue and gross profit. We intend to launch products that do not require the Delta Facility's capacity that we anticipate add will incremental gross profit to our results in a cost effective and efficient manner 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 intend to deliver this incremental gross profit without significant incremental overhead cost to our business, thus driving additional overall profitability.

3. *Drive Efficiency in Processes and Systems*

As steady state has been established at the Delta Facility, we now are seeking to create efficiency in our systems away from manual processes or those where there is reliance on key individuals to increase the resilience and repeatability of our systems and reduce cost. As part of this process, Rubicon is evaluating new information systems and expects to begin implementing new systems beginning in the second half of 2023. This project will drive incremental cost in the short-term, but we believe will improve efficiency of the existing business and ready Rubicon for further growth.

4. *Create Proud, Engaged Team Delivering Outstanding Results*

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

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

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

Recent Activities

Key Developments in the year ended December 31, 2022

- Record net revenue of $35.5 million (57% increase) for the year ended December 31, 2022
- Achieved Adjusted EBITDA of $1.9 million for the year ended December 31, 2022
- Achieved operating cash flow of $2.0 million for the year ended December 31, 2022
- Achieved positive Free Cash Flow[4] of $2.2 million in the second half of 2022
- Extended existing Debenture for 18 months to December 31, 2024
- 2.4%[6] national market share of flower and pre-rolls
- 6.3%[5] national market share of premium flower and pre-rolls

For the year ended December 31, 2022, the Company reported net revenue of $35,518,133, a 57% increase compared to the prior year. For the year ended 31 December 2022, Adjusted EBITDA was a profit of $1,907,698, compared to a loss of $8,006,273 in the twelve months ended December 31, 2022.

Market Share

The Company continues to launch new formats and products as well as expanding distribution of existing products. While in the premium market there has been increasing competition with new entrants, the Company has successfully increased revenues and grown its overall market share in the Canadian flower and pre-roll category to 2.4%[5] in 2022 compared to 1.8% for the twelve months ending December 31, 2021. These market share gains are attributable largely to the success of the 1964 Supply Co™ brand nationally.

For the year ending December 31, 2022, the Company operated with its entire portfolio of brands in the market with coast-to-coast distribution. For the twelve months ended December 31, 2022, Simply Bare™ Organic has been ranked consistently as one of the leading premium brands in the Canadian market, capturing 4.1%[5] of the premium flower and pre-roll market. The Company's brand, 1964 Supply Co™, which was launched nationally in 2021 has grown rapidly and has more demand than supply availability. The

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

Company's brand, Wildflower™, is the number one[7] selling topical product in the Canadian market for the twelve months ended December 31, 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 completed several 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 Simply Bare™ Organic 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.

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 it's in-store presence.

During Q3 2022, Rubicon launched new SKUs in BC, Alberta, Ontario and Quebec through its Simply Bare™ Organic 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 Simply Bare™ Organic 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 Simply Bare™ Organic 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.

[7] *Hifyre data for topical products covering twelve months ending December 31, 2022*

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 for $500,000 of which $350,000 was paid in 2022.

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 Simply Bare™ Organic 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.

In December 2022, 1964 Supply Co™ launched the 1 x 1 gram blunt in BC and Alberta.

In December 2022, "Best Indica Flower" was awarded to "Comatose" by 1964 Supply Co™ at the 2022 Kind Awards.

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.

In November 2022, the Company announced the publication of its second annual ESG Report. The ESG Report reflects the Company's determination to embed sustainability in a formal manner through its operations and supply chain, and to communicate its progress with stakeholders in a transparent and authentic manner. The ESG Report captures the period between January 1 and December 31, 2021, and is informed by leading sustainability and reporting frameworks including Global Reporting Initiative (GRI) Standards, the Ten Principles of the United Nations Global Compact (UNGC), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Rubicon has continued to embed ESG into its business as part of its annual planning process.

In 2022, the Audit Committee of the Company had two whistleblowing complaints. One was investigated internally and one was investigated externally. Both claims were found to be without merit.

Corporate

On January 10, 2022, the Company announced that Julie Lassonde has been appointed to the Company's Board of Directors (the "Board") 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 deposit requirements with the Canada Revenue Agency ("CRA"). The surety bond will be increased as needed to cover further deposit requirements as net sales grow. The Company's $483,000 deposit was received from the CRA 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 (the "Chair") and has appointed Julie Lassonde as the new Chair.

Effective May 20, 2022, the Board accepted the resignation of the former auditor of the Company, Deloitte LLP, and appointed PricewaterhouseCoopers LLP as the new auditor. This was subsequently approved by shareholders at the Annual General and Special Meeting ("AGM") 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 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 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. 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 is currently running a comprehensive search process to identify a successor.

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

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

On November 30, 2022, the Company granted an aggregate of 60,000 RSUs that settle in common shares to an executive employee of the Company pursuant to the Company's Equity Plan. These RSUs vest in tranches based on 12-month rolling EBITDA targets.

On November 30, 2022, the Company granted an aggregate of 150,000 DSUs pursuant to the Equity Plan to independent directors of the Company as compensation for their services. The DSUs vested immediately and may only be redeemed upon a holder ceasing to be a director of the Company.

On November 30, 2022, the Company granted an aggregate of 145,000 stock options to certain employees and a consultant at the exercise price of $0.85 per share for a period of five years. The options vest over one and three years.

On December 13, 2022, the Company held its AGM. Immediately after the AGM, Jesse McConnell resigned from the Board. The Company thanks Mr. McConnell for his valuable contributions and offer our best wishes for his future.

Developments Subsequent to December 31, 2022

Corporate

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

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

Fourth Quarter 2022 Highlights

- Net revenue of $11.0 million was an increase of 61% from the same period in the prior year
- Achieved Adjusted EBITDA of $1.3 million
- Achieved positive operating cashflows of $2.8 million
- Achieved positive Free Cash Flow[4] of $1.9 million
- 2.4%[8] national market share of flower and pre-rolls
- 5.4%[9] national market share of premium flower and pre-rolls

Fourth Quarter 2022 Results

In the fourth quarter of 2022, the Company earned $10,991,895 of net revenue, an increase of $448,846 or 4% when compared to the third quarter of 2022 (September 30, 2022: $10,543,139). The fourth quarter net revenue was relatively flat from the third quarter as Rubicon had certain facility maintenance and downtime which impacted our crop yields and availability of supply in the autumn. This was offset by the positive momentum for Rubicon in the pre-roll category following the launch of infused pre-rolls under both our premium brands, Simply Bare™ Organic and 1964 Supply Co™. During Q4 we also began selling through the OCS's flow through program, which has proven useful for products where we do not yet have consistent supply or demand and in Quebec, we benefitted from additional flower and pre-roll listings.

Production costs in the fourth quarter 2022 decreased by $290,864 or 10% when compared to the third quarter of 2022 (three months ended December 31, 2022: $2,559,782 as compared to three months ended September 30, 2022: $2,850,646). We can see the efficiencies gained through process improvements in our cultivation system and cost savings as a result of completion of the BC Hydro project from September 2022 onwards.

Inventory expensed to cost of sales amounted to $3,682,364 in the fourth quarter of 2022, which is an increase of $305,125 or 9% when compared to the third quarter of 2022 (September 30, 2022: $3,377,239). This ratio was marginally ahead of the net revenue growth due to product mix, with a higher proportion of sales derived from concentrate products in the fourth quarter, most notably infused pre-rolls.

The Company incurred operating expenses of $4,846,293 in the fourth quarter of 2022 which is an increase of $1,045,161 or 27% when compared to the third quarter of 2022 (September 30, 2022: $3,801,132). The increase is mainly due to non-cash share based compensation from the issuance of deferred share units and restricted share units compared to the prior quarter. The Company has also incurred additional corporate expenses relating to the professional fees such as for the search for new board nominees. The Company also incurred a year-to-date true up of the bonus accrual to account for performance under the Company bonus plan.

Net loss during the fourth quarter of 2022 was $3,157,612, compared to net profit in the third quarter of 2022 amounting to $2,025,532. The movement was driven primarily by a quarter over quarter decrease to fair value adjustments to cannabis plants of $4,269,259. There has been a change in growing approach over the past year in order to increase plant density and uniformity. This has resulted in a higher number of plants, therefore decreasing the number of grams per plant, which has been reflected in the Company's fair value of its cannabis inventory.

The fourth quarter Adjusted EBITDA amounted to $1,266,349[3] which is a decrease of $630,229 when compared to the third quarter of 2022 of $1,896,578. As discussed above, the decrease is due to increased operating expenses, partially offset by the increase in gross profit.

---

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

During the fourth quarter of 2022, the Company achieved positive operating cashflow of $2,839,319 compared to $1,351,246 in the third quarter of 2022.

Results of Operations and Financial Review

	Year ended	
	December 31, 2022 **$**	December 31, 2021 $
Net revenue	**35,518,133**	22,611,804
Production costs	**10,484,602**	9,155,425
Inventory expensed to cost of sales	**11,957,149**	9,500,187
Inventory written off or provided for	**865,868**	1,651,258
Gross profit before fair value adjustments	**12,210,514**	2,304,934
Fair value adjustments to cannabis plants, inventory sold, and other charges	**1,595,830**	(798,047)
Gross profit	**13,806,344**	1,506,887

Net revenue

The Company delivered record net revenue of $35,518,133 for the year ended December 31, 2022. This represents significant net revenue growth of 57%, compared to the prior year. Across the year, the Company doubled the number of SKUs for sale with the launch of several new strains, and product formats compared to the prior year. The sales growth was underpinned by an increase in product yield, THC and quality from our Delta Facility.

Revenue growth in 2022 versus the prior year was primarily driven by the expansion of 1964 Supply Co™, having a full year of sales in all key markets, continued range expansion, and a new hero strain with Comatose.

Simply Bare™ Organic delivered flat net revenue compared to prior year. The brand was particularly affected by the overall market decrease in flower pre-rolls with the market shifting to infused pre-rolls, increased quality competition and price compression. In the second half of the year, performance improved with the launch of new strains, larger formats, and an infused pre-roll offering.

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 2022 had an impact on the net revenue achieved in the third quarter of 2022 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.

Throughout 2022, revenue growth continued across all our key markets (Alberta, BC, Ontario, and Quebec) which together make up 97% of our sales in the year December 31, 2022 (December 31, 2021: 94%).

Production costs

For the year ended December 31, 2022, production costs increased by $1,329,177 (15%) compared to the prior year.

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

The increase in production costs is related to an increase in plant density, plant handling techniques applied and increased overall yield of cannabis crops meaning additional labour is required during the cultivation cycle and at harvest. In addition, there has been a notable increase in the costs of fertilizer and other input materials due to inflation as well as the need to use additional inputs due to larger crop sizes and an increased number of plants on hand. The additional cultivation labour, plant density and plant handling techniques have directly related to increased quality and yield from the Delta Facility.

From September 2022, the Company has started to recognize savings with the completion of the BC Hydro project.

Inventory expensed to cost of sales

For the year ended December 31, 2022, inventory expensed to cost of sales increased by $2,456,962 (26%) 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 34% of net revenue for the year ended December 31, 2022 (December 31, 2021: 42%). 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. In 2022, the Company has also benefitted from an improved brand and product mix with a larger share of our sales coming from our premium brands, Simply Bare™ Organic and 1964 Supply Co.™, and less of the brand, Homestead Cannabis Supply™, relative to 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 year ended December 31, 2022, inventory written off or provided for was $865,868, compared to $1,651,258 in the prior year.

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 2.4% of net revenue for the year ended December 31, 2022, compared to 7.3% in the prior year.

Gross profit before fair value adjustments

For the year ended December 31, 2022, gross profit before fair value adjustments was $12,210,514, compared to $2,304,934 in the prior year. This represents a gross profit margin of 34% for the year ended December 31, 2022, compared to 10% in the prior year.

The improved gross profit margin is primarily driven by the increased yield and corresponding sales from gaining leverage of the largely fixed production costs of the Delta Facility. This ratio also benefitted from a lower variable cost of sales as a % of net revenue, and lower absolute write-offs during 2022.

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 year ended December 31, 2022, unrealized gain on changes in fair value of cannabis plants was $16,302,269 compared to $10,176,769 in the prior year.

The gain for the year ended December 31, 2022, increased by $6,125,500 compared to the prior year. The Company has realized quality and yield improvements from cultivation operations. Over the past year, there has been a change in growing approach to increase planting density and uniformity that has resulted in a higher quantity of plants (therefore decreasing the grams per plant metric), however, the overall yield per square foot has been increasing.

Realized fair value of inventory sold

For the year ended December 31, 2022, realized fair value of inventory sold was $13,389,829 compared to $7,625,311 in the prior year. Realized fair value of inventory sold is the non-cash fair value released from inventory when cannabis is sold. Refer to *Inventory expensed to cost of sales* discussion above.

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

For the year ended December 31, 2022, the adjustment to net realizable value of inventory on hand at period end was $1,316,610, compared to $3,349,505 in the prior year. The adjustment consists of the fair value component of inventory that was written off or provided for in the year. Refer to *Inventory write off* discussion above.

Operating Expenses

	Year ended	
	December 31, 2022 **$**	December 31, 2021 $
Consulting, salaries and wages[1,2]	**8,361,798**	7,419,633
General and administrative[2]	**3,320,693**	3,243,456
Share-based compensation	**3,042,119**	2,140,182
Sales and marketing	**1,342,364**	1,779,446
Depreciation and amortization	**328,046**	265,170
Total operating expenses	**16,395,020**	14,847,887

[1] Contains restructuring charges and research and development charges
[2] Contains research and development charges

Consulting, salaries and wages

For the year ended December 31, 2022, consulting, salaries and wages increased by $942,165 compared to the prior year. This increase is driven by a larger bonus accrual for employees given the results of the Company achieving Adjusted EBITDA profit targets.

General and administrative expenses

For the year ended December 31, 2022, general and administrative expenses increased by $77,237 compared to the prior year. General and administrative expenses consist of certain short-term leases, insurance, professional fees, investor relations fees, office expenses, research and development and other licensing costs. The Company continues to monitor its spend closely to remain fiscally prudent.

Sales and marketing

For the year ended December 31, 2022, sales and marketing expenses decreased by $437,082 compared to the prior year. Sales and marketing expenses consist of the costs to maintain the Company's brands, carry out marketing initiatives, and develop new brands. Rubicon has focused its sales and marketing spending so that our spend has direct measurable impact. 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 year ended December 31, 2022, share-based compensation increased by $901,937 compared to the prior year. During 2022, the Company amended the terms of a number of 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 granted a number of options, RSUs and DSUs during the year, resulting in an increase to the share-based compensation expense recorded in 2022.

Selected Financial Information

The following tables present selected financial information of the Company:

As at:	**December 31, 2022 $**	December 31, 2021 $	December 31, 2020 $
Current assets	**27,694,524**	27,174,025	26,175,413
Non-current assets	**28,412,176**	27,667,267	24,896,834
Current liabilities	**8,372,553**	6,937,753	22,009,233
Non-current liabilities	**9,401,052**	9,004,355	221,134
Shareholders' equity	**38,333,095**	38,899,184	28,841,880

		Year ended	
	December 31, 2022 $	December 31, 2021 $	December 31, 2020 $
Net revenue	**35,518,133**	22,611,804	9,387,320
Other income	**—**	83,583	929,867
Profit (loss) from operations	**(2,588,676)**	(13,257,417)	(11,989,870)
Profit (loss) from continuing operations	**(3,855,847)**	(14,520,740)	(14,349,541)
Profit (loss) from discontinued operations	**—**	—	(633,631)
Net profit (loss) for the year	**(3,855,847)**	(14,520,740)	(14,983,172)
Total comprehensive profit (loss)	**(3,855,847)**	(14,520,740)	(14,324,021)

Adjusted EBITDA*	**1,907,698**	(8,006,273)	(11,081,996)
Profit (loss) per share from continuing operations	**(0.07)**	(0.26)	(0.33)
Profit (loss) per share, basic	**(0.07)**	(0.26)	(0.34)
Profit (loss) per share, diluted	**(0.07)**	(0.26)	(0.34)

*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, 2022, December 31, 2021, and December 31, 2020.

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 year ended December 31, 2022, December 31, 2021, and December 31, 2020.

	Year ended		
	December 31, 2022 $	December 31, 2021 $	December 31, 2020 $
Profit (loss) from operations	**(2,588,676)**	(13,257,417)	(11,989,870)
IFRS fair value accounting related to cannabis plants and inventory	**1,595,830**	(798,047)	3,362,559
	(4,184,506)	(12,459,370)	(15,352,429)
Interest revenue	**—**	(83,583)	—
Depreciation and amortization	**3,050,085**	2,396,498	1,717,647
Share-based compensation expense	**3,042,119**	2,140,182	2,552,786
Adjusted EBITDA	**1,907,698**	(8,006,273)	(11,081,996)

The following table presents the Company's Adjusted EBITDA for the three months ended December 31, 2022, September 30, 2022, and December 31, 2020.

	Three months ended		
	December 31, 2022 $	September 30, 2022 $	December 31, 2021 $
Profit (loss) from operations	**(2,717,482)**	2,201,978	(1,368,988)
IFRS fair value accounting related to cannabis plants and inventory	**(2,379,925)**	1,889,334	687,705
	(337,557)	312,644	(2,056,693)
Interest revenue	**—**	—	(114)
Depreciation and amortization	**790,030**	810,165	713,939
Share-based compensation expense	**813,876**	773,769	772,388
Adjusted EBITDA	**1,266,349**	1,896,578	(570,480)

Summary of Quarterly Results

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

	2022				2021			
(C$000's)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net revenue	**10,992**	10,543	8,835	5,148	6,815	7,090	4,596	4,111
Inventory written off or provided for	**(241)**	(201)	(313)	(111)	(280)	(149)	(623)	(599)
Gross profit (loss) before fair value adjustments	**4,509**	4,114	2,844	744	1,530	1,778	(411)	(592)
Net profit (loss) for the period	**(3,158)**	2,026	(1,232)	(1,492)	(1,591)	(3,847)	(5,096)	(3,987)
Weighted average shares outstanding (000's), basic	**56,300**	56,250	56,247	56,231	56,170	56,033	55,632	51,776
Weighted average shares outstanding (000's), diluted	**56,733**	56,733	56,247	56,231	56,170	56,033	55,632	51,776
Net profit (loss) per share, basic	**(0.06)**	0.04	(0.02)	(0.03)	(0.03)	(0.07)	(0.09)	(0.08)
Net profit (loss) per share, diluted	**(0.06)**	0.04	(0.02)	(0.03)	(0.03)	(0.07)	(0.09)	(0.08)

In the first half of 2021, revenues were relatively static given the impact of seasonality, and COVID-19 related store closures. The Company realized significant growth in the second half of 2021 due to greater market penetration of Simply Bare™ Organic and the successful launch of 1964 Supply Co™ and Homestead Cannabis Supply™ in key Canadian markets. The seasonal decline in sales was observed in the first quarter of 2022, however sales have been on an upward trend for the last three quarters in 2022. This was due to increased distribution and product rate of sale with improved product quality.

The Company has continued to reduce its cost of product and incidence of write off as internal production processes were enhanced, economies of scale realized, and new products launched. Since the third quarter of 2021, the Company realized significant revenue growth, achieved positive gross profit, and consistently reduced its net loss to reach net profit in Q3 2022. Despite increasing sales and gross profit, Q4 2022 reported a loss as a result of non-cash fair value adjustments to inventory. 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 year ended December 31, 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.

	Year ended December 31, 2022 $	December 31, 2021 $	Change $
Net cash provided (used in):			
Operating activities	**1,952,008**	(10,442,343)	12,394,351
Investing activities	**(4,450,864)**	(5,497,322)	1,046,458
Financing activities	**(838,562)**	15,304,620	(16,143,182)
Effect of foreign exchange on cash	**48,092**	82,029	(33,937)
Increase (decrease) in cash	**(3,289,326)**	(553,016)	(2,736,310)
Cash beginning of the period	**11,583,443**	12,136,459	
Cash end of the period	**8,294,117**	11,583,443	

Operating Activities

In the year ended December 31, 2022, net cash used in operating activities decreased by $12,394,351 compared to the prior year.

Revenue grew in each quarter of 2022 primarily due to the performance 1964 Supply Co™ nationally since launch in 2021 which together with the other brands contributed gross margin to improve cash flows from operating activities. The Company has also curtailed extraneous operating costs through its 2021 restructuring and process improvement initiatives resulting in further improved operating cash flows in the year ended December 31, 2022 compared to the prior year. 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 year ended December 31, 2022, net cash used in investing activities decreased by $1,046,458 compared to the prior year.

In 2022, the Company completed two significant capital projects. The first project was the completion of the installation of the final dehumidification units improving crop quality and climate in the cultivation area and the second being the link of the Delta Facility to BC Hydro. In contrast, in the year ended December 31, 2021, the Company was 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).

Financing Activities

In the year ended December 31, 2022, net cash used by financing activities was $838,562 compared to net inflows of $15,304,620 in the prior year.

During the year ended December 31, 2022, the Company's only financing related activity was to service its existing debts (interest and lease payments). In 2021, the Company completed a prospectus offering for net proceeds of $21,223,402 and a debenture loan for net proceeds of $9,834,185. The remaining amount related to proceeds from stock options exercised, interest payments, and repayment of finance lease.

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			
	December 31, 2022 $	September 30, 2022 $	December 31, 2021 $	September 30, 2021 $
Net cash used in operating activities	**2,839,319**	1,351,246	489,970	(1,256,120)
Purchases of and deposits on property, plant and equipment	**(973,901)**	(997,337)	(830,716)	(1,075,104)
Free Cash Flow	**1,865,418**	353,909	(340,746)	(2,331,224)

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 December 31, 2022, the Company had cash and cash equivalents of $8,294,117 and net working capital of $19,321,971. 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 had $17.0 million remaining on its $40.0 million Base Shelf Prospectus filed on December 29, 2020. This Base Shelf Prospectus expired on January 29, 2023.

Contractual Obligations

The Company has the following contractual obligations as at December 31, 2022:

Payments due by period:	**Less than one year $**	**One to three years $**	**Over three years $**	**Total $**
Lease liabilities[1]	73,327	—	—	73,327
Trailer leases[2]	69,953	—	—	69,953
Loans and interest obligations[3]	714,440	11,065,100	—	11,779,540
Total contractual obligations	**857,720**	**11,065,100**	**—**	**11,922,820**

[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 March 31, 2023, the Company has the following securities outstanding:

	Number of units
Common Shares	56,124,994
Stock Options	4,310,949
Warrants	4,815,315
Restricted Share Units	2,723,333
Deferred Share Units	300,000
Fully Diluted Shares Outstanding	**68,284,591**

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 December 31, 2022, included $13,041 (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. Key management compensation for the year ended December 31, 2022, and December 31, 2021, was comprised of:

	December 31, 2022 $	December 31, 2021 $
Salaries and accrued salaries	**805,900**	1,375,583
Bonuses in accrued liabilities	**429,687**	—
Termination benefits	**450,000**	—
Share based compensation	**2,599,324**	1,821,286
Total compensation of key management personnel	**4,284,911**	3,196,869

Critical Accounting Estimates and Judgments

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

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

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

Changes in Accounting Policies Including Initial Adoption

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

Financial Instruments

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

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

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

The Company entered the Derivatives to offset the future foreign exchange impact of the principal and interest payments on the US$8.0 million Debenture. Refer to Note 14 in the Financial Statements for more information on the Derivatives.

Loans and borrowings were incurred to fund upgrades of the Delta Facility and general operations. Refer to Note 13 in the Financial Statements for more information on loans and borrowings.

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

Credit risk

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

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

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

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

Liquidity risk

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

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

Interest rate risk

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

Foreign exchange risk

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

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

For the year ended December 31, 2022, the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		December 31, 2022		December 31, 2021
Cash		**530,618**		528,510
Accounts payable and accrued liabilities		**(162,016)**		(176,546)
Interest payable		**(260,000)**		(260,000)
	US$	**108,602**	US$	91,964

A 10% change of the US$ against the CAD$ would have increased net loss by $14,709 (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 year ended December 31, 2022.

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

Capital Management

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

Risks and Uncertainties

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

Challenging Global Financial Conditions

In recent years, global financial conditions have become increasingly volatile due to events like the COVID-19 pandemic, the Russian invasion of Ukraine, recession and high inflationary environment which have had an impact on global capital markets. Future crises could stem from a variety of causes, including natural disasters, geopolitical instability, pandemics, new infectious diseases or viruses, energy price changes, or supply chain disruptions. Any sudden or rapid destabilization of the global economic conditions could have negative consequences for the Company, making it difficult to access credit and capital markets. It could also affect the Company's ability to fulfill obligations to counterparts, including interest and other debt payments, ultimately having a negative impact on its financial position, cash flow, and operating results. If volatility levels continue to rise, or if global economic conditions experience a general decline, it could impact consumption patterns, financial markets, and the value and liquidity of a company's common shares, significantly affecting the company's well-being. 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.

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

Until partway through 2022, the Company had been incurring operating losses and cash flow deficits since the inception of such operations, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the legalization of recreational cannabis in Canada. The Company’s lack of operating history makes it difficult for investors to evaluate the Company’s prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, especially given the Company’s lack of an operating history, there is no assurance that the Company will be successful, and the likelihood of success must be considered in light of its relatively early stage of operations.

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

The Company has only generated sufficient revenue from its primary asset to cover all the costs of operations in the second half of 2022 and there is no guarantee that this can be sustained. The Company’s ability to continue as a going concern is dependent upon its capability to grow its revenue or reduce its cost based to achieve self-sustaining operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all.

Price Compression in the Cannabis Industry

The cannabis industry has experienced, and continues to experience, price compression, which may adversely impact the Company’s profitability. In addition, such price compression, as well as, or together with, the oversupply of certain types of inventory in the industry, may result in the Company incurring additional impairment losses on inventory in the event the cost of our inventory exceeds its net realizable value. The continuing evolution of these market conditions represent ongoing uncertainties that may affect the Company’s future financial results.

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.

There is no assurance that the Company will turn profits or pay dividends

There is no assurance as to whether the Company will be sustain profitability 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 and if additional capacity is identified, this would likely require the use of cash generated from its Delta Facility to support any capital or operating expenditures required prior to a new business unit or facility becoming profitable and cashflow positive.

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

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

There are no assurances the Company's sales channels will remain accessible or that distributors will keep the Company's product listings, which if lost will impact the Company's ability to generate revenue

The Company maintains supply agreement with each province in which it sells cannabis as well as with private distributors to deliver it products to retailers and consumers. These provincial entities and private distributors review and list the products they wish to sell in their market. While the Company maintains agreements in all major markets across Canada there are no guarantees these contracts are renewed or that these entities maintain or grow the number of product listings they currently have with the Company. Should any contract be cancelled, or any product be de-listed, there may be negative impacts on the Company's ability to sell and monetize its inventory.

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 US$8,000,000 of debt outstanding secured against the Delta Facility which matures December 31, 2024. Upon maturity of the debt, there can be no certainty that 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:

- price compression
- 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 future pandemics, including staffing of the Delta Facility and the launch of the Company’s new brands and products into new provinces and associated revenue;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities;
- major incidents and/or catastrophic events such as fires, explosions, pandemics, or storms; and
- labour shortages and supply chain disruptions caused by global geopolitical events or pandemics.

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. Effective January 26, 2022, the Company renewed its Health Canada licenses. The Health Canada licenses are valid until January 26, 2027, 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.

International Sales Channels and Certification

If the Company cannot successfully meet and maintain certifications required for export, and its export permit obligations with regulators, the Company would not be able to export its products internationally, 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. Exported product may not be accepted by the receiving country due to various reasons including a failure to adhere to import regulations or unacceptable product specifications unique to that jurisdiction. The rejection and return of the Company’s product from a foreign jurisdiction may impact the results of operations and financial condition of the Company.

The Company may not be able to maintain its TSX-V listing requirements

The Company must maintain the listing requirements of the TSX-V to continue being listed. 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 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 legalization of marijuana, illicit or “black-market” operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business, and accordingly may have significantly lower costs of operation.

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

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

Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company’s ability to develop and market its cannabis-related products. The loss of any of the Company’s senior management or key employees could materially adversely affect the Company’s ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of our employees.

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

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

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

The cannabis industry is undergoing 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 is exposed to credit risk on its cash and cash equivalents, accounts receivable, security deposits and the derivatives

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 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, security deposits and derivatives 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.

The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties, complexities, and costs 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 at reasonable pricing, such as flood insurance for the Delta Facility, for resulting in losses having material adverse effects.

Obtaining new strains and developing new product offerings may not be successful or aligned to consumer demands

While the Company has proven to be successful at acquiring and growing new strains, there is no guarantee the Company will continue to be able to acquire and cultivate new strains in the future. Furthermore, there is no certainty that the selected strains and new products offerings will have sufficient consumer demand to be sold for a profit, if at all. An inability to access new strains or innovate new products, which delight consumers may results in depressed sales, product returns, inventory write-offs, and other adverse impacts on the Company's operations.

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

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

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 relies on third party transportation services. This can cause logistical problems and delays in customers 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 number 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.

We may expand our business and operations into jurisdictions outside of Canada, and there are risks associated with doing so

We may expand our operations and business into jurisdictions outside of Canada, but there can be no assurance that any market for our products will develop in any such foreign jurisdiction. The expansion of our operations internationally will depend on our ability to renew or secure the necessary permits, licenses, or other approvals in those jurisdictions. An agency's denial of or delay in issuing or renewing a permit, license, or other approval, or revocation or substantial modification of an existing permit or approval, could prevent us from continuing our operations in or exports to other countries.

Operations in non-Canadian markets may expose us to new or unexpected risks or significantly increase our exposure to one or more existing risk factors. In addition, we are subject to a wide variety of laws and regulations domestically and internationally with respect to the flow of funds and product across international borders and the amount of medical cannabis we export may be limited by the various drug control conventions to which Canada is a signatory.

While we continue to monitor developments and policies in the emerging markets in which we operate and assess the impact thereof to our operations, such developments cannot be accurately predicted and could have an adverse effect on the Corporation's business, operations, or profitability.

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.

The Company may not be able to enforce its 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.

There is no certainty the Company will be able to achieve its Environmental, Social and Governance ("ESG") targets

While the Company has incorporated certain ESG objectives into its strategic plan it may not be economically feasible to execute the desired changes to the business. The Company's inability to achieve its ESG objects may have effects on its social license to operate, brand equity, and corporate identity, which could have knock on impacts to operations, hiring, and the sale of product.

The cost of compliance and ability to working with unsophisticated individuals and entities may adversely impact the Company

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.

Risks regarding vaping products

In 2021 the Company began selling Simply Bare™ Organic branded PAX® pods available for distribution in Canada. The Company may also launch other vaping related products in the future. In Canada and the US there have been public warnings to stop using certain vaping liquids containing cannabis derivatives and ingredients, such as CBD and THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. Reported lung injuries associated with the use of cannabis derivative containing vaping liquids have resulting in certain provinces either banning or delaying the sale of vaping liquids and vaping products to consumers. In response, Health Canada issued an information update advising Canadians who use cannabis derivative containing vaping liquids to monitor themselves for symptoms of pulmonary illness. There may be further governmental and private sector actions aimed at reducing the sale of or prohibiting cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. These actions, combined with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the Company's vaporizer products. Federal, provincial, and local regulations or actions that prohibit or restrict the sale of the Company's vaporizer products including cannabis derivative vaping liquids, or that decrease consumer demand for the Company's products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the Company's business, financial condition, results of operations and prospects.

Environmental and employee health and safety regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations 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.

Failure to develop and maintain an effective system of internal controls increases the risk that we may not be able to accurately and reliably report our financial results or prevent fraud, which may harm our business, the trading price of our Common Shares and market value of other securities

The Company maintains a system of internal controls over financial reporting ("ICFR") to ensure the Company's financial reporting is reliable and that its financial statements have been prepared in accordance with IFRS. Regardless of how well controls are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting the Company's objectives in providing reliable financial reporting information in accordance with IFRS. Effective internal controls are required for us to provide reasonable assurance that our financial results and other financial information are accurate and reliable. Any failure to design, develop or maintain effective controls, or difficulties encountered in implementing, improving or remediation lapses in internal controls may affect our ability to prevent fraud, detect material misstatements, and fulfill our reporting obligations. As a result, investors may lose confidence in our ability to report timely, accurate and reliable financial and other information, which may expose us to certain legal or regulatory actions, thus negatively impacting our business, the trading process of our Common Shares and market value of other securities.

Participants in the cannabis industry may have difficulty accessing the service of banks and financial institutions, which may make it difficult for us to operate

Because cannabis remains illegal federally in the United States, Canadian banks and financial institutions with U.S. affiliations remain wary of providing services to businesses in the cannabis industry, as the associated funds may technically be considered proceeds of crime in the U.S. Consequently, businesses involved in the cannabis industry continue to have trouble establishing banking infrastructure and relationships. The inability or limitation on our ability to open or maintain a bank account, obtain other banking services, or obtain business services may make it difficult to operate and conduct business.

Transition to Enterprise Resource Planning ("ERP") system

The Company plans to make the transition to an ERP system in the near future, with a view to consolidating its operations from stand-alone systems. However, this move entails potential risks, such as:

- Implementation costs, including software, hardware, infrastructure, training, and consultancy fees, which may exceed the budgeted cost and resource allocation.
- Temporary decline in productivity as employees undergo training to acquire the skills needed to operate the new system.
- Data migration from existing systems to the new ERP system, which may be a time-consuming and error-prone process.

Infrastructure Maintenance and Thruput Capacity

The Company expects an increase in volume of production through the Delta Facility exceeding any previously recorded levels. The Company may be limited on resources and availability of space to sustain delivery and ability to facilitate growth.

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. entities 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.

Loss on Dissolution or Termination of the 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.

Head Office	Unit 505 - 744 West Hastings Street Vancouver, BC, Canada, V6C 1A5 +1-604-331-1296
Registered & Records Office	C/O Borden Ladner Gervais LLP 1200 Waterfront Centre, PO Box 48600, 200 Burrard Street Vancouver, BC, Canada, V7X 1T2
Directors	Margaret Brodie Michael Detlefsen David Donnan John Pigott Melanie Ramsey
Officers	Margaret Brodie – Interim Chief Executive and Chief Financial Officer Melanie Ramsey – Chief Commercial Officer
Registrar and Transfer Agent	Odyssey Trust Company 350-409 Granville Street Vancouver, BC, Canada, V6C 1T2
Auditor	PricewaterhouseCoopers LLP 250 Howe St Suite 1400 Vancouver, BC, Canada, V6C 3S7
Solicitors	Borden Ladner Gervais LLP 1200 Waterfront Centre, PO Box 48600, 200 Burrard Street Vancouver, BC, Canada, V7X 1T2
Shares Listed	TSX Venture Exchange Trading symbol: ROMJ OTCQX Best Market Trading symbol: ROMJF
Investor Relations	IR@RubiconOrganics.com +1-437-929-1964