Rubicon Organics Inc.

Management's Discussion & Analysis

For the years ended December 31, 2023 and 2022

Expressed in Canadian dollars

Preface

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

This MD&A comments on our operations, financial performance, and financial condition for the fiscal year ended December 31, 2023. 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, 2023 (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 27, 2024.

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.sedarplus.ca.

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 our 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 our 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. Our 3rd annual ESG report, covering 2022, is available on the Company's website.

We are focused on building a portfolio of premium brands in the Canadian market, including three flagship brands: our super-premium brand Simply Bare™ Organic, our premium brand 1964 Supply Co™, and our cannabis wellness brand Wildflower™ in addition to our mainstream brand Homestead Cannabis Supply™.

We currently have over 191 unique SKUs available for sale across Canada, with over 99% 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

[1] *By population per Statistics Canada*

Ontario Cannabis Stores (“OCS”), the Société Québécoise du cannabis (“SQDC”), Cannabis NB (“CNB”), the Yukon Liquor Corporation (“YLC”) and sells directly to Manitoba Liquor & Lotteries (“MBLL”), the Northwest Territories Liquor, Cannabis Commission (“NTLCC”), the Newfoundland Liquor Corporation (“NLC”), Nova Scotia Liquor Corporation (“NSLC”), and the PEI Cannabis Management Corporation (“PEICMC”). We have distribution agreements with distributors in Saskatchewan who distribute the Company’s products to certain provincial distributors and retailers.

As at December 31, 2023, Rubicon Organics has the following subsidiaries:

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

† Formerly Rubicon Organics Canada Corp.

‡ West Coast Marketing Corporation amalgamated with Rubicon Holdings Corp. effective January 1, 2024

Our Operations

Delta Facility

Our Delta Facility is a 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.

Our Delta Facility is made up of a processing area, a nursery, and a total of five cultivation compartments. Since March 2020, the facility has been in full scale operation. Our 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 our 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. Our Delta Facility utilizes two different spectrums of supplemental LED light and advanced climate and humidity controls. 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, to preserve quality, 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 27, 2024:

- 3.5 gram jar
- 7.0 gram jar
- 14 gram bag
- 28 gram bag
- 1 x 0.5 gram pre-roll
- 1 x 0.5 gram pre-roll *(rosin infused)*
- 2 x 0.5 gram pre-rolls
- 3 x 0.5 gram pre-rolls
- 3 x 0.5 gram pre-rolls *(rosin infused)*
- 5 x 0.3 gram pre-rolls
- 1 x 1 gram pre-roll
- 1 x 1 gram pre-roll *(rosin infused)*
- 1 x 1.5 gram pre-rolls *(rosin & hash infused)*
- 2.0 gram hash

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, hash formats and edibles.

Product formats available as of March 27, 2024:

- 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
- 2 x 5 milligram edibles *(live rosin infused)*
- *2 x 5 milligram poutine sauce mix (hash rosin infused)*
- *1 gram cured resin jar*
- *1 gram diamonds jar*

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 27, 2024:
- 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
- 40 x 0.7 gram pre-rolls
- 30 x 1 gram pre-rolls

Wildflower™ is a cannabis wellness product brand owned by Rubicon Organics in Canada. CBD Relief Sticks and CBD Cool Sticks launched in April 2021 to consumers nationally and on certain medical platforms, and the range was expanded in 2023 with the launch of new product formats.

Product formats available as of March 27, 2024:
- 2 x 15 gram Relief and 1:1 Relief Stick
- 30 gram and 73 gram CBD Relief Stick
- 30 gram and 73 gram CBD Cool Stick
- 30 gram 1:1 Relief Stick
- 60 gram CBD Extra Strength Relief Stick
- 5 pack CBD + CBN + THC edibles *(live rosin infused)*
- 10 pack CBD + CBN + THC edibles *(live rosin infused)*
- 10 pack CBD + CBG edibles
- 30 pack CBD edibles
- 30 pack CBD + CBN + THC edibles (live rosin infused)
- 30 pack CBD + CBG edibles
- 30ml CBD+THC+CBN Oil

Strategy and Outlook

Elevating From A Foundation Of Premium Brands, We Are Committed To Delivering Exceptional Quality And Expanding Our Product Line To Captivate The Canadian Recreational Market.

Rubicon Organics' strategy is to achieve industry leading profitability through premium and super-premium cannabis flower products, including our three flagship brands: our super-premium brand Simply Bare™ Organic, our premium brand 1964 Supply Co™, and our cannabis wellness brand Wildflower™. Furthermore, our brand, Homestead Cannabis Supply™, strives to offer high-quality cannabis products at affordable prices, catering to budget-conscious consumers. The Company is focused on premium and organic cannabis flower and flower products with our strategy to launch new genetics and various product formats. We continue to expand and refine our product lines with the launch of various new genetics, cultivars and the continued expansion of product formats.

2024 Outlook

Brand and Product Development

Our strategy is founded on a strong premium branded portfolio, highly regarded by both budtenders and consumers alike. Guided by consumer research, we continually innovate our products to anticipate market trends. Our commitment to quality and excellence is evident throughout all areas of our business, seeking to deliver products and services that consistently meet the highest quality standards.

Launch into Vape Category

Rubicon is launching into the vape category with our 1964 Supply Co™ brand. The introduction of vapes strategically aligns with our market expansion strategy and offers substantial growth prospects. The vape market has demonstrated robust growth over recent years and trends in Canada and the US demonstrate indicating the vape category's increasing prominence, rivaling or surpassing traditional flower products.

Our launch into the vape category takes advantage of additional biomass available from our contract grow strategy launched in 2023 of our own genetics grown outside of the Delta Facility. We have successfully listed our leading Comatose and Blue Dream Full Spectrum Extract ("FSE") resin vapes in Ontario and the product is expected to be first available in May seeking to launch in other provinces soon after. In line with our approach to the live rosin edibles we launched under the brand in 2023, we are focused on delivering products that maintain a competitive edge through superior quality, right price to value ratio leveraging our established and reputable brands. We are confident that by capitalizing on this opportunity, over time we can achieve comparable financial success with our vape offerings as we have with our flower business.

Wildflower™'s Leadership in Cannabis Wellness

Wildflower™'s prominence in the cannabis wellness sector is characterized by its notable dominance in topical products and the Company has recently expanded the brand to other categories, including edibles and capsules designed to address specific wellness needs such as sleep, pain relief, and anxiety reduction. While we expect more competition to enter the topical and wellness category, we are expanding the brand into other categories and anticipate steady growth and momentum behind the daily wellness consumer.

Launch of New Genetics

Rubicon plans to continue to launch new and novel genetics into its Simply Bare™ Organic and 1964 Supply Co™ to continue leadership in the premium cannabis market. Planned launches in 2024 include BC Organic Zookies, BC Organic Power Mintz, and BC Organic Fruit Loopz under the Simply Bare™ Organic brand, and Blue Dream under the 1964 Supply Co™ brand.

Growth from Solid Business Fundamentals

Consistent quality and systematic delivery to our customers, including the provincial distributors and retailers, and consumers to meet their needs is imperative to be successful in the Canadian cannabis industry. In 2024 we are investing in an Enterprise Resource Planning ("ERP") system which is necessary for our business to deliver more growth in future and allow less reliance on key people within our internal systems. Anticipated project costs for 2024 are estimated to reach $1 million, with the majority expected to be incurred in the first half of the year. While a resource intensive process, this ERP implementation readies our business for growth in future.

Financial

We believe that our commitment to cannabis quality, strategic brand positioning, diverse product portfolio, and committed team will position us as one of the premier cannabis companies in Canada. We anticipate year over year growth in net revenue, supported by modest increases in our cost base, excluding the impact of the ERP implementation occurring mostly in the first half, thereby enhancing our operating leverage. While we expect growth in 2024, we also anticipate that much of the growth will come from our branded products that are produced using external capacity and thereby deliver lower gross margin than our current mix. Furthermore, we expect continued fierce competition in the distressed Canadian cannabis industry with price compression across all categories. Notwithstanding these pressures, we expect to deliver continued operating positive cash flow in the year ahead and plan to refinance our debt to a longer-term mortgage facility midway through the year.

Reviewing Rubicon's 2023 Key Priorities

We achieved Adjusted EBITDA[2] profitability of $4,371,372 and positive operating cashflow of $5,049,740 for the year ended December 31, 2023. This was facilitated by our four key priorities for 2023:

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

Our unwavering commitment has always been to provide super-premium quality cannabis flower products in the Canadian market. Operating at scale within a greenhouse environment inevitably faces seasonal variations and the task of commercializing new premium genetics to meet market demand while upholding our brand standards, which can present challenges. Despite these hurdles, we continue to refine, trial and evaluate crop data in order to seek improvements at our Delta Facility.

In late October 2023, the installation of additional tables was completed at our facility, signaling a proactive step towards enhancing air circulation and anticipating a capacity increase of up to 10% for crops harvested in 2024 and beyond.

The Company continues with certain strategic capital investments focussed on improving quality and yield, increasing efficiency, and/or decreasing operating costs with items such as additional tables for plants in our 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.

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. We launched new innovation under both our Simply Bare™ Organic brand and 1964 Supply Co™ brand which made a positive contribution to our gross profit in 2023.

In early 2023, responding to forecast demand exceeding our available supply from our Delta Facility, we entered partnerships to incrementally grow our net revenue and gross profit that do not require our Delta Facility's capacity. The Company entered into an agreement with a third-party manufacturer of high-quality edibles and has expanded the portfolio with new flavours after the successful launch. Within five months of launch, our 1964 Supply Co™ edibles are the third best-selling premium edible brand with 5.6%[3] market share. We believe this strong market share capture was driven by the leading reputation of our premium

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[2] *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.*

[3] *Hifyre data for premium edible products covering three months ended September 30, 2023*

brands. In late 2023, we launched edibles under Wildflower™ following the success of our 1964 Supply Co™ edibles.

By working with high-quality partners that complement our own premium production, we have seen early success in adding incremental gross profit to our results in a cost effective and efficient manner.

We will continue to look for opportunities 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, but will be to Rubicon's quality standards. We established our first high-quality partnership for contract grow that will help fulfill demand under the 1964 Supply Co™ brand in 2024. We intend to deliver this incremental gross profit without significant incremental overhead cost to our business, thus driving additional overall profitability.

In 2023 we launched several innovative genetics under the Simply Bare™ Organic brand, including BC Organic White Rainbow, BC Organic Bridesmaid and BC Organic Jokerz as well as the Company's first super-premium balanced cultivar, BC Organic Harlequin.

Under 1964 Supply Co™ we have launched new genetics, single strain live rosin edibles and infused pre-rolls including Super Lemon Haze and Comatose rosin rolls.

The quality of our cannabis flower and products was recognized by consumers and budtenders and has received industry recognition with the Company winning KIND Awards "People's Choice Best Weed" and 1964 Supply Co™ voted "Favourite Sample" in 2023. The Company was also honoured to be selected at the KIND awards as "2023 Cannabis Company of the Year" and nominated in the top 3 of Benzinga's "Canadian Cannabis Company of the Year".

Under the Wildflower™ brand, we have launched the 1:1 CBD:THC Relief Stick and the 60 gram CBD Extra Strength Relief Stick as well as minor cannabinoid centered live-rosin edibles.

There will be further expansion in all these brands planned for 2024, with the focus on margin optimization for each gram produced from our Delta Facility. The Canadian cannabis industry continues to experience general price compression with an oversupply of cannabis inventory in the highly competitive market. Consumer preferences and product mix has evolved to focus on more value offerings through larger formats and cannabis-infused products. Through insights from customers and understanding of our consumers, the Company is focused on continuous innovation to respond to trends in the industry.

3. *Drive Efficiency in Processes and Systems*

In order to increase efficiency, reduce cost, and move away from manual processes or those with a reliance on key individuals, we initiated the implementation of new information systems in 2023. We are progressing as planned and anticipate going live with the system later in 2024. While this project will entail short-term cost increases in the first half of 2024, we are confident it will significantly boost the efficiency of our current operations and position Rubicon for future growth.

4. *Build a 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 have also reviewed our Company values listening to our people as part of the process and Rubicon's evolution, now that we are in a steadier state. Our revised Company values are: Quality, Freedom, Integrity, and Excellence.

Recent Activities

Key Developments in the year ended December 31, 2023

- Achieved net revenue of $40.1 million (13% increase) for the year ended December 31, 2023
- Achieved Adjusted EBITDA[2] of $4.4 million for the year ended December 31, 2023
- Achieved operating cash flow of $5.0 million for the year ended December 31, 2023
- Achieved Free Cash Flow[4] of $2.5 million for the year ended December 31, 2023
- Launch of 1964 Supply Co™ live rosin gummies and launch of Wildflower™ gummies
- Simply Bare™ Organic and 1964 Supply Co™ identified as 2 of top 3 brands recommended by Canadian budtenders[5]
- Rubicon Organics won Cannabis Company of the Year and People's Choice for Best Weed awards[6]
- Wildflower™ is the number one topical brand in Canada with market share of 21.8%[7] for the year ended December 31, 2023
- 2.1%[8] national market share of flower and pre-rolls for the year ended December 31, 2023
- 6.9%[9] national market share of premium flower and pre-rolls for the year ended December 31, 2023
- 4.1%[10] national market share of premium edibles for year ended December 31, 2023 following initial launch in Q2 2023
- Appointment of 5 new, experienced independent directors

Financial

For the year ended December 31, 2023, the Company reported net revenues of $40,116,476, a 13% increase compared to the prior year. For the year ended December 31, 2023, Adjusted EBITDA[2] was a profit of $4,371,372, increasing from a profit of $1,907,698 in the prior year. Operating cash flow for the year ended December 31, 2023 was $5,049,740, increasing by $3,097,732 from $1,952,008 in the year ended December 31, 2022.

Market Share

The Company's total market share in the Canadian flower and pre-rolls category amounted to 2.1% for the twelve months ended December 31, 2023, a decrease from 2.4%[11] as compared to the prior period.

The Company's overall market share in the premium flower and pre-rolls category with 6.9%[9] for the twelve months ended December 31, 2023 (6.3%[12] for the twelve months ended December 31, 2022). The Company gained one spot as it moved from number three to number two position in the premium market for flower and pre-rolls. This gain can be attributed to the increase in infused pre-rolls offered, responding to market demands.

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[4] *Free Cash Flow 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 Free Cash Flow calculation.*

[5] *Brightfield Group Canada Budtender Study 2023*

[6] *2023 KIND Magazine's ("KIND") awards*

[7] *Hifyre data for topical products covering twelve months ending December 31, 2023*

[8] *Hifyre data for flower & pre-rolled products covering twelve months ending December 31, 2023*

[9] *Hifyre data for premium flower & pre-rolled products covering twelve months ending December 31, 2023*

[10] *Hifyre data for premium edible products covering twelve months ending December 31, 2023*

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

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

The premium category is defined as products sold with a 20% premium over average selling price. The premium flower and pre-rolls category continue to grow despite price compression, which is primarily attributed to a large volume of infused pre-rolls coming into this category. Both 1964 Supply Co™ and Simply Bare™ Organic have launched a number of infused pre-roll offerings in the last year, and are gaining market share within this growing segment of the pre-roll market.

In the twelve months ended December 31, 2023, 1964 Supply Co™ has achieved 3.6%[8] market share in the premium flower and pre-rolls category, compared to 1.3%[11] in the prior year.

The Company's topical brand, Wildflower™, continues to be the number one topical brand in Canada with a market share of 21.8%[13] for the twelve months ended December 31, 2023, increasing from 16.1%[14] from the prior year. Wildflower™ topicals ended the last quarter of 2023 with 26.9%[15] market share.

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 of Directors (the "Board").

On September 14, 2023, the Company held its Annual General Meeting ("AGM"). At the AGM, the Company elected Karen Proud, Len Boggio, Doris Bitz and Ian Gordon to its Board. Len Boggio was appointed as Chair of the Board (the "Chair").

On October 16, 2023, the Company released its third annual Environmental, Social, & Governance Report.

On December 12, 2023, the Company announced that the Company was the winner of KIND Magazine's Cannabis Company of the Year and People's Choice for Best Weed awards.

Commercial

In April 2023, Brightfield released its own survey of Canadian Budtenders and in those results, Simply Bare™ Organic and 1964 Supply Co™ were identified as two of the top three most recommended brands by Canadian budtenders[4].

During April 2023, the Company launched its first product into the edibles category with the 1964 Supply Co™ live rosin edibles in BC and Ontario. These vegan and gluten-free edibles are 2 x 5 milligram THC and were the first single-strain live rosin edibles available in the Canadian market. The initial product rollout was two flavours, Pink Lemonade and Berry Blitz, each paired with a specific live rosin strain. On May 9, 2023, these products also became available in Alberta.

Following up on the launch of the 1964 Supply Co™ Pink Lemonade & Berry Blitz Live Rosin edibles, the brand has rolled out three new flavours, Strawberry Watermelon, Tropical Punch, and Green Apple, in June 2023 in BC. The Strawberry Watermelon and Tropical Punch gummies launched in BC in July 2023. Additionally, the brand launched the three new flavours into the Ontario market in July and into the Alberta market in August 2023.

With the continuing growth of the infused pre-roll category, 1964 Supply Co™ launched the brands newest infused pre-roll into markets across Canada. The Comatose rosin roll is a 1 x 1 gram infused pre-roll that

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[13] *Hifyre data for topical products covering twelve months ending December 31, 2023*
[14] *Hifyre data for topical products covering twelve months ending December 31, 2022*
[15] *Hifyre data for topical products covering three months ending December 31, 2023*

features a mix of flavourful Comatose flower, and potent Comatose hash rosin. This product first launched in Alberta on June 29, 2023.

In April 2023, the Company's brand, 1964 Supply Co™ launched Gelato #41 flower and pre-rolls which were initially available in Alberta, Ontario and Quebec, followed by the launch in BC in May 2023.

In June 2023, the Company's brand Wildflower™ launched new products to address consumer needs in the wellness space. The new products consist of Wildflower™ Extra Strength Relief Stick and Wildflower™ 1:1 CBD:THC Relief Stick.

In June 2023, the Company's brand, Simply Bare ™ Organic launched the BC Organic Jelly Breath, followed by the launch in Ontario and Quebec in July 2023. The brand also launched BC Organic Scotti Biscotti in flower and pre-rolls in BC in June 2023, followed by the launch in Alberta, Quebec and Ontario in July 2023.

In July 2023, the Company's first super-premium balanced cultivar of BC Organic Harlequin was launched in BC, under the Simply Bare ™ Organic brand. This all-new sativa dominant balanced cultivar, with a ratio of 11% CBD and 8% CBD, was made available in the BC market for the first time and in a new 5 x 0.3 gram pre-roll format.

In August 2023, the newest cultivar in the Company's brand's 1964 Supply Co™ portfolio, Organic Death Bubba was launched in the Ontario market. This product has launched in a 3.5 gram flower and 1 x 0.7 gram pre-roll formats.

On September 21, 2023, the Company's brand Simply Bare ™ Organic launched BC Organic Bridesmaid and BC Organic Jokerz in both flower and pre-rolls in BC.

On September 28, 2023, the Company's brand 1964 Supply Co™ launched another infused pre-roll, the Super Lemon Haze "Heavy Hitter" rosin roll which is a 1 x 1 gram infused pre-rolls featuring Super Lemon Haze flower, and potent Super Lemon Haze hash rosin.

On October 12, 2023, the Company received its first purchase order from PEICMC, a provincial crown corporation responsible for distribution and retail of cannabis in PEI.

On October 24, 2023, the Company launched its first Wildflower™ edibles in BC. The product range consist of four varieties including Sweet Dreams Blood Orange, Goji Berry, Cherry and Daily Bliss Lemon Ginger, containing different combinations of the minor cannabinoids CBN, CBG and CBD as well as full spectrum THC Live Rosin, and are vegan and gluten-free. In November 2023, all four varieties also became available in Alberta.

In October 2023, the Company's brand, Simply Bare™ Organic launched its newest infused pre-roll, the "Layer J" in BC and Ontario. It contains two layers, one with flower and hash of one cultivar, and the other with flower and hash rosin of another cultivar. The two cultivars are BC Organic Cleopatra and BC Organic White Rainbow.

In October 2023, the Company's brand, Simply Bare ™ Organic launched a new 2 gram hash, "New School Hash" available in BC, Ontario, Alberta and Quebec.

In October 2023, the BC Organic Harlequin cultivar by Simply Bare™ Organic has become available in Ontario, followed by Quebec in November 2023. As well as that, BC Organic Bridesmaid and BC Organic Jokerz in flower and pre-rolls, available in BC, Ontario, Alberta and Quebec in October 2023.

In November 2023, the Company's brand, Simply Bare ™ Organic launched a new 3 x 0.5 gram pre-roll "Craft Flight". The cultivars are planned to rotate every three months with the initial launch featuring Lime Mi'jito, Jokerz, and Bridesmaid and available in BC, Ontario, and Alberta.

In December 2023, the Company's brand Simply Bare ™ Organic launched BC Organic Power Mintz and BC Organic Zookies in flower in BC.

In December 2023, the Company's brand, 1964 Supply Co™ launched a new 1 gram cured indica resin in BC, the start of the brands expansion of its concentrate line up.

Developments Subsequent to December 31, 2023

Corporate

In January 2024, the Company granted an aggregate of 420,000 DSUs pursuant to the DSU plan to independent directors of the Company as compensation for their services in 2023. In addition, the Company granted stock options for a total of 15,000 common shares to an employee.

In February 2024, the Company announced the appointment of Margaret Brodie as Chief Executive Officer and Janis Risbin as Chief Financial Officer. In addition, the Company granted an aggregate of 1,361,106 restricted share units ("RSUs") to certain executives of the Company.

In March 2024, the Board invited Jesse McConnell, a consultant to the Company, to attend parts of its meetings as an observer.

Commercial

In January 2024, the Company's brand, 1964 Supply Co™ launched two additional flavours of live rosin gummies, Sour Cherry and Sour Grape, in Ontario. The Sour Cherry flavour was subsequently launched in BC in March 2024.

In January 2024, the Company's brand, 1964 Supply Co™ launched a 1 gram cured indica resin in Ontario.

In February 2024, the Company's brand, 1964 Supply Co™ launched infused poutine sauce available in 2 x 5mg format. The infused poutine sauce launched initially in Quebec.

In March 2024, the Company's brand Simply Bare ™ Organic launched Live Rosin Softgels, available in 30x10mg units, in Ontario, the first live rosin softgels with organic inputs to be sold on the legal market.

In March 2024, the Company's brand Simply Bare ™ Organic launched two new genetics, BC Organic Hollywood Mac and BC Organic Mindflayer, both in a 3.5g whole flower format in BC.

In March 2024, the Company's brand, 1964 Supply Co™ launched a new 1 gram cured sativa resin and a new 1 gram cured diamonds resin in Alberta and BC. In the same month, 1 gram cured indica resin was available in Alberta.

In March 2024, the Company's brand Wildflower™ launched for the first time into the Oils category. The Sweet Dreams Oil contains CBN, THC and CBD and also has hemp seed Oil, launching in Alberta and British Columbia.

In March 2024, the Company's brand Wildflower™ launched new 30 pack edibles in Alberta and BC. These products consist of three flavours, including Grilled Pineapple, Lemon Ginger and Blood Orange. These contain minor cannabinoids CBN, CBG and CBG as well as full spectrum THC Live Rosin and are vegan and gluten free.

Fourth Quarter 2023 Highlights

- Net revenue of $10.0 million was a decrease of 9.1% from the same period in the prior year
- Achieved Adjusted EBITDA[2] of $1.3 million
- Achieved positive operating cashflows of $1.1 million
- Achieved positive Free Cash Flow[4] of $0.6 million
- 2.2%[16] national market share of flower and pre-rolls
- 6.7%[17] national market share of premium flower and pre-rolls
- 11.0%[18] national market share of premium concentrates
- 14.0%[19] national market share of premium edibles
- 26.9%[20] national market share of topicals

Financial

In the fourth quarter of 2023, the Company earned $9,992,997 of net revenue, a slight decrease of $48,749, or 0.5%, when compared to the third quarter of 2023.

The fourth quarter net revenue was relatively flat from the third quarter, as we continued to see weak consumer sentiment and price pressure in the industry. Despite the challenging environment, both Simply Bare™ Organic and Wildflower™ posted their strongest quarter of 2023 in the fourth quarter driven by new product format launches, including Simply Bare™ Organic Hash Bullet and Wildflower™ gummies.

Production costs in the fourth quarter 2023 decreased by $62,596 or 2% when compared to the third quarter of 2023 (three months ended December 31, 2023: $2,734,441 as compared to three months ended September 30, 2023: $2,797,037).

Inventory expensed to cost of sales amounted to $3,774,785 in the fourth quarter of 2023, which was relatively flat compared to the third quarter of 2023 where cost of sales were $3,806,971. For both periods, Inventory expensed to cost of sales relative to Net Revenue was 38% attributed to similar product mixes in each period.

The Company incurred operating expenses of $3,155,689 in the fourth quarter of 2023 which is a decrease of $285,703 or 8.3% when compared to the third quarter of 2023 (September 30, 2023: $3,441,392). The decrease is largely driven by an alignment of the corporate bonus plan to the performance achieved.

Net profit during the fourth quarter of 2023 was $662,532, compared to net loss in the third quarter of 2023 amounting to $1,643,867. The movement is primarily attributed to *Fair value adjustments to cannabis plants, inventory sold and inventory written off* which changed by $2,292,382, largely driven by the rebounding of wholesale cannabis prices during Q4 2023

The fourth quarter Adjusted EBITDA[2] amounted to $1,292,863 which is an increase of $150,940 when compared to the third quarter of 2023 of $1,141,923. As discussed above, the increase in Adjusted EBITDA[2] is largely due to lower operating expenses, on the back of relatively flat gross margin.

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[16] *Hifyre data for flower & pre-rolled products covering three months ending December 31, 2023*

[17] *Hifyre data for premium flower & pre-rolled products covering three months ending December 31, 2023*

[18] *Hifyre data for premium concentrates products covering three months ending December 31, 2023*

[19] *Hifyre data for premium edibles products covering three months ending December 31, 2023*

[20] *Hifyre data for topical products covering three months ending December 31, 2023*

Market Share

The Company's performance in the Canadian flower and pre-rolls category demonstrated growth, with its total market share increasing to 2.2% for the three months ended December 31, 2023, compared to 2.0%[21] for the previous quarter ending September 30, 2023.

The Company is focused on the premium market and maintains a strong position as the number two licensed producer for premium flower and pre-roll market share, capturing 6.7%[22] of the market. This marks a notable 1.1% increase from the preceding quarter ending September 30, 2023 of 5.6%[23]. This market share strength is attributable to both Simply Bare™ Organic, holding the fifth[22] position nationally in premium pre-rolls, and 1964 Supply Co™ which ranks fifth[22] in national premium flower sales.

With price pressure on flower, the Company has a diversified range beyond flower products and boasts significant market shares in other product categories, holding the second position in premium concentrates with an 11.0%[24] market share, and the third position in premium edibles with a 14.1%[25] market share.

Despite already holding a significant portion of the market, the Company's brand, Wildflower™, continued to show growth. Wildflower™ now commands a 26.9%[20] market share in the topicals category in Canada, representing a 0.9% increase from the previous quarter's market share of 26.0%[26] ending September 30, 2023.

Results of Operations and Financial Review

	Year ended	
	December 31, 2023 $	December 31, 2022 $
Net revenue	**40,116,476**	35,518,133
Production costs	**10,802,416**	10,484,602
Inventory expensed to cost of sales	**14,432,764**	11,957,149
Inventory written off or provided for	**794,117**	865,868
Gross profit before fair value adjustments	**14,087,179**	12,210,514
Fair value adjustments to cannabis plants, inventory sold, and other charges	**(946,409)**	1,595,830
Gross profit	**13,140,770**	13,806,344

Net revenue

The Company delivered net revenue of $40,116,476 for the twelve months ended December 31, 2023, a 13% increase from the prior year.

The net revenue demonstrated consistent growth through the first half of 2023, but experienced notable pressure beginning July 2023 through the remainder of 2023. Our net revenue was impacted by consumers downtrading to cheaper alternatives where price drops occurred across almost all categories in the industry and most notably flower where cannabis companies in financial distress dropped price to sell their inventory. At the same time, consumer data indicated weakness in consumer spending impacting their choice of a premium product for cheaper alternatives. Through the second half we saw a shift to larger format

[21] *Hifyre data for flower & pre-rolled products covering three months ending September 30, 2023*
[22] *Hifyre data for premium flower products covering three months ending December 31, 2023*
[23] *Hifyre data for premium flower & pre-rolled products covering three months ending September 30, 2023*
[24] *Hifyre data for premium concentrate products covering three months ending December 31, 2023*
[25] *Hifyre data for premium edible products covering three months ending December 31, 2023*
[26] *Hifyre data for topical products covering three months ending September 30, 2023*

selections, with the consumer continuing to buy their favourite products in the premium category, but at a more affordable cost per gram.

Simply Bare™ Organic was particularly impacted by continued price pressure in every segment of the market, and the market shift from dry flower to infused pre-rolls. Despite the decline year-on-year, Simply Bare™ Organic brand recorded its best absolute sales of 2023 in the fourth quarter on the back of new infused pre-roll launches and incremental listings in December 2023.

1964 Supply Co™ although also impacted by the challenging market conditions, continued in growth versus the prior year across all our key markets (BC, Alberta, Ontario and Quebec), which together make up 98% of our sales in the three and twelve months ended December 31, 2023, respectively (98% in both of the three and twelve months ending December 31, 2022). The continuing success of this brand is attributed to the increase of infused product sales, the launch of Live Rosin gummies and increased distribution and rate of sale of flower and pre-roll formats including the continued success of the Comatose strain, as well as the launch of Death Bubba.

Wildflower™ also continues to perform strongly in the topicals category, with net revenue growth driven by the range extension with the new Wildflower™ Extra Strength Relief Stick and Wildflower™ 1:1 CBD:THC Relief Stick.

Production costs

For the twelve months ended December 31, 2023, production costs increased by $317,814 (3%) 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.

Production costs in 2023 are benefitting from the BC Hydro power upgrade completed in September 2022. Since then, the Delta Facility has been powered by hydro electricity, opposed to the use of higher-cost natural gas generators. These cost reductions were largely offset by higher labour costs due to more labour used in the cultivation cycle and increased number of plants harvested. Additionally, there were additional expenditures in various areas aimed at enhancing overall yield.

Inventory expensed to cost of sales

For the twelve months ended December 31, 2023, inventory expensed to cost of sales increased by $2,475,615 (21%) 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 36% of net revenue for the twelve months ended December 31, 2023, respectively December 31, 2022 of 34%. This ratio has slightly increased in the current periods due to negative changes in product mix, notably larger formats to be price competitive, higher cost products such as infused pre-rolls, and lower margin products manufactured externally such as edibles.

Inventory written off or provided for

For the twelve months ended December 31, 2023, inventory written off or provided for was $794,117 compared to $865,868 in the prior year.

This represents 2.0% of net revenue for the twelve months ended December 31, 2023 compared to 2.4% in the prior year.

The Company continues to reduce the amount of inventory written off or provided for relative to sales through continuous refinement of our supply and demand planning processes, and aligning our production of finished goods and bulk cannabis inventory with sales.

Gross profit before fair value adjustments

For the twelve months ended December 31, 2023, gross profit before fair value adjustments was $14,087,179 compared to $12,210,514 in the prior year. This represents a gross profit margin of 35% for the twelve months ended December 31, 2023, compared to 34% in the prior year.

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 twelve months ended December 31, 2023, unrealized gain on changes in fair value of cannabis plants was $11,295,836 compared to $16,302,269 in the prior year, a decrease of $5,006,433.

The largest driver of the decrease is the comparable selling price of wholesale dried cannabis, which has been declining year-over-year due to increased supply, and overall price competitiveness. As of December 31, 2023, the Company's weighted average fair value less costs to sell was approximately $1.45, compared to $1.74 as of December 31, 2022.

Realized fair value of inventory sold

For the twelve months ended December 31, 2023, realized fair value of inventory sold was $11,380,889 compared to $13,389,829 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 twelve months ended December 31, 2023, the adjustment to net realizable value of inventory on hand at period end was $861,356 compared to $1,316,610 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, 2023 **$**	December 31, 2022 $
Consulting, salaries and wages [A,B,]	**6,896,643**	8,361,798
General and administrative [B]	**3,462,920**	3,320,693
Share-based compensation	**1,384,759**	3,042,119
Sales and marketing	**2,183,492**	1,342,364
Depreciation and amortization	**296,401**	328,046
Total operating expenses	**14,224,215**	16,395,020

[A] Contains restructuring charges and research and development charges
[B] Contains research and development charges

Consulting, salaries and wages

For the twelve months ended December 31, 2023, consulting, salaries, and wages decreased by $1,465,155 compared to the prior year. The decrease in salary costs is due to changes in the executive team structure, and bonus adjustments in line with bonus performance achievements, per the Company's corporate bonus plan.

General and administrative expenses

For the twelve months ended December 31, 2023, general and administrative expenses increased by $142,227 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 increase is primarily due to a higher Health Canada fee which is based on revenue, as well as the initiation of our information systems upgrade

Sales and marketing

For the twelve months ended December 31, 2023, sales and marketing expenses increased by $841,128 compared to the prior year. Sales and marketing expenses consist of the costs to maintain the Company's brands, carry out marketing initiatives, develop new brands, and sample our products.

The increased sales and marketing expenditures in the twelve months ended December 31, 2023, align with efforts to drive brand growth and awareness of 1964 Supply Co™, Simply Bare™ Organic and Wildflower™ compared to the prior period. Rubicon has focused its sales and marketing spend to ensure there is direct, measurable impact.

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 twelve months ended December 31, 2023, share-based compensation decreased by $1,657,360 compared to the same period in the prior year.

The primary reason for the decrease is due to the expiration of several RSUs in 2023 following the departure of certain employees. This led to a reduction in the expense associated with RSUs, as there were fewer RSUs outstanding in 2023 compared to 2022.

Furthermore, in January 2024, 420,000 DSUs were granted to reflect the independent director services rendered in 2023. As a result, the corresponding expense of $210,000 has been accounted for in 2024 instead of 2023.

Selected Financial Information

The following tables present selected financial information of the Company:

As at:	**December 31, 2023 $**	December 31, 2022 $	December 31, 2021 $
Current assets	**27,039,840**	27,694,524	27,174,025
Non-current assets	**27,851,202**	28,412,176	27,667,267
Current liabilities	**16,907,751**	8,372,553	6,937,753
Non-current liabilities	**88,973**	9,401,052	9,004,355
Shareholders' equity	**37,894,318**	38,333,095	38,899,184

		Year ended	
	December 31, 2023 $	December 31, 2022 $	December 31, 2021 $
Net revenue	**40,116,476**	35,518,133	22,611,804
Other income	**—**	—	83,583
Loss from operations	**(1,083,445)**	(2,588,676)	(13,257,417)
Net loss and comprehensive loss for the year	**(1,823,536)**	(3,855,847)	(14,520,740)
Adjusted EBITDA[2]	**4,371,372**	1,907,698	(8,006,273)
Profit (loss) per share from continuing operations	**(0.03)**	(0.07)	(0.26)
Profit (loss) per share, basic	**(0.03)**	(0.07)	(0.26)
Profit (loss) per share, diluted	**(0.03)**	(0.07)	(0.26)

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, 2023, December 31, 2022, and December 31, 2021.

		Year ended	
	December 31, 2023 $	December 31, 2022 $	December 31, 2021 $
Profit (loss) from operations	**(1,083,445)**	(2,588,676)	(13,257,417)
IFRS fair value accounting related to cannabis plants and inventory	**946,409**	(1,595,830)	798,047
Interest revenue	—	—	(83,583)
Depreciation and amortization	**3,123,649**	3,050,085	2,396,498
Share-based compensation expense	**1,384,759**	3,042,119	2,140,182
Adjusted EBITDA	**4,371,372**	1,907,698	(8,006,273)

The following table presents the Company's Adjusted EBITDA for the three months ended December 31, 2023, September 30, 2023, and December 31, 2021.

	Three months ended		
	December 31, 2023 $	September 30, 2023 $	December 31, 2022 $
Profit (loss) from operations	**889,166**	(1,507,718)	(2,717,482)
IFRS fair value accounting related to cannabis plants and inventory	**(829,800)**	1,309,266	2,379,925
Depreciation and amortization	**793,006**	810,633	790,030
Share-based compensation expense	**440,491**	529,742	813,876
Adjusted EBITDA	**1,292,863**	1,141,923	1,266,349

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.

	Year ended		**Three months ended**	
	December 31, 2023 $	December 31, 2022 $	**December 31, 2023 $**	December 31, 2022 $
Cash from operating activities	**5,049,740**	1,952,008	**1,098,123**	2,839,319
Purchases of and deposits on property, plant and equipment	**(2,582,825)**	(4,100,864)	**(524,046)**	(973,901)
Free Cash Flow	**2,466,915**	(2,148,856)	**574,077**	1,865,418

Summary of Quarterly Results

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

	2023				2022			
(C$000's)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net revenue	9,993	10,042	11,282	8,800	10,992	10,543	8,835	5,148
Inventory written off or provided for	(269)	(195)	(173)	(157)	(241)	(201)	(313)	(111)
Gross profit (loss) before fair value adjustments	3,215	3,243	4,600	3,030	4,509	4,114	2,844	744
Net profit (loss) for the period	509	(1,644)	(114)	(575)	(3,158)	2,026	(1,232)	(1,492)
Weighted average shares outstanding (000's), basic	56,466	56,442	56,439	56,425	56,300	56,250	56,247	56,231
Weighted average shares outstanding (000's), diluted	56,833	56,858	56,855	56,858	56,733	56,733	56,247	56,231
Net profit (loss) per share, basic	0.01	(0.03)	(0.00)	(0.01)	(0.06)	0.04	(0.02)	(0.03)
Net profit (loss) per share, diluted	0.01	(0.03)	(0.00)	(0.01)	(0.06)	0.04	(0.02)	(0.03)

The Company experienced year-over-year quarterly revenue growth from Q1 2022 up until Q2 2023 due to increased demand across key provinces. In Q3 2023 and continuing into Q4 2023, the Company experienced a decline in net revenue due to reduced demand in three key markets, Alberta, Ontario and Quebec due to price compression across all cannabis product categories including premium.

Inventory written off or provided for is minimized through quality flower and continuous supply and demand planning and has ranged between 1.5%-3.5% of net revenue in the previous eight quarters. The inventory written off or provided for increased in Q4 2023 as the Company was producing more complicated, higher cost product formats than in recent quarter.

Gross profit (loss) before fair value adjustments is driven by (i) net revenue for the quarter (see above) (ii) production costs, which are expensed as incurred during the quarter, and (iii) inventory expensed to cost of sales. Net revenue experienced declines in the previous two quarters compared to preceding quarters. The ratio of inventory expensed to cost of sales of net revenue has also slightly increased due to variations in product mix, including lower gross margin large formats, and higher cost products such as infused pre-rolls, contributing to the overall decline in gross profit before fair value adjustments in the current quarter.

Net profit (loss) for the period is affected by the above factors in addition to significant variations due to the fair value adjustments relating to cannabis plants as prescribed by the accounting standards. There were large gains in Q1 2022 and Q3 2022 and large losses in Q4 2022 and Q3 2023 followed due to the factors involved in valuing the cannabis plants.

For a detailed review of the year ended December 31, 2023, 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, 2023 $	December 31, 2022 $	Change $
Net cash provided (used in):			
Operating activities	**5,049,740**	1,952,008	3,097,732
Investing activities	**(2,732,825)**	(4,450,864)	1,718,039
Financing activities	**(804,006)**	(838,562)	34,556
Effect of foreign exchange on cash	**(22,836)**	48,092	(70,928)
Increase (decrease) in cash	**1,490,073**	(3,289,326)	4,779,399
Cash beginning of the period	**8,294,117**	11,583,443	
Cash end of the period	**9,784,190**	8,294,117	

Operating Activities

In the twelve months ended December 31, 2023, net cash provided in operating activities was $5,049,740 increasing from $1,952,008 in the prior year.

The increase in cash provided from operating activities is attributed to the increase in revenue while 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.

As at December 31, 2023 the Company was current with its excise obligations.

Investing Activities

In the twelve months ended December 31, 2023, net cash used in investing activities decreased by $1,718,039 compared to the same period in the prior year. The spend on projects in the current period relates to capacity upgrades, quality upgrades, and risk management. Projects identified are smaller in scale than in the past and focused on those which deliver a less than one year return on investment or maintenance or risk mitigation for the Delta Facility.

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 in the first quarter and the second being the link of the Delta Facility to BC Hydro completed in September 2022.

In October 2022, the Company acquired the Wildflower™ brand for $500,000, of which $350,000 was paid in 2022 and the remaining $150,000 was paid in 2023.

Financing Activities

In the twelve months ended December 31, 2023, net cash used by financing activities was $804,006 compared to $838,562 in the prior year.

During the twelve months ended December 31, 2023 and 2022, the Company's only financing related activity was to service its existing debts (interest and lease payments).

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, 2023, the Company had cash and cash equivalents of $9,784,190 and net working capital of $10,285,405. Effective July 1, 2023, the interest rate of the Debenture had increased from 6.5% to 7.5%, until maturity date on December 31, 2024. The Company is currently in discussions with various parties for financing options.

Contractual Obligations

The Company has the following contractual obligations as at December 31, 2023:

Payments due by period:	**Less than one year** **$**	**One to three years** **$**	**Over three years** **$**	**Total** **$**
Lease liabilities[1]	71,297	98,785	—	170,082
Trailer leases[2]	214,871	—	—	214,871
Loans and interest obligations[3]	11,065,100			11,065,100
Total contractual obligations	**11,351,268**	**98,785**	—	**11,450,053**

[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 27, 2024, the Company has the following securities outstanding:

	Number of units
Common Shares	56,191,661
Stock Options	2,478,866
Warrants	1,789,000
Restricted Share Units	3,387,772
Deferred Share Units	720,000
Fully Diluted Shares Outstanding	**67,593,614**

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, 2023, included $63,541 (December 31, 2022: $13,041) owed to executives and directors of the Company for expenses paid on behalf of the Company and accrued payroll.

The Company has obtained a consulting agreement with its largest shareholder, a related party (the “Related Party”). During the year ended December 31, 2023, the Company incurred an expense of $48,000 for consulting services and $6,000 in related expenses payable to the Related Party.

Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company’s executive management team and Board of Directors. Key management compensation for the year ended December 31, 2023, and December 31, 2022, was comprised of:

	December 31, 2023 $	December 31, 2022 $
Salaries and accrued salaries	**982,345**	805,900
Bonuses in accrued liabilities	**127,870**	429,687
Termination benefits	**—**	450,000
Share based compensation	**643,075**	2,599,324
Total compensation of key management personnel	**1,753,290**	4,284,911

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

New accounting standards, amendments and interpretations adopted

IAS 1 - Presentation of Financial Statements - Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 that require entities to disclose material accounting policy information instead of significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company adopted this amendment effective the 2023 annual period with no substantial impact on the disclosure of its accounting policies.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments to help distinguish changes in accounting estimates from changes in accounting policies. The Company adopted this amendment effective the 2023 annual period with no substantial impact on the disclosure of its accounting policies.

IAS 12 – Income Taxes – Deferred taxes on initial recognition

The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company adopted this amendment effective the 2023 annual period. These amendments did not affect the Company's financial statements.

New accounting standards, amendments and interpretations not yet adopted

In October 2020, the IASB published amendments to IAS 1 - Presentation of Financial Statements – Classification of debt with covenants as current or non-current. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least 12-months after the reporting period. This new requirement may change how companies classify their debt. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognized as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. The IASB has now clarified that when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments. The effective date is for annual periods beginning on or after January 1, 2024, with early adoption permissible. The Company does not expect a significant impact to the consolidated financial statements as a result of adoption effective January 1, 2024.

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements of 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.

As at December 31, 2023, the Company has cash and cash equivalents of $9,784,190 (2022: $8,294,117) and working capital of $10,132,089 (2022: $19,321,971). For the year ended December 31, 2023 the Company incurred a net loss of $1,823,536 (2022: $3,855,847) and generated cash from operating activities of $5,049,740 (2022: $1,952,008). Included in current liabilities is a debenture of $10,259,562 that is repayable on December 31, 2024. Management is currently in discussions with the debenture holder and other lenders to extend the term of the existing agreement or to enter into a new loan agreement. The Company has been able to extend the existing loan facility in the past and management anticipates that a new financing package will be negotiated at the appropriate time.

Management projects that the Company will be able to meet its obligations as they come due for at least twelve months from December 31, 2023.

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, 2023, the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		December 31, 2023		December 31, 2022
Cash		**531,133**		530,618
Accounts payable and accrued liabilities		**(130,189)**		(162,016)
Interest payable		**(300,000)**		(260,000)
	US$	**100,944**	US$	108,602

A 10% change of the US$ against the CAD$ would have increased net loss by $13,351 (December 31, 2022: $14,709).

Fair value

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

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

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

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

There were no transfers within the fair value hierarchy during the three and twelve months ended December 31, 2023.

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 ongoing conflict in Ukraine, the Israel-Hamas war, 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

During the year ended December 31, 2023, the Company incurred a net loss of $1,823,536, generated cash flows of $5,049,740 from operations and has net current assets of $10,285,405 as of December 31, 2023. 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 may incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance, and operations

The Company may 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. The Company is in discussions with lenders however 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. 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 ability to launch 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. The two main category of licenses that the company relies upon are the Health Canada licenses and the Canada Revenue Agency ("CRA") Excise license. 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. The CRA license was last renewed September 1, 2022, and is valid until August 31, 2024, the company is current with its accounts, and does not anticipate any delays to a 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 and the Excise Act for future extensions or renewal of the licenses, there can be no guarantee that Health Canada or the CRA 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 or the CRA 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.

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, 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, and 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, 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's operations are subject to risks and opportunities related to climate change

These risks include, but are not limited to, chronic and acute physical risks such as the increasing frequency and severity of weather conditions. These events could damage or destroy the Company's operating facilities, adversely affect the Company's facility, or result in reduced transportation availability. These events could have a similar effect on the facilities of the Company's suppliers and customers. Any of the damage caused by these events could increase costs and decrease production capacity at the Company's operations having an adverse effect on the Company's financial results. The Company believes there are reasonable internal processes and insurance arrangements in place to mitigate or cover certain outcomes of such incidents; however, there is no guarantee that these arrangements will fully protect the Company against such losses.

There are also transition risks associated with climate change. These include changes in laws, regulations and industry standards associated with greenhouse gas emissions management, as well as non-regulatory pressure to reduce greenhouse gas emissions, and changing consumer preferences for sustainable products. The Company monitors regulatory changes including any climate-related regulations, to assess their impacts on operations. The Company publishes an annual Environment, Social, and Governance ("ESG") report and is committed to integrating ESG considerations into it's operations.

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. The prevailing challenges in obtaining new strains are compounded by the intricate legal processes involved.

These regulatory constraints not only present hurdles for legitimate enterprises like ours but also inadvertently confer a competitive advantage to the illicit market, which operates outside the bounds of such restrictions. 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 cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production. 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

Between 2021 and 2022, the Company sold Simply Bare™ Organic branded PAX® pods for distribution in Canada. In 2024, the Company plans to sell 1964 Supply Co™ 510-thread vapes for distribution in Canada. The Company may also launch other vaping related products in the future. In Canada 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.

Reliance on business partners to supply products to the Company's quality standards

The Company has entered into, and will enter, third-party agreements to launch new innovation and supply our customers given capacity constraints and to produce products not capable of being produce from the Delta Facility. Despite rigorous due-diligence, there are inherent risks including quality control risk issues, and delay in responding to quality issues, where the third-party supplier may not consistently meet the quality standards expected by the Company resulting in defective products being delivered to the customers, leading to dissatisfaction and potential damage to the Company's reputation. Also dependency risk: Depending heavily on third-party suppliers can create a dependency risk. If a supplier encounters difficulties or goes out of business, it could disrupt the supply chain and impact the business's operations. Finally, compliance and regulatory risks: If the third-party supplier fails to comply with relevant regulations or standards, it could result in legal and regulatory consequences for the business. This includes issues related to product safety and environmental regulations.
The Company has engaged in, and will continue to pursue, strategic partnerships with third-party entities to drive innovation and fulfill customer demand, particularly in light of capacity limitations and the need to manufacture products beyond the capabilities of the Delta Facility. Despite thorough due diligence, there are inherent risks. These encompass potential challenges in maintaining quality control standards, as well as delays in addressing quality issues, wherein third-party suppliers may not consistently align with the Company's stringent quality expectations. Such discrepancies could lead to the delivery of defective products, resulting in customer dissatisfaction and possible harm to the Company's reputation.

Furthermore, heavy reliance on third-party suppliers introduces dependency risks. Should a supplier encounter difficulties or cease operations, it could disrupt the supply chain, impacting the Company's operational continuity. Additionally, compliance and regulatory risks due to failure on the part of third-party suppliers to adhere to pertinent regulations or standards may expose the Company to legal and regulatory ramifications, particularly concerning product safety and environmental compliance.

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 embarked on the implementation of an ERP system in January 2024, transitioning from disparate stand-alone systems. This strategic move is anticipated to yield efficiencies upon completion and is recognized as a pivotal step in facilitating future growth, ensuring reliance on a cohesive operational platform. However, this initiative entails short-term non-recurring costs for 2024, along with inherent risks. These risks include potential overruns in implementation expenses encompassing software, hardware, infrastructure, training, and consultancy fees, which may surpass the allocated budget and resource provisions. Moreover, a temporary decline in productivity is anticipated as staff undergo training to acquire requisite skills for navigating the new system. Furthermore, the process of migrating data from existing systems to the new ERP platform is acknowledged to be potentially time-consuming and susceptible to errors.

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;
- 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, in particular Canadian cannabis 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.

Concentrated Ownership of the Company

At the date of this document, Insiders and Management collectively hold 45% of the Company's issued and outstanding Common Shares resulting in a concentrated ownership structure. Such concentrated ownership may present challenges for shareholders due to potential impacts on stock liquidity and market dynamics. Consequently, shareholders might encounter difficulties in buying or selling shares without experiencing considerable price fluctuations or delays.

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; and (x) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

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: 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.

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.sedarplus.ca.

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.sedarplus.ca.

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