



**MediPharm Labs**

**(TSX: LABS)**

**MEDIPHARM LABS CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021**

November 14, 2021

**MediPharm Labs Corp.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

This Management’s Discussion and Analysis (“**MD&A**”) of the financial condition and performance of MediPharm Labs Corp. (the “**Group**”) for the three and nine months ended September 30, 2021, was prepared by management as of November 14, 2021. Throughout this MD&A, unless the context indicates or requires otherwise, the terms “the Group”, “we”, “us” and “our” mean MediPharm Labs Corp. and its subsidiaries. This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 (the “**Financial Statements**”) and the audited annual consolidated financial statements for the year ended December 31, 2020, including the accompanying notes.

This MD&A has been prepared with reference to the MD&A disclosure requirements established under National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) of the Canadian Securities Administrators.

Additional information regarding the Group, including the Financial Statements and our most recent annual information form dated March 31, 2021 (the “**Annual Information Form**”), is available on the Group’s website at [www.medipharmlabs.com](http://www.medipharmlabs.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A contains commentary from the Group’s management regarding the Group’s strategy, operating results, financial position, and outlook. Our management is responsible for the accuracy, integrity and objectivity of the disclosure contained in this MD&A and develops, maintains, and supports the necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

Our board of directors (the “**Board of Directors**”) and audit committee (the “**Audit Committee**”) provide an oversight role with respect to all Group public financial disclosures. The Board of Directors approved the Financial Statements and MD&A after the completion of its review and recommendation for approval from the Audit Committee, which meets periodically to review all financial reports, prior to filing.

The Financial Statements and accompanying notes were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the IFRS Interpretations Committee (“**IFRIC**”) and include the accounts of the Group and its subsidiaries and the Group’s interests in affiliated companies. All intercompany balances and transactions have been eliminated on consolidation. All dollar amounts are expressed in thousands of Canadian dollars unless otherwise noted.

In addition to historical information, the discussion in this MD&A contains forward-looking statements. The discussion is qualified in its entirety by the “Cautionary Note Regarding Forward-Looking Statements” that follows.

The Group does not, directly, or indirectly, have any business operations in jurisdictions where cannabis is not federally legal, such as the United States.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking information and forward-looking statements within the meaning of Canadian securities legislation ("forward-looking statements") including but not limited to:

- assumptions and expectations described in the Group's critical accounting policies and estimates;
- the Group's expectations regarding legislation, regulations and licensing related to the import, export, processing, and sale of cannabis products by the Group, along with the market demand and pricing for such products;
- the ability to enter and participate in international market opportunities;
- product diversification and future corporate development;
- anticipated results of research and development;
- production capacity expectations including discussions of plans or potential for expansion of capacity at existing or new facilities;
- expectations with respect to future expenditures and capital activities;
- statements about expected use of proceeds from fund raising activities, including the Bought Deal Offering (as defined below); and
- the Group's expectations regarding the adoption and impact of certain accounting pronouncements.

These forward-looking statements are made as of the date of this MD&A and the Group does not intend, and does not assume, any obligation to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Group management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "considers", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved", or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "will", "intends", and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results, performance, or achievements of the Group to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. The Group provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Risks related to forward-looking statements include, among other things, those outlined in "Risk Factors" and any other factors and uncertainties disclosed from time-to-time in the Group's filings with the Canadian Securities Administrators. Although the Group has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

## GROUP OVERVIEW

### Background

MediPharm is a pharmaceutical company specialized in cannabis. MediPharm Labs was founded in 2015 by pharmaceutical and healthcare industry experts. While initially exploring options to cultivate cannabis plants, the founders of MediPharm Labs came to recognize the opportunity for a select focus on cannabis concentrates. Accordingly, MediPharm Labs set out to master this area of production and rely on third-party cultivation experts to provide quality raw materials for its cannabis concentrates.

On January 23, 2017, the Group was incorporated under the *Business Corporations Act* (Ontario) (the “**OBCA**”) as “POCML 4 Inc.”, under the policies of the TSX Venture Exchange (the “**TSXV**”). On October 1, 2018, MediPharm Labs amalgamated with 2645354 Ontario Inc., a wholly owned subsidiary of the Group. The amalgamation resulted in the reverse take-over of the Group by MediPharm Labs, following which the resulting company continued as “MediPharm Labs Corp”.

On October 4, 2018, the Common Shares commenced trading on a post-consolidation basis on the TSXV under the symbol “LABS”, and on July 29, 2019, the Group graduated from the TSXV to the TSX. Our common shares (the “**Common Shares**”) also trade on the OTCQX in the US under the ticker symbol “MEDIF” and on the Frankfurt Stock Exchange under the ticker symbol “MLZ”.

Our operations are currently conducted through wholly owned subsidiaries MediPharm Labs Inc. (“**MediPharm Labs**”), which holds a standard processing licence and research licence under the *Cannabis Act* (Canada) (the “**Cannabis Act**”) and MediPharm Labs Australia Pty. Ltd. (“**MediPharm Labs Australia**”), which holds a manufacturing licence under the *Australian Narcotics Drug Act 1967* (the “**Australian Act**”) authorizing the manufacture and supply of certain limited cannabis products.

Both MediPharm Labs’ Canadian facility and MediPharm Labs Australia’s Australian facility hold Good Manufacturing Practice (“**GMP**”) certifications from their respective national health authorities, Health Canada, and the Therapeutic Goods Administration (“**TGA**”).

On December 21, 2020, MediPharm Labs received a GMP licence under the *Natural Health Products Regulations* (the “**NHP Site Licence**”). The NHP Site Licence gives MediPharm Labs the authorization to manufacture, package and label natural health products in Canada. MediPharm Labs’ Barrie site is considered to be in compliance with GMP requirements outlined in Part 3 of the *Natural Health Products Regulations*.

On February 17, 2021, MediPharm Labs received a Cannabis Drug Licence (“**CD Licence**”) from Health Canada. The CD Licence allows the Group to manufacture and supply drugs that contain cannabis. These products include pharmaceutical prescription drugs that have been classified as drugs with a Drug Identification Number (“**DIN**”). The Group is positioned to supply cannabis based pharmaceutical drugs and Active Pharmaceutical Ingredients (“**APIs**”) to other CD Licence holders and clinical research trials for novel drug discovery.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

On July 14, 2021, MediPharm Labs received a GMP Drug Establishment Licence (“**DEL**”) issued by Health Canada in accordance with the Food and Drugs Act and the associated Regulations. The DEL serves to confirm compliance to GMP standards. The DEL can be used for manufacturing, testing and sale of any non-sterile APIs and pharmaceuticals, including drug products containing cannabis. This includes drugs that have marketing authorizations as either novel or generic pharmaceutical drug products containing cannabis.

### **Business Overview**

We specialize in the production of purified, pharmaceutical-quality cannabis oil and concentrates and advanced derivative products utilizing GMP certified facilities and ISO standard built clean rooms. We have invested in an expert, research driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with primary extraction lines and finished formulated products capabilities used to deliver pure, trusted and precisely-dosable cannabis products for our customers. We formulate, process, package and distribute cannabis extracts and advanced cannabinoid-based products at our Canadian and Australian facilities for domestic and international markets. The Group’s mission is to become a leader specialized in providing pharmaceutical quality derivative cannabis products and to drive future cannabis product innovation.

#### *Operations and Facilities*

As of the date of this MD&A, our core business generates revenue through three primary activities: the sale of bulk and consumer packaged cannabis concentrate-based products, contract manufacturing services, and production of finished formulated packaged goods and APIs for sale in Canadian retail markets and globally to large pharmaceutical and new cannabis companies in emerging medical cannabis markets. In addition, since receiving a DEL, MediPharm Labs has commenced business development activities related to providing products and services to traditional pharmaceutical companies in relation to current or future drugs containing cannabis with marketing authorization.

MediPharm Labs operates out of a 70,000 sq. ft. Barrie, Ontario facility, which currently runs supercritical CO<sub>2</sub> primary extraction lines for crude resin production, rotary evaporation lines for distillation production and packaging and labelling lines for various finished formulated products. The facility was built to GMP standards and received its Australian GMP certificate in the third quarter of 2019.

On March 29, 2018, MediPharm Labs received its oil production licence (the “**Licence**”) pursuant to the *Access to Cannabis for Medical Purposes Regulations* (“**ACMPR**”) and became the first company in Canada to receive a production licence for cannabis oil production under the ACMPR without first receiving a cannabis cultivation licence. On October 17, 2018, the Cannabis Act came into force, and MediPharm Labs’ Licence was transitioned from a producer’s licence under the ACMPR to a standard processing licence under the Cannabis Act and *Cannabis Regulations*. On November 9, 2018, the Licence was amended to permit the sale and distribution of cannabis oil and derivatives to the following authorized classes of purchasers:

- a holder of a licence for processing under the Cannabis Act;
- a holder of a licence for analytical testing under the Cannabis Act;
- a holder of a licence for research under the Cannabis Act;

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

- a holder of a cannabis drug licence under the Cannabis Act;
- the Minister of Health;
- a person to which an exemption has been granted under section 140 of the Cannabis Act in relation to the cannabis or a class of cannabis that is sold or distributed; or
- certain individuals who are involved in testing cannabis at laboratories operated by the Government of Canada or accredited laboratories under the *Seeds Act*.

On June 7, 2019, the Licence was further amended to permit the sale of cannabis products to the following authorized classes of purchasers:

- a holder of a licence for sale of medicinal cannabis products under the Cannabis Act; and
- a person authorized to sell cannabis under a provincial Act, such as a provincially authorized retailer or distributor.

On October 21, 2019, MediPharm Labs' Licence was amended to permit the activity of production and sale of additional cannabis products included in the Cannabis Act, including cannabis extracts, cannabis edibles and cannabis topicals. On September 28, 2021, MediPharm Labs' Licence was renewed for a further term of five years.

On October 25, 2019, MediPharm Labs received its research licence under the Cannabis Act. This licence permits MediPharm Labs to conduct controlled human administration trials for sensory testing of cannabis extracts and derivative products at its Barrie facility. Cannabis companies without this licence cannot use sensory experiments with taste, thus limiting their understanding of the taste profile of the raw material, in-process material, and consumer products.

On December 21, 2020, MediPharm Labs received a GMP NHP Site Licence. The NHP Site Licence gives MediPharm Labs the authorization to manufacture, package and label natural health products in Canada. MediPharm Labs' Barrie site is considered to be in compliance with GMP requirements outlined in Part 3 of the *Natural Health Products Regulations*.

On February 17, 2021, MediPharm Labs received a CD Licence from Health Canada. The CD Licence allows the Group to manufacture and supply drugs that contain cannabis. These products include pharmaceutical prescription drugs that have been classified as drugs with a DIN. The Group is positioned to supply cannabis based pharmaceutical drugs and APIs to other CD Licence holders and clinical research trials for novel drug discovery. On October 8, 2021, MediPharm Labs' CD Licence was amended to allow for the sale of drugs that contain cannabis.

On July 14, 2021, MediPharm Labs received a DEL issued by Health Canada in accordance with the Food and Drugs Act and the associated Regulations. The DEL serves to confirm compliance to GMP standards. The DEL can be used for manufacturing, testing and sale of Active Pharmaceutical Ingredients and pharmaceutical drug products containing cannabis. This includes drugs that have marketing authorizations as either novel or generic pharmaceutical drug products containing cannabis. MediPharm Labs is the only facility with large scale natural cannabinoid extraction capabilities that holds a GMP licence from a domestic health authority in North America.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

MediPharm Labs Australia's 10,000 sq. ft. facility is situated in Wonthaggi, Australia and received its Australian Office of Drug Control manufacturing licence (the "**Australian Licence**") under the Australian Act on May 21, 2019, with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin. Products manufactured under the Australian Licence must be only for the purpose of a clinical trial or prescribed as medical cannabis products. The Australian facility was built to the same GMP standards as the Group's Canadian facility and MediPharm Labs Australia has received a GMP certificate under the Australian *Therapeutic Goods Act 1989*, which expanded its domestic manufacturing authorizations.

For sales made by MediPharm Labs in Australia, MediPharm Labs initially sources and processes dried cannabis at our TGA GMP-certified Canadian facility before export of the resulting products to MediPharm Labs Australia. MediPharm Labs Australia then distributes throughout its local, and various accessible international markets. MediPharm Labs Australia has also entered into several agreements with Australian licenced cultivators with respect to the supply of dried cannabis flower, and a manufacturing agreement with respect to the production of cannabis oil and manufactured products. MediPharm Labs Australia commenced shipment of finished formulated products in the second quarter of 2020.

The statements regarding intended expansions, exports, distributions and GMP certifications are forward-looking statements. The current term of the Licence and Australian Licence end on September 28, 2026, and November 21, 2021, respectively. It is anticipated by our management that Health Canada and the Australian Office of Drug Control will extend or renew the Licence and the Australian Licence, as applicable, at the end of or prior to the end of their respective terms<sup>1</sup>. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

*Product Manufacturing and Sales*

The Group processes its inventory of dried cannabis and sells both the resulting bulk cannabis concentrates and finished formulated products. Finished formulated products are sold both under the MediPharm family of brands (white label), and customer brands through private label and contract manufacturing (tolling) arrangements. Customers that do not hold a requisite Cannabis Act or other licence, rely on the Group for the complete manufacturing and distribution of the branded product. Customers that hold their own licence may directly purchase the finished or partially finished products from the Group to manage the remaining portion of the manufacturing and/or supply chain themselves and the Group would typically receive a fee per unit shipped under that arrangement. Going forward, the Group expects to increase the breadth (product formats) and depth (stock keeping units ("**SKUs**") per product format) of finished formulated product capabilities.

---

<sup>1</sup> This statement is based on the following material factors and assumptions: (a) the Group assumes that it will receive a compliant rating from Health Canada and that both Health Canada and the Australian Office of Drug Control will renew the Licence and Australian Licence, respectively; and (b) the Group assumes that it will continue to be in compliance with the relevant regulatory frameworks, guidelines, and requirements of Health Canada and the Australian Office of Drug Control. The Group clarifies that as of the date hereof, it has received compliant ratings from Health Canada but cannot guarantee that there will not be issues with compliance inspections that may arise in the future. Such statements are informed by, among other things, regulatory guidelines for receiving and maintaining the Licence and Australian Licence. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

We commenced shipping initial white label vape products in December 2019, and as at the date of this MD&A are currently shipping several product formats (being formulated cannabis oil bottles, topicals, disposable vaporizer pens and vaporizer cartridges) and SKUs direct to authorized distributors or our B2B customers.

Historically, we realized the majority of our revenue from product sales through long-term and spot sales of bulk crude resin and distillate. Purchasers are then responsible for their own formulation, packaging, and distribution of the final cannabis products, most typically to their own medicinal clients or provincially authorized retail distributors. During the fourth quarter of 2019 the expansion in the Canadian market for bulk concentrates seen in the ramp up to Cannabis 2.0 legalization began to slow, which resulted in smaller volumes being sold pursuant to long-term contracts and a preference for spot deals (which saw pricing pressure) as opposed to new long-term contracts from our domestic customers. We believe these trends reflect the ongoing supply and demand imbalance in the Canadian market for bulk crude and distillate, given the slower than expected roll-out of cannabis retail channels, licensing of new and specialized Cannabis 2.0 businesses, and conversion of bulk concentrates inventory into further value added goods by existing domestic market participants; trends that have been exacerbated by the by the global COVID-19 pandemic which has increased uncertainty and disruptions for current and potential B2B customers.

*New Product Offerings and Research & Development (R&D)*

In Q3 2021, the majority of our sales were in end product sales driven by new innovated products. MediPharm Labs was one of three licence holders offering a cannabiniol (“CBN”) dominant oil and the only supplier of an inhaled CBN vaporizer to assist patients and consumers with immediate onset. We started distribution of a CBD vaporizer in Q3 2021 that does not crystallize in the vaporizer cartridge. We intend to continue developing our valued-added product line, including additional bulk and finished product categories.

We have successfully completed the manufacturing of specific cannabinoids at our facility, with the intention to commercialize some of these actives in future quarters. Such isolated minor cannabinoids are intended to form part of both our bulk and finished formulated products offerings. In Q3 2021, we initiated the raw material vendor qualification and manufacturing protocol of cannabigerol, a non-psychoactive cannabinoid that is popular in other legal jurisdictions, but not yet available in large formats in Canadian or international medical programs.

Additional process development and validation was completed to ensure our Canadian products are eligible for GMP distribution globally.

The planned development and licencing of new product lines and capabilities and commercialization of R&D are forward-looking statements. See “Cautionary Note Regarding Forward Looking Statements” and “Risk Factors”.



**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

**Corporate Highlights**

*Retail Product Developments*

On January 11, 2021, the Group announced (i) the shipment of 550,000 product units in Q4 2020; of the units shipped, 100,000 were white label MediPharm Labs SKUs compared to 25,000 SKUs in the third quarter; (ii) the ramped production of six (6) Avicanna RHO Phyto medical formulary products to date, and the expectation that the Group will continue to increase output to support consumer demand and Avicanna's plan to expand RHO Phyto SKUs to ten (10) in 2021<sup>2</sup> (see "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors"); and (iii) the commencement of a supply agreement between the Group and Nova Scotia Liquor Corporation during Q4 2020, and the shipment of initial orders to Nova Scotia.

On March 26, 2021, the Group announced a further expansion of the Group's family of branded products with the retail introduction of CBD 100, THC 30, and the Group's first cannabinoid CBN rich formula. These will continue to improve our domestic competitive profile as well as create proof-points critical to our future growth in international pharmaceutical and medical markets.

*Corporate Governance*

On January 15, 2021, Mr. Warren Everitt was appointed to our Board of Directors. Mr. Everitt joined MediPharm Labs in 2017 to establish the Group's presence in the Australian market. As the founding CEO of Australia Pacific, he oversaw all aspects of the build out, start-up and commercialization of the GMP-certified extraction operation in Wonthaggi, Australia including licensing, factory design, finance, sales, and marketing. Under his ongoing leadership, MediPharm Labs Australia has developed an impressive customer portfolio in the Asia Pacific and European medical and wellness cannabis markets. Before joining MediPharm Labs first as Managing Director, Australia, and subsequently being appointed CEO Australia Pacific, Mr. Everitt served in progressively more responsible leadership roles at MarketOne International, a global consulting firm specializing in marketing and lead generation. Over eight years, he founded MarketOne's Asia Pacific operations in Melbourne, Singapore, Bangalore, and Tokyo that serve some of the world's leading brands. Earlier in his 20-year career he served as a consultant in the UK, Europe, Singapore, and Canada and founded a leadership and performance coaching consultancy. He is a graduate of Swinburne University of Technology (Bachelor of Computer Science) and Chisholm Institute in Melbourne. An Australian citizen, he currently resides in Melbourne.

---

<sup>2</sup> The material factors and assumptions underlying this forward-looking statement are: (a) the Group has assessed the market size and consumer demand for Avicanna products relative to its expectation that there is a demand for increased output; and (b) the Group has a commercial agreement and business terms agreed to in principal for provincial domestic distribution of the product, whereby the Group assumes that any third-party obligations and deliverables will be performed and/or fulfilled in a timely and successful manner and that the third-parties will continue to maintain all necessary licences and approvals necessary to perform their obligations under the agreements. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

**MediPharm Labs Corp.****MANAGEMENT'S DISCUSSION AND ANALYSIS****For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

On January 29, 2021, the Group announced that it appointed Mr. Greg Hunter as its Chief Financial Officer effective February 8, 2021. As of such date, Interim CFO Olga Utkutug stepped down. Mr. Hunter brings over 20 years of experience as a business executive holding various senior finance and leadership roles across multiple industries including healthcare distribution, telecommunications, pharmaceuticals, biotechnology, medical device, and consumer packaged goods. Mr. Hunter also brings a track record and deep expertise in capital management, audit, compliance, tax, treasury, ERP, manufacturing, contract management and pricing strategy. Most recently, Mr. Hunter was Chief Financial Officer of Medical Pharmacies Group Limited, a leading pharmacy and medical equipment manufacturer and distributor in Canada. Previously in the pharmaceuticals industry, Mr. Hunter held various senior management roles with Baxter International Inc. including serving as CFO of Baxter's Canadian subsidiary. Mr. Hunter also previously held various senior operational and finance roles at Janssen-Ortho Inc., a Johnson and Johnson company.

On August 16, 2021, the Group announced that the Board of Directors unanimously appointed Chris Taves as Chairman of the Board. Mr. Taves joined the Group's Board in July 2020 and also chairs its Audit Committee. Mr. Taves brings a wealth of experience in the banking and capital markets industries having recently held the position of Chief Operating Officer of BMO Capital Markets, a leading full-service financial services provider and member of BMO Financial Group, one of the largest banks in North America. He also serves as a board member of BMO China Co. and First Mortgage General Partnership. Pat McCutcheon, previous Chairman of the Board, and Shelley Martin, previous Lead Independent Director, remain on the Board of Directors and continue to assist the Group in devising its strategic direction. As Chairman, Mr. Taves will oversee the leadership of the Group into its next stage of growth as a leader in the supply of cannabis-based drugs and API to pharmaceutical companies around the world.

### Licences

On February 17, 2021, the Group announced it has received a CD Licence from Health Canada. The CD Licence allows the Group to manufacture and supply drugs that contain cannabis. These products include pharmaceutical prescription drugs that have been classified as drugs with a Drug Identification Number (DIN). The Group is positioned to supply cannabis based pharmaceutical drugs and APIs to other CD Licence holders and clinical research trials for novel drug discovery. The Group will continue to expand its licences, global regulatory authorizations, and product filings with health authorities to allow for future sales into established global pharmaceutical and medical channels.

On July 14, 2021, MediPharm Labs received a DEL issued by Health Canada in accordance with the Food and Drugs Act and the associated Regulations. The DEL serves to confirm compliance to GMP standards. The DEL can be used for manufacturing, testing and sale of Active Pharmaceutical Ingredients and pharmaceutical drug products containing cannabis. This includes drugs that have marketing authorizations as either novel or generic pharmaceutical drug products containing cannabis.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

Funding

On March 1, 2021, the Group announced that it had entered into a bought-deal financing agreement (the "**Bought Deal Offering**") with Cantor Fitzgerald Canada Corporation ("**Cantor**"), as lead underwriter and sole bookrunner on behalf of a syndicate of underwriters (the "**Underwriters**"), to purchase 34,500,000 units of the Group (the "**Units**") on a bought deal basis at a price of \$0.58 per Unit (the "**Issue Price**") for gross proceeds of \$20.01 million. Each Unit is comprised of one common share in the capital of the Group (each, a "**Common Share**") and one Common Share purchase Warrant (each, a "**Warrant**"). Each Warrant shall be exercisable to acquire one Common Share at an exercise price of \$0.70 per Common Share for a period of 24 months from the closing date of the Bought Deal Offering.

On March 2, 2021, the Group announced that it had entered into a revised agreement with Cantor to increase the size of its previously announced Bought Deal Offering, pursuant to which the Underwriters agreed to purchase 50,000,000 Units of the Group at the Issue Price for aggregate gross proceeds of \$29 million.

On March 5, 2021, the Group announced that the Underwriters had exercised their option to purchase an additional 7,500,000 Units to increase the size of the previously announced Bought Deal Offering to an aggregate of 57,500,000 Units of the Group for aggregate gross proceeds of \$33.4 million. This additional capital is critical to creating a longer runway to deliver our international pharmaceutical and medical strategy.

On August 19, 2021, the Group announced that MediPharm Labs Australia has received the first instalment of a government grant for \$330,000AUD as part of the Australian government's Manufacturing Modernisation program aimed at supporting manufacturers scaling their businesses. The grant is to be used for automation of downstream manufacturing and scaling purification abilities, and is awarded by the Australian government as part of broader manufacturing sector funding. The grant demonstrates the backing of the medical cannabis industry by the Australian government and the recognition of MediPharm Labs Australia's role in this industry. MediPharm Labs Australia intends to use the funds to increase the efficiency of its cannabis purification system and enhance the automation of its primary packaging manufacturing process. The enhanced automation of these production processes will allow MediPharm Labs Australia to service its growing domestic and international client base along with the anticipated increase in demand for its products.

International Supply Agreements

On March 8, 2021, the Group announced that MediPharm Labs Australia has entered into a new GMP private-label supply and contract manufacturing agreement with Cannim Australia Pty Ltd. The Group also announced it has commenced registrations for the launch of over-the-counter products in Australia in 2021. Under the three-year agreement, with options to extend, MediPharm Labs Australia will supply a full range of specially formulated CBD and THC cannabis oil products that will be sold initially under Cannim's Lumir brand. MediPharm Labs Australia will also provide Cannim with contract manufacturing with their starting material.

## **MediPharm Labs Corp.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

On April 1, 2021, the Group announced that STADA Arzneimittel AG (“**STADA**”), and MediPharm Labs, under an exclusive, turnkey supply agreement, have commenced sales in Germany. As a result, patients in Germany are now able to access GMP-certified quality medical cannabis from STADA through local pharmacies under the brand – CannabiSTADA, distributed through STADAPHARM, a direct subsidiary of STADA. At full launch, MediPharm Labs will provide STADA with eight differentiated products including three specialized cannabis extract formulations with different THC and CBD concentrations.

On April 6, 2021, the Group announced that it has exported its first shipment of cannabis oil products, approved by the Australian TGA, to Germany. As a result, patients in Germany are now able to access GMP-certified quality medical cannabis through MediPharm Labs German distribution partners.

On April 8, 2021, the Group announced that its wholly owned subsidiary, MediPharm Labs Inc., completed its first shipment of premium, formulated cannabis oil to its customer Cann Farm Peru S.A.C., a Lima-based producer and distributor serving Peruvian and other markets in Latin America. MediPharm Labs pre-formulated cannabis concentrate will be distributed to patients through compounding pharmacies in Peru that will complete final formulation and fill to exact prescription specification.

On April 26, 2021, the Group announced that it has signed a new agreement with MT Pharma, based in Malta to supply premium, GMP certified, finished dose cannabis oil for patients. Under MediPharm Labs Australia's two year-agreement, subject to further renewals, with MT Pharma, MediPharm Labs will provide pre-formulated GMP certified full spectrum cannabis concentrates that will be distributed to patients through pharmacies that will complete final formulation and fill.

On June 8, 2021, the Group announced that it has extended its supply agreement (the Agreement) with ADREXpharma GmbH (“**ADREX**”). The Agreement was renewed for 5 years, to June 2026, with a mutual option to extend further. The Group supplies ADREX with high quality, purity assured, THC and CBD cannabis products for sale and distribution in Germany to approximately 19,000 pharmacies that could provide access to cannabis products over time. The Group successfully completed its first shipment of cannabis products to ADREX in Q1 2021.

On August 18, 2021, the Group announced that it has received approval to ship medical cannabis oil to Brazil. This approval, issued by both Agência Nacional de Vigilância Sanitária (“**ANVISA**”) and Health Canada, allows initial shipments to patients for the Group's partner XLR8. The shipment is a crucial milestone for the Group in using its pharmaceutical GMP platform for international manufacturing and distribution. The Group and XLR8, a Curitiba based value-added distributor serving Brazil, entered into an agreement in September 2020. The two-year agreement is to commence from the time of ANVISA Sanitary Product Authorization, which is expected later this year. The registration will be for a mix of medical oil SKUs such as balanced and high CBD formulas. This initially approved delivery goes directly to patients under the compassionate care program, a program that saw over 20,000 patients in 2020 and is growing by 1,500 patients a month, allowing XLR8 to begin its medical cannabis research. This first delivery opens a regulatory pathway for future opportunities for authorized product distribution.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

*Domestic Supply Agreements*

On March 9, 2021, the Group announced that it has entered into a supply agreement with the Société québécoise du cannabis (“SQDC”). MediPharm Labs will supply the growing medical and wellness market in Québec with a variety of cannabis concentrate based products from its growing portfolio of proprietary and high demand formulations, many which are already available to medical patients and adult-use consumers in 6 other provinces.

On May 26, 2021, the Group announced that it had launched its first wellness products in Québec and shipped its first order of premium CBD oils for retail sale to the SQDC. The MediPharm-branded CBD oils in the first shipment are CBD 25 Regular Formula and CBD 50 Plus Formula.

*Clinical Research*

On June 21, 2021, the Group announced that it had entered into a research partnership master agreement with McMaster University to develop drugs containing cannabis candidates. The Group’s CD Licence and expertise qualifies and positions the Group to supply clinical trial material, assist in investigation protocol and provide regulatory support for multiple trials. Three initial proposed clinical trials will evaluate the effectiveness of proprietary THC and CBD drug candidates for multiple indications including pain, insomnia associated with major depression, and uremic pruritus. Under the terms of the agreement, the Group will enter into a separate Statement of Work with each clinician group. The Group will use its CD Licence to provide access to clinical trial material that meets pharmaceutical quality standards and GMP, as well as investigative protocol and regulatory approval support. The Group and McMaster University researchers have proposed three distinct clinical trials, each led by separate clinician groups looking to develop novel cannabis-based drugs to treat different indications including pain, insomnia associated with major depression, and uremic pruritus. The Group will assist in the development of the study drugs that will be evaluated, and each will name a principal investigator physician. Each study will not begin until all necessary approvals from relevant regulatory authorities, including Health Canada, are obtained.

In July 2021, McMaster University researchers received a letter of no objection to commence phase 2 of a randomized clinical trial (“RCT”) to treat post knee surgery pain with MediPharm Labs CBD50 formula. The safety and toxicology portion of this trial was streamlined based on medical and adult use of the product. Now in phase 2 of the RCT researchers are recruiting patients to receive the MediPharm Labs CBD50 treatment or a related placebo.

On August 31, 2021, the Group announced that McMaster University researchers received a letter of no objection to commence phase 2 of a RCT to begin recruiting human subjects for a placebo-controlled trial using cannabis-oil for treatment of insomnia in major depressive disorder with MediPharm Labs’ CBD50 formula and a CBD:THC 10:2 formulation, which has the same cannabinoid ratio as MediPharm Labs’ CBD25. This phase 2 of the RCT is a pilot, double-blind, randomized, placebo-controlled trial that will be evaluating the efficacy and safety of a cannabis-oil for the treatment of insomnia in major depressive disorder. MediPharm Labs will use its CD Licence and DEL to provide access to clinical trial material that meets these pharmaceutical quality standards and GMP, as well as provide investigative protocol and regulatory approval support.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

**Subsequent Events**

Subsequent to the nine months ended September 30, 2021, the following Group developments also occurred:

*Vayamed Delivery*

On October 19, 2021, the Group announced the delivery of GMP extract to Vayamed in Germany, the medical cannabis business unit of Sanity Group. Vayamed is a well-established operating medical cannabis company in Germany. This delivery of formulated oil bottles further establishes the Company's position as a leader in the wholesale of GMP cannabis oil to the European Union's largest medical cannabis jurisdiction. This export is a key milestone in the Company's goal of leveraging its pharmaceutical GMP licenses to increase consistent international medical sales. The cannabis extract has been shipped to Vayamed from the Company's GMP facility located in Victoria, Australia. The Group looks forward to completing additional deliveries to Vayamed under the strategic partnership agreement and assisting them in allowing more access for German medical patients seeking the therapeutic benefits of cannabis.

*New Chief Executive Officer*

On October 21, 2021, the Group announced that Bryan Howcroft will join MediPharm Labs as Chief Executive Officer and Director, effective November 15, 2021. Mr. Howcroft brings over 20 years of leadership in multiple industries including medical devices, healthcare imaging, and manufacturing. Most recently, Bryan held the position of Chief Operational Officer and Chief Financial Officer of Southmedic, a company that provides healthcare products, custom manufacturing, and distribution in over 60 countries globally. Bryan also has significant European experience as a healthcare IT executive in Belgium for over four years. In 2021, MediPharm Labs' main growth area has been in the European markets and under the leadership of Mr. Howcroft, the Group expects to accelerate the business opportunities in that region. Mr. Howcroft holds an MBA from Laurentian University, a Bachelor of Business Administration from Nipissing University, and is a Chartered Professional Accountant.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

**Operational Highlights**

The following is a summary of the operational highlights for the nine-month period ended September 30, 2021, and period subsequent to the end of quarter.

**Licensing and Clinical Trial Participation:** The Group has built on an industry-leading and expanding portfolio of licences by recently receiving a DEL from Health Canada, which is required for the production of pharmaceutical prescription drugs with marketing authorization. This allows for the participation in IP-capable clinical trials and partnerships with other pharmaceutical companies. The Group leveraged its collection of licences to enter into a research master agreement with McMaster University that allows participation in various cannabis based clinical trials. The first trials with Health Canada approval will study the effectiveness of MediPharm CBD50 on treating pain post knee surgery, and the efficacy and safety of a CBD50 and CBD:THC 10:2 formulation for the treatment of insomnia in major depressive disorder. Having completed safety and toxicology requirements, the trials are actively recruiting patients.

**International Sales Growth:** International sales grew 16.5% sequentially in Q3 2021, and the Group expects the growth to accelerate due to over 30 sales agreements in place in nine countries. International sales represented 53% of sales in Q3 2021. During the period, the Group saw repeat orders from four German partner deliveries, including the completion of first shipments to STADA and Vayamed. First shipments of premium, high-THC medical cannabis were also completed to Cann Farm Peru S.A.C, with additional sales expected to follow to other countries in Latin America such as Brazil, where the Group received approval to ship medical cannabis oil during Q3 2021.

**Corporate Governance:** The Group announced that Bryan Howcroft will join MediPharm Labs as Chief Executive Officer and Director, effective November 15, 2021. Mr. Howcroft brings over 20 years of leadership in multiple industries including medical devices, healthcare imaging, and manufacturing and most recently, Bryan held the position of Chief Operational Officer and Chief Financial Officer of Southmedic. Bryan also has significant European experience as a healthcare IT executive in Belgium for over four years, and is well-positioned to lead the Group's acceleration of international business opportunities. In addition, during the period the Group announced that the Board of Directors unanimously appointed Chris Taves as Chairman of the Board, adding a wealth of experience in the banking and capital markets industries.

**Strong Balance Sheet:** During the period, we entered into the Bought Deal Offering for aggregate gross proceeds of \$33.4 million, and the principal balance outstanding under the Notes is less than \$1.5 million as at the date of this MD&A. As at the end of the period, the Group maintains \$38 million in cash and cash equivalents, providing balance sheet strength to support the Company's long-term growth strategy.

**Domestic Presence:** We added to the innovative, pharma-quality family of branded products with the retail introduction of *CBD 100 Ultra Formula Oil*, *THC30 Plus Formula Oil* and *CBN1:2 Nighttime Formula*, the Company's first cannabinoid cannabinol rich formula, which sold out in Ontario in its first few weeks of sales. In addition, we increased new listings and products with the Ontario Cannabis Store and expanded distribution to new retailers. Canadian retail sales reach expanded by entering into a supply agreement with the Société Québécois Du Cannabis. MediPharm Labs will supply the growing medical and wellness market in Quebec with a variety of cannabis concentrate based products, many which are already available to medical patients and adult-use consumers in 6 other provinces.

**MediPharm Labs Corp.****MANAGEMENT'S DISCUSSION AND ANALYSIS****For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

**SELECTED STATEMENT OF INCOME/(LOSS) INFORMATION**

	Three months ended		Nine months ended	
	September 30, 2021 \$'000s	September 30, 2020 \$'000s	September 30, 2021 \$'000s	September 30, 2020 \$'000s
Revenue	5,401	4,947	15,968	29,954
Gross (loss)/profit	(1,860)	(10,588)	(10,273)	(19,256)
Gross margin %	(34%)	(214%)	(64%)	(64%)
Net (loss)/profit	(7,356)	(15,308)	(33,035)	(36,159)
(Loss)/income per share – basic and diluted	(0.03)	(0.11)	(0.14)	(0.26)
Adjusted EBITDA <sup>(1)</sup>	(5,622)	(7,262)	(15,456)	(15,099)
Adjusted EBITDA margin % <sup>(1)</sup>	(104%)	(147%)	(97%)	(50%)

(1) Adjusted EBITDA and Adjusted EBITDA Margin is a non-IFRS measure. See “Reconciliation of non-IFRS Measures” for reconciliation to IFRS measures.

**SUMMARY OF QUARTERLY RESULTS**

The following table sets out the Group's selected quarterly consolidated financial information:

	Three months ended			
	September 2021 \$'000s	June 30 2021 \$'000s	March 31 2021 \$'000s	December 31 2020 \$'000s
Revenue	5,401	5,072	5,495	6,058
Gross (loss)/profit	(1,860)	(7,733)	(680)	(24,720)
Adjusted gross (loss)/profit <sup>(1)</sup>	(1,354)	(1,419)	(680)	(6,813)
Gross margin %	(34%)	(152%)	(12%)	(408%)
Adjusted gross (loss)/profit % <sup>(1)</sup>	(25%)	(28%)	(12%)	(112%)
General administrative expenses	(4,591)	(5,187)	(4,001)	(5,222)



**MediPharm Labs Corp.****MANAGEMENT'S DISCUSSION AND ANALYSIS****For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

	<b>Three months ended</b>			
	<b>September 2021 \$'000s</b>	<b>June 30 2021 \$'000s</b>	<b>March 31 2021 \$'000s</b>	<b>December 31 2020 \$'000s</b>
Marketing and selling expenses	(886)	(1,054)	(1,278)	(1,274)
R&D expenses	(277)	(144)	(352)	(635)
Share based compensation expense	(435)	(476)	(880)	2,398
Other operating income/(expense), net	593	3,214	(724)	66
Operating (loss)/profit	(7,456)	(11,380)	(7,915)	(29,389)
Net (loss)/profit	(7,356)	(11,812)	(13,867)	(30,951)
(Loss)/income per share – basic	(0.03)	(0.05)	(0.07)	(0.21)
(Loss)/income per share – diluted	(0.03)	(0.05)	(0.07)	(0.21)
Adjusted EBITDA <sup>(2)</sup>	(5,622)	(3,675)	(6,159)	(8,767)
Adjusted EBITDA margin % <sup>(2)</sup>	(104%)	(72%)	(112%)	(145%)

	<b>Nine months ended</b>			
	<b>September 2020 \$'000s</b>	<b>June 30 2020 \$'000s</b>	<b>March 31 2020 \$'000s</b>	<b>December 31 2019 \$'000s</b>
Revenue	15,968	13,918	11,089	32,444
Gross (loss)/profit	(10,273)	2,212	(10,882)	9,987
Adjusted gross (loss)/profit <sup>(1)</sup>	(3,452)	2,212	1,929	9,987
Gross margin %	(64%)	16%	(98%)	31%
Adjusted gross (loss)/profit % <sup>(1)</sup>	(22%)	16%	17%	31%
General administrative expenses	(13,780)	(6,793)	(5,500)	(6,426)
Marketing and selling expenses	(3,217)	(948)	(799)	(834)
R&D expenses	(773)	(337)	(1,044)	(448)

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

	Nine months ended			
	September 2020 \$'000s	June 30 2020 \$'000s	March 31 2020 \$'000s	December 31 2019 \$'000s
Share based compensation expense	(1,791)	(1,520)	(2,759)	(4,631)
Other operating income/(expense), net	3,083	2,879	(951)	(151)
Operating (loss)/profit	(26,751)	(4,507)	(21,935)	(2,503)
Net (loss)/profit	(33,035)	(3,490)	(22,029)	(3,539)
(Loss)/income per share – basic	(0.14)	(0.02)	(0.13)	(0.03)
(Loss)/income per share - diluted	(0.14)	(0.02)	(0.13)	(0.02)
Adjusted EBITDA (2)	(15,456)	(2,180)	(5,657)	2,661
Adjusted EBITDA margin % (2)	(97%)	(16%)	(51%)	8%

(1) The Adjusted Gross Loss and Adjusted Gross Loss% is a non-IFRS measure. See “Reconciliation of non-IFRS Measures” for reconciliation to IFRS measures.

(2) Adjusted EBITDA and Adjusted EBITDA Margin is a non-IFRS measure. See “Reconciliation of non-IFRS Measures” for reconciliation to IFRS measures.

## Revenue

As of the date of this MD&A, our core business generates revenue through three primary activities, being the sale of bulk and consumer packaged cannabis concentrate-based products, contract manufacturing services, and production of finished formulated packaged goods and APIs for sale in Canadian retail markets and globally to large pharmaceutical and new cannabis companies in emerging medical cannabis markets.

## Cost of goods sold and gross margin

Cost of sales reflects the cost to extract and process the cannabis concentrates as well as the management of product throughput and inventory levels. Cost of sales includes the purchase of material and services such as the purchase of dried cannabis, freight expenses, a portion of insurance expenses, employee wages and benefit costs, and other operating expenses such as repairs and maintenance, plant overhead, as well as depreciation and any write-downs of inventory and manufacturing equipment.

Gross profit is calculated by deducting the cost of sales from revenue. The Group continues to refine its production processes and methodologies, and sell through historically acquired higher priced raw materials, and expects to increase production efficiency and gross profit.

**MediPharm Labs Corp.****MANAGEMENT'S DISCUSSION AND ANALYSIS****For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

**General administrative expenses**

General administrative expenses include personnel expenses, consulting and professional fees, depreciation and amortization, travel and entertainment expenses, bad debt expenses, insurance expenses, occupancy cost, filing fees and other expenses related to the infrastructure required to support our business.

**Marketing and selling expenses**

Marketing and selling expenses include investor relations expenses, advertising and promotion expenses, personnel expenses, travel and entertainment expenses, and other expenses incurred to win new business and retain existing clients.

**R&D expenses**

R&D expenses currently include expenses related to working on new product lines, a portion of depreciation expense and wages and benefits cost.

**Other expenses**

Other operating expenses include foreign exchange loss, wage and rent subsidies and bank and financial institution service fees, which are costs that do not depend on sales or production quantities and expected credit loss of accounts receivable.

**Finance income**

Finance income comprises interest income earned on cash balance and short-term investments.

**Finance expense**

Finance expense comprises finance fees and interest expenses that were incurred on the loans and convertible notes.

**Unrealized gain in revaluation of derivative liabilities**

Unrealized gain in revaluation of derivative liabilities pertains to the revaluation gain on the warrant derivative liability and the conversion option derivative liability.

**Taxation expense**

Taxation expense reflects the Group's income tax expense and deferred tax expense or recovery.

**Other Comprehensive Income and Loss**

Other comprehensive income and loss includes exchange gains and losses on translation of foreign operations. MediPharm Labs is the sole shareholder of subsidiary MediPharm Labs Australia, which has been developing a production facility in Victoria, Australia.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

**Discussion and Analysis of the Results for the Three-Month Period Ended September 30, 2021**

Results of operations for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020.

	Three months ended		Change		Management Commentary
	September 30 2021 \$'000s	September 30 2020 \$'000s	\$	%	
Revenue	5,401	4,947	454	9%	Sales increase largely driven by international sales in Germany and Australia.
Cost of sales	(7,261)	(15,535)	8,274	53%	Q3/21 cost of sales is lower driven by inventory and non-current deposit write-downs in Q3/20.
<b>Gross profit</b>	<b>(1,860)</b>	<b>(10,588)</b>	<b>8,728</b>	<b>82%</b>	Q3/20 gross profit was impacted by the items mentioned above in cost of sales. Adjusted for these items Q3/20 Gross Profit would have been (\$2.8)M. Gross profit improved in Q3/21 due to mix and lower cost inventory.
General administrative expenses	(4,591)	(4,389)	(202)	(5%)	Expenses increased largely driven by Q3/20 bonus accrual reversal.
Marketing and selling expenses	(886)	(1,345)	459	34%	Expenses decreased largely due to a decrease in investor relations expense.
R&D expenses	(277)	(209)	(68)	(33%)	Expenses increased largely driven by Q3/20 bonus accrual reversal.
Share-based compensation expenses	(435)	(800)	365	46%	The expense decreased due to stock option forfeitures.
Other operating income/(expense), net	593	584	9	2%	Income consistent largely due to government wage and rent COVID subsidies.
<b>Operating (loss)/income</b>	<b>(7,456)</b>	<b>(16,747)</b>	<b>9,291</b>	<b>56%</b>	See comments above.
<b>Adjusted EBITDA</b>	<b>(5,622)</b>	<b>(7,262)</b>	<b>1,640</b>	<b>23%</b>	Adjusted EBITDA is a non-IFRS measure. See "Reconciliation of non-IFRS Measures" for reconciliation to IFRS measures
Unrealized gain in reevaluation of derivative liabilities	154	3,649	3,495	96%	The unrealized gain in revaluation has decreased mainly due to the change in the conversion option derivative liability.
Finance income	52	56	(4)	(7%)	Interest income on cash balances.
Finance expense	(236)	(2,380)	2,144	90%	Finance expense has decreased because of conversions on the Notes.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

	Three months ended		Change		Management Commentary
	September 30		\$	%	
	2021 \$'000s	2020 \$'000s			
<b>Loss before taxation</b>	<b>(7,486)</b>	<b>(15,422)</b>	<b>7,936</b>	<b>52%</b>	See comments above.
Taxation recovery (expense)	130	114	16	14%	
<b>Net loss for the period</b>	<b>(7,356)</b>	<b>(15,308)</b>	<b>7,952</b>	<b>52%</b>	See comments above.
<b>Attributable to</b>					
- Non controlling interest	-	(346)	346	100%	20% interest in the Australian facility was acquired on October 8, 2020. Therefore, no loss was attributed to non-controlling interest for the current period.
- Equity holder of parents	(7,356)	(14,962)	7,606	51%	See comments above.

**Discussion and Analysis of the Results for the Nine-Month Period Ended September 30, 2021**

Results of operations for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020.

	Nine months ended		Change		Management Commentary
	September 30		\$	%	
	2021 \$'000s	2020 \$'000s			
Revenue	15,968	29,954	(13,986)	(47%)	The decrease in sales is due to the decrease in bulk concentrate and distillate volumes.
Cost of sales	(26,241)	(49,210)	22,969	47%	2021 cost of sales decreased driven by reduced sales volumes and reduced write-down of inventory and and non-current deposits.
<b>Gross profit</b>	<b>(10,273)</b>	<b>(19,256)</b>	<b>8,983</b>	<b>47%</b>	Gross profit improved driven by reduced write-down of inventory and and non-current deposits
General administrative expenses	(13,780)	(16,682)	2,902	17%	Expenses decreased due to lower headcount and completion of ERP implementation.
Marketing and selling expenses	(3,217)	(3,092)	125	4%	Expenses increased due to an increase in headcount from investments in sales, marketing and new product launches.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

	Nine months ended		Change		Management Commentary
	September 30		\$	%	
	2021 \$'000s	2020 \$'000s			
R&D expenses	(773)	(1,590)	817	51%	Expenses decreased from lower new product development costs. The cost was higher in the previous year due to many new product development initiatives taken in 2020.
Share-based compensation expenses	(1,791)	(5,079)	3,288	65%	Expenses incurred due to remuneration in the form of share-based payments granted to employees (including senior executives) decreased due to stock option forfeitures in 2021 and fewer grants in 2021 at lower strike price.
Other operating income, net	3,083	2,512	571	23%	Expense changed largely due to government wage and rent COVID subsidies.
<b>Operating (loss)/income</b>	<b>(26,751)</b>	<b>(43,187)</b>	<b>16,436</b>	<b>38%</b>	See comments above.
<b>Adjusted EBITDA</b>	<b>(15,456)</b>	<b>(15,099)</b>	<b>(357)</b>	<b>(2%)</b>	Adjusted EBITDA is a non-IFRS measure. See "Reconciliation of Non-IFRS Measures" for reconciliation to IFRS measures.
Unrealized gain in revaluation of derivative liabilities	4,203	4,934	(731)	(15%)	The unrealized gain in revaluation has slightly decreased mainly due to the change in the conversion option derivative liability.
Finance income	148	226	(78)	35%	Finance income change due to interest on cash balances.
Finance expense	(10,529)	(3,197)	(7,332)	(229%)	Finance expenses increased due to the increase in accreted interest in relation to the accelerations of the convertible debenture in 2021.
<b>(Loss)/income before taxation</b>	<b>(32,929)</b>	<b>(41,224)</b>	<b>8,295</b>	<b>20%</b>	See comments above.
Taxation recovery/ (expense)	(106)	5,065	(5171)	(102%)	
<b>Net (loss)/income for the period</b>	<b>(33,035)</b>	<b>(36,159)</b>	<b>3,124</b>	<b>9%</b>	See comments above.
<b>Attributable to</b>					
- Non controlling interest	-	(757)	757	100%	20% interest in the Australian facility was acquired on October 8, 2020. Therefore, no loss was attributed to non-controlling interest for the current period.
- Equity holder of parents	(33,035)	(35,402)	2,367	7%	See comments above.

## **RECONCILIATION OF NON-IFRS MEASURES**

The information presented within this MD&A includes “Adjusted EBITDA” and “Adjusted Gross Profit”, which are not defined terms under IFRS. These non-IFRS financial measure should be read in conjunction with the Financial Statements. See reconciliations below of non-IFRS financial measures to the most directly comparable IFRS measures.

Management believes supplementary financial measures provide useful additional information related to the operating results of the Group. Adjusted EBITDA and Adjusted Gross Profit are used by management to assess financial performance of the business and are a supplement to the Financial Statements. Investors are cautioned that Adjusted EBITDA and Adjusted Gross Profit should not be construed as alternatives to using net income and gross profit as measures of profitability or as alternatives to the Group's IFRS-based Financial Statements.

Adjusted EBITDA and Adjusted Gross Profit do not have any standardized meanings and the Group's method of calculating Adjusted EBITDA and Adjusted Gross Profit may not be comparable to calculations used by other companies bearing the same description.

### **Adjusted EBITDA Reconciliation**

Adjusted EBITDA is defined as net income (loss) excluding interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, depreciation and amortization, and share-based compensation and other non-cash expenses. Adjusted EBITDA has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, impairment losses on inventory, write down of deposits and share-based compensation. Because of these limitations, Adjusted EBITDA should not be considered as the sole measure of the Group's performance and should not be considered in isolation from, or as a substitute for, analysis of the Group's results as reported under IFRS. Adjusted EBITDA, as used within this MD&A and the Group's disclosure, may not be directly comparable to Adjusted EBITDA used by other reporting issuers.

### **Adjusted EBITDA Margin**

Adjusted EBITDA Margin is a profitability ratio that measures how much in earnings a company is generating before interest, taxes, deprecation, and amortization, as a percentage of revenue. Adjusted EBITDA Margin has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, impairment losses on inventory and on fixed assets, write down of deposits and share-based compensation. Because of these limitations, Adjusted EBITDA Margin should not be considered as the sole measure of the Group's performance and should not be considered in isolation from, or as a substitute for, analysis of the Group's results as reported under IFRS. Adjusted EBITDA Margin, as used within this MD&A and the Group's disclosure, may not be directly comparable to Adjusted EBITDA Margin used by other reporting issuers.

The following table reconciles the Group's Adjusted EBITDA and income/(loss) from operations (as reported) for each of the periods presented.

**MediPharm Labs Corp.****MANAGEMENT'S DISCUSSION AND ANALYSIS****For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

	Three months ended		Nine months ended	
	September 30, 2021 \$'000s	September 30, 2020 \$'000s	September 30, 2021 \$'000s	September 30, 2020 \$'000s
<b>Income / (loss) from operations - as reported</b>	<b>(7,456)</b>	<b>(16,747)</b>	<b>(26,751)</b>	<b>(43,187)</b>
<b>Add / (deduct):</b>				
Share-based compensation expense	435	800	1,791	5,079
Depreciation	893	925	3,249	2,438
Write down of inventory to its net realizable value	506	6,291	6,255	19,102
Impairment on fixed assets and intangibles	-	-	-	-
Restructuring related severance expenses	-	-	-	-
Write down of non-current deposits	-	1,469	-	1,469
<b>Adjusted EBITDA</b>	<b>(5,622)</b>	<b>(7,262)</b>	<b>(15,456)</b>	<b>(15,099)</b>

**Adjusted Gross Profit**

Adjusted gross profit is defined as gross profit/(loss) excluding the adjustments for accelerated depreciation, write down of non-current deposits and write down of inventory. Adjusted gross profit is a useful measure as it represents gross profit for management purposes based on costs to manufacture, package and ship inventory sold, exclusive of any impairments due to changes in internal or external influences.

**Adjusted Gross Profit Margin**

Adjusted gross profit margin is a profitability ratio that measures the efficiency of a company using its raw materials and labour during the production process.

The following table reconciles the Group's adjusted gross profit and gross profit/(loss) (as reported) for the previous quarters.



**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

	<b>Three months ended</b>			
	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>Gross (loss)/profit – as reported</b>	(1,860)	(7,733)	(680)	(24,720)
Write down of inventory	506	5,749	-	10,693
Accelerated depreciation	-	566	-	5,556
Write down of non-current deposits	-	-	-	1,658
<b>Adjusted gross (loss)/profit</b>	(1,354)	(1,419)	(680)	(6,813)

	<b>Three months ended</b>			
	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>	<b>December 31</b>
	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>Gross (loss)/profit – as reported</b>	(10,588)	2,212	(10,882)	9,987
Write down of inventory	6,291	-	12,811	-
Accelerated depreciation	-	-	-	-
Write down of non-current deposits	1,469	-	-	-
<b>Adjusted gross (loss)/profit</b>	(2,828)	2,212	1,929	9,987

**Outstanding Equity Securities**

Common Shares

The Group's authorized capital consists of an unlimited number of Common Shares. As at September 30, 2021, and as at the date of this MD&A, the Group had 264,342,909 Common Shares issued and outstanding.

Warrants

On March 5, 2021, the Group closed the Bought Deal Offering with Cantor, as lead underwriter and sole bookrunner on behalf of the Underwriters to purchase 57,500,000 Units for aggregate gross proceeds of \$33.4 million. Each Unit is comprised of one Common Share and one Warrant. Each Warrant shall be exercisable to acquire one Common Share at an exercise price of \$0.70 per Common Share for a period of 24 months from the closing date of the Bought Deal Offering.

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

As at September 30, 2021, the Group had 57,500,000 Warrants issued and outstanding. Subsequent to September 30, 2021, nil Warrants were exercised resulting in 57,500,000 Warrants remaining outstanding as of the date of this MD&A.

*Stock Options and RSUs*

As at September 30, 2021, the Group had 9,274,750 stock options outstanding. During the nine months ended September 30, 2021, options to purchase up to 1,720,000 Common Shares were issued, nil options to purchase Common Shares were exercised, and options to purchase up to 3,642,460 Common Shares were forfeited/cancelled and/or expired.

As at September 30, 2021, the Group had 1,652,110 RSUs outstanding. During the nine months ended September 30, 2021, 3,028,942 RSUs were granted, 1,156,478 RSUs were exercised and 220,354 RSUs were forfeited/cancelled.

Subsequent to September 30, 2021, 150,000 options were issued, 156,000 options were forfeited/cancelled and nil options were exercised, resulting in 9,268,750 stock options remaining outstanding as of the date of this MD&A.

Subsequent to September 30, 2021, 142,857 RSUs were issued, nil RSUs were forfeited/cancelled and 28,571 RSUs were exercised, resulting in 1,766,396 RSUs remaining outstanding as of the date of this MD&A.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

Management's objectives when managing the Group's liquidity and capital structure are to generate sufficient cash to fund the Group's operating and growth strategy. The Group constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion.

As at September 30, 2021, the Group had a positive working capital of \$69,425 (December 31, 2020: \$57,276). The increase in working capital was driven primarily by an increase in cash and cash equivalents from the bought deal less cash used in operations plus a reduction related to the convertible debentures, offset by a decrease in inventory.

Management of the Group believes the Group's current resources are sufficient to settle its current liabilities, when considering inventory, trade receivables and cash and cash equivalents.

The following table presents the net cash flows for each of the periods presented:

**MediPharm Labs Corp.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

	Nine months ended			Management Commentary
	September 30		Change	
	2021 \$'000s	2020 \$'000s		
Cash and cash equivalents, beginning of period	19,913	38,627	(18,714)	
Net cash (used in) / provided by operating activities	(9,168)	(30,449)	21,281	Negative cash flow from operating activities mainly due to operating loss.
Net cash (used in) investing activities	(245)	(7,415)	7,170	Lower capital expense in 2021 as majority of the facility construction was completed in 2020.
Net cash provided by financing activities	27,803	35,695	(7,892)	Financing provided by bought deal partially offset by repayment of the convertible debenture.
Effect of exchange rate change on cash and cash equivalents	(345)	-	(345)	
Cash and cash equivalents, end of period	37,958	36,458	1,500	Cash balance increased largely driven by the Bought Deal Offering.

**Contractual Obligations**

The Group's contractual obligations as at September 30, 2021, decreased by \$31,601 as compared to December 31, 2020, mainly as a result of settlement of the convertible debenture. The Group's short-term (less than one year) undiscounted contractual obligations are \$12,566 and long-term undiscounted contractual obligations are \$118.

Contractual Obligations	Total	Payments due by Period			
		< 1 year	1-3 years	4-5 years	> 5 years
Convertible debt	1,972	1,972	-	-	-
Lease Liabilities	298	180	118	-	-
Trade and Other Payables	10,414	10,414	-	-	-
Total Contractual Obligations	12,684	12,566	118	-	-

In addition to the contractual obligations mentioned above, as of September 30, 2021, under the cannabis material sales agreement, the Group is committed to purchase dry flower amounting to \$5,747 by December 31, 2022.

## MediPharm Labs Corp.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2021

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

#### Capital Resources

As of September 30, 2021, the Group does not have any commitments for capital expenditures. The Group currently expects that internally generated cash and cash equivalents will be sufficient to maintain its currently planned growth. However, the Group is continually evaluating various debt and/or equity financing opportunities to lower its cost of capital and optimize its capital structure.

The Group is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support its development, including the continued expansion and development of its Barrie facility and development of its Australian facility, and continued operations and to meet its liabilities and commitments as they come due. See "Risk Factors".

## FINANCIAL INSTRUMENTS

#### Convertible Note

On June 8, 2020, the Group closed a private placement with an institutional investor (the "**Investor**") for gross proceeds of \$37.8 million through the issuance of (the "**2020 Private Placement**"): (i) a \$20.5 million senior unsecured convertible note (the "**First Note**"); (ii) a warrant to purchase up to 3,601,427 Common Shares (the "**First Warrant**"), and (ii) a subscription receipt (the "**Subscription Receipt**") entitling the holder to receive, upon satisfaction of certain escrow release conditions, a further \$20.5 million senior unsecured convertible note (the "**Second Note**" and, together with the First Note, collectively, the "**Notes**") and a further warrant (the "**Second Warrant**") to purchase up to an additional 3,601,427 Common Shares. On August 6, 2020, the escrow release conditions were satisfied, and the Subscription Receipt was exchanged for the Second Note and Second Warrant.

The principal amount of the Notes is convertible into Common Shares at the option of the holder at a conversion price of \$2.28 per share, subject to adjustments in certain circumstances, with an initial maturity date of June 8, 2023 (the "**Maturity Date**"). The Notes amortize through bi-monthly installment payments payable on the first and tenth business day of each calendar month prior to the Maturity Date (the "**Bi-Monthly Installment Payments**"), which commenced in October 2020, and ending on the Maturity Date (each, an "**Installment Date**"). During the interim period between Installment Dates, the holder of the Notes has the option to convert installment amounts (each, an "**Acceleration**"), in whole or in part at an installment conversion price calculated in accordance with the terms of the Notes.

The following table summarizes each Acceleration that has occurred subsequent to the year ended December 31, 2020:

**MediPharm Labs Corp.****MANAGEMENT'S DISCUSSION AND ANALYSIS****For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

<b>Date of Conversion Notice</b>	<b>Principal Converted – First Note</b>	<b>Principal Converted – Second Note</b>	<b>Installment Conversion Price</b>	<b>Number of Common Shares issued</b>
January 4, 2021	\$322,265.63	\$322,265.63	\$0.4434	1,453,612
January 6, 2021	\$322,265.63	\$322,265.63	\$0.4434	1,453,612
January 7, 2021	\$322,265.63	\$322,265.63	\$0.4434	1,453,612
January 8, 2021	\$322,265.63	\$322,265.63	\$0.4434	1,453,612
January 11, 2021	\$966,796.89	\$966,796.89	\$0.4434	4,360,836
January 13, 2021	\$3,867,187.56	\$3,867,187.56	\$0.4434	17,443,336
January 14, 2021	\$322,265.63	\$322,265.63	\$0.4434	1,453,612
February 9, 2021	\$1,611,328.15	\$1,611,328.15	\$0.5702	5,651,800
February 10, 2021	\$2,578,125.04	\$2,578,125.04	\$0.5702	9,042,880
February 11, 2021	\$322,265.63	\$322,265.63	\$0.5702	1,130,360
May 27, 2021	\$322,265.63	\$322,265.63	\$0.3961	1,746,224
May 28, 2021	\$644,531.26	\$644,531.26	\$0.3961	3,492,448
October 11, 2021	\$266,796.89	\$266,796.89	\$0.2354	2,266,794
November 8, 2021	\$250,000.00	\$250,000.00	\$0.2268	2,204,586
November 11, 2021	\$200,000.00	\$200,000.00	\$0.2268	1,763,670

As at the date of this MD&A, the Group has a contractual cashflow obligation of approximately \$0.5 million related to the Notes. The substantial reduction in balance through the quarter has significantly reduced the Group's future cash obligations or potential share issuances under the Notes.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Group has no off-balance sheet arrangements.

**RISK FACTORS**

There are a number of risk factors that could impact the Group's ability to successfully execute its key strategies and may materially affect future events, performance, or results, including without limitation the following risk factors discussed in greater detail under the heading "Risk Factors" in the Annual Information Form available on [www.sedar.com](http://www.sedar.com), which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

**MediPharm Labs Corp.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine months ended September 30, 2021**

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

- limited operating history;
- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- reliance on licences and authorizations;
- lack of long-term client commitments;
- COVID-19 pandemic;
- supply chain;
- default under the convertible notes;
- client and receivables risks;
- risks relating to research and development milestones and the Group's equipment;
- realization of growth targets including expansion of facilities and operations;
- management of growth;
- history of net losses;
- difficulty to forecast;
- competition;
- inability to sustain pricing and inventory models;
- conflicts of interest;
- legal proceedings;
- product liability;
- product recall;
- environmental regulation and risks;
- insurance risks;
- unfavourable publicity or consumer perception;
- reliance on production facilities;
- dependence on supply of cannabis and other key inputs;
- maintenance of effective quality control systems;
- retention and acquisition of skilled personnel;
- clinical trials;
- failure to comply with laws in all jurisdictions;
- perceived reputational risk for third parties;
- risks related to intellectual property;
- marketing constraints;
- research and development;
- shelf life of inventory;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- risks as a result of international expansions;
- operations in foreign jurisdictions;
- reliance upon international advisors and consultants;
- foreign currency risk;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- tax risks;
- negative operating cash flow;

## MediPharm Labs Corp.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2021

(All dollar amounts are expressed in thousands of Canadian dollars (C\$'000s) unless otherwise stated.)

---

- market for the Common Shares;
- investment in the cannabis sector;
- no history of payment of cash dividends;
- reporting issuer status;
- significant sales of Common Shares;
- analyst coverage;
- tax issues related to the Common Shares;
- market for future offerings of securities;
- future sales affecting market price; and
- management discretion concerning use of proceeds.

### CRITICAL ACCOUNTING ESTIMATES AND POLICIES

There have been no material changes to our critical accounting estimates and policies from the information provided in the MD&A section in our condensed interim consolidated financial statements for the three-months and nine-months ended September 30, 2021.

### DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures, and controls to provide reasonable assurance that information that is publicly disclosed is complete, reliable, and timely. The Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") of the Group, along with the assistance of senior management under their supervision, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Group is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

No changes were made in our design of internal controls over financial reporting during the nine months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance of control issues, including whether instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.