(TSX: LABS)

MEDIPHARM LABS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

March 31, 2021

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and performance of MediPharm Labs Corp. (the "**Company**") for the three and twelve-months ended December 31, 2020 was prepared by management as of March 31, 2021. Throughout this MD&A, unless the context indicates or requires otherwise, the terms "the Company", "we", "us" and "our" mean MediPharm Labs Corp. and its subsidiaries. This MD&A should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020 (the "**Financial Statements**"), 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 Company, including the Financial Statements and our most recent annual information form dated March 31, 2021 (the "**Annual Information Form**"), is available on the Company's website at www.medipharmlabs.com or the SEDAR website at www.sedar.com.

This MD&A contains commentary from the Company's management regarding the Company'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 Company 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 Company and its subsidiaries and the Company'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.

The Company also uses certain non-IFRS financial measures to evaluate its performance. These non-IFRS measures include Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA). Non-IFRS measures used in this MD&A are reconciled to, or calculated from, IFRS financial information as discussed further in "Reconciliation of non-IFRS Measures".

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 Company 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 Company's critical accounting policies and estimates;
- the Company's expectations regarding legislation, regulations and licensing related to the import, export, processing and sale of cannabis products by the Company, 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 Financing (as defined below); and
- the Company'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 Company 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 Company 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 Company to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. The Company 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 Company's filings with the Canadian Securities Administrators. Although the Company 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.

EXECUTIVE SUMMARY

Operational Highlights

The following is a summary of the Company's operational highlights for the year ended December 31, 2020.

Change in Revenue Mix: The oversupply in the Canadian bulk crude resin and distillate markets defined the Canadian cannabis market in fiscal 2020 and was further exacerbated by the COVID-19 pandemic, which contributed to decreased expenditures from our bulk concentrates and distillate client-base. This has led to a drop in revenue in fiscal 2020 as our core business shifts from Canadian wholesale supply contracts of bulk concentrate and distillate to prioritizing using our specialized manufacturing capabilities and pharmaceutical expertise to produce high quality formulations, finished formulated packaged goods, and active pharmaceutical ingredients ("**APIs**") to provincial retailers and medical distributers across Canada. The early signs of this shift are promising, as Q4 2020 revenue was up 22% from Q3 2020 largely due to growth of finished formulated products, as revenue from finished formulated products grew to comprise 77% of Q4 2020, up from 57% in Q3 2020.

International Growth: We have positioned ourselves to take advantage of the globalization of the cannabis industry by entering into new supply contracts with companies in several South American and European markets. These new partnerships will increase our international reach and further our strategy to develop multi-jurisdictional, certified production capability certified under the Good Manufacturing Practices ("**GMP**") standard to service worldwide, pharmaceutical, medicinal, and wellness markets. Agreements with major players in pharmaceutical and consumer health like STADA Arzneimittel AG ("**STADA**") in Germany represent a unique growth area for the Company.

Financial Stability: We successfully closed a private placement in June 2020 (the "**2020 Private Placement**") for aggregate gross proceeds of approximately $37.8 million, and cash and cash equivalents totalled $19.9 million as at December 31, 2020. In addition, the previously announced March 2021 bought-deal financing (the "**Bought Deal Offering**") provided $33.4 million in gross proceeds, which, has substantially strengthened our balance sheet and ensures the Company has the means to fund growth strategies.

Australian Commercialization and Accreditation: We invested in the future of the Asia-Pacific market by purchasing 100% control of MediPharm Labs Australia from our local partner, making MediPharm Labs Australia a wholly-owned subsidiary of the Company. During the period, our Australian subsidiary commenced sales of GMP-certified formulated products pursuant to agreements with companies based in Australia, New Zealand, and the UK. The Australian facility also achieved certification under the Therapeutic Goods Administration ("**TGA**") for the GMP standard and secured a License to Manufacture Therapeutic Goods, creating a global pharmaceutical-quality supply chain qualified to serve new emerging medical markets internationally.

In-House Product Launch: We launched the new *LABS Cannabis* family of health and wellness products during the period, including *LABS Cannabis CBD Isolate,* targeting adult wellness market with distribution planned through government and private retail/medical channels across Canada. The first shipments of *LABS Cannabis CBD Isolate* were sent to retailers in six provinces in Q4 2020, complementing *CBD25 Regular Formula, CBD50 Plus Formula and CBD25:5 Release Formula* products for wellness.

See "Company Overview" for further management's discussion and analysis regarding the operational highlights for the period.

Financial Highlights

The following table is a summary of financial highlights for the year ended December 31, 2020, and the three-month periods ended December 31, 2020, September 30, 2020, June 30, 2020 and March 31, 2020.

	Year ended	Three-months ended			
	December 31, 2020 $'000s	**December 31, 2020 $'000s**	**September 30, 2020 $'000s**	**June 30, 2020 $'000s**	**March 31, 2020 $'000s**
Revenue	36,012	6,058	4,947	13,918	11,089
Gross profit	(43,978)	(24,720)	(10,588)	2,212	(10,882)
Gross margin %	*(122%)*	*(408%)*	*(214%)*	*16%*	*(98%)*
Net income/(loss) before tax	(72,100)	(30,874)	(15,422)	(3,775)	(22,029)
Adjusted EBITDA[1]	(23,866)	(8,767)	(7,262)	(2,180)	(5,657)
Adjusted EBITDA margin %	*(66%)*	*(145%)*	*(147%)*	*(16%)*	*(51%)*

- Revenue of $6.1 million in Q4 2020, increased 22% compared to Q3 2020 due to increase in volume of finished formulated products to provincial and medical distributors throughout Canada which was partially offset by a reduction in volume of bulk extract.
- Gross profit of ($24.7) million and gross margin of (408%) in Q4 2020. The gross profit in Q4 2020 included a ($1.7) million write down of non-current deposits, increased depreciation expense of certain idle machinery ($5.6) million and inventory write down of ($10.7) million to its net realizable value. Gross profit adjusted for these items would have been ($6.8) million. The gross margin of ($6.8) million is largely driven by pricing pressure seen in Q4 2020 and higher input costs from materials procured at prices higher than current spot rates. The decrease in gross profit from Q3 2020 was largely attributable to these items: increased depreciation expense of certain idle machinery ($5.6) million and incremental write down of inventory ($4.4) million to its net realizable value.
- Net loss before tax of $30.9 million in Q4 2020 was largely attributable to a ($10.7) million write down of inventory to its net realizable value, ($1.7) million write down of non-current deposits, ($5.9) million additional depreciation expense due to shortened useful lives of idle fixed assets, ($2) million impairment on fixed assets and ($1.4) million restructuring expense.
- Negative Adjusted EBITDA[1] of $8.8 million in Q4 2020, a 21% decrease over Q3 2020, and Adjusted EBITDA[1] margin of (145%), was a result of decrease in gross profit.

Notes:

[1] Adjusted EBITDA is a non-IFRS measure. See "Reconciliation of Non-IFRS Measures" for reconciliation to IFRS measures.

See "Discussion of Operations" for further discussion and analysis regarding the financial highlights for the periods.

COMPANY OVERVIEW

We are a specialized, research-driven cannabis extraction business focused on downstream extraction methodology, distillation, and derivative product development. Our mission is to become a global leader specialized in providing pharmaceutical quality derivative cannabis products and to drive future cannabis product innovation.

Our common shares (the "**Common Shares**") trade on the Toronto Stock Exchange (the "**TSX**") under the symbol "LABS", 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 GMP certifications from the TGA.

Background

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 Company 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 Company. The amalgamation resulted in the reverse take-over of the Company 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 Company graduated from the TSXV to the TSX.

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 Company'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, 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.

MediPharm Labs operates out of a 70,000 sq. ft. Barrie, Ontario facility, which currently runs supercritical CO_2 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 Good Manufacturing Practice ("**GMP**") standards and received its Australian GMP certificate in the third quarter of 2019 and, subject to various third-party audits being scheduled once permissible in the COVID-19 environment, we expect to receive a European GMP certificate in 2021, which will facilitate our entrance into the European market via export[2]. We expect that international sales will ramp-up slowly and incrementally.

On March 29, 2018, MediPharm Labs received its oil production licence pursuant to the *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**" or the "**Licence**") 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 the Licence was transitioned to a standard processing licence under the Cannabis Act. 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;
- 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

[2] This statement is based on the following material factors and assumptions: (a) the timely and successful completion of audits that were rescheduled due to COVID-19; (b) the Company assumes the third-party audits will be permissible in a COVID-19 environment in the 2021 calendar year; and (c) the Company assumes that there will be no further delays once the audits are scheduled and the GMP certificate will be successfully issued. The Company clarifies that as of the date hereof, it has not yet completed the aforementioned items. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

- 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 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 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*.

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 Company'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 March 29, 2021 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[3]. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Product Manufacturing Services and Sales

The Company 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, and customer brands through white label and contract manufacturing arrangements. Customers that do not hold a requisite Cannabis Act or other licence, rely on the Company 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 Company to manage the remaining portion of the manufacturing and/or supply chain themselves and the Company would typically receive a fee per unit shipped under that arrangement. Going forward, the Company expects to increase the breadth (product formats) and depth (stock keeping units ("**SKUs**") per product format) of finished formulated product capabilities.

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. Finished formulated product shipments grew to comprise 77% of fourth quarter revenue, up from 57% in the third quarter, 16% in the second quarter, 13% in the first quarter and nil in the fourth quarter of 2019.

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. During the fourth quarter of 2020, 86% of bulk concentrates were sold pursuant to spot arrangements (as compared to 93% in Q3, 65% in Q2 2020; 58% in Q1 2020; and 46% in Q4 2019). In addition, the volume of our bulk concentrate sales was down significantly in fiscal 2020 as compared to prior fiscal years. 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

[3] This statement is based on the following material factors and assumptions: (a) the Company 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 Company 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 Company 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".

businesses, and conversion of bulk concentrates inventory into further value added goods by existing domestic market participants; trends which have all 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)

During fiscal 2020, we continued to move up the value chain from primary extraction to the roll-out of commercial scale distillation and finished formulated products. We intend to continue developing our valued-added product line, including additional bulk and finished product categories.

We have successfully completed the isolation and fractionation of specific cannabinoids at our facility on an R&D scale, with the intention to commercialize some of these actives in future quarters. Such isolated cannabinoids are intended to form part of both our bulk and finished formulated products offerings.

Further, we expect that industrial scale chromatography capabilities will permit the Company to address the market for APIs that require cannabinoid isolates and purity of at least 99.9%. Initial investigations and R&D and methodology has been completed. We have ordered additional chromatography equipment and will continue our R&D activities going forward.

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", including "Realization of Growth Targets", "Reliance on Licenses and Authorizations" and "Research and Development".

Highlights for the Year Ended December 31, 2020

During the year ended December 31, 2020, we saw the following business developments:

International White Label Supply Agreements

During the period, the Company secured white label supply agreements with, among others, Compass Clinics Australia Pty Ltd (Australia); Burleigh Heads Cannabis Pty Ltd. (Australia); Sunco Green Pharmaceutical Pty Ltd (Australia); Helius Therapeutics Limited (New Zealand); Cannasouth Plant Research New Zealand Limited (New Zealand); Therismos Limited (UK); DanCann Pharma A/S (Denmark) and Beacon Medical Australia Pty. Ltd., a subsidiary of VIVO Cannabis Inc. We commenced sales of GMP-certified products pursuant to these agreements within the second quarter of 2020.

COVID-19 Pandemic

On January 30, 2020, the World Health Organization (the "**WHO**") declared the ongoing COVID-19 outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of the outbreak to a worldwide pandemic. Federal, state, provincial and municipal governments in North America and Australia enacted measures to combat the spread of COVID-19. The COVID-19 outbreak continues to rapidly evolve and is causing business disruptions across the entire global economy and society.

The Company is closely monitoring the evolution of COVID-19. As at the date of this MD&A, the production and sale of cannabis have been recognized as essential services across Canada and Australia. The Company's Barrie and Australian facilities continue to be operational. The Company has taken various measures to prioritize the health and safety of our employees, customers and partners, including restricted

work travel and site access; improved safety & hygiene; and the requirement of nonessential staff members to work remotely. As a manufacturer of consumable and medicinal products, our practice is always to operate to global pharma-quality standards within our ISO-designed 'critical environment' facility with strict hygiene practices and mandated personal protective equipment.

The duration and the immediate and eventual impact of the COVID-19 pandemic remains unknown. In particular, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. The extent of the impact on COVID-19 on the Company's operational and financial performance will depend on various developments, including the duration and magnitude of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be predicted at this point. Over the course of the fiscal year, the Company saw the ongoing supply/demand imbalance for cannabis concentrates become exacerbated as a result of the economic uncertainty created through the COVID-19 pandemic. The increased market uncertainty resulting from the COVID-19 pandemic, coupled with the recent and ongoing oversupply of bulk concentrates, led to decreased expenditures from existing bulk concentrate customers who sought deferrals or adjustments for previously committed shipments during the quarter, but some of which have subsequently resumed purchases.

To date, the Company has seen a small month to month increase in revenue within Q4 2020 since its Q3 MD&A. Additionally, COVID-19 has not impacted our ability to sign commercial international agreements and continue with our obligations under these agreements. Our Australia facility is able to export product to the EU under existing trade agreements related to GMP approval. As it relates to deliveries from our Australian facility, we do not foresee any impact on revenue directly related to COVID-19, however, due to certain COVID-19 prevention measures and the long-term impacts of the pandemic, some of our deliveries are significantly delayed. COVID-19 has slowed down Health Canada's process of reviewing and issuing export permits. The service standard of 30 business days has not been met for our last three permit requests. Currently, Health Canada is averaging 45 business days to issue permits. Further, COVID-19 has impacted our timeline for EU GMP certification of the Barrie Canada facility.

Australian Licence to Import Drugs

On January 31, 2020 we announced that the Australian Department of Health, Drug Control Section issued an import licence to MediPharm Labs Australia for the importation of drugs listed in Schedule 4 of the Customs (Prohibited Imports) Regulations 1956, which includes cannabis, cannabinoids and cannabis resin. Upon the receipt of the applicable import permits, this licence allows for the importation of cannabis, cannabinoids and cannabis resin from MediPharm Labs in Canada, and other global authorized exporters, for finalization into tinctures and other product forms in Australia.

Canadian Medical Channel

On February 20, 2020, we announced that MediPharm Labs was selected by Shoppers Drug Mart to supply high-quality concentrate products to medical patients through the national Medical Cannabis by Shoppers online platform. The ability to distribute through this channel gives us exposure to Canada's long-standing medical market, without having to establish the required infrastructure for a direct medical cannabis sales channel (e.g. clinics, patients and call centres).

We have made further strides into the Canadian medical channels through our supply agreement with Hybrid Pharm Inc., a modern wellness pharmacy and medical cannabis sales licence holder serving patients in the Ottawa region.

Finished Formulated Products Shipments

During the period, we launched new SKUs of finished formulated products across six provinces in Canada. The proportion of sales comprised of finished formulated products is expected to increase as we continue to launch additional SKUs. The continued expansion of manufacturing and distribution capabilities is expected to increase sell-through of bulk concentrate inventory into the consumer market.

On March 25, 2020, we announced that we completed our first shipments of topical cannabis products from our Canadian facility to a contract manufacturing customer.

On March 26, 2020, we announced the launch of a new family of MediPharm Labs branded products to deliver high-quality, innovative offerings to customers in the medical and adult-use markets across Canada. The first product launched within the MediPharm Labs family was "MediPharm Labs CBD25 Regular Formula", a High-CBD, Low-THC regular strength formulated cannabis oil made using full spectrum cannabis concentrate processed at one of our GMP certified facilities. Our family of MediPharm Labs branded products has been subsequently expanded with the inclusion of "MediPharm Labs CBD50 Plus Formula" and "MediPharm Labs CBD25:5 Release Formula".

On May 25, 2020, we announced that we commenced shipments of white labeled "Ace Valley Vapes" under our white label disposable vaporizer pen agreement with AV Cannabis Inc. (d/b/a Ace Valley). Under this agreement, we provide high-quality cannabis extracts, filling services and national distribution of a line of Ace Valley Vapes. Ace Valley leverages its leading brand traction and product strategy expertise to design, brand and market the products.

MediPharm Labs Australia Achieves GMP Certification

On May 7, 2020, we announced that MediPharm Labs Australia's facility achieved TGA GMP certification and secured a License to Manufacture Therapeutic Goods, thereby creating a global pharmaceutical-quality supply chain (the Canadian facility was TGA GMP certified in late 2019) qualified to serve new emerging medical markets internationally.

The TGA is the branch of the Australian Government's Department of Health responsible for regulating therapeutic goods including prescription medicines, vaccines and medical devices. The TGA is one of 53 regulatory authority members of the Pharmaceutical Inspection Co-operation Scheme (PIC/S), an international co-operative arrangement among regulatory authorities in the field of GMP for medicinal products. The PIC/S mission is to lead the development, implementation and maintenance of harmonised GMP standards and quality systems of inspectorates in the field of medicinal products. Many PIC/S members, such as the TGA, also enter into mutual recognition agreements with other PIC/S members whereby each regulatory authority specifically recognizes certain processes and procedures of the other country to expedite the international flow of goods.

This licence confirms that MediPharm Labs Australia complies with the internationally recognized GMP requirements of the PIC/S Guide for Medicinal Products and allows the manufacture of therapeutic goods

intended for export or which are exempt from registration and listing on the Australian Register of Therapeutic Goods under the provisions of Section 18(1) or Section 19 (1)(a) of the Therapeutic Goods Act.

MediPharm Labs Australia is now authorized to store cannabis resin as an API and may engage in packaging, storage and release for supply as a Medicine Manufacturer of Oral Liquids within its specialized facility in Wonthaggi, Victoria.

Avicanna

On May 14, 2020, we entered into a strategic manufacturing and intellectual property licensing agreement with Avicanna Inc. ("**Avicanna**") through which we intend to commercialize a diverse array of sophisticated product formats. Under the agreement, which has an initial three-year term, MediPharm Labs will use the specialized contract manufacturing capabilities resident at its state-of-the-art Canadian production facility to produce Avicanna's advanced medical cannabis products and topicals under license for commercial sales. Avicanna granted MediPharm Labs a license to use proprietary Avicanna formulations to develop additional MediPharm Labs and white label branded products for the domestic and international market. The continued expansion of our finished formulated products manufacturing and distribution capabilities is expected to increase sell-through of bulk concentrate into the consumer market.

On August 26, 2020, as part of its multi-faceted strategic pharmaceutical manufacturing agreement with Avicanna, MediPharm Labs launched and completed production of a new product format, sublingual sprays to be marketed under Avicanna's RHO Phyto™ medical brand. The high-performance rapid active sprays are available nationally to Canadian medical patients through the Medical Cannabis by Shoppers™ online healthcare platform.

Agreement with Argentia Gold

On May 27, 2020, we announced that we entered into a white label supply agreement with Argentia Gold Corporation ("**Argentia Gold**"). Under the agreement, which has an initial 2-year term, MediPharm Labs will provide Argentia Gold-branded formulated tincture bottles of CBD cannabis resin and Argentia Gold will provide distribution, sales, and service to leading retailers in Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick.

Private Placement

On June 8, 2020, the Company closed the 2020 Private Placement with an institutional investor for gross proceeds of $37.8 million through the issuance of: (i) a $20.5 million senior unsecured convertible note (the "**First Note**"); (ii) a warrant to purchase up to 3,601,427 Common Shares, 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, which commenced in October 2020, and ending on the Maturity Date (each, an "**Installment Date**"). During the

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

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 prior to the year ended December 31, 2020:

Date of Conversion Notice	Principal Converted – First Note	Principal Converted – Second Note	Installment Conversion Price	Number of Common Shares issued
October 13, 2020	$397,265.31	$397,265.31	$0.7352	1,080,700
October 14, 2020	$444,531.26	$444,531.26	$0.7352	1,209,280
November 9, 2020	$966,796.89	$966,796.89	$0.7052	2,741,910
November 12, 2020	$966,796.89	$966,796.89	$0.7052	2,741,910
November 13, 2020	$644,531.26	$644,531.26	$0.7052	1,827,940
December 1, 2020	$322,265.63	$322,265.63	$0.4956	1,300,508
December 14, 2020	$322,265.63	$322,265.63	$0.4933	1,306,572
December 16, 2020	$322,265.63	$322,265.63	$0.4933	1,306,572

Independent Director Appointments

On June 22, 2020, Ms. Shelley Martin was appointed to our Board of Directors. Ms. Martin served in a variety of senior executive roles at Nestlé Canada Inc. from 1990 until she retired after five years as President and Chief Executive Officer in 2018. During her time leading Nestlé Canada, she drove a substantial increase in revenue, market share and profitability and transformed core business units and brands by introducing new formulas, packaging, pricing, global sources of supply and Lean (Six Sigma) tools. In 2018, Nestlé Canada's annual sales were approximately $2.6 billion. She began her career at General Mills Canada in 1985 and was named one of Canada's Most Powerful Women by the Women's Executive Network (WXN) in 2015, 2016 and 2018. Ms. Martin is a member of the Advisory Board of Moosehead Breweries as well as Crosby Molasses, and is a Director of Vineland Research and Innovation Centre, a leader in horticultural research and innovation. From 2016 to 2018, she served as Board Chair of Food & Consumer Products of Canada (FCPC), which represents more than 100 food, beverage, and consumer product manufacturers of all sizes. From 2013 to 2018, she was a Director of The Grocery Foundation, a not-for-profit organization that has raised over $90 million for student nutrition programs. Ms. Martin is a graduate of Wilfrid Laurier University (Bachelor of Business Administration) and earned the Institute of Corporate Directors ICD. D designation in 2016.

On July 13, 2020, Mr. Chris Taves was appointed to our Board of Directors. As COO of BMO Capital Markets ("**BMOCM**"), a leading full-service financial services provider and member of BMO Financial Group, one of the largest banks in North America, Mr. Taves is responsible for setting and overseeing implementation of BMOCM's strategies and for all balance sheet and risk taking activity as well as regulatory, compliance and operational functions. He also serves as a Board Member of BMO China Co. and BMO Capital Markets Corp. Prior to assuming his current role in 2018, he served as Head of Global Markets responsible for BMO's global trading businesses and in various other roles over an 11-year career

at BMO. Mr. Taves began his career at KPMG in 1989 and joined Citigroup in 1997 where he became Head of Corporate Canada Team, Derivatives & Structured Product before moving to BMOCM. He has an MBA from the Ivey Business School at Western University, and a Bachelor of Mathematics from the University of Waterloo. He is a CA CPA and a member of the National Association of Corporate Directors.

On August 4, 2020, Mr. Chris Halyk was appointed to our Board of Directors. Mr. Halyk's career has had many highlights, including Vice-President, Sales and Marketing and a member of the Janssen Management Board with responsibility for innovations in direct-to-consumer advertising, patient education and sales force automation; Managing Director of Ortho Biotech, the biopharmaceutical division of Janssen Inc.; and from 2006 until his retirement in 2019 as the President of Janssen Inc. (Canada) one of the largest pharmaceutical companies in Canada. During his tenure, his accomplishments included, bringing innovative products, services and solutions to market along with new technologies and treatments in oncology, immunology, neuroscience, infectious diseases and vaccines, cardiovascular and metabolism and pulmonary hypertension.

South American Supply Agreements

On September 3, 2020, the Company announced that MediPharm Labs had entered into an agreement with Cann Farm Peru S.A.C., a Lima-based producer and distributor serving Peruvian and other markets in Latin America. Under the one-year renewable agreement, which represents the Company's first agreement in Latin America, MediPharm Labs will provide a variety of cannabis concentrate formats with optionality for patient-ready formulated products which will be distributed to patients through pharmacies in Peru.

On September 22, 2020, the Company announced that MediPharm Labs had entered into an agreement with XLR8 Brazil, a Rio de Janeiro-based value-added distributor serving Brazil, to provide GMP-certified formulated cannabis oil. Under the two-year agreement commencing from the time of product authorization, MediPharm Labs will provide a variety of cannabis concentrate formats for patient-ready formulated products that will be distributed by XLR8 Brazil to leading pharmacies and other authorized channels in Brazil.

Purchase of 100% Ownership of MediPharm Labs Australia

On September 28, 2020, the Company announced that it had reached a share sale and purchase agreement with its local Australian partner who is a key management personnel of the Company to acquire its 20% ownership interest in MediPharm Labs Australia. On October 8, 2020, the Company closed the transaction for an amount of $3,200 which would be paid as combination of cash and Common Shares. The Company paid the vendor $600 of cash and issued 2,359,603 Common Shares for an amount of $2,000. Rest of the consideration will be paid as $300 of cash nine months after the Closing Date and $300 of cash eighteen months after the Closing Date. The Company now controls 100% of MediPharm Labs Australia, making MediPharm Labs Australia a wholly-owned subsidiary of the Company.

STADA Agreement

On October 5, 2020, the Company announced that MediPharm Labs had entered into an exclusive supply agreement with STADA, a European consumer healthcare and generics company, pursuant to which MediPharm will supply GMP certified medical cannabis products to STADA, as well as manufacturing, logistics and regulatory support. STADA will be responsible for commercializing the cannabis products,

initially in Germany, as well as marketing and medical education utilizing a pharmaceutically experienced field force.

Clinical Research Trial

On October 19, 2020, the Company announced that MediPharm Labs had initiated a clinical trial to research and evaluate the effectiveness of MediPharm Labs' proprietary cannabis-derived medical products and formulations on the treatment of end-stage renal disease or chronic kidney disease. MediPharm Labs has partnered with OTT Healthcare Inc. ("**OTT**") and signed a Master Clinical Studies Agreement pursuant to which OTT will study the pharmacokinetic (dosing) and safety profile of cannabinoid formulations for the chronic kidney disease patient population and assess pain and quality of life scores of patients receiving MediPharm Labs proprietary product formulations.

Retail Product Launches

On October 20, 2020, the Company announced the launch of its new "LABS Cannabis" family of health and wellness products. Specially designed and formulated for the Canadian consumers, the LABS Cannabis products will be targeted for adult use with distribution planned through government and private retail channels across Canada.

On October 29, 2020, the Company announced the launch of LABS Cannabis CBD Isolate, the first in the Company's branded product line expected to be available through retailers across Canada. The first shipments were sent to retailers in six provinces in Q4 2020.

Senior Management Changes

On December 10, 2020, the Company announced the appointment of President and Co-Founder Keith Strachan to the role of Interim Chief Executive Officer, replacing Pat McCutcheon who has retained his role as Chairman of the Board of the Directors. The Company also announced the appointment of Olga Utkutug to the role of Interim Chief Financial Officer, effective December 8, 2020.

NHP Site Licence

On December 21, 2020, MediPharm Labs received a 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*.

Subsequent Events

Subsequent to the year ended December 31, 2020, the following Company developments also occurred:

Private Placement

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

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

Date of Conversion Notice	Principal Converted – First Note	Principal Converted – Second Note	Installment Conversion Price	Number of Common Shares issued
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

As at the date of this AIF, the Company has approximately $3.9 million in Notes outstanding.

Retail Product Developments

On January 11, 2021, the Company announced (i) the shipment of 550,000 product units in Q4 2020; of the units shipped, 100,000 were private 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 Company will continue to increase output to support consumer demand and Avicanna's plan to expand RHO Phyto SKUs to ten (10) in 2021[4] (see "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors"); and (iii) the commencement of a supply agreement between the Company and Nova Scotia Liquor Corporation during Q4 2020, and the shipment of initial orders to Nova Scotia.

[4] The material factors and assumptions underlying this forward-looking statement are: (a) the Company 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 Company has a commercial agreement and business terms agreed to in principal for provincial domestic distribution of the product, whereby the Company 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".

On March 26, 2021, the Company announced a further expansion of the Company's family of branded products with the retail introduction of CBD 100, THC 30 and the Company's first cannabinoid cannabinol (CBN) rich formula.

Warren Everitt Appointed to Board of Directors

On January 15, 2021, Mr. Warren Everitt was appointed to our Board of Directors. Mr. Everitt joined MediPharm Labs in 2017 to establish the Company'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.

Greg Hunter Appointed CFO

On January 29, 2021, the Company 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. Ms. Utkutug continues to serve as VP, Finance. 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.

Cannabis Drug Licence

On February 17, 2021, the Company announced it has received a Cannabis Drug Licence ("**CD Licence**") from Health Canada. The CD Licence allows the Company 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 Company is positioned to supply cannabis based pharmaceutical drugs and APIs to other CD Licence holders and clinical research trials for novel drug discovery.

Bought Deal Financing

On March 1, 2021, the Company announced that it had entered into 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 Company (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 Company (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 Company 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 Company at the Issue Price for aggregate gross proceeds of $29 million.

On March 5, 2021 the Company 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 Company for aggregate gross proceeds of $33.4 million.

Cannim Australia Agreement

On March 8, 2021, the Company announced that MediPharm Labs Australia has entered into a new GMP white-label supply and contract manufacturing agreement with Cannim Australia Pty Ltd. The Company 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.

Société Quebecois Du Cannabis Agreement

On March 9, 2021, the Company announced that it has entered into a supply agreement with the Société Quebecois Du Cannabis. MediPharm Labs will supply the growing medical and wellness market in Quebec 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.

DISCUSSION OF OPERATIONS

Overview

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. The wholesale of cannabis concentrates through the Company's private label program was still the primary source of revenue during the year ended December 31, 2020, however we do not anticipate the wholesale of cannabis concentrates to be a primary source of revenue going forward.

Cost of Sales

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, sub-contractors (including related to GMP audits), 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

Gross profit is calculated by deducting the cost of sales from revenue. The Company 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.

Expenses

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

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 currently include expenses related to working on new product lines.

Share-based compensation expense includes stock options granted.

Other operating expenses include start-up and pre-manufacturing costs of MediPharm Labs Australia incurred prior to the commencement of production (research and development of products, personnel expenses, depreciation, supplies and small equipment, and other) foreign exchange loss, and bank and financial instituion service fees, which are costs that do not depend on sales or production quantities and expected credit loss of accounts receivable.

Included in other operating expenses, are expenses incurred in performing initial product testing and related manufacturing costs, materials and supplies, salaries and benefits, contract research costs, patent procurement costs, and occupancy costs prior to the commencement of operations.

Operating income

Included in other operating income are government grants. The Company has been granted amounts under the Canada Emergency Wage Subsidy (CEWS) and Australia JobKeeper Payment Subsidy.

Finance income

Finance income comprises interest income earned on cash balance and short-term investments and revaluation gain or loss of financial instruments.

Finance expense

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

Taxation expense

Taxation expense reflects the Company'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 a majority shareholder of subsidiary MediPharm Labs Australia, which has been developing a production facility in Victoria, Australia.

Comparison of Three-Month Period and Twelve-Month Period Ended December 31, 2020 to 2019

Discussion and Analysis of the Results for the Three-Month Period Ended December 31, 2020

Results of operations for the three months ended December 31, 2020 as compared to the three months ended December 31, 2019.

	Three months ended December 31		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
Revenue	6,058	32,444	(26,386)	(81%)	The decrease in sales is due to a decrease in bulk concentrate volumes and decrease in selling prices which was partially off set by an increase in finished formulated product sales.
Cost of sales	(30,778)	(22,457)	(8,321)	37%	The increase in cost of sales was largely driven by a write down of inventory by $10.7 million to its net realizable value and $1.7 million write down of non-current deposits given to the vendors for capital expenditure and $5.6 million increased depreciation expense due to shortened useful lives of idle machinery which was partially offset by decrease in volume and decrease in dried flower cost. Excluding these items, cost of sales for the three months period ended December 31, 2020 is $12.8 million which is $9.7 million lower than the cost of sale amount for the three month period ended December 31, 2019.
Gross profit	**(24,720)**	**9,987**	**(34,707)**	**(348%)**	Gross Profit excluding the items mentioned above would be ($6.8M).

	Three months ended December 31		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
General administrative expenses	(5,225)	(6,426)	1,204	(19%)	General administrative expenses decreased due to lower ERP system implementation cost and lower headcount which was offset by $1 million restructuring cost.
Marketing and selling expenses	(1,274)	(834)	(440)	53%	Expenses are higher due to an increase in headcount from investments in a new sales workforce and product commercialization team and $0.2M restructuring cost.
R&D expenses	(635)	(448)	(187)	42%	Increase in headcount due to investing in new product development and clinical affairs. In addition, fourth quarter of 2020 includes $0.2M of increased depreciation expense due to shortened useful lives of idle machinery used for R&D activities.
Share-based compensation expenses	2,399	(4,631)	7,030	(152%)	Due to restructing, 1,340,270 stock options were cancelled during three months ended December 31, 2020 which resulted in reversal of share based compensation expenses in the current period.
Other operating income/(expense), net	68	(151)	219	145%	Other operating expenses increased due to foreign exchange gain incurred as a result of AUD foreign currency denominated transactions and $1.8 million CEWS related grant income which is offset by impairment on fixed assets ($2 million).
Operating loss	**(29,387)**	**(2,503)**	**(26,884)**	**1,074%**	See comments above.
Adjusted EBITDA	**(8,767)**	**2,661**	**(11,428)**	**(429%)**	The decrease in Adjusted EBITDA is mainly attributable to the decrease of revenue and gross profit which was partially offset by decreased ERP system implementation cost. 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	3,144	-	3,144	N/A	The gain in revaluation is due to the fair value change of warrant derivative liability and conversion options as a result of decrease of quoted share prices of the Common Shares.
Finance income	47	220	(173)	(79%)	Decreased cash and cash equivalents lead to decreased interest income.
Finance expense	(4,678)	(119)	(4,559)	3,831%	Finance expenses increased due to increase in interest expenses on loan and lease liability and accretion expense of the convertible loan.
Loss before taxation	**(30,874)**	**(2,402)**	**(28,472)**	**1,185%**	See comments above.

	Three months ended December 31		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
Taxation recovery/(expense)	(75)	(1,137)	1,062	93%	Taxation recovery (expense) increased due to having a taxable loss for the three month period ended December 31, 2020.
Net loss for the period	**(30,949)**	**(3,539)**	**(27,410)**	**775%**	See comments above.
Attributable to					
- Non controlling interest	-	(318)	(318)	(100%)	20% ownership 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	(30,949)	(3,221)	(27,728)	861%	See comments above.

Discussion and Analysis of the Results for the Twelve-Month Period Ended December 31, 2020

Results of operations for the twelve months ended December 31, 2020 as compared to the twelve months ended December 31, 2019.

	Twelve months ended December 31		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
Revenue	36,012	129,252	(93,240)	(72%)	The decrease in sales is due to a decrease in bulk concentrate/distillate volumes and decrease in domestic selling prices which was partially off set by an increase in finished goods products.
Cost of sales	(79,990)	(86,338)	6,348	(7%)	The decrease in cost of sales was largely driven by the decrease in volume and the decrease in dried flower cost which was partially offset by a write down of inventory by $29.8 million to its net realizable value and $3.1 million write down of non-current deposits given to the vendors for capital expenditure and $5.6 million increased depreciation expense due to shortened useful lives of idle machinery. Excluding these items, cost of sales for the year ended December 31, 2020 is $41.5 million which is $44.8 million decrease from the cost of sales amount for the year ended December 31, 2019.
Gross profit	**(43,978)**	**42,914**	**(86,892)**	**(202%)**	Gross Profit excluding the items mentioned above would be ($5.5) million.

	Twelve months ended December 31		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
General administrative expenses	(21,904)	(15,357)	(6,547)	43%	General administrative expenses increased due to: • Increase in personnel headcount both in Barrie and Australia facilities and restructuring cost, partially offset through headcount reductions throughout 2020. • Increased depreciation expense due to shortened useful lives of idle building components. • Transaction cost related with the issuance of the First and Second Warrant and conversion option of First and Second Note. • Increased consultancy expenses due to implementation of a new ERP system. The Company fully implemented the system in the thrid quarter of 2020 which lead to decrease in consultancy expenses in the fourth quarter of 2020.
Marketing and selling expenses	(4,366)	(3,330)	(1,036)	31%	The impact of new sales workforce and product commercialization team is offset by decreased conferences, events, promotions and investor relations due to COVID-19.
R&D expenses	(2,225)	(867)	(1,358)	157%	In connection with commencement of new product development activities and clinical affairs, R&D expenses have increased. By the end of Q4 2019, a dedicated R&D team was built.
Share-based compensation expenses	(2,681)	(15,502)	12,821	(83%)	Expenses incurred due to remuneration in the form of share-based payments granted to employees (including senior executives) decreased due to lower new employee hiring in 2020, decreased fair value of options granted and cancelled 2,324,160 stock options due to mainly restructuring.
Other operating income/(expense), net	2,578	(920)	3,498	380%	Other operating income increased due to CEWS and Australia JobKeeper Payment Subsidy ($4.5 million in total) and foreign currency exchange gain which was incurred as a result of AUD foreign currency denominated transactions which was partially offset by impairment on fixed assets ($2 million) . In addition, during the year ended December 31, 2020, the Company recognized expected credit loss for trade receivable from business to business customers for an amount of $0.5 million.
Operating (loss)/income	**(72,576)**	**6,938**	**(79,514)**	**(1,146%)**	See comments above.

	Twelve months ended December 31		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
Adjusted EBITDA	**(23,866)**	**24,737**	**(48,603)**	**(196%)**	The decrease in Adjusted EBITDA is mainly attributable to the decrease of revenue and gross profit, and increase in operating expenses which were partially offset by government grants. 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	8,078	-	8,078	N/A	The gain in revaluation is due to the fair value change of warrant derivative liability and conversion options as a result of decrease of quoted share prices of the Common Shares.
Finance income	273	486	(213)	44%	Finance income decreased slightly due to having less cash and cash equivalents during the year ending December 31, 2020.
Finance expense	(7,875)	(672)	(7,203)	1,072%	Finance expenses increased due to increase in interest expenses on loan and lease liability and accretion expense of the convertible loan.
(Loss)/income before taxation	**(72,100)**	**6,752**	**(78,852)**	**(1,168%)**	See comments above.
Taxation recovery/ (expense)	4,990	(5,621)	10,611	189%	Taxation recovery (expense) increased due to having a taxable loss for the year ended December 31, 2020. Taxation recovery amounting to $5 million is the amount to be claimed back against previuos years cash taxes paid.
Net loss for the year	**(67,110)**	**1,131**	**(68,241)**	**6,034%**	See comments above.
Attributable to					
- Non controlling interest	(757)	(514)	(243)	47%	20% ownership interest in the Australian facility was acquired on October 8, 2020; therefore, no loss was attributed to non-controlling interest after that period. After starting its operations towards the end of second quarter of year 2020, operational expenses of Australian facility have increased which resulted in increased loss attributable to non controlling interest up to the acquisition period.
- Equity holder of parents	(66,353)	1,645	(67,998)	4,134%	See comments above.

SELECTED ANNUAL INFORMATION

The following table sets out the Company's selected annual consolidated financial information:

	For the year ended		
	December 31 2020 $'000s	**December 31 2019 $'000s**	**December 31 2018 $'000s**
Cash and cash equivalents	19,913	38,627	7,850
Current assets	81,521	119,701	26,614
Total assets	118,231	168,830	42,729
Current liabilities	24,245	28,846	14,886
Total liabilities	39,817	37,603	14,886
Share capital and reserves	153,359	139,767	37,474
Accumulated deficit	(74,542)	(8,189)	(9,834)
Total revenue	36,012	129,252	10,198
Net (loss)/income attributable to equity holder of parent	(66,353)	1,645	(8,386)
Basic gain/(loss) per share	(0.48)	0.01	(0.12)
Diluted gain/(loss) per share	(0.48)	0.01	(0.12)

The Company's current assets decreased as a result of decreased cash and cash equivalents and inventories. Lower volume of dried flower purchases and impairment resulted in decreased inventory balances. A write down of non-current deposits, impairment of fixed assets and lower capital investments in 2020 lead to a decrease in total assets along with the decrease in current assets.

The Company's current liabilities decreased due to decreased accounts payable arising from lower volume inventory purchases and capital expenditures. However, current portion of convertible debenture which was issued in the second and third quarter of 2020 partially offset the decreasing accounts payable impact. Total liabilities have increased due to the convertible debenture issued in the second and third quarter of 2020.

The increase in accumulated deficit is due to decreased revenue and gross profit. The Company has a total of $29.8 million impairment on inventory to bring it to its net realizable value, $5.9 million deprecation due to shortened useful lives of idle machinery, $2 million impairment of fixed assets and a $3.1 million write down of non-current deposits and $1.4 million restructuring cost for the year ended December 31, 2020 which resulted in increase in accumulated deficit.

For discussions on revenue and net loss see "Results of Operations", cash and cash equivalents see "Liquidity and Capital Resources", and liabilities and share capital and reserves see "Capital Structure".

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
	December 31 2020 $'000s (Unaudited)	**September 30 2020 $'000s** (Unaudited)	**June 30 2020 $'000s** (Unaudited)	**March 31 2020 $'000s** (Unaudited)
Total revenue	6,058	4,947	13,918	11,089
Net (loss)/income attributable to equity holder of parent	(30,949)	(14,962)	(3,354)	(17,088)
Basic (loss)/gain per share	(0.21)	(0.11)	(0.02)	(0.13)
Diluted (loss)/gain per share	(0.21)	(0.11)	(0.02)	(0.13)

	Three months ended			
	December 31 2019 $'000s (Unaudited)	**September 30 2019 $'000s** (Unaudited)	**June 30 2019 $'000s** (Unaudited)	**March 31 2019 $'000s** (Unaudited)
Total revenue	32,444	43,386	31,472	21,950
Net (loss)/income attributable to equity holder of parent	(3,221)	3,376	1,999	(511)
Basic (loss)/income per share	(0.03)	0.03	0.02	(0.01)
Diluted (loss)/income per share	(0.02)	0.02	0.01	(0.01)

The Company received authorization to produce and sell cannabis oil from Health Canada in 2018 and has since commenced production and sales activities. Up to the three-month period ended September 30, 2019, the Company saw an increasing trend in revenue and net income quarter over quarter as a result of increasing sales volume in the bulk concentrates market. The decrease in revenue seen by the Company since the fourth quarter of 2019, was due to a decrease in selling prices and volumes and a shift in product mix from bulk concentrates to finished formulated products. The Company realized a net loss in the first quarter of 2020 due to an inventory impairment and lower quarterly revenue compared to fourth quarter of 2019. The revenue has increased in the second quarter of 2020 compared to the first quarter of 2020 due to increase in volume in bulk concentrate and finished formulated products. Net loss in the second quarter of 2020 has decreased as a result of increase in revenue and government grants recognized as income in Q2 2020 which is partially offset by increased regulatory fees and professional service fees. The revenue has decreased in the third quarter of 2020 compared to the second quarter of 2020 due to decrease in volume in bulk concentrate and reduced selling prices. The Company realized a net loss in the third quarter of 2020 due to an inventory impairment, write down of non-current deposits and lower quarterly revenue which is partially offset by the decrease in personnel cost and consultancy expenses. The revenue has increased in the fourth quarter of 2020 compared to the third quarter of 2020 due to increased sales volume of finished formulated product. The Company realized a net loss in the fourth quarter of 2020 due to impairment on inventory and fixed assets, write down of non-current deposits, restructuring cost and increased depreciation expense.

RECONCILIATION OF NON-IFRS MEASURES

The information presented within this MD&A includes "Adjusted EBITDA", which is not a defined term under IFRS. This 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 measure.

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

Adjusted EBITDA does not have any standardized meaning and the Company's method of calculating Adjusted EBITDA 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 Company's performance and should not be considered in isolation from, or as a substitute for, analysis of the Company's results as reported under IFRS. Adjusted EBITDA, as used within this

MD&A and the Company's disclosure, may not be directly comparable to Adjusted EBITDA used by other reporting issuers.

Adjust 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 Company's performance and should not be considered in isolation from, or as a substitute for, analysis of the Company's results as reported under IFRS. Adjusted EBITDA Margin, as used within this MD&A and the Company's disclosure, may not be directly comparable to Adjusted EBITDA Margin used by other reporting issuers.

The following tables reconcile the Company's Adjusted EBITDA and income/(loss) from operations (as reported) for each of the periods presented.

	Three months ended				
	December 31, 2020 $'000s	**September 30, 2020 $'000s**	**June 30, 2020 $'000s**	**March 31, 2020 $'000s**	**December 31, 2019 $'000s**
Loss from operations - as reported	**(29,387)**	**(16,747)**	**(4,507)**	**(21,935)**	**(2,502)**
Add / (deduct):					
Share-based compensation expense	(2,398)	800	1,520	2,759	4,631
Depreciation	7,192	925	807	708	532
Write down of inventory to its net realizable value	10,693	6,291	-	12,811	-
Impairment on fixed assets and intangibles	2,042	-	-	-	-
Restructuring related severance expenses	1,433	-	-	-	-
Write down of non-current deposits	1,658	1,469	-	-	-
Adjusted EBITDA	**(8,767)**	**(7,262)**	**(2,180)**	**(5,657)**	**2,661**

	Twelve months ended December 31, 2020 $'000s	December 31, 2019 $'000s
Loss from operations - as reported	**(72,576)**	**6,938**
Add / (deduct):		
Share-based compensation expense	2,681	15,502
Depreciation	9,632	2,297
Write down of inventory to its net realizable value	29,795	-
Impairment on fixed assets and intangibles	2,042	-
Restructuring related severance expenses	1,433	-
Write down of non-current deposits	3,127	-
Adjusted EBITDA	**(23,866)**	**24,737**

CAPITAL STRUCTURE

Outstanding Equity Securities

Common Shares

The Company's authorized capital consists of an unlimited number of Common Shares. As at December 31, 2020, the Company had 155,550,487 Common Shares issued and outstanding and as at the date of this MD&A, the Company had 257,947,759 Common Shares issued and outstanding.

Dividend Policy

Payment of any future dividends by the Company, if any, will be at the discretion of the Board of Directors after considering many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

Warrants

On March 22, 2018, MediPharm Labs completed a private placement (the "**March 2018 Private Placement**") of 796,709 units at a price of $3.72 per unit for aggregate gross proceeds of $2,964, each unit being comprised of one MediPharm Share and one common share purchase warrant (each, a "**MediPharm Labs March 2018 Warrant**"). Each MediPharm Labs March 2018 Warrant entitled the holder to acquire one MediPharm Share at an exercise price of $6.00 until October 1, 2020. On closing of the Qualifying Transaction, replacement warrants of the Company (each, a "**March 2018 Warrant**"), adjusted by the Exchange Ratio, were issued to holders of MediPharm Labs March 2018 Warrants. Each 2018 March Warrant entitles the holder to acquire one Common Share at an exercise price of $0.47 per Common Share until October 1, 2020.

In connection with the March 2018 Private Placement, an aggregate of 47,043 broker warrants were issued, each warrant entitling the holder to acquire one MediPharm Share and one MediPharm Labs March Warrant

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

at an exercise price of $3.72 until the date which is 24 months following completion of the Qualifying Transaction. On closing of the Qualifying Transaction, replacement warrants (the "**March 2018 Broker Warrants**"), adjusted by the Exchange Ratio, were issued to holders of these warrants.

On June 1, 2018 and June 29, 2018, MediPharm Labs completed private placements (the "**June 2018 Private Placements**") for an aggregate of 2,071,168 units at a price of $10.778 per unit for aggregate gross proceeds of $22,317, each unit being comprised of one MediPharm Share and one-half of one common share purchase warrant (each whole warrant, a "**MediPharm Labs June 2018 Warrant**"). Each MediPharm Labs June 2018 Warrant entitled the holder to acquire one MediPharm Share at an exercise price of $15.216 until October 1, 2020. On closing of the Qualifying Transaction, replacement warrants (each, a "**June 2018 Warrant**"), adjusted by the Exchange Ratio, were issued to holders of MediPharm Labs June 2018 Warrants. Each June 2018 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $1.20 per Common Share until October 1, 2020. The June 2018 Warrants are governed by a common share purchase warrant indenture dated October 1, 2018 between the Company and TSX Trust Company, as warrant agent.

In connection with the brokered portion of the June 2018 Private Placements, certain agents received 118,960 broker warrants, each entitling the holder to acquire one MediPharm Share and one MediPharm Labs June 2018 Warrant at an exercise price of $10.778 until the date which is 24 months following completion of the Qualifying Transaction. On closing of the Qualifying Transaction, replacement broker warrants (the "**June 2018 Broker Warrants**"), adjusted by the Exchange Ratio, were issued to holders of these warrants.

During the twelve months ended December 31, 2020, 5,044,604 March 2018 Warrants, 596,505 March 2018 Broker Warrants, 1,753,309 June 2018 Warrants and 754,208 June 2018 Broker Warrants were exercised.

Stock Options

As at December 31, 2020, the Company had 11,197,210 stock options issued and outstanding. During the year ended December 31, 2020, options to purchase up to 1,763,150 Common Shares were issued, options to purchase 1,800 Common Shares were exercised, and options to purchase up to 2,324,160 Common Shares were cancelled and/or expired.

On March 15, 2021, 1,090,000 long-term incentive plan options ("LTIPs") were issued, and 3,028,942 restricted stock units ("RSUs") were granted. These were granted to key personnel in the following amounts:

Name	LTIPs Granted	RSUs Granted
Greg Hunter	50,000	241,237
Keith Strachan	50,000	235,051
Olga Utkutug	120,000	114,432
Warren Everitt	50,000	222,680

Indebtedness

The following discusses the significant movements in the Company's debt balances as indicated:

2020 Private Placement

On June 8, 2020, the Company issued the First Note and the First Warrant in connection with the 2020 Private Placement. On August 5, 2020, the Escrow Release Conditions were met, and the Subscription Receipt was converted into the Second Note and the Second Warrant.

Loans

On October 10, 2019, MediPharm Labs, as borrower, signed a credit agreement (together with any amendments, supplements or revisions thereto the "**Credit Agreement**") with a Schedule 1 Bank, as lender, for up to $38,700 upon the satisfaction of various conditions. The Credit Agreement bears interest at the Bank's prime lending rate plus a certain per cent per annum dependent upon the Company's debt covenants. The Credit Agreement has a general security interest in the Company's assets and included an option to prepay all borrowings under the Credit Agreement without penalty. The Credit Agreement is comprised of a revolving term facility, a non-revolving term facility and a non-revolving delayed draw term facility.

During the year ended December 31, 2020, MPL repaid amounts of $4,000 outstanding under the non-revolving delayed term facility and $5,700 outstanding under the non-revolving term facility under the Credit Agreement. As of December 31, 2020, the Company has no outstanding amounts payable under the Credit Agreement

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

As at December 31, 2020, the Company had a positive working capital of $57,276 (December 31, 2019: $90,855). The decrease in working capital was driven primarily by reduction of inventory due to impairment losses, increase in current portion of convertible debentures and decrease in cash and cash equivalents partially offset by reduction of trade payables.

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

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

	Three months ended December 31			
$'000s	**2020**	**2019**	**Change**	**Management Commentary**
Cash and cash equivalents, beginning of period	36,455	42,117	(5,662)	-
Net cash (used in) / provided by operating activities	(7,207)	2,016	(9,223)	Negative cash flow from the operating activities for the three months ended December 31, 2020 was mainly due to the operational losses, which was partially offset by improved positive change in operating working capital.
Net cash (used in) investing activities	(145)	(10,476)	10,331	Cash used in investing activities are driven by capital expenditure, mostly including the purchase of machinery and the renovation of the Barrie facility. Prioritization of capital expenditures resulted in less cash to be used in investing activities when compared to last year. In 2019, the cash used in investing activities was driven mainly by purchase of production machineries and construction of Australian facility building.
Net cash (used in) / provided by financing activities	(9,273)	4,970	(14,243)	During the three months ended December 31, 2020, cash used in financing activities is mainly driven by repayment of outstanding non-revolving loan ($5.7 million) under the Credit Facility, installment payment of convertible loan ($3.3 million) and acquisition of 20% ownership interest in Australian facility. During the three months ended December 31, 2019, the cash provided by financing activities is driven by $9.7 million credit facility offset by repayment of $6 million mortgage.
Effect of exchange rate change on cash and cash equivalents	83	-	83	This is the impact of AUS$/CAD$ rate change on the cash and cash equivalents of the Australian facility.
Cash and cash equivalents, end of period	19,913	38,627	(18,714)	See comments above.

$'000s	Twelve months ended December 31 2020	2019	Change	Management Commentary
Cash and cash equivalents, beginning of year	38,627	7,850	30,777	-
Net cash (used in) operating activities	(37,773)	(25,176)	(12,597)	Negative cash flow from the operating activities was due to operational losses which was partially offset by improved change in operating working capital.
Net cash (used in) investing activities	(7,446)	(32,546)	25,100	Cash used in investing activities are mainly driven by capital expenditure, mostly including the purchase of machinery and the renovation of the Barrie facility. In 2019, the cash used in investing activities was driven mainly by purchase of production machineries and construction of Australian facility building.
Net cash provided by financing activities	26,422	88,499	(62,077)	Cash provided by financing activities in 2019 is driven mainly by Bought Deal Financing amounting of $70,828 (net of tax) and exercise of stock options and warrants. In 2020, cash provided by financing activities is mainly driven by the 2020 Private Placement amounting to $36,138 and exercise of warrants, which were partially offset by payments under the Credit Facility, installment payment of convertible loan and acquisition of 20% ownership interest in the Australian facility.
Effect of exchange rate change on cash and cash equivalents	83	-	83	This is the impact of AUS$/CAD$ rate change on the cash and cash equivalents of the Australian facility.
Cash and cash equivalents, end of year	19,913	38,627	(18,714)	See comments above.

Contractual Obligations

The Company's contractual obligations as at December 31, 2020 increased by $6,236 as compared to December 31, 2019 mainly as a result of the 2020 Private Placement which was partially offset by decreased trade and other payables. The Company's short-term (less than one year) undiscounted contractual obligations are $30,916 and long-term undiscounted contractual obligations are $13,369.

Contractual Obligations	Total	Payments due by Period < 1 year	1-3 years	4-5 years	> 5 years
Convertible debt	28,926	15,778	13,148	-	-
Lease Liabilities	566	345	187	34	-
Trade and Other Payables	14,793	14,793	-	-	-

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

Total Contractual Obligations	44,285	30,916	13,335	34	-

In addition, the Company has white label agreements under which it committed to sell up to 85,500 units of tincture bottles of cannabis oil to licensed producers until November 2023. If the Company does not deliver committed product for which it has received an order, the Company is not subject to a late in-kind/cash payment.

Capital Resources

As of December 31, 2020, the Company does not have any commitments for capital expenditures. The Company currently expects that internally generated cash and cash equivalents, along with the net proceeds of the 2020 Private Placement that closed in June 2020, will be sufficient to maintain its currently planned growth. However, the Company is continually evaluating various debt and/or equity financing opportunities so as to lower its cost of capital and optimize its capital structure.

The Company 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", including "Realization of Growth Targets".

Use of Funds Reconciliation

Upon the completion of the 2020 Private Placement, the Company had approximately $37,800 of available funds. The following table sets forth a comparison of the disclosure regarding the Company's estimated use of funds set out in the Company's news release dated June 8, 2020, which may be viewed on its SEDAR profile at www.sedar.com, and its actual use of available funds as at December 31, 2020, in addition to the remaining use of funds from the 2020 Private Placement:

Principal Use of Available Funds	Estimated ($'000s)	Actual ($'000s)	Remaining ($'000s)
Cannabis 2.0[5]	3,000	700	2,300[6]
Expanding product and API exports[7]	3,000	600	2,400[6]
Total use of funds[8]	6,000	1,300	4,700
Unallocated working capital	31,800	20,000	11,800
Total	**37,800**	**21,300**	**16,500**

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company has determined that key management personnel consist of directors and officers. The remuneration to directors and officers during the three-month and year ended December 31, 2020 was $1,443 and $2,852, respectively (December 31, 2019: $598 and $2,072, respectively) included in general and administrative expenses.

During the year ended December 31, 2020, the Company issued 900,000 options at an average exercise price of $1.20 per share (December 31, 2019: 3,440,000 options at an average exercise price of $2.1 per share) to its key management personnel and recognized total share-based compensation expense of $1,861 (December 31, 2019: $7,216). During the nine-month period ended December 31, 2020, the key

[5] Cannabis 2.0 includes: the launch of new cannabis oil-based product formats under both private and white label brands for the domestic Canadian market; improving contract manufacturing capabilities for cannabis concentrate-based products; and increasing topical and vape pen capabilities.

[6] The variance in the use of proceeds as previously disclosed is a result of the COVID-19 pandemic causing delays in these projects. However, neither the COVID-19 pandemic nor the variances are expected to impact the Company's overall ability to achieve its objectives or milestones for these projects. The variance represents expenditures that are expected to be incurred during the approximately 9 months following the date of this MD&A during which time the Company will continue to progress these projects to meet its objectives.

[7] Expanding product and API exports includes: new product registration in new jurisdictions; new product R&D; stability studies; TGA GMP manufacturing capabilities for the Company's Australian facility; sales and marketing activities in connection with new international customers and potential customers; and GMP starting material for international distribution.

[8] A material cash portion of unallocated working capital in the amount of $19.5M was allocated for the bi-monthly amortization payments in connection with the Notes. As at the date of this MD&A, the cash portion of unallocated working capital that is allocated for bi-monthly amortization payments in connection with the Notes is $3.945M. The cash portion of the unallocated working balance has been held in short-term, investment grade, interest-bearing securities, in government securities or in bank accounts at the discretion of management.

management personnel exercised no options (December 31, 2019: 3,263,200 options for gross proceeds of $1,097).

Several key management personnel hold positions in other companies that result in them having control or significant influence over these companies. Some of these companies may transact with the Company from time-to-time. For the three and twelve months ended December 31, 2020, the Company incurred $Nil and $11, respectively (December 31, 2019: $Nil and $7, respectively) operational expenses, on arm's length terms and conditions, as a result of short-term rental payments to an entity controlled by the CEO of MediPharm Labs Australia, for the use of property for MediPharm Labs Australia personnel and visitors. In addition, the Company paid $600 of cash and issued 2,359,603 Common Shares for an amount of $2,000 as a result of the acquisition of 20% ownership interest in MediPharm Australia.

As at December 31, 2020, the Company has $600 (December 31, 2019: $4) due to key management personnel and entities over which they have control or significant influence. The balance is related to the consideration to be paid for the acquisition of 20% ownership interest in MediPharm Australia from Mr. Warren Everitt.

FINANCIAL INSTRUMENTS AND RELATED RISKS

Financial Instruments

The 2020 Private Placement

On June 8, 2020, the Company issued the First Note in connection with the 2020 Private Placement and allocated the gross proceeds of $18,911 for purpose of initial recognition as follows: $10,693 to the First Note based on the discounted gross proceeds of the 2020 Private Placement, $6,187 to the conversion option derivative liability and $2,031 to the warrant derivative liability.

On August 5, 2020, the Company issued the Second Note in connection with the 2020 Private Placement and allocated the gross proceeds of $18,911 for purpose of initial recognition as follows: $14,540 to the Second Note based on the discounted gross proceeds of the 2020 Private Placement, $3,498 to the conversion option derivative liability and $873 to the warrant derivative liability.

Under the 2020 Private Placement, the Investor has the option to accelerate the installments. Common Shares based on current or any future accelerated Installment Amounts can be converted at the Installment Percentage which leads for variable number of Common Shares to be issued. Hence, such conversion option was recognized as derivative liability. Financing cost of $704 were expensed at recognition. As at December 31, 2020, the conversion option derivative liability was revalued and revaluation gain of $5,530 was recorded in the consolidated statements of loss for the year ended December 31, 2020 (three-month period ended December 31, 2020: $2,309).

On June 8, 2020, the Company issued the First Warrant in connection with the 2020 Private Placement. The First Warrant is classified as a derivative liability because of a cashless exercise option that the holder can avail itself of when the Common Shares do not satisfy certain tradability-related conditions.

The First and Second Warrant related derivative liability was revalued as of December 31, 2020 using the Black-Scholes option pricing model and a gain of $2,547 was recognized in the consolidated statements of loss (three-month period ended December 31, 2020: $834).

Related Risks

The Company is exposed to a variety of financial risks due to its operations. These risks include credit risk, liquidity risk, and interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by the subsidiaries of the Company under policies approved by Board of Directors.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits at banks and financial institutions of $19,913 (December 31, 2019: $38,627) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

As the trading price and volume of the Common Shares is subject to change, and certain minimum equity conditions must be met in order for the Company to make the Bi-Monthly Installment Payments through the issuance of Common Shares, the Company may be required to make some or all Bi-Monthly Installment Payments in cash which could negatively impact the Company's liquidity.

Credit risk

Credit risk arises from deposits with banks and financial institutions and outstanding receivables if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company holds cash of $19,913 (December 31, 2019: $38,627). The cash are held with banks and financial institutions that are either Schedule 1 Canadian Banks or large credit unions. At December 31, 2020, the exposure to credit risk for trade receivables and contract assets by the type of customer is $24,972 for business to business customers (December 31, 2019: $26,105) and $3,291 for distributors and retailers (December 31, 2019: $112).

As at December 31, 2020, 70% of the Company's trade receivables (December 31, 2019: 86%) is due from two customers (December 31, 2019: three customers) each representing more than 10% of the Company's trade receivables balance. The Company has legal collection proceedings with respect to $8,531 of the Company's trade receivable balance, which are all due from one customer. The Company did not recognize any allowance for this trade receivable.

The Company limits its exposure to credit risk from trade receivables and contract assets by negotiating full or partial advance payment from business-to-business customers before the shipment of the products. Also, the Company management believes that the exposure to credit risk from distributors is very limited since most of the distributors are government organizations. The Company recognized an allowance for expected credit losses in connection with its trade receivables to an amount of $540 (December 31, 2019: $Nil).

Foreign current risk

Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. As of the end of the reporting period, the Company's foreign currency exposure is due to USD and AUD foreign currency denominated transactions.

Interest rate risk

As at December 31, 2020, the Company does not have indebtedness which will give rise to interest rate risk as its borrowings are not subject to a variable interest rate. During the year ended December 31, 2020, the Company's main interest rate risk was from variable interest rate under the Credit Agreement. The Company's indebtedness under the Credit Agreement with a variable rate was denominated only in Canadian Dollars.

Price risk

The Company's price risk arises from the volatility of the Company's own market share prices which could significantly affect the fair value of the derivative liabilities.

RISK FACTORS

There are a number of risk factors that could impact the Company'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, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- 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 Company'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;
- 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

See Note 2.3 of the Financial Statements.

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

Changes in Accounting Policies

The Company adopted the following new standards and amendments to standards that were effective January 1, 2020. These changes did not have a material impact on the Consolidated Financial Statements of the Company.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Company adopted a new accounting policy with respect to government grants. See Note 3.15 of the Financial Statements.

Future Accounting Changes

The following new accounting standard will become effective in a future year and is not expected to have a significant impact on the Consolidated Financial Statements of the Company.

- IFRS 17, Insurance Contracts
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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 Company, 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 Company 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 year ended December 31, 2020, 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.