



The Green Organic Dutchman Holdings Ltd.

Management's Discussion and Analysis

For the three and six months ended June 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of The Green Organic Dutchman Holdings Ltd. (the "Company" or "TGDH") for the three and six months ended June 30, 2020 and 2019. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and June 30, 2019 (the "interim consolidated financial statements") which were prepared in accordance with International Accounting Standards ("IAS") 34, Interim Reporting of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A provides information on the operating activities, performance and financial position of the Company and is intended to assist in understanding of the Company's business and key factors underlying its financial results. **All dollar amounts referred to in this MD&A are expressed in thousands of Canadian dollars except where indicated otherwise.**

Additional information relating to the Company can be found on the Company's website at www.tgod.ca or at the Company's SEDAR profile at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). 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 laws. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. Some examples of forward-looking statements include but are not limited to the expected costs, completion dates of the facilities, production capacity, receipt of licences, etc.

Assumptions

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to:

- (i) the availability of financing at all or on reasonable terms;
- (ii) the Company's ability to continue as a going concern and successfully execute its plans and intentions, including with respect to the construction and operation of the Company's cultivation facilities and generation of revenues and sales of its organic cannabis products;
- (iii) eventual completion of the construction of the Company's facility in Québec;
- (iv) obtaining necessary regulatory approvals;
- (v) general business and economic conditions, particularly in the Canadian medicinal and adult-use cannabis markets;
- (vi) regulation of the markets in which the Company operates;
- (vii) the Company's ability to attract and retain skilled staff;
- (viii) market competition, including the products and technology offered by the Company's competitors;
- (ix) maintenance of our current good relationships with our suppliers, service providers and other third parties; and
- (x) ability to continue to operate during COVID-19 restrictions and maintaining necessary access and safety protocols.

Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

The Company's forward-looking statements are based on the reasonable beliefs, expectations, and opinions of management as of August 12, 2020, the date of this MD&A.

BUSINESS OVERVIEW

The Company was incorporated under the Canada Business Corporations Act on November 16, 2016. The Company's registered and head office is located at 6205 Airport Rd., Building A – Suite 200, Mississauga, Ontario L4V 1E3. The Company completed its initial public offering on May 2, 2018. The Company's Common Shares trade on the TSX under the symbol "TGOD" and on the OTCQX under the symbol "TGODF".

The Company's wholly-owned subsidiaries, The Green Organic Dutchman Ltd. and Medican Organic Inc. are licensed producers under the Cannabis Act (Canada) and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and, with respect to The Green Organic Dutchman Ltd. only, to process and sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company has built a cultivation and processing facility in Hamilton, Ontario ("Hamilton Facility") and has partially constructed another facility located in Valleyfield, Québec ("Quebec Facility"), which, if and when fully constructed, is expected to be the largest organic cannabis cultivation and processing facility in the world.

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing an international growth strategy, including through interests in a hemp cultivation and extraction business based in Poland. The Company has also formed a strategic partnership for the distribution of cannabis and hemp-derived medical products in Mexico and joint ventures in Denmark for developing elite cannabis genetics.

The outbreak of the novel strain of the coronavirus, SARS-COV-2 ("COVID-19"), and its eventual declaration as a pandemic by the World Health Organization ("WHO") on March 11, 2020 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The Company rapidly implemented strategic measures to protect its global workforce from COVID-19 and endeavouring to mitigate any long-term impact of the pandemic on its business.

Since inception, the Company has incurred recurring operating losses, having invested significantly in its cultivation facilities, research and development activities and selling, marketing, general and administrative expenses. The Company has financed its operations through equity and debt financings. The Company expects to continue to incur losses in the short term and will require additional capital and revenues through the sale of its organic cannabis products to fulfill its debt obligations. Please refer to the section on "Liquidity and Capital Resources" below. The Company believes that its unique scaled certified organic market position and its strategic partnerships and investments will allow it to generate positive operating cash flows which is currently expected later in 2020.

RECENT DEVELOPMENTS

Executive Leadership Consolidation

On January 9, 2020, the Company announced changes to streamline its leadership structure. The Company's President, Mr. Csaba Reider and the Company's Vice-President of Sales, Mr. Mike Gibbons departed the organization. Mr. Reider's responsibilities were assumed by the Company's CEO, Mr. Brian Athaide and Mr. Gibbons' responsibilities were assumed by the Company's Vice-President of Medical Sales, Mr. Robert Gora.

Research Licence

On February 20, 2020, the Company announced that it had secured a research licence from Health Canada. Valid for five years, this licence allows the Company to reduce the cost and accelerate the pace at which it develops new products by reducing reliance on third parties.

Hamilton Facility Processing Licence

On March 30, 2020, the Company announced that it had secured a licence amendment from Health Canada in respect of the support building for cannabis processing at the Hamilton Facility. Valid until August 16, 2022, this amendment permits more space and flexibility for the Company to process cannabis for sale as dried flower, oils or in cannabis 2.0 products.

Financings

On April 13, 2020, the Company executed an amendment (the “Senior Loan Amendment”) with the lender of the first lien senior secured credit facility (obtained by the Company on December 24, 2019 as described in note 4) which contained an accordion feature of up to \$15,000 based on the Company meeting certain operational milestones. The Senior Loan Amendment made \$5,000 of the accordion available upon closing an equity financing which was achieved on April 27, 2020. The Company received gross proceeds of the accordion loan of \$5,000 on April 27, 2020. In addition, on April 27, 2020 a total of 1,500,000 warrants of the Company were issued to the lender of the first lien senior secured credit facility which are exercisable at \$0.39 for 36 months from the date the warrants were issued, each into one common share of the Company.

On April 22, 2020, the Company closed a secured revolving credit facility (“Revolver Loan”) which provided the Company with gross proceeds of \$10,000 with further funding available of up to an additional \$20,000 secured on eligible trade receivables and inventory. As part of the agreement, a total of 3,000,000 warrants of the Company were issued to this lender exercisable at \$0.39 for 36 months from April 22, 2020, each into one common share of the Company. On May 27, 2020, the Company executed an amendment with the lender of the Revolver Loan which extended the original term by six months to October 1, 2021 and allowed the Company to receive \$3,000 in gross proceeds from the \$20,000 revolving component subject to the same terms of the first \$10,000 previously advanced by this lender. In consideration of this, a total of 500,000 warrants were issued on May 22, 2020 to this lender exercisable at \$0.50 for 48 months from the date of issuance. The Company received this \$3,000 on July 7, 2020.

On April 27, 2020, the Company completed a bought-deal equity financing of 20,536,700 units of the Company at \$0.28 per unit for gross proceeds of \$5,750. Each unit consists of one common share of the Company and one-half share purchase warrant of the Company exercisable at \$0.38 for 36 months with each full warrant being exercisable into one common share of the Company.

On June 12, 2020, the Company completed a bought-deal equity financing of 43,125,000 units of the Company at \$0.40 per unit for gross proceeds of \$17,250 (“June Offering”). Each unit consisted of one common share of the Company and one share purchase warrant of the Company with each share purchase warrant exercisable at \$0.50 into one common share of the Company for 48 months from the closing date of the transaction.

Cost Reduction Initiatives and Consolidation of Cultivation at the Hamilton Facility

On March 25, 2020, the Company announced that in response to market conditions, it is adapting operations and aggressively reducing costs, including by postponing the start-up and construction of its Québec Facility in order to centralize cultivation in Canada at its Hamilton Facility. The Company has also undertaken further cost reduction measures including some temporary salary reductions and a freeze on non-essential recruitment and consultancy work.

The Hamilton Facility is largely complete with the hybrid greenhouse growing space is being utilized for normal growing operations. The processing centre was substantially completed from a construction perspective in March 2020 and Health Canada approval was obtained. Processing began in this building for Q2-2020. Costs associated with final commissioning of certain machinery that have yet to be paid are estimated to be \$5,116, most of which is included in accounts payable and accrued liabilities as at June 30, 2020. The Company expects total production output for the 2020 fiscal year to be approximately 10,000 to 12,000 kgs which is expected to be sufficient to meet the Company’s latest sales forecast for fiscal 2020.

Significant considerations for the Québec Facility are summarized below:

Detail ⁽¹⁾	December 31, 2019 status	June 30, 2020 status
Project timeline and milestones	<p>The project has been demarcated into smaller phases. The next milestone would be to finalize six grow zones in the Quebec hybrid greenhouse (Phase 1), that are currently nearing completion with majority of capital for these covered by restricted cash on hand as at December 31, 2019.</p> <p>Production from the Quebec Facility will be completed via processing and packaging at the Hamilton</p>	<p>The Company had postponed the start up and construction of the Quebec Facility due to market conditions and allowed for the centralization of cultivation at the Hamilton Facility, which is expected to be able to meet the Company’s need for cannabis in line with the Company’s latest sales forecast for 2020.</p> <p>In addition, in light of market conditions, including in relation to the COVID-19 pandemic, the Company has temporarily ceased construction activities and temporarily laid off the majority of the staff that work at this site.</p>

	<p>Facility’s processing centre instead of the central processing facility mentioned in the original Phase 1a, which the Company expects to generate efficiencies and leading to higher gross margins.</p> <p>The Quebec Facility has been enclosed where needed for protection during winter months. Should the legal market demand for cannabis accelerate and positive cash flows be achieved from the first milestone, the Company will remain agile by maintaining the optionality to expand production capabilities back to 185,000 kgs of potential capacity with investment of additional capital. Further details and additional costs are discussed below.</p> <p>The other elements of the Company’s previously communicated Phase 1a would recommence once market conditions justify the expansion towards the full 65,000 kgs capacity from that phase should the legal market conversion significantly accelerate. The additional demarcated phases are now viewed as follows:</p> <ul style="list-style-type: none"> • Phase 2 – 18 zones for cultivation and processing centre – 55,000 kg of production • Phase 3 – Rooftop hybrid greenhouse – 65,000 kg of production • Phase 4 – Third hybrid greenhouse – 55,000 kg of production <p>Phase 2 could be broken down further into sections of two rooms at a time on an as needed basis as well. The estimated cost of recommencing this work and completing Phases 2 and 3 are estimated at approximately \$60,000 expected to be funded from the Company’s expected positive operating cash flows after Q2, 2020 and 2021, should market conditions warrant this expansion. Phase 4 would require an additional \$50,000 approximately, expected to be funded from operating cashflows thereafter.</p>	<p>Management has renegotiated with certain vendors agreements and can reliably estimate the construction and commissioning commitments.</p> <p>Management continues to review market demand, including in light of the COVID-19 pandemic, and the best way to recommence construction at this facility when market conditions improve. The plan developed in Q4 2019 and explained in this table (left) remains the most cost-efficient manner to maintain the Company’s agile position to increase production but the Company does not plan to need or to utilize Phase 3 or Phase 4 in at least the next two years. Expected costs to complete are detailed below. Should the legal market demand for cannabis accelerate and positive cash flows be achieved from the first milestone, the Company will remain agile by maintaining the optionality to expand production capabilities back to 65,000 kg of potential capacity with investment of additional capital (Phase 2). Further details and additional costs are discussed below.</p> <p>However, additional costs, if any, associated with significantly delaying the recommencement of construction beyond the current negotiated contracts are not known at this time.</p>
Planned Annual Growing Capacity	10,000 kg for 2020 from six grow zones (Phase 1)	None, subject to adjustment in light of market conditions.
[A] Latest cash construction budget/forecast for the structure of the facility	\$114,954 (as at December 31, 2019)	\$110,889

[B] Latest capital budget, excluding construction of the structure of the facility	\$128,183 (as at December 31, 2019)	\$128,506
[C] Total incurred to date	\$228,860 (as at December 31, 2019)	\$239,003 which includes \$15,981 in accounts payable and accrued liabilities.
Expected cash costs to complete [A] + [B] – [C]	\$14,277 for Phase 1 (as at December 31, 2019) of which \$4,578 was available for use from restricted cash as at December 31, 2019.	\$392 of additional commitments.

(1) These statements constitute forward looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. The Company believes that there is a reasonable basis for the expectations reflected in the forward-looking statements, however, these expectations may not prove to be correct.

Quebec Facility Licence Amendment

On May 7, 2020, the Company announced that it has received Health Canada's approval for its main hybrid greenhouse at the Quebec Facility. The licence amendment is valid until June 8, 2021 and is subject to customary terms and conditions.

Shoppers Supply Agreement

On May 19, 2020, the Company signed a supply agreement with Medical Cannabis by Shoppers™ ("Shoppers"), a subsidiary of Shoppers Drug Mart Inc., making its certified organic medical cannabis products available via the Shoppers online medical cannabis sales platform.

Expiry of warrants

On May 2, 2020, 15,092,063 warrants of the Company exercisable at \$7 per share expired unexercised.

Sale of Epican Medicinals Limited

On May 25, 2020, the Company sold its interest in Epican Medicinals Limited ("EML") to another shareholder of EML for a nominal amount given its history of operating losses, recent economic developments in Jamaica restricting operations and the Company's strategic decision to no longer pursue opportunities in Jamaica and focus on Canadian operations. Upon completion of the disposition, EML repaid \$258 of a \$707 loan owing by EML as at March 31, 2020 to the Company and issued the Company a promissory note for the balance of \$ 449.

Entry into Quebec Market

On May 26, 2020, the Company announced that it had launched key products Highly Dutch, a mainstream brand of certified organic cannabis at an accessible price, as well as cannabis-infused teas, in the province of Quebec. Highly Dutch will first be available in Quebec in a 28-gram format.

Launch of Stillwater's Ripple Brands in Canada

On June 15, 2020, the Company announced that it had expanded its exclusive licensing agreement with Colorado-based 5071 Inc. for its Stillwater Brands products ("Stillwater"), would be rolling out the powerful RIPPLE suite of products in Canada, including

RIPPLE Gummies and RIPPLE QuickSticks. Leveraging Stillwater's proprietary technology, TGOD launched its first Cannabis 2.0 product at the end of March – TGOD Infuser 10mg THC – which quickly became one of the top selling SKUs within the beverage category across the country. Given the success of this first product, TGOD has decided to expand the series by introducing additional formats. Moving forward, all formats will fall under the well-established RIPPLE brand name.

EU-GMP Certification Update

On July 10, 2020, the Company announced that its Hamilton facility had obtained a European Union Good Manufacturing Practice ("EU-GMP") certificate enabling it to commence exports to Germany. Under this EU-GMP certificate, valid until December 31, 2020, TGOD can commence exporting its premium certified organic products for validation in preparation for commercialization in 2021. The Company anticipates validation will be completed by the end of the year, subsequently enabling export of medical cannabis products for commercial purposes to Europe and other jurisdictions.

COVID-19

The Company continues to monitor and adapt to changing market conditions including but not limited to the ongoing impact of the COVID-19 pandemic. See "Risk Factors". The Hamilton Facility has implemented precautionary measures to ensure the safety of the staff and product, including limiting visits to the site to essential personnel only, ensuring proper protocols around sanitation, mask usage and physical distancing and ensuring potentially exposed employees remain in self-quarantine for the appropriate period. However, cultivation is continuing and ongoing and additional licensed space available in the processing centre allows for better physical distancing among the Company's cultivation and processing employees. The Company has applied for wage subsidies from the Canadian federal government under the Canada Emergency Wage Subsidy ("CEWS") and received two payments totaling \$986.

OVERALL PERFORMANCE

Business Objectives and Milestones

The Company has completed its development stage activities and Q2-2020 represented the Company's evolution to active operations. As such, the focus of the Company's activity is the ramp up of commercial operations and the production and sale of its organic cannabis products. The Company has developed and launched several of its key product lines. The Company has also built its distribution network through contracts with a number of provincial cannabis distribution boards and, most recently, with respect to the Company's medical cannabis products, a private national distributor of medical cannabis. Having developed its business to this stage, the Company is focused on actively growing sales and revenues and achieving positive Canadian operating cash flows. Prior to Q2-2020, the Company has had minimal sales in Canada over the last year, consisting mainly of sales of premium flower and oil products, as it has been focused on the development of its infrastructure and key product lines. Recently, the Company completed development and launch of three key products – Highly Dutch, a mainstream-priced dried organic cannabis flower brand, and two flavours of cannabis-infused tea, called Happy Hibiscus Mate and Restful Chamomile. The Company has also developed and launched a line of infusers. In addition, the Company has completed development, external testing and production of one additional flavour of cannabis tea, Zen Green Sencha, to expand its overall number of SKU offerings. The Company completed its first shipment of a mix of its products, including Highly Dutch and Happy Hibiscus Mate as well as its cannabis infusers, to Quebec's provincial distribution board on May 26, 2020. The Company continues to work to generate purchase orders and cultivate, process and ship its organic cannabis products across Canada. While the Company expects to continue to build on these orders through the remainder of the year, as distributors place weekly orders, repeated purchases from distributors cannot be guaranteed and continued sales by the Company of its key products is dependent on distributors choosing to place further orders with the Company, which is in turn reliant on a variety of factors including demand by consumers for the Company's key products. See "Risk Factors".

The Company intends to generate operating cash flow to repay indebtedness related to construction and other payables, as well as continue production, processing and distribution of its organic cannabis products; for marketing of its new products through its distribution channels; to evaluate market reception of its product and conduct additional development activities if required; and conduct marketing and retail and consumer outreach programs, all with a view to generating increased sales and revenues. However, there is a risk that sales and revenues will not be generated in the amounts or on the timeframes anticipated. See "Risk Factors".

The Company believes it has a reasonable basis to expect to achieve sufficient revenues to fund, when taken together with its other financial resources, its operations for the coming 12 months but may require additional financing, or refinancing, to repay the balance due of its Senior Secured Credit Facility which matures in June 2021.

Achieving sufficient revenues is contingent on a variety of factors, some of which are beyond the Company's control and is based on a variety of assumptions relating to production and production capacity, growth in the number of product offerings and store locations in which the Company's products are sold, growth in total sales, consumer demand for the Company's products, market pricing of cannabis products, cost of sales, sales and marketing expenses, the pace of opening of and increase in the total number of recreational cannabis retail stores across Canada, and the total size of the Canadian recreational and medical cannabis markets over that time period.

Financial Outlook

The Company previously disclosed in the June Offering prospectus its estimated Canadian operating cash flows for the 12 months from June 2020 to May 2021 which have been updated as follows:

	Notes	Previously Disclosed in the June Offering's Prospectus	Revised Estimates
Gross profit on sales before change in fair value of biological assets	(1)	41,431	34,372
Sales & marketing ("S&M") expenses	(2)	(11,512)	(10,304)
Research & development ("R&D") expenses		(1,059)	(1,024)
General & administrative ("G&A") expenses	(3)	(19,136)	(20,583)
Non-operating expenses		(540)	(540)
Operating Canadian cash flow to end of May 2021		9,184	1,921

The following updates to significant assumptions have been utilized in preparation of these revised estimates:

- (1) Gross profit:
 - i. The adjustment of harvesting and processing cycles in order to build supply of these products into other provinces in the coming months has moved revenue ramp-up out one to two months. Revenues to date associated with the Company's key products have been derived predominantly from Quebec based on, among other factors, production limitations due to the lifecycle of the plants and the fact that these key product lines were very recently launched, but as more of the Company's plants reach the end of their growth cycle, additional production allows further sales into the Company's other distribution channels across Canada, which is a key catalyst in the Company achieving positive operating cash flow and affecting the Company's revised gross profit;
 - ii. The Company's flower product mix leans more towards the Company's mainstream, Highly Dutch brand which is expected to sell at lower expected margins in comparison to the Company's premium flower offerings.
 - iii. That its products will meet the desired specifications of its distribution partners, for instance with regard to THC content. The Company will need to manage its inventory levels with the needs of its largest provincial distributors and medical patients in mind which is expected to create near term pressures on being able to expand to certain other provinces as previously expected.
 - iv. The Company notes that estimated that the provincial retail store locations would reach at least 1,000 stores across Canada before the end of 2020 which has already been achieved in July 2020. Impacts of any additional store openings have not been forecasted but may present an opportunity for increased sales volumes.
- (2) Revised S&M expenses are expected to decrease due expected reductions in commissions payable.
- (3) Revised G&A expenses are expected to increase due to shifting the expected timing in reopening the Company's Quebec Facility and incurring overheads before any meaningful production begins at that site.

The Company's estimates of its uses of proceeds, sources and uses of funds over the next 12 months, and Canadian operating cash flows over the next 12 months constitute forward looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. Readers should not place undue reliance on forward looking information, including for the reasons set out under the headings "Cautionary

Statement Regarding Forward Looking Information” and “Risk Factors”. Readers should also see also the Company’s discussion under the heading “Business Objectives and Milestones”. The Company believes that there is a reasonable basis for the expectations reflected in the forward-looking statements in this MD&A. However, these expectations may not prove to be correct.

SELECTED OPERATIONAL INFORMATION

SUMMARY OF KEY QUARTERLY HIGHLIGHTS – Q2-2020 as compared to Q2-2019 and Q1-2020

	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018
Revenue	\$ 4,825	3,059	3,250	2,612	2,896	2,406	1,879	-
Loss from operations	\$ (9,881)	(15,258)	(17,742)	(19,810)	(16,417)	(14,724)	(18,188)	(9,803)
Net loss ⁽¹⁾⁽²⁾	\$ (9,775)	(73,436)	(144,753)	(20,303)	(16,603)	(14,091)	(18,120)	(11,269)
Comprehensive loss ⁽¹⁾⁽²⁾	\$ (10,044)	(71,990)	(144,520)	(21,237)	(17,306)	(15,441)	(17,607)	(11,269)
Net loss per share (basic & diluted) ⁽¹⁾⁽²⁾	\$ (0.03)	(0.23)	(0.52)	(0.07)	(0.06)	(0.05)	(0.07)	(0.04)

- (1) During Q1-2020, the Company recorded a non-cash impairment charge of \$52,765 related to its Canadian CGU and \$3,082 impairment charge related to its investment in Epican.
- (2) During Q4-2019, the Company recorded a non-cash impairment charge of \$123,432 related to its Canadian CGU and \$4,296 impairment charge related to its investment in Epican.

Revenues

Revenue recognized in Q2-2020 amounted to \$4,825 increased 67% versus the prior year (Q2-2019 - \$2,896) with hemp derived sales by HemPoland of \$2,112 and sales from cannabis products in Canada of \$2,713. Revenue increased by 58% in comparison to Q1-2020 revenue of \$3,059 primarily due to an increase in sales in Canada of \$2,054 as the Company launched its Highly Dutch mainstream brand into the Quebec market.

In Canada, Q2-2020 revenues increased for the quarter as compared to Q1-2020, due to the entry into the Quebec market and the launch of the Company’s Highly Dutch brand which was launched at the end of May 2020 along with the Company’s latest tea offerings. Combined with increased infuser sales, quarter over quarter, the Company expects the launch of the Highly Dutch brand and Unite vapes into other provinces to continue to increase revenues in Q3 and Q4 2020, albeit with potentially lower percentage gross margins achieved than from its premium organic product. The Company is encouraged by the short sales history of Highly Dutch and infusers indicating robust demand. Refer to the “Business Objectives and Milestones” section of this MD&A. The Company incurred \$403 in excise duties related to the period to arrive at net revenues of \$4,422. The Company did not have any material revenues from Canada in Q2-2019.

With the effects of the COVID-19 pandemic being felt earlier in Europe than North America, distribution channels in HemPoland are expected to remain consistent and slightly above \$2,000 per quarter until retail conditions improve. In addition, the main facility in Poland has been fitted to perform toll manufacturing for customers to maximize the use of capacity and proprietary extraction technology. Revenues remained relatively flat at HemPoland in comparison to Q2-2019 when it represented substantially all of the Company’s revenues.

Gross profit

The Company’s gross profit for Q2-2020 was \$1,326 (Q2-2019 - \$1,957) primarily driven by increased sales in Canada which carried higher inventory costs expensed from when the Company was previously scaling production and is now being sold through. Canadian cost of sales reflects the absorption of fixed production costs at Hamilton facility during ramp-up in previous quarters, such costs should be absorbed over a higher volume of production in coming months now that Hamilton is being fully utilized. However, unrealized gains on changes in fair value of biological assets increased by \$2,743 which is attributed to the expansion into and fully utilizing more grow rooms in Q2-2020. In comparison to Q1-2020, gross profit decreased by \$380 as a result of the increased revenues in Canada at lower margins from inventory carried at higher values partially offset by larger unrealized gain on changes in fair value of biological assets in Q2-2020. HemPoland’s hemp derived products achieved gross profit of approximately 53% and is expected to remain relatively consistent in 2020. In Canada, the Company began turning inventory

grown at higher costs in previous quarters and began operating at full capacity in Q2-2020 which the Company expects to see margin improvements as early as Q3-2020 and Q4-2020.

Sales and marketing expenses

	Three months ended				Three months ended		
	June 30, 2020	June 30, 2019	Variance to Q2-2019 (\$)	Variance to Q2-2019 (%)	March 31, 2020	Variance to Q1-2020 (\$)	Variance to Q1-2020 (%)
Personnel costs	596	768	(172)	(22%)	747	(151)	(20%)
Third party marketing expenses	801	2,305	(1,504)	(65%)	910	(109)	(12%)
Travel and promotion expenses	52	336	(284)	(85%)	79	(27)	(34%)
Strategic partnership payments	724	504	220	44%	645	79	12%
Other marketing expenses	67	17	50	294%	82	(15)	(18%)
	2,240	3,930	(1,690)	(43%)	2,463	(223)	(9%)

Sales and marketing expenses of \$2,240 for the three-months ended June 30, 2020 decreased in comparison to expenses of \$3,930 for the same period in the prior year primarily due to additional work being performed in house with increased efficiencies rather work performed by external consultants, and less spending on brand development. This is consistent with the Company's plan for cost cutting initiatives in 2020 that were previously announced. The Company received \$96 in wage subsidies from the CEWS related to S&M from the federal government in response to COVID-19 for eligible periods 1 and 2 and made an accounting policy choice to net the proceeds against the related and applicable expenses in accordance with the relevant IFRS. The Company applied this policy choice consistently.

In comparison to Q1-2020, sales and marketing expenses decreased in Q2-2020 by \$223 primarily due to additional work being performed in house, consistent with the above discussion.

Research and development expenses

	Three months ended				Three months ended		
	June 30, 2020	June 30, 2019	Variance to Q2-2019 (\$)	Variance to Q2-2019 (%)	March 31, 2020	Variance to Q1-2020 (\$)	Variance to Q1-2020 (%)
Personnel costs	232	305	(73)	(24%)	378	(146)	(39%)
Product development	25	196	(171)	(87%)	86	(61)	(71%)
Travel related expenses	-	21	(21)	(100%)	22	(22)	(100%)
Other research and development expenses	62	64	(2)	(3%)	34	28	82%
	319	586	(267)	(46%)	520	(201)	(39%)

Research and development expenses of \$319 for the three-months ended June 30, 2020 decreased in comparison to expenses of \$586 for the same period in the prior year. The Company incurred higher R&D costs in the prior year working on new product formulations and has successfully commercialized organic cannabinoid dissolvables in Canada under the TGOD-Infusers line which began selling at the end of Q1-2020. Similar costs were not incurred in Q2-2020 due to the products already being available and spending in line within the Company's cost cutting initiatives.

In comparison to Q1-2020, research and development expenses decreased in Q2-2020 by \$201 primarily due to the aforementioned cost cutting initiatives amongst personnel, product development and limiting travel.

General and administrative expenses (“G&A”)

	Three months ended				Three months ended		
	June 30, 2020	June 30, 2019	Variance to Q2-2019 (\$)	Variance to Q2-2019 (%)	March 31, 2020	Variance to Q1-2020 (\$)	Variance to Q1-2020 (%)
Personnel costs	1,294	3,124	(1,830)	(59%)	4,915	(3,621)	(74%)
Office and other administrative expenses	2,780	2,654	126	5%	2,372	408	17%
Third party professional, consulting, legal fees	1,313	2,526	(1,213)	(48%)	2,230	(917)	(41%)
Computer and IT expenses	323	383	(60)	(16%)	275	48	17%
	5,710	8,687	(2,977)	(34%)	9,792	(4,082)	(42%)

G&A expenses of \$5,710 for the three months ended June 30, 2020 decreased in comparison to expenses of \$8,687 for the same period in the prior year. The year-over-year decrease of \$2,977 is mainly related to the reduction of personnel costs and consulting costs.

In comparison to Q1-2020, G&A expenses decreased by \$4,082 which reflects part of the Company’s plan to significantly reduce general and administrative expenses due to market conditions described above and primarily driven by the reduction in personnel costs. The Company reduced salaries of administrative personnel and management by 20% in Q2-2020, incurred reduced expenses for former employee termination costs previously incurred in Q1-2020 and the Company received \$342 in wage subsidies from the CEWS related to G&A expenses.

Share-based compensation expenses

The Company recognized a share-based compensation expense of \$1,657 for the three months ended June 30, 2020 compared to \$4,433 for the same period in the prior year. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. The decrease is primarily due to a reduction in the grant date fair value of new options granted, which is primarily attributable to the decline in the Company’s stock price and market volatility.

In comparison to Q1-2020, share-based compensation expense decreased by \$813 primarily due to a reduction in the number of new options granted in Q2-2020.

Loss from operations

Losses from operations were \$9,881 for the three months ended June 30, 2020 compared to \$16,417 for the same period in the prior year primarily driven by increased gross profit and decreased operating expenses as described above which reflect significant sales in Q2-2020 versus the prior year and much higher production leading to increases in changes in fair value of biological assets and implementation of cost cutting measures.

In comparison to a loss from operations of \$15,258 in Q1-2020, the Company’s losses from operations for Q2-2020 were lower primarily due to reductions in operating expenses and increased gross profits.

Net loss

The Company’s net loss for the three months ended June 30, 2020 is \$9,775 (June 30, 2019 – \$16,603) which is comprised primarily of the loss from operations discussed above. In addition, in Q2-2020, foreign exchange gains amounted to \$785 (Q2-2019 – foreign exchange loss of \$315) due to a decrease in the Canadian dollar against the US dollar and European Euro, partially offset by finance income of \$98 (lower than Q2-2019 - \$869 because of lower cash on hand generating interest income).

The Company experienced a \$63,661 decrease in net loss as compared to Q1-2020, due to the lower loss from operations and no further impairment recognized during Q2-2020 as compared to Q1-2020.

Comprehensive loss

The Company’s comprehensive loss for the three months ended June 30, 2020 was \$10,044 (three months ended June 30, 2019 – \$17,306) and was comprised of the net loss discussed above and other comprehensive loss which comprised of foreign exchange translation losses from foreign operations of \$269 (three months ended June 30, 2019 - \$703).

In comparison to Q1-2020, the Company's comprehensive loss decreased by \$61,046 primarily due to factors discussed above as well as fluctuation in exchange rates where the functional currency of a foreign operation differed from that of the reporting entity, The Green Organic Dutchman Holdings Ltd.

SUMMARY OF YEAR TO DATE (“YTD”) RESULTS – YTD-2020 as compared to YTD-2019

The table below summarizes selected information regarding the Company's loss from operations and other financial information for the periods presented in accordance with IFRS and on a consistent basis with the interim consolidated financial statements and related notes:

	For the six months ended	
	June 30, 2020	June 30, 2019
Revenue	\$ 7,884	\$ 5,301
Loss from operations	\$ (25,139)	\$ (31,141)
Net loss ⁽¹⁾	\$ (83,211)	\$ (30,694)
Comprehensive loss ⁽¹⁾	\$ (81,134)	\$ (32,747)
Net loss per share (basic & diluted) ⁽¹⁾	\$ (0.25)	\$ (0.11)

⁽³⁾ During Q1-2020, the Company recorded a non-cash impairment charge of \$52,765 related to its Canadian CGU and \$3,082 impairment charge related to its investment in Epican.

Revenues

Revenue recognized for the six months ended June 30, 2020 amounted to a \$7,884 or 49% increase versus the prior year (six months ended June 30, 2019 - \$5,301).

Sales from hemp derived products by the Company's wholly owned subsidiary in Poland were \$4,507 (six months ended June 30, 2019 - \$5,289 related to HemPoland only). The decrease in revenue year over year from HemPoland relates primarily to higher volumes of lower margin bulk CBD extract products being sold at HemPoland during the six months ended June 30, 2019 and since then has strategically shifted focus away from bulk extracts towards more profitable CannabiGold product lines. HemPoland has been able to maintain sales greater than \$2,000 per quarter on a consistent basis through the first two quarters of 2020 despite challenges in reaching end consumers with much of the European population heeding public health warnings and the minimization of leaving homes for shopping of non-essential goods. With the effects of the COVID-19 pandemic being felt earlier in Europe than North America, distribution channels are expected to remain flat and consistent. HemPoland started selling into the United Kingdom and plans to expand into other European markets in the balance of 2020 and is reworking its online sales capabilities to ship products direct to consumer, where applicable, to combat the expected lack of foot traffic in retail locations. In addition, the main facility in Poland has been fitted to perform toll manufacturing for customers to maximize the use of capacity and proprietary extraction technology.

Sales from cannabis products in Canada of \$3,377 (six months ended June 30, 2019 - \$20) representing a significant increase over the prior year given the Company's recreational sales of cannabis in Canada began in Q3-2019. Management believes that while the premium market targeted by the Company in its pilot commercialization initiatives has declined significantly as a proportion of the total Canadian cannabis market over the past year, the Company is adapting to the market dynamics. Management believes that the general legal cannabis market will grow, even in the current economic climate, and the Company believes that growth will largely be driven by two consumer segments: those converting from the illicit to the legal market, who tend to be price-sensitive higher volume consumers of dried cannabis flower, and those who are new consumers of cannabis, and who are more likely to consume cannabis products via edible or beverage delivery methods. The Company's TGOD branded products of with higher margin and higher THC accounted for a significant component of the Company's product mix while the Company's Highly Dutch brand launched at the end of May, accounted for almost a quarter of the product mix with just over a month of sales, exclusively in Quebec. The Company expects the Highly Dutch brand to expand across the rest of the provinces, particularly in Ontario, Alberta and British Columbia and is making adequate inventory available for a ramp up of sales in Q3-2020 into these provinces. Finally, in relation to Canadian operations, during the six months ended June 30, 2020, the Company incurred \$531 in excise duties thereby reducing gross revenue to arrive at \$7,353 of net revenues (six months ended June 30, 2019 - \$nil for excise duties and net revenues of \$5,301).

Gross profit

The Company's gross profit for six months ended June 30, 2020 of \$3,032 was \$292 lower than the six months ended June 30, 2019 primarily because of sales being introduced on more significant basis in Canada which had lower margins where the prior year did not have any material sales in Canada, in addition to a small decrease in HemPoland sales and higher cost of sales of products sold from HemPoland in comparison to the prior year. For the six months ended June 30, 2020, the gross margin before changes in fair value of biological assets was 18% in comparison to 58% for the six months ended June 30, 2019 where the prior year figure consisted primarily of sales and gross profit from HemPoland. The Company expects the Canadian gross margin before changes in fair value of biological assets to remain low during Q3-2020 until the inventory produced at higher costs during the production ramp up turns. Beginning in Q4-2020, the Company expects gross profits before changes in fair values of biological assets in the high forty percent range.

Sales and marketing expenses

	Six months ended			
	June 30, 2020	June 30, 2019	Variance to Q2-2019 (\$)	Variance to Q2-2019 (%)
Personnel costs	1,343	1,187	156	13%
Third party marketing expenses	1,711	3,848	(2,137)	(56%)
Travel and promotion expenses	131	453	(322)	(71%)
Strategic partnership payments	1,369	1,409	(40)	(3%)
Other marketing expenses	149	29	120	414%
	4,703	6,926	(2,223)	(32%)

Sales and marketing expenses of \$4,703 for the six months ended June 30, 2020 decreased in comparison to expenses of \$6,926 for the same period in the prior year primarily due to additional work being performed in house rather than by external consultants, hence the additional increase in personnel costs during the six months ended June 30, 2020. This is consistent with the Company's plan for cost cutting initiatives in 2020 that were previously announced. The Company received \$96 related to S&M in wage subsidies from the CEWS.

Research and development expenses

	Six months ended			
	June 30, 2020	June 30, 2019	Variance to Q2-2019 (\$)	Variance to Q2-2019 (%)
Personnel costs	610	440	170	39%
Product development	111	412	(301)	(73%)
Travel related expenses	22	44	(22)	(50%)
Other research and development expenses	96	126	(30)	(24%)
	839	1,022	(183)	(18%)

Research and development expenses of \$839 for the six months ended June 30, 2020 decreased in comparison to expenses of \$1,022 for the same period in the prior year. While year over year, the Company's headcount of professionals who were working on the development of the Company's 2.0 products increased, this expense was more than offset by a reduction in external consultants. The Company has successfully commercialized organic cannabinoid dissolvables in Canada under the TGOD-Infusers line which began selling in the six months ended June 30, 2020. The Company received \$45 in wage subsidies from the CEWS related to R&D.

General and administrative expenses (“G&A”)

	Six months ended			
	June 30, 2020	June 30, 2019	Variance to Q2-2019 (\$)	Variance to Q2-2019 (%)
Personnel costs	6,209	5,644	565	10%
Office and other administrative expenses	5,152	5,403	(251)	(5%)
Third party professional, consulting, legal fees	3,543	5,521	(1,978)	(36%)
Computer and IT expenses	598	798	(200)	(25%)
	15,502	17,366	(1,864)	(11%)

G&A expenses of \$15,502 for the six months ended June 30, 2020 decreased in comparison to expenses of \$17,366 for the same period in the prior year. The year-over-year decrease is mainly related to the reduction to third party, consulting, and legal costs of \$1,978, partially offset by increased personnel costs of \$565. Personnel costs include termination costs accrued to former employees of \$730 (six months ended June 30, 2019 - \$nil). The Company received \$342 in wage subsidies from the CEWS related to G&A.

Share-based compensation expenses

The Company recognized a share-based compensation expense of \$4,127 for the six months ended June 30, 2020 compared to \$7,852 for the same period in the prior year. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. The decrease is primarily due to a reduction in the grant date fair value of new options granted, which is primarily attributable to the decline in the Company’s stock price combined with market volatility.

Loss from operations

Losses from operations were \$25,139 for the six months ended June 30, 2020 compared to \$31,141 for the same period in the prior year. The smaller loss related primarily to the factors discussed above where revenues have increased and conscious cost cutting per the Company’s revised strategic plan is being implemented.

Impairment

A non-cash impairment charge of \$52,765 for the six months ended June 30, 2020 (June 30, 2019 – \$Nil) was realized on the Canadian cash generating unit (“Canadian CGU”) and recorded at March 31, 2020. The Company did not record any impairment charges for its CGUs for the three months ended June 30, 2020 (three and six months ended June 30, 2019 - \$nil). The non-cash impairment charges recognized during the period were primarily attributable to the changes in the timing of accessing market demand and the resulting slower revenue ramp up and growth than originally forecasted by management. Management has taken steps to realign the strategic plan to account for the changing market conditions. In addition, the Company recognized an impairment loss on its investment in Epican of \$3,082 (June 30, 2019 – \$Nil) due to changing market conditions in Jamaica. The Company has also made a strategic decision to forgo expansion of proposed cultivating activities in Jamaica for export to prioritize the Company’s Canadian operations and sell its interest in the entity during the six months ended June 30, 2020. This non-cash impairment charge does not directly impact the Company’s operating activities or liquidity.

Net loss

The Company’s net loss for the six months ended June 30, 2020 was \$83,211 (June 30, 2019 – \$30,694) which is comprised of the loss from operations and impairment discussed above. In addition, during the six months ended June 30, 2020, foreign exchange losses amount too \$1,729 (June 30, 2019 - \$475) due to a decrease in the Canadian dollar against the US dollar and European Euro, partially offset by contingent consideration revaluation gain of \$361 (June 30, 2019 - \$200) and finance income of \$269 (lower than June 30, 2019 - \$2,055 because of lower cash on hand generating interest income).

Comprehensive loss

The Company’s comprehensive loss for the six months ended June 30, 2020 was \$81,134 (June 30, 2019 – \$32,747) and was comprised of the net loss discussed above and other comprehensive income comprised of foreign exchange translation gain from foreign operations of \$2,077 (June 30, 2019 - \$2,053 – loss incurred through other comprehensive income).

FINANCIAL POSITION

The table below summarizes selected information regarding the Company's financial position for the periods presented in accordance with IFRS and on a consistent basis with the interim consolidated financial statements and related notes:

	As at June 30, 2020	As at December 31, 2019	As at January 1, 2019*	As at December 31, 2017
Total assets	\$ <u>292,877</u>	\$ <u>342,181</u>	\$ <u>447,236</u>	\$ <u>96,977</u>
Total non-current liabilities	\$ <u>16,099</u>	\$ <u>21,354</u>	\$ <u>3,591</u>	\$ <u>-</u>
Total shareholders' equity	\$ <u>214,208</u>	\$ <u>267,600</u>	\$ <u>413,655</u>	\$ <u>77,248</u>

* The Company adopted IFRS 16 – Leases on January 1, 2019 and reflected transitional opening balance sheet adjustments as a result.

The following is a discussion of the significant changes to selected balances in the Company's financial position as at June 30, 2020 as compared to December 31, 2019 in accordance with IFRS and on a consistent basis with the interim consolidated financial statements and related notes:

Assets

The Company's cash and cash equivalents of \$18,777 as at June 30, 2020 reduced from \$27,569 as at December 31, 2019 primarily as a result of paying down construction and operational payables as described in the "Liquidity and Capital Resources" section. The Company's trade receivables of \$2,656 as at June 30, 2020 (December 31, 2019 - \$1,488) primarily as a result of increased sales in the month of June 2020. As at June 30, 2020, the Company had \$13,854 in inventory as compared to \$8,268 as at December 31, 2019 as a result of harvests from the Company's Hybrid Greenhouse and an increase in packaging and supplies to ready for new upcoming orders. The Company's property plant and equipment primarily decreased by \$28,226 to \$208,807 as a result of \$51,725 in impairment charges relating to Q1-2020 and \$2,221 in depreciation, primarily offset by year to date additions of \$26,245 in additions most of which related to construction.

Liabilities

The Company's accounts payable and accrued liabilities, including non-current accrued liabilities was \$34,382 as at June 30, 2020 as compared to \$52,074 as at December 31, 2019 with the decrease primarily relating to payments made against outstanding construction payables funded in part, by additional debt received from the Company's *Senior Secured Credit Facility*.

The Company's current portion of loans payable amounted to \$28,626 as at June 30, 2020 as compared to \$524 as at December 31, 2019 primarily due to the balance of the Senior Secured Credit Facility coming due within twelve months, being the end of June 2021 and thus being reclassified from its 'long term' presentation which also includes the effects of accretion expense. The Company's remaining Loans balance, presented as long-term, was \$9,307 as at June 30, 2020 primarily due to the recognition of the Revolver Facility obtained in Q2-2020 which did not exist and is payable by October 2021.

Equity

The Company's Shareholders' equity decreased from \$267,600 as at December 31, 2019 to \$214,208 primarily due to an increase in the accumulated deficit of \$82,806, an increase in the non-controlling interest of \$405, partially offset by an increase in share capital of \$19,179, contributed surplus of \$8,563, and changes to accumulated other comprehensive income of \$2,077.

LIQUIDITY AND CAPITAL RESOURCES

During the three and six months ended June 30, 2020, the Company generated its revenue from domestic cannabis and international hemp operations and relied on the equity financings raised together with the additional debt facilities closed to finance its operations and meet its capital requirements. The Company's objectives when managing its liquidity and capital resources are to maintain a sufficient capital base to maintain investor and creditor confidence and to sustain the future development of the business.

As at June 30, 2020 the Company had a negative working capital of \$12,297 (December 31, 2019 - \$14,939 positive working capital). The total consolidated cash position was \$18,996, including \$219 of restricted cash held in escrow for construction contracts (December 31, 2019 – \$36,147 of which \$8,578 was restricted cash). This cash, together with additional financing received subsequent to June 30, 2020 will be used primarily towards covering operating costs towards the Company reaching positive operating cashflow, which is expected by the end of 2020.

The Company has primarily financed its operations to date through the issuance of common shares, warrants, and debt facilities. The Company will need to seek to reschedule its debt obligations on its Senior Secured Credit Facility that are due near the end of June 2021, or obtain capital through various means including the issuance of equity and/or debt to repay its obligations. The interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future if revenue plans, debt refinancing and/or additional debt or equity financing or any combination thereof is received. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

	For the three months ended			For the six months ended		
	June 30, 2020	June 30, 2019	Variance to Q2-2019 (\$)	June 30, 2020	June 30, 2019	Variance to Q2-2019 (\$)
Net cash used in operating activities	\$ (8,285)	\$ (24,526)	\$ 16,241	\$ (21,382)	\$ (45,676)	\$ 24,294
Net cash used in investing activities	(10,072)	(83,654)	73,582	(26,997)	(110,672)	83,675
Net cash provided by financing activities	32,011	2,587	29,424	38,483	12,121	26,362
Net effects of foreign exchange	276	(120)	396	1,104	(607)	1,711
(Decrease) increase in cash and cash equivalents	\$ 13,930	\$ (105,713)	\$ 119,643	\$ (8,792)	\$ (144,834)	\$ 136,042

Operating Activities

For the six months ended June 30, 2020 net cash used in operating activities was \$24,294 lower than the six months ended June 30, 2019. The decrease was primarily related to changes in non-cash working capital items of \$24,980 partially offset by change in depreciation and amortization of \$1,701.

Investing Activities

For the six months ended June 30, 2020 net cash used in investing activities was \$83,675 lower than the six months ended June 30, 2019. The decrease was primarily the result of using less capital used to settle construction contracts as well as extending payment terms with suppliers.

For the three months ended June 30, 2020, net cash outflow consisted primarily of \$10,574, of which most related to payments on deferred payment plans for previously incurred construction.

Financing Activities

For the six months ended June 30, 2020, net cash provided by financing activities was \$26,362 higher than the six months ended June 30, 2019. The increase was primarily the result of \$20,753 proceeds from the two bought deals closed as well as \$19,009 proceeds from the closing of debt facilities during the period compared to the six months ended June 30, 2019. The increase was primarily offset by a decrease in cash received related to the exercise of stock options and warrants of \$10,910 in comparison to the six months ended June 30, 2019, which is primarily attributable to the decline in the Company's stock price making it less favourable to exercise equity instruments.

Contractual obligations

The Company had the following estimated gross contractual obligations as at June 30, 2020, which were expected to be payable in the following respective periods:

	Carrying amount	Contractual cash flows						
		Total	2020	2021	2022	2023	2024	Thereafter
	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	34,382	34,664	32,672	1,992	-	-	-	-
Loans ⁽¹⁾	37,933	49,587	2,986	46,601	-	-	-	-
Lease liabilities	5,087	8,822	445	837	771	627	612	5,530
Commitments related to construction ⁽²⁾	-	631	631	-	-	-	-	-
Contingent consideration payable	101	160	-	-	160	-	-	-
Total contractual obligations	77,503	93,864	36,734	49,430	931	627	612	5,530

⁽¹⁾ Contractual cash flows include interest payable until the maturity date for the first lien senior secured credit facility amounts outstanding as at June 30, 2020. This table does not include additional debt related to the Revolver Facility subsequent to June 30, 2020. Refer to the description of these transaction in the “Recent Developments” above.

⁽²⁾ Payables related to construction activities that have been incurred are included in accounts payable and accrued liabilities whereas amounts yet to be incurred have no carrying amount as at June 30, 2020.

The Company’s accounts payable and accrued liabilities include consolidated trade payables and accrued liabilities for work incurred, including for the construction of the facilities. The Company estimated that cash of \$5,116 was required to meet its liabilities related to completing construction and commissioning of its Hamilton facility of which \$238 has yet to be incurred (mainly relating to equipment) and this amount has thus been included in the “commitments related to construction” line in the table above.

During the six months ended June 30, 2020, the lender of the Senior Secured Credit Facility advanced the remaining \$6,658 of the first tranche that closed in 2019. The contractual cash flows in the table above include the relevant interest and principal payments related to the total of \$32,700 now drawn on the Senior Secured Credit Facility and the \$10,000 drawn on the Revolver Facility as at June 30, 2020 payable until maturity dates. The table does not include the closing of additional proceeds of \$3,000 received subsequent to June 30, 2020 in relation to the Revolving Credit Facility.

The Company’s leased liabilities are valued in accordance with IFRS where the Company has recognized an increase to both assets and liabilities on the consolidated statements of financial position, as well as a decrease to operating expenses (for the removal of rent expense for leases), an increase to depreciation and amortization (due to depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability).

The contingent consideration payable relates to contingent consideration of up to 3,047,723 shares potentially payable to the former owners of HemPoland based on that entity achieving certain earnings targets by the end of the 2021 financial year which may be settled in cash pursuant to the terms of the agreement at the Company’s option. The consideration is revalued to fair value at the end of each reporting period in accordance with IFRS based on a valuation technique with a probability assessment of asymmetric payment structures.

Other Contractual Commitments

The lease for the office space of the Company’s headquarters required the issuance of a letter of credit in the amount \$350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at June 30, 2020, there have been no breaches and no amounts have been drawn upon this letter of credit.

Pursuant to some of the agreements related to the Company’s facilities, as at June 30, 2020, the Company has letters of credit in the amount of \$1,800 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates (“GIC”) securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which has been recorded in other assets. As at June 30, 2020, there have been no breaches and no amounts have been drawn on the letters of credit. As at June 30,

2020, the Company has outstanding deposits on construction related activities of \$830 (December 31, 2019 – \$690) also included in other assets.

The Company has also entered into certain agreements for equipment and services that allow for deferred payment terms and/or the inclusion of permitted subordinated liens on personal property, per the Senior Loan agreement, associated with the equipment located at both the Hamilton and the Quebec facilities should there be any material breaches of the agreements. As at June 30, 2020, there have been no breaches of the respective agreements.

Claims and Litigation

The Company may become subject to litigation from time to time in the ordinary course of business, some of which may adversely affect its business. For instance, the Company is currently subject to three employment related claims totalling approximately \$3,500, a breach of contract claim by former warrant holders for approximately \$1,250, and a claim from a customer in Europe for approximately \$2,100. The employment claims relate to a former contract CFO of the Company, a former consultant to the Company and a former officer of HemPoland. The former contract CFO issued a claim in the Ontario Superior Court of Justice for \$3 million on September 25, 2018 and the Company filed a defence in October 2018. There have been no appearances or proceedings scheduled since the Company's defence was filed. The claim by the former consultant was issued by the Ontario Superior Court of Justice on April 15, 2020. The Company is in the process of preparing its defence. The former officer of HemPoland has brought proceedings in Elblag, Poland, claiming payment of a contractual severance payment of approximately \$370. HemPoland is vigorously defending the claim. A trial in this matter was previously scheduled to proceed at the end of April; however, that hearing has been delayed due to COVID-19 related closures.

In the breach of contract claim, a group of plaintiffs have brought a claim in British Columbia alleging breach of contract in regard to share purchase warrants they were prevented from exercising due to a restrictive trading period. This matter has been set down for trial commencing July 19, 2021. Finally, a customer in Europe (a distributor) alleges that HemPoland breached a verbal contract with it by ceasing to cooperate with the distributor and has alleged damages of approximately \$2,100. No proceedings have been initiated in respect of the matter. No provision in relation to these claims has been recognized as the Company estimates that it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Company for these claims.

On August 3, 2020 the Company was named as a defendant in a litigation matter commenced in the United States District Court for the Middle District of Georgia relating to its minority investment in a US based beverage incubation business, seeking, among other things, unquantified compensatory damages and injunctive relief. No provision in relation to this claim has been recognized as the Company estimates that it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Company for this claim and the Company intends to vigorously defend the matter.

Use of Proceeds from Previous Financings

The following table compares the Company's previous disclosure on its intended use of proceeds from previous offerings with the subsequent actual use of those proceeds, together with an explanation of any variances and the impact of those variances, if any, on the Company's ability to achieve its business objectives and milestones:

Disclosed intended use of net proceeds	Actual use of proceeds and discussion of variances
<p>To complete the construction of the processing centre at the Hamilton Facility - \$14,200 net of transaction costs</p> <p>Working capital - \$7,510 net of transaction costs</p>	<p>Approximately \$3,100 of the net proceeds from the December Offering were used for payments specifically related to the construction of the Hamilton Facility, with the balance of the net proceeds being applied toward working capital.</p> <p>Subsequent to the completion of the December Offering, the Company closed the first tranche of its senior secured credit facility on December 24, 2019. The Company's December 13, 2019 stated that the Company anticipated using the proceeds of this facility for capital expenditures required for the completion of the Quebec Facility, for working capital and general corporate purposes and to pay permitted fees and expenses. However, the lender directed the Company to apply the proceeds of the facility to be specifically applied to the construction of the Hamilton and Quebec Facilities in priority to the other intended uses; accordingly, the funds advanced were used for construction payments at both of the Hamilton Facility and the Quebec Facility and additional draws were available to the Company in the first quarter of 2020 to continue construction. As a consequence of the use of a portion of the credit facility advances for construction at the Hamilton Facility, a</p>

	<p>corresponding amount of the funds from the December Offering were available and used for working capital purposes.</p> <p>The cost of completion of the processing centre at the Hamilton Facility aligned with the Company’s previously disclosed expectations in relation to the December Offering; the processing centre at the Hamilton Facility was completed on disclosed anticipated timeline and budget. The Company used the proceeds of the December Offering together with the proceeds of the first tranche of the senior secured credit facility to fund the Company’s operations through April 2020.</p> <p>The Company’s actual use of proceeds from the December Offering differed significantly from the disclosed intended use of proceeds as a result of differing allocation of funds among financing sources. However, in aggregate, the Company is in the position disclosed as its expectation in the prospectus for the December Offering, in that it has completed the processing centre at the Hamilton Facility on the timeline and at the cost disclosed in the prospectus for the December Offering and used the proceeds of the December Offering together with the proceeds of the first tranche of the senior secured credit facility to achieve this milestone and fund its operations through April 2020.</p>
<p>Activities in furtherance of development and launch of key product lines including teas and a mainstream-priced dried organic cannabis flower brand - \$3,880, net of transaction costs</p> <p>General corporate purposes - \$640, net of transaction costs</p>	<p>The Company has applied the approximately \$5,750 of gross proceeds from its public offering of units by short form prospectus dated April 22, 2020 (the “April Offering”) substantially as disclosed in that prospectus. The Company contemplated development and launch of its key product lines on the timeline and at the cost disclosed in that prospectus, and used and is using the net proceeds of the April Offering together with the initial proceeds under the revolving credit facility and the first accordion payment under the senior secured credit facility to achieve this development milestone as anticipated.</p>
<p>Repayment of construction indebtedness and other payables - \$11,523, net of transaction costs</p> <p>Negative Canadian operating cash flow - \$2,243, net of transaction costs</p> <p>General corporate purposes - \$153</p>	<p>The Company received the proceeds from its public offering of units by short form prospectus dated June 9, 2020 (the “June Offering”) on June 12, 2020. From June 12, 2020 until June 30, 2020, the Company paid approximately \$6,444 against Canadian construction indebtedness, other payables and funding Canadian operating cash flow, as intended and disclosed in the prospectus. The Company continues to diligently work with suppliers to negotiate payment plans to improve uses of working capital.</p>

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND CHANGES IN ACCOUNTING POLICIES

Except as disclosed in Note 3 to our interim consolidated financial statements, there were no significant changes in our accounting policies and critical accounting estimates for the three and six months ended June 30, 2020. We describe our significant accounting policies and critical accounting estimates in Note 3 to the audited consolidated financial statements and MD&A for the year ended December 31, 2019. The preparation of the interim consolidated financial statements requires the use of estimates and judgements that affect the application of the Company’s accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

[a] Fair values

The Company's financial instruments were comprised of the following as at June 30, 2020: cash and cash equivalents; restricted cash; refundable sales tax receivable; trade receivables; due from related parties; other investments, other current assets; accounts payable and accrued liabilities; short-term loans; contingent consideration and lease liabilities.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instrument's recorded at amortized costs that the instruments fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments.

[b] Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the three months ended June 30, 2020, there were no transfers of amounts between levels (three and six months ended June 30, 2019 – no changes).

[c] Management of key risks arising from financial instruments

Credit Risk

As at June 30, 2020, the Company's trade receivables are primarily concentrated in Canada with the exception of \$712 in Europe. The Company had two customers whose balances individually were greater than 10% of total trade receivable as at June 30, 2020 (December 31, 2019 – one customer).

RELATED PARTY TRANSACTIONS

Identification of related parties

Related parties as at June 30, 2020 have been identified as follows:

Related party	Business relationship	Measurement basis
Jeffrey Scott	Director	Exchange amount
Nicholas Kirton	Director	Exchange amount
Marc Bertrand	Director	Exchange amount
Jacques Dessureault	Director	Exchange amount
Caroline MacCallum	Director	Exchange amount
Brian Athaide	Management, Director	Exchange amount
Sean Bovingdon	Management	Exchange amount
Marie-Josée Lafrance	Management	Exchange amount
Geoffrey Riggs	Management	Exchange amount
Matthew Schmidt	Management	Exchange amount
Anna Stewart	Management	Exchange amount
John Wren	Management	Exchange amount
9371-8633 Québec Inc.	Non-controlled investee	Exchange amount

Key transactions with related parties

There have been no material transactions with related parties and no unusual transactions outside of the normal course of business in Q2-2020 other than as previously disclosed.

None of the balances outstanding to related parties as at June 30, 2020 are secured (June 30, 2019 – none). No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. No new guarantees have been given or received by related parties during the three and six months ended June 30, 2020.

As at June 30, 2020, the Company had no receivable or payable balances with key management personnel and \$83 of director fees payable.

Beginning in Q2-2020, Directors of the Company have voluntarily accepted a 20% reduction in their fees.

Other

Management has accrued termination benefits to former executives that have left the Company to the extent required by IFRS and are no longer considered related to the entity.

On May 25, 2020, the Company sold its interest in EML to another shareholder of EML for a nominal amount given its history of operating losses, recent economic developments in Jamaica restricting operations and the Company's strategic decision to no longer pursue opportunities in Jamaica to focus on Canadian operations. EML issued the Company a promissory note for the balance of \$449 as at June 30, 2020.

REGULATORY LANDSCAPE

The results of operations and financial condition of the Company are subject to a number of regulations and are affected by a number of factors outside the control of management.

Canadian Regulatory Landscape

Cannabis production, distribution, sale, and use is illegal in Canada except where specifically permitted by law. On October 17, 2018, the federal Cannabis Act and accompanying Regulations, including the Cannabis Regulations (“Cannabis Regulations”), the new Industrial Hemp Regulations (“IHR”), and together with the Cannabis Regulations, collectively, the “Regulations”), came into force, legalizing the production, distribution and sale of cannabis for adult recreational purposes, as well as incorporating the pre-existing medical cannabis regulatory scheme under one complete framework. Amendments legalizing the sale of edible cannabis, cannabis extracts, and cannabis topicals in the Canadian market came into force on October 17, 2019. A federally licensed

entity with authorization to produce and sell edible cannabis, cannabis extracts, and cannabis topicals must provide 60-days notice to Health Canada of its intent to sell these newly legalized classes of products.

Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licences and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Patients who have the authorization of their healthcare provider have access to cannabis, either purchased directly from a federally licensed entity authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

Provincial Regulatory Framework for Recreational Cannabis

While the Cannabis Act provides for regulation of the commercial production of cannabis and related matters by the federal government, the provinces and territories of Canada have authority to adopt their own laws and regulations governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limit for individuals and higher age requirements. Currently each of the Canadian provincial and territorial jurisdictions has established a minimum age of 19, except for Alberta, where the minimum age is 18, and Québec, where the minimum age is 21.

All Canadian provinces and territories have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Provincial/territorial bodies act as intermediaries between entities licensed federally under the Cannabis Act and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances as exclusive retailers.

Some municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis. In some provinces, municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened.

Regulatory Landscape Outside Canada

The Company only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with all of the laws of the foreign jurisdiction, the laws of Canada and the rules of the TSX. The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, as well as local business culture and practices, are different from those in Canada. Prior to commencing operations in a new country, in partnership with local legal counsel, consultants and partners, the Company conducts legal and commercial due diligence in order to ensure that the Company and its officers and directors gain a sufficient understanding of the legal, political and commercial framework and specific risks associated with operating in such jurisdiction. Where possible, the Company seeks to work with respected and experienced local partners who can help the Company to understand and navigate the local business and operating environment, language and cultural differences. In consultation with advisors, the Company takes steps deemed appropriate in light of the level of activity and investment it expects to have in each country to ensure the management of risks and the implementation of necessary internal controls.

Denmark

As of January 1, 2018, the Danish government initiated a trial (“pilot program”) permitting doctors to prescribe medical cannabis to a defined patient group. The trial will continue for the next four years and is supported by federal funding. The Danish Medicines Agency issues licences to import “primary” (starter) cannabis products and to cultivate (as of July 1, 2018) and produce approved forms of medical cannabis for wholesale distribution within Denmark (sale at Danish pharmacies). The Danish government initiated a four-year development scheme so that the Danish Medicines Agency authorizes research and development activities in terms of cultivating and handling cannabis, which may form part of the pilot program at a later stage. All medical cannabis production facilities and products are subject to inspection by the Danish Medicines Agency. As of January 1, 2019, export of cannabis bulk and primary products is also included in the pilot program. Exporting activities relating to cannabis bulk or primary products must be in accordance with requirements laid down in the legislation, including obtaining the necessary authorization. The country

receiving the cannabis bulk must allow import of cannabis for medicinal use and the company importing the cannabis bulk or primary products must have the necessary authorizations in place according to national requirements in the importing country.

Since being introduced, there has been debate regarding whether the pilot program has provided medical patients with sufficient access to medical cannabis and whether the implementation and evaluation criteria has been sufficiently clear. An overall review and evaluation of the cannabis pilot program was planned to be carried out in May 2020, but due to the Covid19 crisis, the evaluation has been delayed and will most likely be carried out during the Fall 2020. The Minister of Health, Magnus Heunicke, has stated that he is ready to extend the medical cannabis pilot program if necessary, for effective evaluation of the program.

Poland

In Poland, the use of hemp is generally restricted and may be accepted only if certain statutory requirements are met. Polish laws provide specific regulations, depending on the use of the hemp. Pursuant to the Misuse of Drugs Act, hemp may be grown solely and exclusively for the needs of the textile, chemical, pulp and paper, food, cosmetic, pharmaceutical and construction industries, as well as for seed production. Buying hemp from a farmer requires a permit from the governor of the province holding territorial jurisdiction over the plantation. Buying and reselling hemp seeds is subject to notification to the appropriate Provincial Inspector of Plant Health and Seed Inspection. Where hemp extracts are used for producing foodstuffs, the production facility must meet the sanitary requirements stipulated under the Act on the Safety of Food and Nutrition. The cultivation of cannabis which does not fall within the definition of hemp under the Misuse of Drugs Act, i.e. "plant species *Cannabis Sativa L.*, in which the total content of delta-9-tetrahydrocannabinol and tetrahydrocannabinolic acid (delta-9-THC-2-carboxylic acid) in the floral or fructifying tops of the plants, from which resins has not been removed, does not exceed 0.20% of the dry-extract content" is prohibited in Poland.

Mexico

On June 19, 2017, Mexico enacted certain amendments to the General Health Law of Mexico, allowing the use of cannabis and its derivatives for medicinal purposes that could be commercialized and prescribed by any licensed physician and sold in pharmacies, as long as the products contain less than 1% THC, as well as for the sale of other products with broad industrial uses as long as a cumulative dose of 1% THC is not exceeded. The authority overseeing medicinal cannabis regulations in Mexico is the Mexican Ministry of Health through the Federal Commission for the Protection against Sanitary Risks ("COFEPRIS"). On September 20, 2018, the Federal Commissioner of the COFEPRIS announced the conclusion of the technical review process for the regulation of medicinal cannabis and the upcoming delivery of the regulations to the then Mexican President for ratification; however, such ratification did not occur during the previous administration. On October 30, 2018, the Guidelines on Health Control of Cannabis and its Derivatives were issued by COFEPRIS regulating medicinal cannabis and allowing the sale of food, food supplements, alcoholic and non-alcoholic beverages without a medical prescription, as long as a cumulative dose of 1% THC is not exceeded. Such guidelines were later revoked on March 27, 2019. On August 14, 2019, Mexico's Supreme Court of Justice (the "Supreme Court") resolved an amparo trial setting forth an obligation for the Ministry of Health to regulate the medical and therapeutic use of cannabis and its derivatives, in order to guarantee the human right to health to the public at large. On October 18, 2019 a Bill was presented in Congress by the United Commissions of Justice, Health, and Legislative Studies of the Senate in order to enact the Law for the Regulation of cannabis and the amendments to certain provisions set forth in the General Health Law and the Criminal Code (the "Bill"). On April 17, 2020, Mexico's Supreme Court of Justice granted a second extension of the deadline for the enactment of such regulations, because of the measures ordered by Mexico's Government to prevent and combat the spread of the COVID-19. The current legal timeframe for the revision of the Bill will run from September 1st until December 15th, 2020, corresponding to the next ordinary period of sessions. The Bill regulates the following uses of cannabis and its derivatives: personal, recreational, medical and palliative, scientific, research, commercial and industrial. Regarding the medical, therapeutic and palliative uses of cannabis' derivatives, the Bill authorizes the use and production of cannabis, as well as the import and export of products which contain its derivatives. A specific license will be needed for carrying out such activities. Notwithstanding the above, on July 27, 2020, a new draft of the Regulation of Sanitary Control for the Medical Production, Research and Use of Cannabis and its Pharmacological Derivatives (the "Regulation"), was published on the National Commission of Regulatory Improvement's ("CONAMER") website. The Regulation was submitted by the Ministry of Health, in compliance of its obligation to regulate the medical use of cannabis according to the ruling enacted by the Supreme Court. The Regulation aims at regulating, control and monitoring, health matters of raw material, molecular complexes, pharmacological derivatives and medicines for the production, research, industrial and medical purposes of cannabis. However, it fails to determine whether foreign investments will be allowed or limiting the percentage of investment of such companies, the exclusivity of the companies for the obtainment of licenses and authorizations, as well as, the number of licenses that can be obtained by companies or establishments, for one or all the regulated activities. The Regulation will remain on CONAMER's website for consultation and comments of any interested party until August 24, 2020.

United States

“Marijuana” is a Schedule I controlled substance under the United States Controlled Substances Act of 1970. On December 20, 2018, hemp (defined as cannabis with not more than 0.3% THC) was removed from Schedule 1 of the list of controlled substances under United States federal law in accordance with the United States Agriculture Improvement Act of 2018, commonly known as the “2018 Farm Bill”. The 2018 Farm Bill does not affect any other cannabis product and therefore cannabis and cannabis derivatives that do not meet the definition of hemp, and activities involving them, remain illegal under United States federal law. On October 29, 2019, the United States Department of Agriculture (the “USDA”) released an interim final rule for regulations governing hemp production in the United States. The Farm Bill also authorizes individual states to regulate hemp in their jurisdiction by developing and seeking USDA approval of a regulatory plan. The interim final rule was open to public comment until January 29, 2020. Following review of public comment, the USDA has indicated it intends to publish and implement a final rule governing hemp production. Until the final rule comes into force or state and tribal plans are approved and implemented, the production of hemp remains subject to the provisions of the 2014 Farm Bill, which permits production only for research purposes pursuant to a state pilot program. In addition, notwithstanding the 2018 Farm Bill, the United States Food and Drug Administration (the “FDA”) prohibits cannabis (including hemp) and its derivatives, including cannabidiol (CBD), for use as an ingredient in food and drink. The FDA held a public hearing on May 31, 2019, to obtain input from stakeholders regarding the regulation of products containing cannabis and cannabis derivatives. The FDA has not yet indicated whether its approach to the regulation of such products will change in light of the descheduling of hemp or other developments. In addition, any ingredient derived from hemp in food is subject to the premarket approval requirements applicable to food additives, unless that use is generally recognized as safe (“GRAS”). The FDA has issued letters of no objection to at least three GRAS notices for ingredients derived from hemp seed that contain trace amounts of THC and CBD but has not to date addressed whether hemp-derived THC, CBD or other cannabinoids in non-trace levels are GRAS.

Germany

In March 2017, the German legislator introduced “The Cannabis as Medicine Act” (“Gesetz zur Änderung betäubungsmittelrechtlicher und anderer Vorschriften“) which regulates the requirements for the marketability of cannabis pharmaceuticals and their inclusion in health insurance plans. Under this Act, statutory insured patients suffering from a severe disease (i.e. life-threatening or seriously affecting quality of life) are entitled to treatment with medicinal cannabis (flowers or extracts in standardized quality) if (i) generally recognized treatment in accordance with medical standards is either not available, or cannot be applied in individual cases according to the justified assessment of the treating physician, and (ii) if there is a not entirely distant prospect of a noticeable positive effect on the course of the disease or on serious symptoms.

Importers of cannabis pharmaceuticals which have not been produced in an EU/EFTA Member State and which shall be distributed in Germany on a commercial or professional basis must apply for an import authorization to the competent health authority in the federal state (Bundesland) in which the importer is based. Generally, the import authorization can be issued for cannabis from cultivations controlled by the State pursuant to the requirements of the 1961 UN Single Convention on Narcotic Drugs. Additionally, importers must apply for a manufacturing authorization pursuant to section 13 Medicinal Products Act (Arzneimittelgesetz –“AMG“) if they carry out at least one manufacturing step within the meaning of section 4 (14) AMG (e.g. preparing, formulating, treating or processing, filling, decanting, packaging, labelling) after import. Furthermore, the distribution of drug products treated with radiation (e.g. E-Beam) requires a permit under the German Regulation on Drug Products treated with Radiation (Verordnung über radioaktive oder mit ionisierenden Strahlen behandelte Arzneimittel – “AMRadV“).

The marketing of medicinal cannabis products that qualify as finished medicinal products requires a marketing authorization issued by the competent Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte – “BfArM“).

Finally, medicinal cannabis products with a THC concentration of at least 0.2 percent qualify as narcotics under German law and are therefore subject to the authorization requirements under the German Narcotic Drugs Act (Betäubungsmittelgesetz –“BtMG“). Under this Act, seller and buyer of medicinal cannabis products must obtain an authorization by the BfArM. Such an authorization has been issued per se for qualified doctors and pharmacists who sell or buy narcotics for the treatment of a patient or in the course of the operation of a pharmacy.

RISK FACTORS AND UNCERTAINTIES

Many factors could cause the Company's results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this management's analysis and discussion, including the following factors, which are discussed in greater detail under the heading "Risk Factors" in the Company's current Annual Information Form as updated by subsequent reports, filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- the Company's ability to continue as a going concern;
- the Company's business is dependent on key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemics, such as the COVID-19 pandemic;
- The Company's ability to raise required additional capital through the sale of equity or debt instruments or the factoring of receivables or otherwise;
- the Company's limited operating history;
- the Company may be unable to achieve revenue growth and development;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- The Company's CBD business in Europe is subject to evolving approaches to the regulation of CBD by the European Union, its member states, and the United Kingdom;
- the Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, research and development, regulatory compliance and operations;
- there is no assurance that the Company will turn a profit or generate immediate revenues;
- the adult-use cannabis market in Canada is a relatively new industry;
- the adult-use cannabis market in Canada may experience supply and demand fluctuations that could result in revenue and price decreases;
- the cannabis market in Canada may be significantly reduced over time due to personal cultivation;
- the size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- the Company is reliant on regulatory approvals and cultivation Licenses for its ability to grow, process, package, store and sell cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal;
- any failure on the Company's part to comply with applicable regulations could prevent it from being able to carry on its business and there may be additional costs associated with any such failure;
- under Canadian regulations, a Licensed Producer of cannabis is restricted regarding the type and form of marketing it can undertake which could materially impact sales performance;
- the Company intends to target a premium segment of the adult-use cannabis market, which may not materialize, or in which it may not be able to develop or maintain a brand that attracts or retains customers;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company may be unsuccessful in competing in the overall legal adult-use cannabis market in Canada and any other countries it intends to operate in;
- the Company, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception;
- the Hamilton Facility and the Québec Facility are expected to become integral to the Company's business and operations;
- there can be no assurance that the Company will receive the required approvals with respect to the Québec Facility;
- the Company may not be able to develop its products, which could prevent it from ever becoming profitable;
- if the Company is unable to develop and market new products, such as beverages, it may not be able to keep pace with market developments;
- there has been limited study on the health effects of cannabis products, including CBD, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of such products;
- trade of cannabis for non-medical purposes within Canada may be restricted by the Canadian Free Trade Agreement;
- the Company is exposed to risks relating to the laws of various countries as a result of its planned international operations;
- the Company's business is subject to a variety of foreign laws, many of which are unsettled and still developing, and which could subject it to claims or otherwise harm its business;
- the Company must rely on international advisors and consultants in the foreign countries in which it intends to operate;

- the Company is required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where it operates or to which it exports its products;
- the hemp and CBD industries and markets are new and heavily regulated with rules subject to rapidly changing laws and uncertainty, compliance with which may come with significant cost;
- the hemp and CBD products industries and markets in Canada, the EU, Jamaica and Mexico are also subject to many of the same risks as the adult-use cannabis industry and market;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- the Company has entered into and in the future may seek to enter into strategic alliances including contractual relationships, joint ventures, selective acquisitions, licensing arrangements or other relationships, or expand the scope of currently existing relationships, with third parties that the Company believes will have a beneficial impact, and there are risks that such strategic alliances or expansions of the Company's currently existing relationships may not enhance its business in the desired manner;
- the Company may not be able to successfully identify and execute future acquisitions or dispositions or successfully manage the impacts of such transactions on its operations;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts;
- the Company is vulnerable to rising energy costs;
- the Company's products may not have, or may not be perceived to have, the effects intended by the end user;
- the Company's quality control systems may not operate effectively;
- the Company's cannabis products may be subject to recalls for a variety of reasons, which could require it to expend significant management and capital resources;
- the Company faces an inherent risk of exposure to product liability;
- the Company may be subject to liability claims as a result of positive testing for THC or banned substances;
- consumer preferences may change, and the Company may be unsuccessful in retaining customers;
- the Company's operations are subject to safety, health and environmental laws and regulations applicable to its operations and industry in the various jurisdictions in which it operates, and it may be held liable for any breaches of those laws and regulations;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company;
- the Company may become subject to litigation in the ordinary course of business;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be exposed to liability or the threat of liability in relation to the use of customer information and other personal and confidential information;
- the Company may be subject to risks related to the protection and enforcement of its intellectual property rights, or intellectual property it licenses from others, and may become subject to allegations that it or its licensors are in violation of intellectual property rights of third parties;
- the Company may be subject to breaches of security at its facilities;
- the Company may incur additional indebtedness;
- the Company may not be able to secure adequate or reliable sources of funding required to operate its business or increase its production to meet consumer demand for its products;
- management may not be able to successfully implement adequate internal controls over financial reporting;
- the Company currently has negative operating cash flow;
- the Company may be subject to credit risk;
- the Company's loans may contain covenants that limit its ability to seek additional financing or perform desired business operations;
- tax and accounting requirements may change in ways that are unforeseen to the Company and it may face difficulty or be unable to implement or comply with any such changes;
- fluctuations in foreign currency exchange rates could harm the Company's results of operations;
- if the Company has a material weakness in its internal controls over financial reporting, investors could lose confidence in the reliability of the Company's financial statements, which could result in a decrease in the value of its securities;
- it is anticipated that no cash dividends will be paid to holders of Common Shares for the foreseeable future;
- the Company continues to sell shares for cash to fund operations, expansion, and mergers and acquisitions that will dilute the current shareholders;
- the price of the Common Shares in public markets may experience significant fluctuations;
- if securities or industry analysts do not continue to publish research, or publish inaccurate or unfavourable research, about the Company's business, the Common Share price and trading volume could decline; and

- U.S. border officials could deny entry into the U.S. to employees of or investors with cannabis operations in the United States and Canada.

In addition, the Company has the following updated risk factor with respect to the ongoing impact of COVID-19:

The development and operation of the Company's business is dependent on labour inputs which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on the Company's business, measures taken by the Canadian and Ontario governments and voluntary measures undertaken by the Company with a view to the safety of the Company's employees, may adversely impact the Company's business, for instance by impeding the labour required to cultivate, process, market and distribute the Company's products and disrupting the Company's critical supply chains. In addition, while cannabis retail has been declared an essential service in many provinces, sales volumes of cannabis may be adversely impacted by consumer "social distancing" behaviours. All Company office staff had transitioned to working remotely from home offices, with business continuing to be conducted by telephonic and electronic means. In July 2020, the Company reopened its head office on a voluntary and limited basis for its employees. The Company's Hamilton Facility has implemented precautionary measures to ensure the safety of the staff and product, including limiting visits to the site to essential personnel only, ensuring proper protocols around sanitation, mask usage and physical distancing, and placing potentially exposed employees in self-quarantine for the appropriate period. These measures and similar measures taken by other employers may adversely impact the Company's ability to successfully market its new key product lines, for instance by precluding in-store visits and budtender engagement programs. In the short term, the Company is seeking to mitigate these impacts through technology-mediated engagement with retailers. The Company continues to dynamically monitor developments in order to adapt and respond in order to protect the health and safety of the Company's employees and the best interests of the Company, and is in the process of developing return to work protocols for the anticipated easing of provincial pandemic restrictions over the coming months.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") under National Instrument 52-109 to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the disclosures are being prepared to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

The CEO and CFO have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS as at June 30, 2020.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no material changes in the Company's internal control over financial reporting that occurred during the three and six months ended June 30, 2020, which have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had the following securities issued and outstanding:

Shares	384,715,784
Warrants	138,035,669
Compensation options	377,648
Escrowed share units arising from the HemPoland transaction	1,968,323
Contingent share units arising from the HemPoland transaction	3,047,723
Restricted share units issued to employees	2,347,174
Convertible share units	49,383
Stock options	16,466,733

See the Company's consolidated financial statements for a detailed description of these securities. Each security type is convertible into one Common Share.