NOTICE TO READER

The Company is amending its management's discussion and analysis for the three and six months ended June 30, 2021, to address and provide complete disclosure pertaining to liquidity and capital resources.

Accordingly, updates have been made to the Company's management's discussion and analysis for the three and six months ended June 30, 2021 as previously filed to clarify and provide additional and complete disclosure regarding:

- Liquidity;
- Going Concern; and
- Capital Resources.

The previously filed management's discussion and analysis for the financial periods were originally filed by the Company on SEDAR on August 9, 2021. This revised management's discussion and analysis filed on October 15, 2021, replaces and supersedes the previously filed original management's discussion and analysis. There have been no other changes. This notice supersedes the previously filed version.

Entourage Health Corp.

(Formerly WeedMD Inc.)

Revised Management's Discussion & Analysis

For the three and six months ended June 30, 2021

October 15, 2021

INTRODUCTION

The following interim Revised Management's Discussion & Analysis ("MD&A") discusses the financial condition and results of operations of Entourage Health Corp. (the "Company" or "Entourage") for the three and six months ended June 30, 2021 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements ("condensed financial statements") and accompanying notes thereto as at and for the three and six months ended June 30, 2021, which have been prepared in accordance with International Accounting Standards 34 - Interim Financial Reporting ("IAS 34") of the International Financial Reporting Standards ("IFRS"), as well as the Company's audited consolidated financial statements and related unaudited MD&A for the year ended December 31, 2020.

Except for per unit amounts and where otherwise noted, all amounts in this MD&A are reported in Canadian dollars. Additional information relating to the Company, including its latest Annual Information Form, can be found under the Company's profile on the SEDAR website at www.sedar.com.

Our MD&A is intended to enable readers to gain an understanding of the Company's current results and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current period to those of the same period of the prior year and the comparable period, where applicable. We also provide analysis and commentary that we believe is required to assess the Company's future activities. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in this document and that could have a material impact on future prospects. Readers are cautioned that actual results could vary.

We monitor the following key performance indicator ("KPI") to help us evaluate our business, measure our performance, and make strategic decisions. It provides a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. Our KPIs may be calculated in a manner different from those used by other companies.

1. ***Yield per plant:*** *The expected number of grams ("g") of finished cannabis inventory, which is expected to be obtained from each cannabis plant, adjusted for expected wastage. The Company uses this metric to more easily compare yield given that the number of plants harvested in the period fluctuates from period to period.*

2. ***Cost per gram:*** *Direct and indirect costs incurred to grow and produce cannabis as well as post-harvest costs (post-harvest production costs, packaging costs incurred to bring that product to a ready for sale state, divided by total grams of cannabis grown and produced in the period. The Company uses this metric to more easily compare costs given that the number of plants grown and produced fluctuates from period to period.*

3. ***Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization (Adjusted EBITDA):*** *Adjusted EBITDA: Income (loss) and comprehensive income (loss) excluding interest, tax, depreciation and amortization, stock-based compensation, fair value changes and other non-cash items and non-recurring items. The Company uses this metric as it is an important measure of the Company's day-to-day operations.*

The Company has no operations in the U.S. and does not engage in any unlawful U.S. cannabis-related activities. The information contained in this MD&A, including forward-looking statements, is based on information available to Management as of October 15, 2021.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements, which reflect Management's expectations regarding the Company's results of operations, performance, growth, and business prospects and opportunities.

Statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements, or other future events constitute forward-looking statements. Wherever possible, words such as "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", or "potential" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. These statements reflect Management's current beliefs and are based on information currently available to management as at the date hereof.

Forward-looking statements involve significant risk, uncertainties, and assumptions. Many factors could cause actual results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law. Many factors could cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including general economic and market segment conditions, competitor activity, product capability and acceptance, regulatory matters, rising energy costs, and technology changes. More detailed assessment of the risks that could cause actual results to materially differ from current expectations is contained in the "Risk Factors" section of this MD&A.

BUSINESS OVERVIEW

Entourage Health Corp. (formerly WeedMD Inc.) effective July 14, 2021,(TSXV: ENTG, OTCQX:WDDMF, FSE:4WE) is the publicly traded parent company of WeedMD Rx Inc., a Canadian licence holder and distributor of cannabis products under the Cannabis Act. The Company is permitted to buy, sell, process, and produce cannabis, cannabis plants, and certain derivative products such as cannabis extracts for both the medical and adult-use markets.

The Company presently operates and holds licenses for two facilities:

- Owns a 158-acre property in Strathroy, Ontario with up to 550,000 square feet ("sq. ft.") of greenhouse footprint delivering the quality and control of indoor facilities and up to 100 acres of outdoor cultivation area providing cost-effective and tailored grown input biomass for cannabis 2.0 products ("Strathroy Facility").
- Owns a 26,000 sq. ft. indoor facility in Aylmer, Ontario, which specializes in cannabis extraction, processing, product development and fulfillment to capture the full margin for new products introduced to market ("Aylmer Facility").

The Company is committed to producing and supplying the very best cannabis products for Canadian adult recreational users and medical patients, by building a strong, agile, and efficient cannabis company. The Company is focused on strengthening and growing its position in the medical and adult-use cannabis cultivation, processing and distribution market, and intends to become a leader in the Canadian cannabis market.

The Company expects consumer demand for recreational products to be an exciting opportunity for sustainable growth. The fundamentals of the Canadian cannabis industry are strengthening as retail store build-out across Canada accelerates. Ontario, the largest provincial adult-use market, has been underserved by retail on a per-capita basis to date. According to *Ontario Cannabis Store*, Ontario had 700 retail stores in operation as of June 2021 leaving plenty of room to grow. Expanded retail presence will increase the addressable market and allow for greater consumer education, which is expected to be beneficial in supporting the growth of the Company's consumer brands including the award-winning Color Cannabis® products and Saturday Cannabis®, in the adult-use segment. As a result of adult-use legalization, the adult-use market is expected to continue to represent a higher proportion of revenues as new consumers participate in, and previously illicit consumers adopt Canada's framework for the sale of cannabis.

Through the COVID-19 crisis, Canada declared dispensaries as essential services, allowing sales to continue. However, the restrictions implemented in response to the COVID-19 pandemic may impact current retail store operations and growth initiatives across the country.

The medical cannabis market brings another strong growth opportunity along with higher margins. With the addition of Starseed Medicinal ("Starseed"), a medical-centric brand, the Company has expanded its multi-channeled distribution strategy to grow its share of this burgeoning market. Starseed's industry-first, exclusive partnership with LiUNA, the largest construction union in Canada, along with employers and union groups complements the Company's direct sales to medical patients. In addition, the Company maintains strategic relationships in the seniors' market and supply agreements with Shoppers Drug Mart as well as eight provincial distribution agencies where adult-use brands Color Cannabis® and Saturday Cannabis® are sold along with established patient agreements with 24 clinics.

The Company believes that as the nascent cannabis industry continues to grow and expand and new Cannabis 2.0 products launch, trusted brands with strong cultivation, production, and distribution networks will become market leaders by driving trust among adult consumers, patients, doctors, and communities.

Q2 2021 Key Highlights

- Appointed Beth Carreon as Chief Financial Officer in May 2021. Formerly of Tilray Canada and Nestlé Canada, Ms. Carreon is a seasoned financial executive with broad experience in corporate finance, mergers and acquisitions, banking and consumer-packaged goods.
- The Company entered into an exclusive licensing and supply agreement with Ontario craft cannabis producer CannTx Life Sciences Inc. ("CannTx") to release celebrated cultivars to its Starseed medicinal patients.
- In May 2021, the Company announced it signed a Letter of Intent to acquire all the issued and outstanding shares of CannTx in an all-stock transaction. The definitive acquisition agreement was subsequently signed in July 2021 which will add renowned craft brand Royal City Cannabis Co. to the Company's portfolio.
- In June 2021, the Company announced the sales of its fully licensed Bowmanville, Ontario leasehold and operating assets to a third-party buyer. The Company retained its high-value Starseed Medicinal brand, patient base and certain contracts and confirmed all packaging and distribution is now optimized at its Aylmer, Ontario facility which also houses the Company's extraction hub for greater operational efficiencies.
- Also in June 2021, the Company announced the expansion of Color Cannabis products into the Province of New Brunswick with products expected to be available in July 2021 making it accessible to over 95 percent of Canada's retail market.
- Subsequent to the quarter, the Company announced a corporate name change and rebrand from "WeedMD Inc." to "Entourage Health Corp." The Company's common shares will continue to be publicly traded on the TSX Venture Exchange under the new ticker symbol "ENTG".
- Entourage confirmed the expansion of its Saturday Cannabis brand into the Province of Quebec, expanding Color and Saturday product SKUs. Quebec market now second largest sales market for Color Cannabis, with #3 for top-selling large format in June.
- Sales through increased Provincial boards and additional retail outlets resulted in the capture of key product milestones during the period with a 55% sequential increase in retail market share from first quarter. (Ref: Buddi Data).

- Ontario added Color dried flowere products to its "core strains" for its consistent availability.
- Ghost Train Haze landed as #4 top-selling pre-roll in British Columbia.
- Introduction of Saturday Cannabis 28 gram, large format in Quebec and British Columbia resulted in 500% sales increase of the format over first quarter.
- Nine new SKUs added in Q2 with large format flower and pre-rolls for both Color and Saturday products in Alberta, BC, Ontario and Quebec.

Leading Cultivation Platform – Strathroy Facility

The Strathroy Facility is the Company's cannabis cultivation hub and currently operates 265,000 sq. ft. of licensed cultivation and processing space in the hybrid greenhouse with the opportunity to expand production by an additional 280,000 sq. ft.

Providing cost-effective and tailored grown input biomass for cannabis 2.0 products, there are currently 27 acres of licensed outdoor cultivation area on the property, which can be expanded to 100 acres on the same property. Entourage's outdoor cultivation operation, licensed in May 2019, was one of Canada's first legal outdoor cannabis cultivation operations, and implements sustainable and environmentally friendly practices throughout.

Extraction and Processing Centre of Excellence – Aylmer Facility

The Company's Aylmer Facility is a state-of-the-art extraction, processing, product development, and fulfilment platform, which enables the Company to take advantage of the increasing adoption of extracts-based products by cannabis consumers. This established business unit focuses on the production of next-generation cannabis products, commonly referred to as Cannabis 2.0 products, and business-to-business ("B2B") sales.

The Company is currently equipped with two supercritical CO2 extractors capable of extracting up to 50,000kg ("kg") of high-cannabinoid biomass annually. In addition to providing an opportunity to create value accretive partnerships, a major portion of the biomass the Aylmer Facility produces is used for extraction at The Company's own processing facility as the Company increasingly commercializes new, innovative adult-use and medical-grade products to satisfy customer demand.

Bowmanville Facility

Through the acquisition of Starseed Medicinal Inc. ("SMI") in 2019, The Company acquired 10,000 sq. ft. of licensed production area and 4,850 sq. ft. of office space at the Bowmanville Facility. In Q1 2021, The Company reallocated all medical packaging, labelling and distribution activities from the Bowmanville Facility to the Aylmer Facility, which also houses the Company's extraction hub. The Bowmanville Facility's leasehold and license was subsequently sold in Q2, 2021 to a third party via a sale of all the shares of SMI.

Licences and Agreements

The Company currently holds licenses at its two facilities in Aylmer and Strathroy. On June 14, 2021, Entourage concluded the transfer of shares of SMI to a third-party buyer. The right-of-use assets, and related license for the Bowmanville Facility, as well as all property, plant and equipment were included in the sale. The Company retained the high-value Starseed Medicinal brand, certain of its contract and its medical cannabis patients.

Location	Aylmer, ON	Strathroy, ON
Facility type	Indoor	Indoor & Outdoor
Licence type(s)	Standard Cultivation, Standard Processing, Sale for Medical Purposes	Standard Cultivation, Standard Processing
Authorized activities under the license (s)	Cultivation (indoor), Processing and Sale of Cannabis and Cannabis Products, Medical sale of Cannabis Product	Cultivation (indoor, outdoor), Processing and Sale of Cannabis and Cannabis Products
Cannabis	Cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis;	Cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil
Cannabis products *(Authorized for sale under the Cannabis license (s) issued by Health Canada)*	Cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis	Cannabis plants; cannabis plant seeds
Main activities and specialization	Production of cannabis oil and cannabis extracts; Packaging, labeling, sale and distribution of cannabis products for non-medical and medical purposes	Cultivation and production of dried cannabis; Bulk sale and distribution of cannabis;
Total area size	4 acres	158 acres
Currently licensed area	26,000 sq. ft.	Indoor – 215,000 sq. ft. Outdoor processing facility – 50,000 sq. ft Outdoor - 1.1M sq. ft. (27 acres)
Development potential*	100,000 sq. ft.	Indoor – 550,000 sq. ft. Outdoor – 4.5M sq. ft. (102 acres)

* Pending regulatory approval, includes cultivation expansion for both greenhouse and outdoor cultivation.

Our Brands

The Company maintains a comprehensive catalog of world class genetics, which is monetizable through the sale, licensing, and development of cannabis strains domestically and internationally.

A total of 40 active cannabis strains from the Company's genetics bank can be cross-referenced as verifiable strains in the TruTrace Technologies ("TruTrace") database ensuring the highest product integrity and quality assurance for our customers, driving trust and long-term customer loyalty for our brands.

Adult-use

Adult-use

Medical Direct-to-Patient
(benefits coverage)

Medical Direct-to-Patient
(traditional, sold via Medical Cannabis by Shoppers)

Adult-use

The Company launched Color Cannabis® in 2019 for the Canadian adult-use market. The brand specializes in the dried flower category with additional formats added in 2020 including strain-specific vapes which are filled with cannabis concentrates derived from biomass cultivated and processed at its facilities. The strain-specific product portfolio launched with the Ghost Train Haze (high-THC), Pedro's Sweet Sativa and Mango Haze (balanced) stains, with a high-CBD product to follow. The Company also launched additional terpene-rich series of cultivars, Black Sugar Rose, within the Color Cannabis® brand. Coupled with the Company's lower-cost outdoor biomass as extraction input materials, the Company believes its operations will deliver improved margins over those of traditional cannabis products and provide meaningful growth for the Company as the market for Cannabis 2.0 products continues to develop and expand. In Q2, 2021, the Company also released live resin carts in Pedro's Sweet Sativa cultivar. During the three and six months period ended June 30, 2021, unit sales for Color Cannabis® products remained strong within the major markets in which the brand has listings, available in over 1,100 retail stores.

In December 2019, the Saturday Cannabis® brand was added to the Company's portfolio via the acquisition of Starseed. The brand's strategy has been centered around leveraging a pre-existing brand equity of relaxation, enjoyment, and freedom. The brand also leverages Starseed's medical heritage, advocating the safe and responsible consumption of cannabis. To date, the Saturday Cannabis® brand's revenues have been predominately generated from the sale of dried cannabis flower and pre-rolls and as of January, 2021 the Company added vapes to the product line up, which complements the Company's adult-use product portfolio and provides the Company with immediate access to the brand's existing listings and markets in this category. In January, 2021, the Company launched the sale of its Saturday adult-use vape products, garnering the "Top-Seller" accolade for the month from the Ontario Cannabis Store.

Also in January, 2021, the Company started producing and selling U.S.-licensed wellness brand Mary's Medicinals topical balms, launched in both medical and adult-use markets throughout the first few months of 2021.

As at June 30, 2021, The Company held adult-use distribution agreements in the following provinces:

Ontario Cannabis Retail Corporation:
Purchase agreement with the province of Ontario to supply cannabis for the adult-use market.

Alberta Gaming and Liquor-Commission:
Supply agreement with the province of Alberta to supply adult-use cannabis product.

BC Liquor Distribution Branch:
Supply agreement with the province of British Columbia to supply adult-use cannabis product.

Nova Scotia Liquor Corporation:
Purchase agreement with the province of Nova Scotia to supply cannabis for the adult-use market.

Manitoba Liquor & Lotteries Corporation:
Distribution agreement with the province of Manitoba to supply cannabis for the adult-use market.

Saskatchewan Liquor & Gaming Authority:
Authorization to supply cannabis directly to private retail and wholesale markets in the province of Saskatchewan.

Province of Quebec:
Partnership agreement with Rose Life Science Inc.

Cannabis New Brunsiwick:
Company received first purchase order from CannabisNB, making its adult-use products now available coast-to-coast.

Medical Direct-to-Patient

The Company distributes its medical products directly to medical patients across the country under its own Starseed Medicinal brand and WeedMD brands sold via Medical Cannabis by Shoppers Drug Mart. In the medical channel, Starseed has developed a unique platform that targets captive customer bases with paid benefits covering medical cannabis. Forming an industry-first, exclusive partnership with LiUNA, along with exclusive or preferred partnerships with other employers and union groups, Starseed provides medical cannabis to thousands of covered individuals while offering direct reimbursement from benefit plans as a payment option. For its medical products, Starseed has developed the Starseed System™ that simplifies the dialogue surrounding strength and dosage by categorizing medical cannabis according to THC and CBD levels, allowing health care professionals and Starseed's client service teams to communicate with patients and recommend products with greater effectiveness and ease.

In addition, the health care practitioners at North Star Wellness Inc., an entity owned by Starseed Holdings Inc. (a wholly-owned subsidiary of the Company), provides patients with customized treatment plans which consider patients' current medical history, assesses for any potential medication interaction, and provides an overall fulsome ongoing review that supports ongoing medicinal cannabis therapy. The service is available to patients via a telemedicine system and in-person visits through a network of clinics.

In June 2020, the Company launched the sale of its first vape product, the Aurum vape cartridges, which are filled with cannabis concentrates derived from biomass cultivated and processed at its facilities.

Commercial arrangement with Fire & Flower to produce cannabis products

The Company has commercial arrangement with leading Canadian retailer, Fire & Flower Inc. ("Fire & Flower") (TSX: FAF, OTCQX: FFLWF), a leading purpose-built, independent adult-use cannabis retailer. Under the partnership, The Company manufactures, packages and ships the retailer's Revity CBD™ product line. Products manufactured through this partnership are produced at the Company's state-of-the-art extraction hub, utilizing the Company's input biomass.

Exclusive licensing agreement to produce Mary's Medicinals premium line of wellness products

The Company entered into an exclusive licensing, manufacturing and distribution agreement with premium, U.S.-based cannabis wellness house, MM Technology Holdings, LLC, owner of Mary's Brands, and the acclaimed product line, Mary's Medicinals ("Mary's Brands" or "Mary's"). As Mary's sole Canadian partner, the Company currently manufactures a suite of Mary's Medicinals' products in-house utilizing the Company's input biomass at its Aylmer Facility extraction hub. Widely recognized for its innovative portfolio of delivery methods, Mary's suite of cannabis products includes transdermal gels and patches and topicals. The Company also markets, sells and distributes Mary's Medicinals' products across Canada's provincial adult-use and direct-to-consumer medical channels as it looks to expand new cannabis offerings to address underserved wellness and medical market segments.

The Company partners with CannTx Life Sciences to enhance genetics bank of new cultivars and preserve its elite proprietary cannabis strains

The Company entered into a partnership with Guelph-based CannTx Life Sciences Inc. ("CannTx") in 2020, to add new cultivars to its genetics bank and expand the lifecycle of the Company's prized cannabis cultivars using cutting-edge tissue culture techniques via Steadystem Solutions ("Steadystem"). Tissue culture is an innovative and widely recognized practice in agriculture used for preserving plant integrity, crop health and genetic accuracy. Under the Steadystem program, nodal segment cultures are collected from the Company's mother plants and regenerated using an in-vitro platform to re-produce historical cannabinoid and terpene profiles.

BUSINESS TRANSFORMATION UPDATE

Since Q4 2020, the Company has been undertaking an extensive operational transformation with the goal of setting the Company on the path to long-term profitability. The guiding principles of this transformation include realigning the business with current market realities, refocusing on higher-margin growth opportunities, and defining a clear track to profitability and positive cash flow. Complementing these principles are these five core pillars: revenue growth, process and organizational optimization, driving efficiency, ensuring quality, and investing in our people.

From a revenue growth perspective, the Company will continue to focus on growing the Company's footholds in the nascent adult-use recreational and medical cannabis markets by:

- Taking a disciplined approach to identifying and participating in select value-accretive acquisitions or partnerships; and
- Making prudent capital allocation investments to drive operational excellence by investing in:
  - Product innovation to deliver a variety of high-quality branded products.
  - Increasing capacity to support growth.
  - Expanding distribution channels.
  - Technological and automation improvements.
  - Maintaining patients to drive renewals in the medical business.

Related to process and organizational optimization, the transformation is on track with a number of initiatives underway, including selling the Bowmanville Facility as well as organizational restructuring to reduce costs.

To drive efficiency and productivity, the Company continues to identify automation opportunities in areas of production and manufacturing as well as back-office functions. To continuously deliver quality, initiatives have been implemented in cultivation, and production and manufacturing areas.

From a people perspective, the Company has made strategic senior management appointments and has created an enterprise-wide Project Management Office ("PMO"), both aimed at ensuring the ongoing transformation is a success.

To reflect these transition initiatives, subsequent to quarter-end, the Company implemented a corporate name change and rebrand from "WeedMD Inc." to "Entourage Health Corp." The Company's common shares will continue to be publicly traded on the TSX Venture Exchange (the "TSXV") under the new ticker symbol "ENTG",

Overall, given the above transformation initiatives, the Company is well-positioned to take advantage of the growing Canadian cannabis market and to deliver long-term shareholder value.

COVID-19 UPDATE

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. The ongoing outbreak of COVID-19 has caused significant disruptions to national and global markets, economies and consumer and patient behavior. Our businesses have been designated essential services in all the markets in which we operate. During this time, we have continued to conduct our operations to the fullest extent possible, while also responding to the outbreak with actions that include:

- Modifying employee work schedules and implementing strict sanitary measures to continue protecting the health and safety of our employees.
- Ensuring business continuity programs to meet the safety requirements and Health, Safety, Security and Environment (HSSE) standards during the period.
- Coordinating closely with suppliers and customers to maintain ample product for customers and patients to ensure that supply chain requirements were met.

While there have been no material impacts to the Company's operations, COVID-19 has resulted in changes to the way the Company operates, for example, the number of employees allowed in a grow room. Consequently, the Company has taken steps to minimize any potential impact of the pandemic. These actions include postponement of discretionary capital expenditures, reduction of general and administrative expenses, temporary staff reductions, and enhanced process optimization to increase efficiencies and reduce costs.

In 2021 the Company participated in the Canada Emergency Wage Subsidy program relating to COVID-19 Pandemic. The subsidy was approved by the Government of Canada and payments were received in Q2 2021.

Please refer to Note 24 of the condensed financial statements regarding the amounts recognized as a receivable related to the subsidy.

COVID-19 related judgments and estimates

Due to the continued uncertainty surrounding COVID-19 following the height of the pandemic's impact in 2020, it is not possible to predict, with reasonable precision, any further impact that COVID-19 could have on our business, financial position, and ongoing operating results. As such, the estimates and assumptions that underly the Company's condensed financial statements could change in the near term due to COVID-19. The effects of any such changes could be material and could result in, among other things, impairment of long-lived assets. As a result, significant judgments and estimates have been made in the qualitative and quantitative impairments and the going-concern assessments at June 30, 2021.

KEY FINANCIAL HIGHLIGHTS

HISTORICAL QUARTERLY RESULTS

	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Total Revenue	**13,811,639**	**12,899,981**	**6,961,763**	**7,739,923**
Revenue, Net	10,604,447	10,278,068	5,076,652	6,313,117
Gross profit (loss) before change in fair value	3,112,579	250,740	(22,532,631)	69,155
Gain/(loss) and comprehensive gain/(loss)	(9,950,886)	(7,007,935)	(45,545,046)	(26,165,379)
Basic and diluted (loss) per share from continuing operations	(0.04)	(0.08)	(0.22)	(0.12)
Basic and diluted (loss) attributable to the shareholders	(0.04)	(0.08)	(0.22)	(0.12)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Total Revenue	**7,181,501**	**13,600,588**	**3,641,842**	**7,178,110**
Revenue, Net	5,859,442	12,184,779	2,850,334	6,654,311
Gross profit (loss) before change in fair value	(898,050)	1,370,241	(2,005,829)	1,902,485
Gain/(loss) and comprehensive gain/(loss)	(8,895,017)	(9,001,692)	(7,210,726)	(13,402,388)
Basic and diluted (loss) per share from continuing operations	(0.04)	(0.04)	(0.06)	(0.12)
Basic and diluted (loss) attributable to the shareholders	(0.04)	(0.04)	(0.06)	(0.12)

Key Operating Metrics

For the three months ended	**June 30, 2021**	**June 30, 2020**	**$ or Weight Difference**	**% Change**
Revenue ($)	**13,811,639**	7,181,501	**6,630,138**	**92%**
Kilograms equivalent sold - cannabis	4,552	977	**3,575**	**366%**
Kilograms harvested	4,322	6,136	**(1,814)**	**-30%**
Average yield per plant (grams)	158	103	**55**	**54%**
Weighted average cost per gram from clone to harvest of plants on hand	0.46	0.55	**(0.09)**	**-16%**
Weighted average cost per gram of inventory on hand	0.50	2.52	**(2.02)**	**-80%**

For the six months ended	**June 30, 2021**	**June 30, 2020**	**$ or Weight Difference**	**% Change**
Revenue ($)	**26,711,620**	20,782,089	**5,929,531**	**29%**
Kilograms equivalent sold - cannabis	8,430	6,061	**2,369**	**39%**
Kilograms harvested	7,519	9,522	**(2,003)**	**-21%**
Average yield per plant (grams)	115	91	**24**	**26%**
Weighted average cost per gram from clone to harvest of plants on hand	0.46	0.65	**(0.19)**	**-29%**
Weighted average cost per gram of inventory on hand	0.50	2.53	**(2.03)**	**-80%**

The Company harvested 4,322 kg and 7,519 kg of cannabis in the three and six months ended June 30, 2021, compared to 6,136 kg and 9,522 kg respectively, in the same period of 2020, decreasing by (1,814) kg and (2,003) kg respectively. For the three and six months ended June 30, 2021 yield per plant averaged 158 g and 115 g per plant respectively compared to 103 g and 91 g per plant respectively for the same period in 2020, with a weighted average cost per gram from clone to harvest of plants on hand of $0.46 in Q2 2021 compared to $0.55 in the comparable 2020 period. Weighted average cost per gram of inventory on hand decreased to $0.50 in Q2 2021 compared to $2.52 in the comparable 2020 period mainly due to inventory write-downs recorded in the latter part of 2020.

Summary of Q2 Results and Results of Operations

	For the three months ended			
	June 30, 2021	**June 30, 2020**	$ Change	% Change
Net revenue	$ 10,604,447	$ 5,859,442	$ 4,745,005	81%
Cost of goods sold	(7,491,868)	(6,757,492)	(734,376)	11%
Gross profit before changes in fair value	3,112,579	(898,050)	4,010,629	-447%
Gross profit before changes in fair value - as % of Net Revenue	29%	-15%		45%
Realized FV amounts included in inventory sold	2,762,392	6,718,872	(3,956,480)	-59%
Unrealized gain on changes in fair value of biological assets	(556,313)	(3,199,469)	2,643,156	-83%
Gross profit (loss)	906,500	(4,417,453)	5,323,953	-121%
Income (loss) and comprehensive income (loss)	(9,950,886)	(8,895,017)	(1,055,869)	12%
Adjusted EBITDA [1]	(3,295,562)	(2,106,157)	(1,189,405)	56%
Cash provided by (used in) operations	(4,332,997)	(7,517,872)	3,184,875	-42%
Basic income (loss) per share	(0.04)	(0.04)		
Diluted income (loss) per share	$ (0.04)	$ (0.04)		

	For the six months ended			
	June 30, 2021	**June 30, 2020**	$ Change	% Change
Net revenue	$ 20,882,515	$ 18,044,221	$ 2,838,294	16%
Cost of goods sold	(17,519,196)	(17,572,030)	52,834	0%
Gross profit before changes in fair value	3,363,319	472,191	2,891,128	612%
Gross profit before changes in fair value - as % of Net Revenue	16%	3%		13%
Realized FV amounts included in inventory sold	7,171,036	8,322,017	(1,150,981)	-14%
Unrealized gain on changes in fair value of biological assets	(4,638,042)	(2,849,966)	(1,788,076)	63%
Gross profit (loss)	830,325	(4,999,860)	5,830,185	-117%
Income (loss) and comprehensive income (loss)	(16,958,821)	(17,896,709)	937,888	-5%
Adjusted EBITDA [1]	(3,727,671)	(4,538,282)	810,611	-18%
Cash provided by (used in) operations	(19,013,494)	(23,838,048)	4,824,554	-20%
Basic income (loss) per share	(0.08)	(0.09)		
Diluted income (loss) per share	$ (0.08)	$ (0.09)		

[1]Adjusted EBITDA does not have a standardized method of calculation prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. For a reconciliation of Adjusted EBITDA to income (loss) please refer to the "Adjusted EBITDA" section of this MD&A.

$	**June 30, 2021**	December 31, 2020	December 31,2019
Total assets	166,778,261	171,329,357	209,798,741
Total non-current liabilities	45,400,443	75,509,990	44,591,498
Total liabilities	93,194,020	97,239,327	73,739,556
Cash and cash equivalent	15,541,967	22,321,903	8,183,744
Working capital	18,131,522	45,060,143	30,618,609

Revenue

The Company earns revenue from the sale of dried cannabis and cannabis extracts sold directly to medical patients ("Medical"), wholesale of finished products to provinces and provincially regulated distributors ("Adult Use"), and wholesale of bulk to other Licensed Producers and provincially regulated distributors ("Bulk"). The table below summarizes revenue by channel.

	For the three months ended			
	June 30, 2021	**June 30, 2020**	**$ Change**	**% Change**
Net Revenue*				
Medical	3,494,625	2,895,442	599,183	21%
Adult Use	6,922,569	2,788,066	4,134,503	148%
Bulk	187,253	175,934	11,319	6%
Total Net Revenue	10,604,447	5,859,442	4,745,005	81%

* Revenue less Excise Duties

	For the six months ended			
	June 30, 2021	**June 30, 2020**	**$ Change**	**% Change**
Net Revenue*				
Medical	8,679,614	7,493,902	1,185,712	16%
Adult Use	11,722,216	5,327,480	6,394,736	120%
Bulk	480,685	5,222,839	(4,742,154)	-91%
Total Net Revenue	20,882,515	18,044,221	2,838,294	16%

* Revenue less Excise Duties

The Company recorded net revenue, defined as revenue (i.e., gross revenue less discounts and customer incentives but inclusive of freight) less excise taxes, of $10,604,447 and $20,882,515 for the three and six months ended June 30, 2021, representing an increase of 81% and 16% respectively compared to the same period in 2020.

Grams sold by Category and total grams as follows:

	For the three months ended			
Grams sold	**June 30, 2021**	**June 30, 2020**	**Weight Change**	**% Change**
Medical	732,547	259,365	473,182	182%
Adult Use	2,478,621	698,859	1,779,762	255%
Bulk	1,340,366	18,636	1,321,730	7092%
Total grams sold	4,551,534	976,860	3,574,674	366%

	For the six months ended			
Grams sold	**June 30, 2021**	**June 30, 2020**	**Weight Change**	**% Change**
Medical	1,677,140	603,055	1,074,085	178%
Adult Use	3,804,593	1,436,139	2,368,454	165%
Bulk	2,947,806	4,021,576	(1,073,770)	-27%
Total grams sold	8,429,539	6,060,770	2,368,769	39%

Total dried cannabis sold for three months ended June 30, 2021 was 4,551,534 g compared to 976,860 g, representing an increase of 3,574,674 g or 366% for the same period in 2020. Total dried cannabis sold for the six months ended June 30, 2021 was 8,429,539 g compared to 6,060,770 g, representing an increase of 2,368,769 g or 39% for the same period in 2020.

Average selling price (net of excise taxes) broken down by distribution channel is as follows:

Average selling price (net of excise) per gram	For the three months ended			
	June 30, 2021	June 30, 2020	$ Change	% Change
Medical	4.77	11.16	(6.39)	-57%
Adult Use	2.79	3.99	(1.20)	-30%
Bulk	0.14	9.44	(9.30)	-99%
	2.33	6.00	(3.67)	-61%

Average selling price (net of excise) per gram	For the six months ended			
	June 30, 2021	June 30, 2020	$ Change	% Change
Medical	5.18	12.43	(7.25)	-58%
Adult Use	3.08	3.71	(0.63)	-17%
Bulk	0.16	1.30	(1.14)	-87%
	2.48	2.98	(0.50)	-17%

For the three and six months ended June 30, 2021, the average selling price per gram decreased by $(3.67) or -61% and $(0.50) or -17% respectively, compared to the same period in 2020. For the three months ended June 30, 2021, average selling price per gram of Medical and Bulk declined by -57% and -99% respectively, compared to the same period in 2020. For the six months ended June 30, 2021, average selling price per gram of Medical and Bulk declined by -58% and -87% respectively, compared to the same period in 2020. For the three and six months ended June 30, 2021, the average selling price per gram of Adult Use declined by -30% and -17% respectively, compared to the same period in 2020.

Gross profit (loss) before changes in fair value

Gross profit (loss) before changes in fair value represents the revenue (net of excise taxes) on products that were sold in the period, less costs of goods sold. Gross profit before changes in fair value for three and six months ended June 30, 2021 increased by $4,010,629 or 447% and $2,891,128 or 612% respectively, compared to the same period in 2020 partly due to impact of inventory write-down in Q4 20 and Q1 21, partly due to year-to-date true up of impact of extraction cost, and partly due to efficiency in cultivation, production and manufacturing that resulted in lower cost of sales.

Gross profit (loss)

Gross profit (loss) represents revenue (net of excise taxes) including adjustments in fair value for the products sold in the period and fair value adjustments for the biological assets in production. For the three and six months ended June 30, 2021, Gross profit increased by $5,323,953 or 121% and $5,830,185 or 117% respectively, compared to the same period in 2020 primarily due to fair value changes for the biological assets in production.

Selling, general and administrative expenses

Selling, general and administrative expenses for three and six months ended June 30, 2021 increased by $5,581,300 or 116% and 5,112,838 or 45% respectively, compared to the same period in 2020. Increase is mainly driven by salaries and benefits, consulting fees, professional fees and office & administrative expenses.

The Company's selling, general and administrative expenses consist of the following:

	For the three months ended			
	June 30, 2021	June 30, 2020	$ Change	% Change
Salaries and benefits	4,761,148	3,707,167	1,053,981	28%
Selling, marketing and promotion	590,342	237,804	352,538	148%
Rent & occupancy	126,063	38,685	87,378	226%
Office & Administrative	2,223,478	543,910	1,679,568	309%
Professional fees	332,815	253,393	79,422	31%
Consulting fees	2,258,890	-	2,258,890	100%
Research and development	88,718	-	88,718	100%
Travel & accomodations	383	19,578	(19,195)	-98%
Total	10,381,837	4,800,537	5,581,300	116%

	For the six months ended			
	June 30, 2021	June 30, 2020	$ Change	% Change
Salaries and benefits	7,582,710	7,118,866	463,844	7%
Selling, marketing and promotion	1,038,108	422,128	615,980	146%
Rent & occupancy	144,064	157,970	(13,906)	-9%
Office & Administrative	2,909,102	2,860,677	48,425	2%
Professional fees	1,604,511	574,003	1,030,508	180%
Consulting fees	2,891,914	-	2,891,914	100%
Research and development	230,506	-	230,506	100%
Travel & accomodations	1,587	156,020	(154,433)	-99%
Total	16,402,502	11,289,664	5,112,838	45%

Salaries and benefits

Salaries and benefits increased by $1,053,981 or 28% to $4,761,148 and $463,844 or 7% to 7,582,710, during the three and six months ended June 30, 2021, respectively, compared to the same period in 2020. This is mainly due to year to date true-up of employee benefits and KPI-driven retention program, as well as year-to-date severance.

Selling, marketing, and promotion

Selling, marketing, and promotion increased by $352,538 or 148% to $590,342 and $615,980 or 146% to 1,038,108 during the three and six months ended June 30, 2021, respectively, compared to the same period in 2020 as a result of an increase in in-person and in-store marketing initiatives to drive revenue growth.

Rent and occupancy

Rent and occupancy increased by 87,378 or 226% to $126,063 and decreased by $(13,906) or -9% to $144,604 during the three and six months ended June 30, 2021, respectively, compared to the same period of 2020.

Office and administrative

Office and Administrative expenses include general office expenses, subscriptions, and memberships as well as other overhead costs not directly related to production. Office and administrative expenses increased by $1,679,568 or 309% to $2,223,478 during the three months ended June 30, 2021, mainly due to timing of expenses and $48,425 or 2% to $2,909,102 during the six months ended June 30, 2021, compared to the same period in 2020.

Professional fees

Professional fees increased by $79,422 or 31% to $332,815 and 1,030,508 or 180% to 1,604,511 during the three and six months ended June 30, 2021, respectively, compared to the same period of 2020 mainly due to audit, legal and accounting fees.

Consulting fees

Consulting fees increased by 100% to $2,258,890 and $2,891,914 during the three and six months ended June 30, 2021, respectively, compared to the same period of 2020 mainly due to consulting related to the business transformation initiative of the Company.

Research and Development

Research and Development increased by 100% to $88,718 and $230,506 during the three and six months ended June 30, 2021, respectively, represents cost of product used for R&D/Retains/Archive compared to the same period of 2020.

Travel and accommodations

Expenses for travel and accommodations decreased by $(19,195) or -98% to $383 and $(154,433) or -99% to $1,587 during the three and six months ended June 30, 2021, respectively, compared to the same period of 2020 mainly due to reduced business travelling costs incurred during the COVID-19 pandemic.

Share Based Compensation

Share based compensation includes non-cash expenses associated with options and deferred share units ("DSUs") granted to directors, officers, employees, and consultants for services rendered. Share based compensation increased by $20,292 or 8% to $269,158 and $49,224 or 8% to $668,362 during the three and six months ended June 30, 2021, respectively, as compared to the same period in 2020, mainly as a result of the Company granting options to Management, employees, directors and consultants of the Company, and granting an aggregate of 280,700 and 556,564 DSUs to certain officers and directors of the Company during the three and six months ended June 30, 2021, respectively.

Depreciation and Amortization

Total depreciation and amortization expense increased by $380,696 or 97% to $772,169 and $1,435,018 or 235% to $2,046,374 for the three and six months ended June 30, 2021, respectively compared to the same periods in 2020. The increase in annual depreciation and amortization is a result of $52M worth of Property, Plant & Equipment was not subject to depreciation because they were part of construction work in progress during Q1 and Q2 2020.

EBITDA and Adjusted EBITDA

	For the three months ended			
	June 30, 2021	**June 30, 2020**	**$ Change**	**% Change**
Loss and comprehensive loss	(9,950,886)	(8,895,017)	(1,055,869)	12%
Add (Deduct)				
Depreciation and Amortization*	2,354,815	2,009,283	345,532	17%
Finance costs	2,428,418	1,224,172	1,204,246	98%
Interest income	-	18,917	(18,917)	-100%
EBITDA	(5,167,653)	(5,642,645)	474,992	-8%
Inventory adjustments	1,867,411	1,579,181	288,230	18%
Severance	523,639	357,605	166,034	46%
Realized fair value amounts included in inventory sold	2,762,392	6,718,872	(3,956,480)	-59%
Unrealized gain on changes in fair value of biological as	(556,313)	(3,199,469)	2,643,156	-83%
Share based compensation	269,158	248,866	20,292	8%
Unrealized losses	-	1,638	(1,638)	-100%
Realized loss on investment	-	2,929	(2,929)	-100%
Government grants	(2,104,387)	-	(2,104,387)	-100%
Other income, net	(889,809)	(2,173,134)	1,283,325	-59%
Adjusted EBITDA [1]	(3,295,562)	(2,106,157)	(1,189,405)	56%

* For three months ended June 30, 2021, includes depreciation of $1,582,646 (June 30, 2020- $1,617,810) amount expensed in Cost of goods sold.

	For the six months ended			
	June 30, 2021	**June 30, 2020**	**$ Change**	**% Change**
Loss and comprehensive loss	(16,958,821)	(17,896,709)	937,888	-5%
Add (Deduct)				
Depreciation and Amortization*	5,737,324	3,615,529	2,121,795	59%
Finance costs	4,909,376	2,548,323	2,361,053	93%
Interest income	-	62,867	(62,867)	-100%
EBITDA	(6,312,121)	(11,669,990)	5,357,869	-46%
Inventory adjustments	4,074,756	2,353,011	1,721,745	73%
Severance	1,545,806	796,273	749,533	94%
Realized fair value amounts included in inventory sold	7,171,036	8,322,017	(1,150,981)	-14%
Unrealized gain on changes in fair value of biological as	(4,638,042)	(2,849,966)	(1,788,076)	63%
Share based compensation	668,362	619,138	49,224	8%
Unrealized losses	-	30,790	(30,790)	-100%
Realized loss on investment	-	33,579	(33,579)	-100%
Government grants	(2,149,401)	-	(2,149,401)	-100%
Other income, net	(4,088,067)	(2,173,134)	(1,914,933)	88%
Adjusted EBITDA [1]	(3,727,671)	(4,538,282)	810,611	-18%

* For six months ended June 30, 2021, includes depreciation of $3,690,950 (June 30, 2020- $3,004,173) amount expensed in Cost of goods sold.

[1]Adjusted EBITDA is not a recognized measurement under IFRS and this data may not be comparable to data presented by other companies. Management believes Adjusted EBITDA is an important measure of the Company's day-to-day operations, by excluding interest, tax, depreciation and amortization, share-based compensation, fair value changes and other non-cash items, and non-cash items, and non-recurring items.

EBITDA

Earnings before interest, tax, depreciation and amortization ("EBITDA") increased by $474,992 or 8% to $(5,167,653) and increased by $5,357,869 or 46% to $(6,312,121) during the three and six months ended June 30, 2021, respectively, compared to the same period of 2020 mainly due to expense reduction and growth in revenue from higher-margin channels.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net loss to Adjusted EBITDA, refer to "Non-GAAP Financial Measures ".

Adjusted EBITDA decreased by $(1,189,405) or -56% to $(3,295,562) during the three months ended June 30, 2021 mainly due to timing of expenses and increased by $810,611 or 18% to $(3,727,671) during the six months ended June 30, 2021, compared to the same period of 2020 mainly due to expense reduction and growth in revenue from higher-margin channels.

The Company expects the extensive cost optimization measures being undertaken in 2021 to continue to drive improvement for the rest of the fiscal year and into 2022.

Liquidity and Capital Resources

	For the three months ended			
	June 30, 2021	**June 30, 2020**	**$ Change**	**% Change**
Cash provided by (used in):				
Operating activities	(4,232,997)	(7,517,872)	3,284,875	-44%
Investing activities	1,689,094	(260,342)	1,949,436	-749%
Financing activities	(2,660,801)	(737,770)	(1,923,031)	261%
Decrease in cash	(5,204,704)	(8,515,984)	3,311,280	-39%

	For the six months ended			
	June 30, 2021	**June 30, 2020**	**$ Change**	**% Change**
Cash provided by (used in):				
Operating activities	(19,013,494)	(23,838,048)	4,824,554	-20%
Investing activities	1,662,131	(1,655,912)	3,318,043	-200%
Financing activities	10,338,657	23,058,736	(12,720,079)	-55%
Decrease in cash	(7,012,706)	(2,435,224)	(4,577,482)	188%

Cash flow from operating activities

Cash (used in) operating activities was $(4,232,997) and (19,013,494) during the three and six months ended June 30, 2021, respectively, compared to $(7,517,872) and $(23,838,048) during the same periods of 2020, respectively. Lower spending was a result of organizational optimization as part of the business transformation the Company has been implementing.

Cash flow from investing activities

Cash provided by (used in) investing activities was $1,689,094 and $1,662,131 during the three and six months ended June 30, 2021, respectively,compared to $(260,342) and $(1,655,912) during the same periods of 2020, respectively. Majority capital asset investments occurred in 2020 and proceeds from disposal of assets held for sale were received in 2021.

Cash flow from financing activities

Cash provided by (used in) from financing activities was $(2,660,801) and 10,338,657 during the three and six months ended June 30, 2021, respectively, compared to $(737,770) and $23,058,736 during the same periods of 2020, respectively. The cash flow from financing activities was primarily related to issuance of share capital, net of issuance costs, of $16,089,174 compared to the $25,000,000 share subscription by LiUNA Pension of Central and Eastern Canada ("LPF") in the first quarter of 2020.

Liquidity

The Company's objective when managing its liquidity and capital structure is to generate sufficient cash to fund the Company's operating and growth requirements.

As at June 30, 2021, the Company had cash and cash equivalents of $15,541,967 (December 31, 2020: $22,321,903). Total current assets for the same period were $65,925,099 (December 31, 2020: $66,789,480), including inventory and biological assets of $35,407,427 (December 31, 2020: $32,621,186), with current liabilities of $47,793,577 (December 31, 2020: $21,729,337) resulting in working capital of $18,131,522 (December 31, 2020: $45,060,143).

The Company's current ratio at June 30, 2021 was 1.38 compared to 3.07 at December 31, 2020 mainly driven by reclassification of loans pertaining to Facility 1, 2 and 3 which will mature on March 31, 2022 (Refer Note 9 of the condensed interim consolidated financial statement). The Company's current assets decreased as a result of reduction in cash and cash equivalent partly offset by increase in inventory and biological assets and increase in balances for trade receivables primarily driven by increase in Revenue for adult use.

Going Concern

As at June 30, 2021, the Company had working capital of $18,131,522 (December 31, 2020 – working capital of $45,060,143) and an accumulated deficit of $134,245,262 (December 31, 2020 - $117,286,441). For the six months ended June 30, 2021, the Company used cash in operating activities of $19,013,494 (six months ended June 30, 2020 - $23,838,048), resulting primarily from the net loss of $16,958,821 (six months ended June 30, 2020 - $17,896,709) offset by items not affecting cash such as depreciation, amortization, stock-based compensation.

Management believes the Company will require additional financing in order to conduct its planned businesss operations, meet its ongoing levels of corporate overheads and discharge its liabilities and commitments as they come due. As a result of the reclassification noted, these conditions indicate a material uncertainity exists that may raise significant doubt upon the Company's ability to continue as a going concern.

The Company is in the process of re-negotiating with its creditors. In addition the Company has restructured its operations over the six-month period to meet its working capital requirements by:

- Focusing on margin accretive channels and business, such as direct-to-patient medical sales and direct-to-consumer adult-use sales versus lower-margin bulk channel sales;
- Driving efficiency and productivity by identifying automation opportunities, which will help reduce structural costs; abd
- Continuous discipline on expense management

Capital Resources

Historically, the Company has been financing its operations through the issuance of debt and equity. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide sufficient cash reserves for growth and development of the business. The Company plans to access further working capital through equity and/or debt financings to finance its growth plans.

In addition, the Company has alternative options to improve its capital resources, such as the following:

- Entering into strategic partnerships to develop and distribute Cannabis 2.0 Products;
- Divesting in non-core or redundant assets , such as the sale of the Bowmanville Facility; and
- Strengthening third-party commercial arrangements, such as the Company's partnership with Fire & Flower, for the manufacture and packaging of cannabis products

Inventory

	June 30, 2021	December 31, 2020		
	$	$	$ Change	% Change
Dried cannabis	17,353,587	18,758,723	(1,405,136)	-7%
Harvested work in progress	6,007,465	5,345,980	661,485	12%
Extracts				
Resin	174,008	98,488	75,520	77%
Crude oil	619,569	693,835	(74,266)	-11%
Finished oil	4,438,346	4,098,705	339,641	8%
Non-cannabis inventory	5,110,501	1,669,758	3,440,743	206%
	33,703,476	30,665,489	3,037,987	10%

Total inventory increased by $3,037,987 or 10% from December 31, 2020 to June 30, 2021 mainly driven by non-cannabis inventory.

Loans and borrowings

On March 29, 2019, the Company entered into combined secured credit agreements with Bank of Montreal totaling $39.1 million (collectively, "Credit Facilities"). The Credit Facilities are comprised of the following:

I. Facility 1: $3,000,000 committed Revolving Credit Facility;
II. Facility 2: $33,150,000 committed term loan;
III. Facility 3: $3,000,000 committed term loan.

For the six months ended June 30, 2021, the Company was compliant with the applicable covenants. On June 30, 2020, the Company signed an amendment to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility") (the "Credit Agreement Amendment"). Under the terms of the Credit Agreement Amendment, the Conversion Date was amended from June 30, 2020 to June 30, 2021, resulting in a deferral of certain covenants by 12 months, and quarterly principal repayments have been rescheduled to December 31, 2020. The Credit Agreement Amendment also requires the Company maintain liquidity coverage of not less than $2,000,000 commencing July 1, 2020. In addition, the Company has agreed to a 50 basis point increase in the applicable interest rate margin on the Credit Facility.

On September 23, 2020, the Company had entered into a credit facility with LPF. Under the terms, LPF provided the Company $30,000,000, maturing in August 2022 and bearing a 15% interest rate per annum which shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to capitalize interest in lieu of cash payment of interest. If an event of default has occurred and is continuing, the loan shall bear interest, both before and after judgment, at a rate per annum of 20%. The financing was closed on September 30, 2020. The transaction cost of $0.9 million was adjusted against the loan and will be accreted over the term of the loan. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property, leased property, insurance and shareholder loan.

The Company is currently in discussion with its lenders to amend the payment terms. At this stage, the Company re-classified these loans as current in the condensed interim consolidated statement of financial position.

Off-balance sheet arrangements

The Company has not entered into any off-balance sheet arrangements.

Contractual obligations

Contractual obligations as at June 30, 2021 are as follows:

Contractual obligations	less than 1 year	2 years	3 years	4 years	5 years	Total
Lease obligations	2,226,011	297,091	238,130	140,026	674,600	3,575,858
Other obligations	11,975	9,833	9,038	2,479	-	33,325
Total	**2,237,986**	**306,924**	**247,168**	**142,505**	**674,600**	**3,609,183**

Transactions with related parties

The Company's key Management includes the CEO, CFO, and all directors. Transactions with related parties include salaries and service fees.

The balances outstanding are as follows:

		June 30, 2021	December 31, 2020
Accounts payable and accrued liabilities	$	**146,900**	146,900

For the three and six months ended June 30, 2021 and 2020, total remuneration and service fees paid to key Management were as follows:

		Three months ended			Six months ended	
		June 30, 2021	June 30, 2020		**June 30, 2021**	June 30, 2020
Share based Compensation	$	131,932	-	$	279,669	-
Salaries		227,086	320,060		684,702	488,658
Bonus		11,250	-		148,750	110,000
Other Compensation		243,003	-		761,400	-
	$	613,271	320,060	$	1,874,521	598,658

During the three and six months ended June 30, 2021, there were 280,700 and 556,564 DSUs, respectively (June 30 2020: Nil) received by the directors and officers of the Company.

Deferred share units

On July 20, 2020, The Company authorized the grant of an aggregate of 2,688,314 deferred share units ("DSUs") to certain directors and officers of the Company. Of the DSUs granted, 1,441,647 will vest immediately, 623,334 will vest on December 8, 2020, and 623,333 will vest on June 8, 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $1,048,442.

On August 5, 2020, the Company authorized the grant of an aggregate of 356,434 DSUs to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first and second quarters of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $128,316.

On October 22, 2020, the Company authorized the grant of an aggregate of 158,026 DSUs to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the third quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $41,087. Total share-based compensation for the year ended December 31, 2020 is $41,087.

On December 31, 2020, the Company authorized the grant of an aggregate of 265,491 DSUs to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the fourth quarter of 2020. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $65,045. Total share-based compensation for the year ended December 31, 2020 is $65,045.

On April 07, 2021, the Company authorized the grant of an aggregate of 275,864 DSUs to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first quarter of 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $80,000.

On June 30, 2021, the Company authorized the grant of an aggregate of 280,700 DSUs to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the second quarter of 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $80,000.

Total share-based compensation for the three and six months ended June 30, 2021 is $269,158 and $668,362 respectively, which includes DSU share based compensation of $131,932 and $279,669 respectively. During the six months ended June 30, 2021, DSU's amounting to $52,700 were paid in cash to one of the key management personnel as compensation for services rendered.

Disclosure of outstanding share data

As at October 15, 2021, the following were outstanding:

Outstanding Shares	**As at October 15, 2021**
Common shares	246,624,214
Warrants	30,774,248
Stock and broker compensation options	8,215,802
	285,614,264

RISK FACTORS

There are various risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance or results, including without limitation:

- Limited operating history
- Change of cannabis laws, regulations and guidelines
- Reliance on licenses and authorizations
- Lack of long-term client commitments
- COVID-19 pandemic
- Supply chain
- Client risks
- History of net losses
- Difficulty to forecast
- Inability to sustain pricing and inventory models
- Environmental regulation and risks
- Insurance risks
- Unfavorable publicity or consumer perception
- Dependence on supply of cannabis and other key inputs
- Maintenance of effective quality control systems
- Retention and acquisition of skilled personnel
- Risks related to intellectual property
- Marketing constraints
- Shelf life of inventory
- Scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions
- Access to capital
- Estimates or judgments relating to critical accounting policies
- Tax risks
- Market for the common shares
- Investment in the cannabis sector
- No history of payment of cash dividends

Risks related to COVID-19

The COVID-19 pandemic and related government responses could have a material and adverse effect on our business, financial condition, and results of operations by impacting our operations, supply chains, interactions with consumers and counterparties, ability to meet consumer demand, and financial condition. While we believe the height of the pandemic has passed, the impact of infectious diseases and pandemics on our business could vary depending on the duration, severity, and scope of the outbreak and the actions taken by applicable governmental entities to address and mitigate the infectious disease or pandemic.

The Company has cultivation and processing facilities in Strathroy and Aylmer in Ontario, which produce cannabis plants, dried cannabis, oil, topicals, extracts and edibles. The facilities have been deemed essential, remaining open and producing according to schedule. If our manufacturing operations at Strathroy and Aylmer are deemed non-essential, and are required to close for a significant period of time, The Company's operational and financial performance would be significantly impacted.

Given the ongoing and dynamic nature and significance of COVID-19 and its impact globally, we are unable to cover all potential risks to our business. Any of the negative impacts of COVID-19, including those described above, alone or in combination with others, may have a material adverse effect on our business, results of operations or financial condition.

In addition, any of these negative impacts, alone or in combination with others, could exacerbate many of the other risk factors outlined in "Note 2" of the condensed financial statements.

Financial instruments and other instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of condensed financial statements in assessing the extent of risk related to financial instruments. Additional information on Financial instruments and other instruments can be found in "Note 21" of the Condensed Financial Statements.

a. Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of loans and borrowings approximate carrying values as cash flows are discounted using a market rate of interest. Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are directly based on the degree to which the inputs to the fair value measurement are observable.

The levels are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.

Level 3 – Inputs are unobservable and reflect Management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

b. Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

Interest rate risk

The Company's exposure to changes in interest rates relates primarily to the Company's outstanding debt. The Company is exposed to changes to the Canadian prime rate as the credit facilities bears interest based on the Canadian prime rate plus 1% to 2%. The term loan and convertible debt bears interest at a fixed rate of 15% and 8.5% respectively, and are not publicly traded and is therefore are not affected by changes in the market interest rates. A 1% change in the Canadian prime rate would have an impact of $8,807 to the statements of net loss and comprehensive loss for the six months ended June 30, 2021.

c. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk on its trade and other receivables which has a balance of $7,655,899 (December 31, 2020: $2,252,820).

As at June 30, 2021, 82% (December 31, 2020: 61%) of the Company's trade and other receivables balance, is owing from 3 customers (December 31, 2020: 2 customers), each representing more than 10% of trade and other receivables.

Cash is generally invested in cash accounts held in Canadian chartered banks, in short-term GICs or in-trust. Restricted cash is generally held as collateral to repay any outstanding balances related to the Company's credit cards. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable. The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 0 to 90 days. Credit risk is low as receivables from LPs are typically received in a short period of time with a strong history of collection, and remaining receivables are due from Government bodies. As at June 30, 2021 the Company has $ Nil of impaired receivables (December 31, 2020: $963,917). Management expects credit risk to be minimal.

d. Foreign exchange risk

The Company is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer or lender, or that an obligation in a foreign currency was made by the Company to a supplier or partner, is different at the time of settlement than it was at the time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company did not have any hedges at the time that the condensed financial statements were issued. The Company does not utilize financial instruments to manage its foreign exchange risk.

e. Liquidity risk

Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate working capital to repay trade creditors as they become due.

The Company has total current liabilities of $47,793,577 (December 31, 2020: $21,729,337) with cash and cash equivalents on hand of $15,541,967 (December 31, 2020: $22,321,903). In the opinion of Management, the liquidity risk exposure to the Company is moderate. The Company will manage the risk exposure through increased future sales, accessing the Revolving Credit Facility, and if necessary, raise additional capital through debt and/or equity.

The contractual maturities of all liabilities and lease obligations by year is as follows:

		2021		2022		2023		2024		2025
Lease liabilities	$	2,226,011	$	297,091	$	238,130	$	140,026	$	674,600
Loans and borrowings		35,153,397		35,625,000		-		-		-
Convertible debt		1,070,162		13,032,540		-		-		-
Other commitments		11,975		9,833		9,038		2,479		-
Accounts payable and accrued liabilities		14,038,236		-		-		-		-
Total	**$**	**52,499,781**	**$**	**48,964,464**	**$**	**247,168**	**$**	**142,505**	**$**	**674,600**

f. Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate, or investments. Floating rate debt exposes the Company to fluctuations in cash flows and net earnings due to changes in market interest rates. In the opinion of Management, the cash flow risk exposure to the Company is low.

SUBSEQUENT EVENTS

The Company's Management has evaluated subsequent events up to October 15, 2021, the date the condensed financial statements were issued, and conclude the following significant events to report.

a) On August 31, 2021, the Company announced that its subsidiary and licence holder WeedMD RX Inc. has signed agreements with BBCCC, Inc., a subsidiary of the The Boston Beer Company, Inc. (NYSE: SAM) ('BBC'), and Ontario-based Peak Processing Solutions ('Peak'), a subsidiary of Althea Group Holdings Ltd (ASX:AGH), to launch a new portfolio of non-alcoholic cannabis-infused beverages in Canada, with production commencing in Q4, 2021.

   Under the terms of the five-year development, supply, manufacturing, sales and marketing agreements, BBC and Peak will develop the beverages with Entourage's cannabinoid-rich input biomass processed at Peak's Windsor, Ontario facility. Entourage will be the exclusive distributor of the cannabis-infused beverages in Canada leveraging Entourage's expansive local sales and marketing network.

b) On September 1, 2021, the Company announced that effective at market open on September 1, 2021, the OTCQX market ticker symbol for the Company's common shares will change from "WDDMF" to "ETRGF".

   The OTCQX symbol change is consistent with the Company's rebranding from WeedMD Inc. to Entourage Health Corp. announced earlier this year. The Company's common shares continue to trade primarily on the TSX Venture Exchange ("TSXV") under the symbol "ENTG" and Frankfurt Stock Exchange ("FSE") under the symbol "4WE".

c) On September 9, 2021, the Company announced the release of Fire & Flower's "Revity CBD™ Softgel" line. In addition to the CBD softgels, the private-label Revity product line currently includes CBD oils launched last year. Revity CBD products are available in Saskatchewan retail locations and will expand into Ontario in mid-September 2021, with Manitoba locations expected in the near future.

   Products manufactured through this partnership are formulated, processed, packaged and distributed by Entourage at its extraction and processing hub in Aylmer, Ontario using the Company's CBD-rich biomass.

d) On September 16, 2021, the Company announced the Canadian launch of acclaimed Mary's Medicinals Transdermal Patches ("Transdermal Patches")*. Mary's Medicinals is part of the Mary's Brands ("Mary's") portfolio and a BellRock Brands Inc. company ("BellRock") (CSE: BRCK.U). As the exclusive manufacturer and licensed distributor for Mary's suite of products in Canada, Entourage launches Mary's Transdermal Patches in CBD, THC and 1:1 formulations that will be available first to the Company's Starseed Medicinal patients as of late September 2021.