Entourage Health Corp.

(Formerly WeedMD Inc.)

Management's Discussion & Analysis

For the three and nine months ended September 30, 2021

November 15, 2021

INTRODUCTION

The following interim 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 nine months ended September 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 nine months ended September 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 November 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 16, 2021,(TSXV: ENTG-X, OTCQX:ETRGF, 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 licences 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 has over 1,000 retail stores in operation as of September 30, 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 Inc.("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.

Q3 2021 Key Highlights

- In July 2021, the Company announced it signed a definitive acquisition agreement to acquire all the issued and outstanding shares of Ontario craft cannabis producer CannTx Life Sciences Inc. ("CannTx") in an all-stock transaction. Following the closing in the fall of 2021, the Company will add renowned craft brand Royal City Cannabis Co. to the Company's portfolio.
- The Company expanded its Color Cannabis products into the Province of New Brunswick commencing in July 2021 making it accessible to over 95 percent of Canada's retail market.
- Also in July 2021, the Company announced a corporate name change and rebrand from "WeedMD Inc." to "Entourage Health Corp." The Company's common shares continue to be publicly traded on the TSX Venture Exchange under the new ticker symbol "ENTG" and subsequently announced in September 2021 that it changed the U.S.-based OTCQX ticker symbol from "WDDMF" to "ETRGF" .
- Entourage confirmed the expansion of its Saturday Cannabis brand into the Province of Quebec, expanding Color and Saturday product SKUs. Quebec market is now the second largest sales market for Color Cannabis, with #3 for top-selling large format in June.
- Introduction of Saturday Cannabis 28 gram, large format in Quebec and British Columbia resulted in 500% sales increase of the format over first quarter.
- In August 2021, the Company announced it had entered into agreements with BBCCC, Inc., a subsidiary of the The Boston Beer Company, Inc. and Ontario-based Peak Processing Solutions to launch a new portfolio of non-alcoholic cannabis-infused beverages in Canada.
- Sales through increased Provincial boards and additional retail outlets resulted in the capture of key product milestones during the period.
- Ontario added Color dried flower products to its "core strains" for its consistent availability.
- Ghost Train Haze landed as #4 top-selling pre-roll in British Columbia.

- In September 2021, Entourage announced the launch of Fire & Flower-branded CBD softgel product line produced inhouse at the Company's Aylmer-based extraction hub. Revity CBD products are available in Saskatchewan retail locations and expanded into Ontario in fall 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.

- 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 launched Mary's Transdermal Patches in CBD, THC and 1:1 formulations that will be available first to the Company's Starseed patients as of late September 2021 and full release to patient base as of early October.

- Subsequent to Q3, on November 1, 2021, Entourage announced it closed the previously-announced acquisition of Guelph-based CannTx Life Sciences. Upon closing of the Acquisition, Entourage issued an aggregate of 57,352,488 Entourage common shares ("Common Shares") to CannTx shareholders of which an aggregate of 3,571,429 of such Common Shares will be held in escrow to secure indemnification and other obligations undertaken by certain vendors.

  Under the terms of the Acquisition, certain former CannTx shareholders entered into agreements pursuant to which an aggregate of 14,685,278 Common Shares are subject to a post-closing lock-up arrangement whereby one quarter of such Common Shares shall be released from lock-up in equal installments at the end of each six (6) month period following closing of the Acquisition.

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 CO_2 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.

Licences and Agreements

The Company currently holds licenses at its two facilities in Aylmer and Strathroy.

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)	Possession, Cultivation (indoor), Processing and Sale of cannabis and cannabis product, Sale of cannabis product for Medical Purposes	Possession, Cultivation (indoor, outdoor), Processing and Sale of cannabis and cannabis product
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,production and processing 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 - 1.2M sq. ft. (27 acres)
Development potential*	100,000 sq. ft.	Indoor – 550,000 sq. ft. Outdoor – 4.5Msq. ft. (102 acres)

* *Potentially can be used for future expansion and licensing*

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 nine months period ended September 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 September 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 Brunswick:
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™ soft-gel 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 The Boston Beer Subsidiary to launch and sell portfolio of innovative cannabis-infused beverages in Canada.

The Company's licence holder, WeedMD Rx Inc., entered into an agreement with BBCCC Inc., a subsidiary of The Boston Beer Company ("BBC") and Peak Processing Solutions ("Peak") to launch a new protfolio of non-alcholic cannabis-infused beverages in Canada with production expected to commence in Q4, 2021 and product launch in Q1, 2022. Under the terms of the five-year development, supply, manufacturing, sales, and marketing agreements, BBC and Peak will develop the beverage with Entourage's cannabinoid-rich input biomass processed at Peak's Windsor, ON facility. Entourage will be the exculsive distributor of the cannabis-infused beverages in Canada leveraging Entourage's expansive local sales and marketing network.

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.

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, during this quarter, 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-V", and as "ETRGF" on the OTCQX market.

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 and Q3 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 September 30, 2021.

KEY FINANCIAL HIGHLIGHTS

HISTORICAL QUARTERLY RESULTS

	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Total Revenue	**14,978,879**	**13,811,639**	**12,899,981**	**6,961,763**
Revenue, Net	10,788,812	10,604,447	10,278,068	5,076,652
Gross profit (loss) before change in fair value	(4,155,264)	3,112,579	250,740	(22,532,631)
Loss and comprehensive loss	(17,467,138)	(9,950,886)	(7,007,935)	(45,545,046)
Basic and diluted (loss) per share from continuing operations	(0.07)	(0.04)	(0.03)	(0.22)
Basic and diluted (loss) attributable to the shareholders	(0.07)	(0.04)	(0.03)	(0.22)

	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Total Revenue	**7,739,923**	**7,181,501**	**13,600,588**	**3,641,842**
Revenue, Net	6,313,117	5,859,442	12,184,779	2,850,334
Gross profit (loss) before change in fair value	69,155	(898,050)	1,370,241	(2,005,829)
Loss and comprehensive loss	(26,165,379)	(8,895,017)	(9,001,692)	(7,210,726)
Basic and diluted (loss) per share from continuing operations	(0.12)	(0.04)	(0.04)	(0.06)
Basic and diluted (loss) attributable to the shareholders	(0.12)	(0.04)	(0.04)	(0.06)

Key Operating Metrics

For the three months ended	September 30, 2021	September 30, 2020	$ or Weight Difference	% Change
Revenue ($)	**14,978,879**	7,739,923	**7,238,956**	**94%**
Kilograms equivalent sold - cannabis	4,136	2,089	**2,047**	**98%**
Kilograms harvested	3,822	5,706	**(1,884)**	**-33%**
Average yield per plant (grams)	186	104	**82**	**79%**
Weighted average cost per gram from clone to harvest of plants on hand	0.32	0.37	**(0.05)**	**-14%**
Weighted average cost per gram of inventory on hand	0.55	2.11	**(1.56)**	**-74%**

For the nine months ended	September 30, 2021	September 30, 2020	$ or Weight Difference	% Change
Revenue ($)	**41,690,499**	28,522,012	**13,168,487**	**46%**
Kilograms equivalent sold - cannabis	12,566	8,149	**4,417**	**54%**
Kilograms harvested	11,341	15,228	**(3,887)**	**-26%**
Average yield per plant (grams)	130	91	**39**	**43%**
Weighted average cost per gram from clone to harvest of plants on hand	0.32	0.53	**(0.21)**	**-40%**
Weighted average cost per gram of inventory on hand	0.55	2.37	**(1.82)**	**-77%**

The Company harvested 3,822 kg and 11,341 kg of cannabis in the three and nine months ended September 30, 2021, compared to 5,706 kg and 15,228 kg respectively, in the same period of 2020, decreasing by (1,884) kg and (3,887) kg respectively. For the three and nine months ended September 30, 2021 yield per plant averaged 186 g and 130 g per plant respectively compared to 104 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 $0.32 in Q3 2021 compared to $0.37 in the comparable 2020 period. Weighted average cost per gram of inventory on hand decreased to $0.55 in Q3 2021 compared to $2.11 in the comparable 2020 period mainly due to inventory write-downs recorded.

Summary of Q3 Results and Results of Operations

	For the three months ended			
	September 30, 2021	**September 30, 2020**	$ Change	% Change
Net revenue	$ 10,788,812	$ 6,313,117	$ 4,475,695	71%
Cost of goods sold	(14,944,076)	(6,243,962)	(8,700,114)	139%
Gross (loss) profit before changes in fair value	(4,155,264)	69,155	(4,224,419)	-6109%
Gross (loss) profit before changes in fair value - as % of Net Revenue	-39%	1%		-40%
Realized FV amounts included in inventory sold	4,936,165	832,153	4,104,012	493%
Unrealized loss (gain) on changes in fair value of biological assets	1,191,650	(12,923,388)	14,115,038	-109%
Gross profit (loss)	(10,283,079)	12,160,390	(22,443,469)	-185%
Loss and comprehensive loss	(17,467,138)	(26,165,379)	8,698,241	-33%
Adjusted EBITDA [1]	(4,115,253)	(1,903,427)	(2,211,826)	116%
Cash provided by (used in) operations	(2,248,251)	(4,530,767)	2,282,516	-50%
Basic loss per share	(0.07)	(0.12)		
Diluted loss per share	$ (0.07)	$ (0.12)		

	For the nine months ended			
	September 30, 2021	**September 30, 2020**	$ Change	% Change
Net revenue	$ 31,671,327	$ 24,357,338	$ 7,313,989	30%
Cost of goods sold	(32,463,272)	(23,815,992)	(8,647,280)	36%
Gross (loss) profit before changes in fair value	(791,945)	541,346	(1,333,291)	-246%
Gross (loss) profit before changes in fair value - as % of Net Revenue	-3%	2%		-5%
Realized FV amounts included in inventory sold	12,107,201	9,154,170	2,953,031	32%
Unrealized loss (gain) on changes in fair value of biological assets	(3,446,392)	(15,773,354)	12,326,962	-78%
Gross profit (loss)	(9,452,754)	7,160,530	(16,613,284)	-232%
Loss and comprehensive loss	(34,425,959)	(44,062,088)	9,636,129	-22%
Adjusted EBITDA [1]	(9,564,782)	(6,932,947)	(2,631,835)	38%
Cash provided by (used in) operations	(21,261,745)	(28,368,835)	7,107,090	-25%
Basic loss per share	(0.15)	(0.21)		
Diluted loss per share	$ (0.15)	$ (0.21)		

[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.

$	**September 30, 2021**	December 31, 2020	December 31,2019
Total assets	151,153,147	171,329,357	209,798,741
Total non-current liabilities	1,013,576	75,509,990	44,591,498
Total liabilities	94,821,654	97,239,327	73,739,556
Cash and cash equivalent	12,379,593	22,321,903	8,183,744
Working capital	(41,561,813)	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			
	September 30, 2021	September 30, 2020	$ Change	% Change
Net Revenue*				
Medical	2,936,781	2,343,838	592,943	25%
Adult Use	7,492,563	3,701,035	3,791,528	102%
Bulk	359,468	268,244	91,224	34%
Total Net Revenue	10,788,812	6,313,117	4,475,695	71%

* Revenue less Excise taxes

	For the nine months ended			
	September 30, 2021	September 30, 2020	$ Change	% Change
Net Revenue*				
Medical	11,616,395	9,837,730	1,778,665	18%
Adult Use	19,214,779	9,296,769	9,918,010	107%
Bulk	840,153	5,222,839	(4,382,686)	-84%
Total Net Revenue	31,671,327	24,357,338	7,313,989	30%

* Revenue less Excise taxes

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 $10,788,812 and $31,671,327 for the three and nine months ended September 30, 2021, representing an increase of 71% and 30% respectively compared to the same period in 2020.

Grams sold by Category and total grams as follows:

	For the three months ended			
Grams sold	September 30, 2021	September 30, 2020	Weight Change	% Change
Medical	545,063	182,145	362,918	199%
Adult Use	3,077,420	884,046	2,193,374	248%
Bulk	513,525	1,022,515	(508,990)	-50%
Total grams sold	4,136,008	2,088,706	2,047,302	98%

	For the nine months ended			
Grams sold	September 30, 2021	September 30, 2020	Weight Change	% Change
Medical	2,222,203	785,200	1,437,003	183%
Adult Use	6,882,013	2,320,185	4,561,828	197%
Bulk	3,461,331	5,044,091	(1,582,760)	-31%
Total grams sold	12,565,547	8,149,476	4,416,071	54%

Total dried cannabis sold for three months ended September 30, 2021 was 4,136,008 g compared to 2,088,706 g for the same period in 2020, representing an increase of 2,047,302 g or 98%. Total dried cannabis sold for the nine months ended September 30, 2021 was 12,565,547 g compared to 8,149,476 g for the same period in 2020, representing an increase of 4,416,071 g or 54%.

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

Average selling price (net of excise taxes) per gram	For the three months ended			
	September 30, 2021	September 30, 2020	$ Change	% Change
Medical	5.39	12.87	(7.48)	-58%
Adult Use	2.43	4.19	(1.76)	-42%
Bulk	0.70	0.26	0.44	167%
	2.61	3.02	(0.41)	-14%

Average selling price (net of excise taxes) per gram	For the nine months ended			
	September 30, 2021	September 30, 2020	$ Change	% Change
Medical	5.23	12.53	(7.30)	-58%
Adult Use	2.79	4.01	(1.22)	-31%
Bulk	0.24	1.04	(0.80)	-78%
	2.52	2.99	(0.47)	-16%

For the three and nine months ended September 30, 2021, the average selling price per gram decreased by $(0.41) or -14% and $(0.47) or -16% respectively, compared to the same period in 2020. For the three months ended September 30, 2021, average selling price per gram of Medical and Bulk declined by -58% and increased by 167% respectively, compared to the same period in 2020. For the nine months ended September 30, 2021, average selling price per gram of Medical and Bulk declined by -58% and -78% respectively, compared to the same period in 2020. For the three and nine months ended September 30, 2021, the average selling price per gram of Adult Use declined by -42% and -31% 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 nine months ended September 30, 2021 decreased by $(4,224,419) or -6109% and $(1,333,291) or -246% respectively, compared to the same period in 2020 partly due to impact of inventory write-down in Q3 2021, partly due to year-to-date true up of excise duty and partly due to timing of spend.

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 nine months ended September 30, 2021, Gross profit decreased by $(22,443,469) or -185% and $(16,613,284) or -232% respectively, compared to the same period in 2020 due to fair value changes for the biological assets in production.

Selling, general and administrative expenses

Selling, general and administrative expenses for three and nine months ended September 30, 2021 decreased by $(854,959) or -16% and increased by 4,257,879 or 26% respectively, compared to the same period in 2020. Decrease for the three months ended September 30, 2021 is driven mainly by reduction in salaries and benefits and increase for the nine months ended September 30, 2021 is mainly driven by consulting fees and professional fees, which were non-recurring in nature.

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

	For the three months ended			
	September 30, 2021	September 30, 2020	$ Change	% Change
Salaries and benefits	2,234,860	3,270,461	(1,035,601)	-32%
Selling, marketing and promotion	374,632	495,744	(121,112)	-24%
Rent & occupancy	78,731	119,631	(40,900)	-34%
Office & Administrative	930,277	934,992	(4,715)	-1%
Professional fees	644,888	504,461	140,427	28%
Consulting fees	182,394	-	182,394	100%
Research and development	44,155	-	44,155	100%
Travel & accomodations	-	19,607	(19,607)	-100%
Total	4,489,937	5,344,896	(854,959)	-16%

	For the nine months ended			
	September 30, 2021	September 30, 2020	$ Change	% Change
Salaries and benefits	9,817,570	10,389,327	(571,757)	-6%
Selling, marketing and promotion	1,412,740	917,872	494,868	54%
Rent & occupancy	222,795	277,601	(54,806)	-20%
Office & Administrative	3,839,379	3,795,669	43,710	1%
Professional fees	2,249,399	1,078,464	1,170,935	109%
Consulting fees	3,074,308	-	3,074,308	100%
Research and development	274,661	-	274,661	100%
Travel & accomodations	1,587	175,627	(174,040)	-99%
Total	20,892,439	16,634,560	4,257,879	26%

Salaries and benefits

Salaries and benefits decreased by $(1,035,601) or -32% to $2,234,860 and $(571,757) or -6% to $9,817,570, during the three and nine months ended September 30, 2021, respectively, compared to the same period in 2020. This is mainly due to savings resulting from the business transformation instituted by the Company.

Selling, marketing, and promotion

Selling, marketing, and promotion decreased by $(121,112) or -24% to $374,632 for the three months ended September 30, 2021 compared to the same period in 2020 mainly due to timing of spend. Increase of $494,868 or 54% to $1,412,740 during the nine months ended September 30, 2021, compared to the same period in 2020 was mainly due to increase in in-person and in-store marketing initiatives to drive revenue growth.

Rent and occupancy

Rent and occupancy decreased by $(40,900) or -34% to $78,731 and by $(54,806) or -20% to $222,795 during the three and nine months ended September 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 decreased by $(4,715) or -1% to $930,277 during the three months ended September 30, 2021, and increased by $43,170 or 1% to $3,839,379 during the nine months ended September 30, 2021, compared to the same period in 2020.

Professional fees

Professional fees increased by $140,427 or 28% to $644,888 and $1,170,935 or 109% to $2,249,399 during the three and nine months ended September 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 $182,394 and $3,074,308 during the three and nine months ended September 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 $44,155 and $274,661 during the three and nine months ended September 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 $(19,607) or -100% to $Nil and $(174,040) or -99% to $1,587 during the three and nine months ended September 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 decreased by $(1,094,493) or -84% to $214,390 and $(1,045,269) or -54% to $882,752 during the three and nine months ended September 30, 2021, respectively, compared to the same period in 2020, mainly as a result of the timing of the Company granting options to Management, employees, directors and consultants of the Company in 2020, and granting an aggregate of 3,044,747 DSUs and 2,469,500 options to certain officers and directors of the Company during Q3 2020.

Depreciation and Amortization

Total depreciation and amortization expense decreased by $(333,540) or -42% to $468,173 and increased by $1,101,478 or 78% to $2,514,547 for the three and nine months ended September 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			
	September 30, 2021	September 30, 2020	$ Change	% Change
Loss and comprehensive loss	(17,467,138)	(26,165,379)	8,698,241	-33%
Add (Deduct)				
Depreciation and Amortization*	1,619,492	2,502,294	(882,802)	-35%
Finance costs	2,491,246	789,052	1,702,194	216%
Interest income	-	170	(170)	-100%
EBITDA	(13,356,400)	(22,873,863)	9,517,463	-42%
Inventory adjustments	3,479,779	1,265,265	2,214,514	175%
Severance	225,727	406,128	(180,401)	-44%
Realized fair value amounts included in inventory sold	4,936,165	832,153	4,104,012	493%
Unrealized gain on changes in fair value of biological assets	1,191,650	(12,923,388)	14,115,038	-109%
Impairment	-	34,800,000	(34,800,000)	-100%
Share based compensation	214,390	1,308,883	(1,094,493)	-84%
Unrealized loss on investments	-	1,812	(1,812)	-100%
Realized loss on investments	-	-	-	0%
Loss on disposal of property, plant and equipment	16,422	-	16,422	100%
Government grants	(822,986)	-	(822,986)	-100%
Other income, net	-	(4,720,417)	4,720,417	-100%
Adjusted EBITDA [1]	(4,115,253)	(1,903,427)	(2,211,826)	116%

* For three months ended September 30, 2021, includes depreciation of $1,151,319 (September 30, 2020- $1,700,581) amount expensed in Cost of goods sold.

	For the nine months ended			
	September 30, 2021	September 30, 2020	$ Change	% Change
Loss and comprehensive loss	(34,425,959)	(44,062,088)	9,636,129	-22%
Add (Deduct)				
Depreciation and Amortization*	5,634,958	5,626,585	8,373	0%
Finance costs	7,400,622	3,337,375	4,063,247	122%
Interest income	-	63,037	(63,037)	-100%
EBITDA	(21,390,379)	(35,035,091)	13,644,712	-39%
Inventory adjustments	7,554,535	3,618,276	3,936,259	109%
Severance	1,771,533	1,202,401	569,132	47%
Realized fair value amounts included in inventory sold	12,107,201	9,154,170	2,953,031	32%
Unrealized gain on changes in fair value of biological assets	(3,446,392)	(15,773,354)	12,326,962	-78%
Impairment	-	34,800,000	(34,800,000)	-100%
Share based compensation	882,752	1,928,021	(1,045,269)	-54%
Unrealized loss on investments	-	32,602	(32,602)	-100%
Realized loss on investments	-	33,579	(33,579)	-100%
Loss on disposal of property, plant and equipment	16,422	-	16,422	100%
Government grants	(2,972,387)	-	(2,972,387)	-100%
Other income, net	(4,088,067)	(6,893,551)	2,805,484	-41%
Adjusted EBITDA [1]	(9,564,782)	(6,932,947)	(2,631,835)	38%

* For nine months ended September 30, 2021, includes depreciation of $3,120,411 (September 30, 2020- $4,213,516) 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 $9,517,463 or 42% to $(13,356,400) and increased by $13,644,712 or 39% to $(21,390,379) during the three and nine months ended September 30, 2021, respectively, compared to the same period of 2020 partly due to higher margin revenue and lower, partly due to lower selling, general and administrative expenses and mainly due to impairment recorded in Q3 2020.

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 $(2,211,826) or -116% to $(4,115,253) during the three months ended September 30, 2021 and decreased by $(2,631,835) or -38% to $(9,564,782) during the nine months ended September 30, 2021, compared to the same period of 2020 despite generating higher-margin revenue and spending lower selling, general and administrative expenses mainly because of fair value changes for the biological assets in production.

Liquidity and Capital Resources

	For the three months ended			
	September 30, 2021	September 30, 2020	$ Change	% Change
Cash provided by (used in):				
Operating activities	(2,248,251)	(4,530,787)	2,282,536	-50%
Investing activities	(265,279)	(852,587)	587,308	-69%
Financing activities	(698,850)	30,842,925	(31,541,775)	-102%
(Decrease) increase in cash	(3,212,380)	25,459,551	(28,671,931)	-113%

	For the nine months ended			
	September 30, 2021	September 30, 2020	$ Change	% Change
Cash provided by (used in):				
Operating activities	(21,261,745)	(28,368,835)	7,107,090	-25%
Investing activities	1,396,852	(2,508,499)	3,905,351	-156%
Financing activities	9,639,807	53,901,661	(44,261,854)	-82%
(Decrease) increase in cash	(10,225,086)	23,024,327	(33,249,413)	-144%

Cash flow from operating activities

Cash (used in) operating activities was $(2,248,251) and $(21,261,745) during the three and nine months ended September 30, 2021, respectively, compared to $(4,530,787) and $(28,368,835) 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 $(265,279) and $1,396,852 during the three and nine months ended September 30, 2021, respectively, compared to $(852,587) and $(2,508,499) during the same periods of 2020, respectively. Majority of capital asset investments occurred in 2020 and proceeds from disposal of assets held for sale were received in Q2 2021.

Cash flow from financing activities

Cash provided by (used in) financing activities was $(698,850) and $9,639,807 during the three and nine months ended September 30, 2021, respectively, compared to $30,842,925 and $53,901,661 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 Fund of Central and Eastern Canada ("LPF") in the first quarter of 2020 and $32,118,287 from loan financing in the third 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 September 30, 2021, the Company had cash and cash equivalents of $12,379,593 (December 31, 2020: $22,321,903). Total current assets for the same period were $52,246,265 (December 31, 2020: $66,789,480), including inventory and biological assets of $27,761,578 (December 31, 2020: $32,621,186), with current liabilities of $93,808,078 (December 31, 2020: $21,729,337) resulting in negative working capital of $41,561,813 (working capital of December 31, 2020: $45,060,143).

The Company's current ratio at September 30, 2021 was 0.56 compared to 3.07 at December 31, 2020 driven by classification of loans pertaining to Facility 1, 2 and 3 which will mature on March 31, 2022; the credit facility with the LiUNA Pension Fund of Central and Eastern Canada ("LPF") which will mature on September 23, 2022; and Convertible Debentures maturing on September 25, 2022. (Refer to Notes 8-9 of the condensed interim consolidated financial statement). The Company's current assets decreased as a result of reduction in cash and cash equivalents, inventory and biological assets, property, plant and equipment and partly offset by increase in balances for trade receivables primarily driven by increase in Revenue for adult use and prepaid expenses and deposits.

Going Concern

As at September 30, 2021, the Company had negative working capital of $41,561,813 (December 31, 2020 – working capital of $45,060,143) and an accumulated deficit of $151,712,400 (December 31, 2020 - $117,286,441). For the nine months ended September 30, 2021, the Company used cash in operating activities of $21,261,745 (nine months ended September 30, 2020 - $28,368,835), resulting primarily from the net loss of $34,425,959 (nine months ended September 30, 2020 - $44,062,088) offset by items not affecting cash such as depreciation, amortization, inventory write down, stock-based compensation, fair value changes in biological assets included in inventory sold.

Management believes the Company will require additional financing in order to conduct its planned business 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 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 nine-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; and
- 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 financing to finance its growth plans.

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

- Entering into strategic partnerships to develop and distribute Cannabis 2.0 Products;
- Divesting non-core or redundant assets; and
- Strengthening third-party commercial arrangements for the manufacture and packaging of cannabis products

Inventory

	September 30, 2021	December 31, 2020		
	$	$	$ Change	% Change
Dried cannabis	15,993,523	18,758,723	(2,765,200)	-15%
Harvested work in progress	4,622,813	5,345,980	(723,167)	-14%
Extracts				
Resin	190,240	98,488	91,752	93%
Crude oil	1,151,424	693,835	457,589	66%
Finished oil	3,390,014	4,098,705	(708,691)	-17%
Non-cannabis inventory	1,849,742	1,669,758	179,984	11%
	27,197,756	30,665,489	(3,467,733)	-11%

Total inventory decreased by $(3,467,733) or -11% from December 31, 2020 to September 30, 2021 mainly driven by dried 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 nine months ended September 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 and subsequent to period end, was further extended to December 31, 2021, resulting in a deferral of certain covenants by another 6 months. The Credit Agreement Amendment also requires the Company to 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 which was further increased by 25 basis point subsequent to period end. Also refer Note 25 of the condensed financial statements for details of these amendments.

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 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 September 30, 2021 are as follows:

Contractual obligation	Less than 1 year	2 years	3 years	4 years	5 years	Total
Lease obligations	$ 1,235,895	$ 282,862	$ 173,827	$ 141,317	$ 603,513	$ 2,437,414
Other obligations	$ 11,261	$ 9,833	$ 7,685	$ 1,375	$ -	$ 30,154
Total	$ 1,247,156	$ 292,695	$ 181,512	$ 142,692	$ 603,513	$ 2,467,568

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:

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

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

		Three months ended			Nine months ended	
		September 30, 2021	September 30, 2020		**September 30, 2021**	September 30, 2020
Share based Compensation	**$**	134,954	729,767	$	414,623	729,767
Salaries		284,490	336,308		969,192	824,966
Bonus		8,644	-		157,394	110,000
Other Compensation		131,111	-		892,511	-
	$	559,199	1,066,075	$	2,433,720	1,664,733

During the three and nine months ended September 30, 2021, there are 736,018 and 1,292,582 DSU's, respectively (three and nine months ended September 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 November 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.

On September 30, 2021, the Company authorized the grant of an aggregate of 736,018 deferred share units ("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 $134,966.

Total share-based compensation for the three and nine months ended September 30, 2021 is $214,390 and $882,752 repectively, which includes DSU share based compensation of $134,966 and $414,634 repectively. During the nine months ended September 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 November 15, 2021, the following were outstanding:

Outstanding Shares	As at November 15, 2021
Common shares	303,976,702
Warrants	30,774,249
Stock and broker compensation options	8,007,116
	342,758,067

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.

c. 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 $13,320 to the statements of net loss and comprehensive loss for the nine months ended September 30, 2021.

d. 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 $6,704,852 (December 31, 2020: $2,252,820).

As at September 30, 2021, 77% (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 September 30, 2021 the Company has $ Nil of impaired receivables (December 31, 2020: $963,917). Management expects credit risk to be minimal.

e. 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.

f. 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 $93,808,078 (December 31, 2020: $21,729,337) with cash and cash equivalents on hand of $12,379,593 (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	$	1,235,895	$	282,862	$	173,827	$	141,317	$	603,513
Loans and borrowings		2,548,286		70,348,855		-		-		-
Convertible debt		267,540		13,567,621		-		-		-
Other commitments		11,261		9,833		7,685		1,375		-
Accounts payable and accrued liabilities		14,054,120		-		-		-		-
Total	**$**	**18,117,102**	**$**	**84,209,171**	**$**	**181,512**	**$**	**142,692**	**$**	**603,513**

g. 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 November 15, 2021, the date the condensed interim consolidated financial statements were issued and determined the following events:

a) On October 15, 2021, the Company announced that, as a result of a continuous disclosure review conducted by staff of the Ontario Securities Commission ("OSC"), the staff of the Corporate Finance Branch requested that the Company refile its management's discussion and analysis ("MD&A") for the interim periods ended March 31, 2021 and June 30, 2021 and its unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 (collectively, the "Revised Financial Disclosure").

   On the request of the OSC staff, the Company filed the Revised Financial Disclosure to reclassify certain loan balances from non-current to current liabilities and to provide additional information in connection with the Company's liquidity, capital resources and its ability to continue as a going concern. No further adjustments have been made to the previously released income statement or statement of cash flows.

b) On October 19, 2021 the Company confirmed it has signed an additional amendment to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility"). The latest amendments to the Credit Facility modify the terms under which Entourage secured up to $39 million of debt financing over a three-year term ending in 2022.

   Under the terms of the amendment, the Company secured a deferral of certain of its financial covenants to December 31, 2021, including the amendment of Conversion Date from June 30, 2021 to December 31, 2021. In addition, the Company has agreed to a 25 basis point increase in the applicable interest rate margin on the Credit Facility, which continues to provide Entourage with non-dilutive, tier-one bank financing and greater financial flexibility in alignment with market conditions.

c) On November 1, 2021 the Company confirmed the closing of the previously announced acquisition of CannTx by Entourage (the "Acquisition"). Following overwhelming approval from CannTx shareholders, and satisfaction of other closing conditions, the formerly privately owned micro-propagator, which operates out of its licensed production facility in Guelph, Ontario, is now a wholly owned subsidiary of Entourage.

   Upon closing of the Acquisition, Entourage issued an aggregate of 57,352,488 Entourage common shares ("Common Shares") to CannTx shareholders of which an aggregate of 3,571,429 of such Common Shares will be held in escrow to secure indemnification and other obligations undertaken by certain vendors.

   Under the terms of the Acquisition, certain former CannTx shareholders entered into agreements pursuant to which an aggregate of 14,685,278 Common Shares are subject to a post-closing lock-up arrangement whereby one quarter of such Common Shares shall be released from lock-up in equal installments at the end of each six (6) month period following closing of the Acquisition.

d) On November 1, 2021 the Company announced that it has signed an amendment to its second secured credit facility entered into on September 30, 2020 (the "Credit Facility"). The amendments to the Credit Facility modify the terms under which Entourage secured up to $30 million of debt financing over a two-year term ending in 2022.

Under the terms of the amendment, the Company secured a deferral of certain of its financial covenants to December 31, 2021, including the amendment of Conversion Date from June 30, 2021 to December 31, 2021. In addition, the Company has agreed to a 25 basis point increase in the applicable interest rate margin on the Credit Facility, and retains the option, at the Company's discretion, to capitalize interest in lieu of cash payments of interest. The Credit Facility continues to provide Entourage with non-dilutive financing and greater financial flexibility in alignment with market conditions.

e) On November 3, 2021 the Company announced it has strengthened its executive team with key strategic appointments in the areas of commercial sales, marketing, and business development as well as product development, cultivation and supply chain.