Entourage Health Corp.

(Formerly WeedMD Inc.)

Management's Discussion & Analysis

For the three and twelve months ended December 31, 2021

May 9, 2022

INTRODUCTION

The following annual 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 twelve months ended December 31, 2021 and should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes thereto as at and for the three and twelve months ended December 31, 2021, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

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 May 9, 2022.

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 Entourage Brands Corp. (formerly WeedMD Rx Inc.) and CannTx Life Sciences Inc. ("CannTx"), licence holders and distributors 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 three facilities:

- Owns a 158-acre property in Strathroy, Ontario with up to 522,720 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").
- Operates a 10,000 sq. ft. indoor micro-propogation facility in Guelph, Ontario which specializes in tissue culture, genetics remediation and plant-cell growth in a clean, data-driven environment ("Guelph 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 1,300 retail stores in operation as of December 31, 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") in 2019, 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 products 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..

Corporate Highlights During and Subsequent to 2021

Leadership Appointments and Corporate News

- In 2021, announced a corporate name change and rebranding from "WeedMD Inc." to "Entourage Health Corp." The Company's common shares are publicly traded on the TSX Venture Exchange under the new ticker symbol "ENTG" and U.S.-based OTC market under "ETRGF".
- Appointed Executive Chairman, George Scorsis, as interim Chief Executive Officer in January 2021, and subsequently named permanent CEO in 2022.
- Entourage's former Chief Strategy Officer and Legal Officer, Jason Alexander, appointed to the Company's Board of Directors and named Chair of Governance Committee and SVP of Legal Affairs Vincent Doré named Corporate Secretary.
- In November 2021, the Company announced the appointments of: Joseph Mele to Chief Commercial Officer; James Afara (formerly Chief Operation Officer of CannTx Life Sciences) to SVP of Strategic Sourcing and Quality Assurance; and Pat Scanlon (co-founder of CannTx Life Sciences) as Head of Cultivation.
- Following the closing of the CannTx acquisition, Entourage announced on November 1, 2021 the appointments of new board directors Andrew Bulmer and S. Randall Smallbone.
- In December 2021, the Company confirmed its certification as an Ontario Living Wage Employer, becoming one of only three cannabis cultivators with this distinction.
- In April 2022, Entourage announced the appointment of veteran finance executive Vaani Maharaj as incoming CFO. She succeeds current CFO Beth Carreon, effective as of May 4, 2022.

Business Transformation Initiatives and CannTx Life Sciences Acquisition

- In early 2021, the Company relocated its medical packaging, labelling and distribution activities from Bowmanville, to its Aylmer, Ontario facility which also houses the Company's extraction hub. The move improved operational efficiencies and aligned its cost structure.
- Entourage announced in July 2021, it had signed an acquisition agreement to purchase Guelph-based craft cultivator CannTx Life Sciences Inc. The acquisition closed on October 29, 2021. Upon closing, Entourage issued an aggregate of 57,352,488 Entourage common shares ("Common Shares") to CannTx shareholders, though 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.

Financing and Credit Facilities

- In March 2021, Entourage announced and closed its oversubscribed $17.25 million bought deal equity financing.
- In December 2021, Entourage and LiUNA Pension Fund announced the upsizing of its previously announced credit facility with an additional $20 million of non-dilutive financing. The funding will be used for general working purposes and to upgrade and standardize its cultivation practices for high-margin products expected to drive commercial growth in 2022.
- The Company announced in March 2022 that it secured an extension of the maturity date of the credit facility from March 28, 2022 to May 31, 2022, and a deferral of certain of its financial covenants to May 31, 2022, subject to certain conditions.
- On April 29, 2022, the Company announced that it has amended and upsized its existing credit facility (the "Credit Facility") with an affiliate of the LiUNA Pension Fund of Central and Eastern Canada ("LPF"), adding an additional $15 million in funding availability. The Credit Facility will be used by Entourage for general working capital purposes as the Company continue to execute a balanced approach to achieving sustainable growth by the end of 2022.

Sales, Marketing and Business Development Highlights

- The Company announced the expansion of its Color Cannabis products into Quebec in early 2021 and subsequently, adding the province of New Brunswick, making Color accessible to over 95 percent of Canada's retail market from coast to coast.
- Consumers in Quebec, one of Canada's largest markets, may purchase Color products via the Société québécoise du cannabis (SQDC) in partnership with local producer ROSE LifeScience, subsequently adding Saturday Cannabis to the local portfolio.
- In May 2021, Entourage released celebrated CannTx cultivars "Rockstar Tuna" and "Royal Goddess" for its Starseed Medicinal patients.
- Signed the sixth LiUNA local with the addition of Manitoba Local 1258 to Company's medical cannabis program operated by Starseed Medicinal.
- Entered into agreements with BBCCC, Inc., a subsidiary of The Boston Beer Company, Inc. and Ontario-based Peak Processing Solutions to launch a new portfolio of non-alcoholic cannabis-infused beverages in Canada in 2022.
- The Company announced in fall 2021 that it regenerated some of its prized cultivars and genetics unique to Entourage's brands: Color Cannabis, Saturday Cannabis, Royal City Cannabis Co., and Starseed Medicinal with the goal of meeting evolving consumer preferences for premium product.

Adult-Use Highlights

- "Top Selling Vape Cart" in Ontario with Saturday Cannabis terpene-infused, one-gram carts in Sour Pineapple and Lemon Haze (data: Ontario Cannabis Store "OCS").
- Released one-gram, strain-specific Saturday pre-rolls in Ghost Train Haze (GTH); Color Cannabis dried flower in 15-gram pouches.
- Color Cannabis, Live Resin vape carts in Pedro Sweet Sativa reached #2 top selling unit sales in Ontario (data: OCS Q2).
- Introduced Color's strain-specific single-session pre-roll products in Mango Haze, GTH and Pedro's Sweet Sativa; and Color Cannabis GTH pre-roll multi-packs landed #4 top-seller in BC Q3 (data: BC Liquor Distribution Branch).
- Introduction of Saturday Cannabis 28-gram, large format in Quebec and British Columbia resulted in 500% sales increase of the format over first quarter; and Ghost Train Haze landed as #4 top-selling pre-roll in British Columbia in Q3.
- Pre-roll products in Mango Haze and Pedro Sweet Sativa continue to be top-sellers in BC with 10-pack pre-roll products a top seller in Q3 with new cultivars Black Sugar Rose and Blueberry Seagal introduced in 2022.
- Launched Pedro's Sweet Sativa Live Sugar and new cultivar Space Cake in 2022.
- Color Cannabis brand refresh debuted in March 2022 centered around Color Theory meant to educate consumers on the correlation between the colour associated with a particular strain and its potential effect on moods.
- The Company partnered with Cannabis Amnesty in March 2022 to launch "Joints for Justice" retail campaign to raise awareness and funds with $1 of every Royal City Cannabis Co. pre-roll sold going to the advancement of Cannabis Amnesty's initiatives.

Medical Highlights and Products Releases:

- Mary's Medicinals Topical Balms in 1:1 (CBD/THC) and CBD compounds.
- Aurum 4 Indica in Juicy-Fruit strain; Strain-specific PAX Vapor Pods in Pedro Sweet Sativa, Mango Haze and Black Sugar Rose.
- CBD Softgel capsules in 1:1, THC and CBD formats; and new strains Lemon Z and Hybrid Reserve whole flower.
- Mary's Medicinals Transdermal Patches - as the exclusive manufacturer and licensed distributor for Mary's suite of products in Canada, Entourage launched patches in CBD, THC and 1:1 formulation.
- Fire & Flower-branded CBD softgel product line.
- Launched a suite of premium CBD and THC soft chew products.
- New cultivars that included Mandarin Cookies, Gelato33, Royal Goddess (Crown), Rockstar Tuna, Hybrid Reserve.
- Starseed added three partner clinics to its medical cannabis program, which now totals 24 clinics.
- Starseed Medicinal referral program realized a 78% conversion rate in 2021.

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.

Extraction and Processing Centre of Excellence – Guelph Facility

The Company's Guelph Facility is a state-of-the-art micro-propogation facility that specializes in tissue culture, genetics remediation and plant-cell growth in a clean, data-driven environment. Its team of genetic scientists developed a proprietary tissue culture program for the cannabis industry using bio-technology techniques aimed at plant cell growth in a clean, scientific-data driven environment.

Tissue culture propagation is widely recognized as a superior way of growing and preserving agricultural root health and has been primarily used across agricultural channels over the last 60 years. The Guelph team propogates genetics and plants for Entourage's primary cultivation hub in Strathroy, Ontario using precisions-agriculture, a data-driven philosophy based on environmental monitoring, integrated rootzone management, plant response data and KPIs centered around excellent donor stock that minimizes contamination, promotes genetic integrity and the growth of vigorous, prolific plants. The Company recently regenerated some of its prized cultivars and genetics unique to Entourage's brands using this approach and more recently, is marketing the specialty to other licensed producers.

Licences and Agreements

The Company currently holds licenses at three facilities.

Location	Aylmer, ON	Strathroy, ON	Guelph, ON
Facility type	Indoor	Indoor & Outdoor	Indoor
Licence type(s)	Standard Cultivation, Standard Processing, Sale for Medical Purposes	Standard Cultivation, Standard Processing	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	Possession, Cultivation (indoor), 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 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	Cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts;
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	Cultivation, production and processing of dried cannabis; bulk sale and distribution of cannabis; production of cannabis oil and cannabis extracts; Packaging, labeling, sale and distribution of cannabis products for non-medical
Total area size	4 acres	158 acres	0.68 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)	Indoor – 10,000 sq. ft.
Development potential*	100,000 sq. ft.	Indoor – 550,000 sq. ft. Outdoor – 4.5Msq. ft. (102 acres)	N/A

* *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.

Color cannabis	SATURDAY	Small Batch Royal City Cannabis Co.	STARSEED Medicinal
Adult-use	**Adult-use**	**Adult-use**	**Medical Direct-to-Patient** (benefits coverage)

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 twelve months period ended December 31, 2021, unit sales for Color Cannabis® products remained strong within the major markets in which the brand has listings, available in over 1,300 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.

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.

In November 2021, the Royal City Cannabis Co.® brand was added to the Company's portfolio via the acquisition of CannTx. The brand's strategy has been centered around craft cultivation and processing geared at cannabis enthusiast that appreciate unique, small-batch, high THC cultivars. To date, the Royal City brand has been predominately generated from the sale of dried cannabis flower and specialty concentrates such as hashish sold under the craft designation at the Ontario Cannabis Store..

As at December 31, 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, who provide 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, 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 product launch expected by H2-2022. 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

The Company has undertaken extensive operational transformation, which started in Q4 2020, 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 has continued its focus on growing 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 has continued 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.

Overall, given the above transformation initiatives, which started in Q4 2020 and implemented throughout 2021, the Company continues to be 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, Q3 and Q4 2021.

Please refer to Note 29 of the consolidated financial statements regarding the amounts recognized as a government grant related to the subsidy.

COVID-19 related judgments and estimates

Despite the easing of certain COVID-19 related restrictions, there continues to be uncertainty surrounding COVID-19 following the height of the pandemic's impact in 2020. Therefore, 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 consolidated 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 December 31, 2021.

KEY FINANCIAL HIGHLIGHTS

HISTORICAL QUARTERLY RESULTS

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Total Revenue	**13,538,872**	**14,978,879**	**13,811,639**	**12,899,981**
Revenue, Net	10,600,508	10,788,812	10,604,447	10,278,068
Gross profit (loss) before change in fair value	(2,800,619)	(4,155,264)	3,112,579	250,740
Loss and comprehensive loss	(44,509,173)	(17,467,138)	(9,950,886)	(7,007,935)
Basic and diluted (loss) per share from continuing operations	(0.17)	(0.07)	(0.04)	(0.03)
Basic and diluted (loss) attributable to the shareholders	(0.17)	(0.07)	(0.04)	(0.03)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Total Revenue	**6,961,763**	**7,739,923**	**7,181,501**	**13,600,588**
Revenue, Net	5,076,652	6,313,117	5,859,442	12,184,779
Gross profit (loss) before change in fair value	(22,532,631)	69,155	(898,050)	1,370,241
Loss and comprehensive loss	(45,545,046)	(26,165,379)	(8,895,017)	(9,001,692)
Basic and diluted (loss) per share from continuing operations	(0.22)	(0.12)	(0.04)	(0.04)
Basic and diluted (loss) attributable to the shareholders	(0.22)	(0.12)	(0.04)	(0.04)

Key Operating Metrics

For the three months ended	December 31, 2021	December 31, 2020	$ or Weight Difference	% Change
Revenue ($)	**13,538,872**	6,961,763	**6,577,109**	**94%**
Kilograms equivalent sold - cannabis	3,730	2,043	**1,687**	**83%**
Kilograms harvested	3,899	18,736	**(14,837)**	**-79%**
Average yield per plant (grams)	134	254	**(120)**	**-47%**
Weighted average cost per gram from clone to harvest of plants on hand	0.63	0.89	**(0.26)**	**-29%**
Weighted average cost per gram of inventory on hand	0.66	0.46	**0.20**	**43%**

For the year ended	December 31, 2021	December 31, 2020	$ or Weight Difference	% Change
Revenue ($)	**55,229,370**	35,483,775	**19,745,595**	**56%**
Kilograms equivalent sold - cannabis	16,999	10,166	**6,833**	**67%**
Kilograms harvested	15,459	33,751	**(18,292)**	**-54%**
Average yield per plant (grams)	134	145	**(11)**	**-8%**
Weighted average cost per gram from clone to harvest of plants on hand	0.63	0.89	**(0.26)**	**-29%**
Weighted average cost per gram of inventory on hand	0.66	0.46	**0.20**	**43%**

The Company harvested 3,899 kg and 15,459 kg of cannabis in the three and twelve months ended December 31, 2021, compared to 18,736 kg and 33,751 kg respectively, in the same period of 2020, decreasing by 14,837 kg and 18,292 kg respectively. For the three and twelve months ended December 31, 2021 yield per plant averaged 134 g and 134 g per plant respectively compared to 254 g and 145 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 $0.63 in Q4 2021 compared to $0.89 in the comparable 2020 period. Weighted average cost per gram of inventory on hand increased to $0.66 in Q4 2021 compared to $0.46 in the comparable 2020 period mainly due to inventory write-downs recorded in 2020.

Summary of Q4 Results and Results of Operations

	For the three months ended			
	December 31, 2021	December 31, 2020	$ Change	% Change
Total Revenue	$ 13,538,872	$ 6,961,763	$ 6,577,109	94%
Net revenue	10,600,507	5,076,652	$ 5,523,855	109%
Cost of goods sold	(13,401,127)	(27,609,283)	14,208,156	-51%
Gross (loss) profit before changes in fair value	(2,800,620)	(22,532,631)	19,732,011	-88%
Gross (loss) profit before changes in fair value - as % of Net Revenue	-26%	-444%		417%
Realized FV amounts included in inventory sold	(1,485,562)	9,709,401	(11,194,963)	-115%
Unrealized loss (gain) on changes in fair value of biological assets	947,110	(875,923)	1,823,033	-208%
Gross profit (loss)	(2,262,168)	(31,366,109)	29,103,941	-93%
Loss and comprehensive loss	(44,509,174)	(45,545,046)	1,035,872	-2%
Adjusted EBITDA [1]	(55,610)	14,717,330	(14,772,940)	-100%
Cash provided by (used in) operations	(8,745,331)	(7,169,871)	(1,575,460)	22%
Basic loss per share	(0.17)	(0.22)		
Diluted loss per share	$ (0.17)	$ (0.22)		

	For the year ended			
	December 31, 2021	December 31, 2020	$ Change	% Change
Total Revenue	$ 55,229,370	$ 35,483,775	$ 19,745,595	56%
Net revenue	42,271,834	29,433,990	$ 12,837,844	44%
Cost of goods sold	(45,864,399)	(51,425,275)	5,560,876	-11%
Gross (loss) profit before changes in fair value	(3,592,565)	(21,991,285)	18,398,720	-84%
Gross (loss) profit before changes in fair value - as % of Net Revenue	-8%	-75%		66%
Realized FV amounts included in inventory sold	10,621,639	18,863,571	(8,241,932)	-44%
Unrealized loss (gain) on changes in fair value of biological assets	(2,499,282)	(16,649,277)	14,149,995	-85%
Gross profit (loss)	(11,714,922)	(24,205,579)	12,490,657	-52%
Loss and comprehensive loss	(78,935,133)	(89,607,134)	10,672,001	-12%
Adjusted EBITDA [1]	(9,293,515)	7,658,309	(16,951,824)	-221%
Cash provided by (used in) operations	(30,007,076)	(35,538,706)	5,531,630	-16%
Basic loss per share	(0.32)	(0.43)		
Diluted loss per share	$ (0.32)	$ (0.43)		

[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.

$	December 31, 2021	December 31, 2020
Total assets	144,223,828	171,329,357
Total non-current liabilities	6,405,050	75,509,990
Total liabilities	122,797,817	97,239,327
Cash and cash equivalent	21,416,073	22,321,903
Working capital	(54,967,354)	44,574,948

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			
	December 31, 2021	December 31, 2020	$ Change	% Change
Net Revenue*				
Medical	3,362,254	2,181,343	1,180,911	54%
Adult Use	6,342,751	2,661,626	3,681,125	138%
Bulk	895,503	233,683	661,820	283%
Total Net Revenue	10,600,508	5,076,652	5,523,856	109%

* Revenue less Excise taxes

	For the year ended			
	December 31, 2021	**December 31, 2020**	**$ Change**	**% Change**
Net Revenue*				
Medical	14,978,648	12,019,073	2,959,575	25%
Adult Use	25,557,530	11,958,395	13,599,135	114%
Bulk	1,735,656	5,456,522	(3,720,866)	-68%
Total Net Revenue	42,271,834	29,433,990	12,837,844	44%

* 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 $10,600,508 and $42,271,834 for the three and twelve months ended December 31, 2021, representing an increase of 109% and 44% respectively compared to the same period in 2020.

Grams sold by Category and total grams as follows:

	For the three months ended			
Grams sold	**December 31, 2021**	**December 31, 2020**	**Weight Change**	**% Change**
Medical	739,304	185,365	553,939	299%
Adult Use	2,600,281	633,494	1,966,787	310%
Bulk	390,456	1,224,387	(833,931)	-68%
Total grams sold	**3,730,041**	**2,043,246**	**1,686,795**	**83%**

	For the year ended			
Grams sold	**December 31, 2021**	**December 31, 2020**	**Weight Change**	**% Change**
Medical	2,983,756	975,215	2,008,541	206%
Adult Use	10,217,431	2,949,942	7,267,489	246%
Bulk	3,797,646	6,241,177	(2,443,531)	-39%
Total grams sold	**16,998,833**	**10,166,334**	**6,832,499**	**67%**

Total dried cannabis sold for three months ended December 31, 2021 was 3,730,041 g compared to 2,043,246 g for the same period in 2020, representing an increase of 1,686,795 g or 83%. Total dried cannabis sold for the twelve months ended December 31, 2021 was 16,998,833 g compared to 10,166,334 g for the same period in 2020, representing an increase of 6,832,499 g or 67%.

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			
	December 31, 2021	December 31, 2020	$ Change	% Change
Medical	4.55	7.24	(2.69)	-37%
Adult Use	2.44	4.09	(1.66)	-41%
Bulk	2.29	0.18	2.11	1174%
	2.84	**2.03**	**0.81**	**40%**

Average selling price (net of excise taxes) per gram	For the year ended			
	December 31, 2021	December 31, 2020	$ Change	% Change
Medical	5.02	7.38	(2.36)	-32%
Adult Use	2.50	4.10	(1.61)	-39%
Bulk	0.46	0.88	(0.43)	-49%
	2.49	**2.43**	**0.06**	**2%**

For the three months ended December 31, 2021, the average selling price per gram increased by $0.81 or 40%, compared to the same period in 2020. For the three months ended December 31, 2021, average selling price per gram of Medical and Adult Use decreased by -37% and -41% respectively and Bulk increased by 1174%, compared to the same period in 2020. For the twelve months ended December 31, 2021, the average selling price per gram increased by $0.06 or 2%, compared to the same period in 2020. For the twelve months ended December 31, 2021, average selling price per gram of Medical, Adult Use and Bulk decreased by -32%, -39% and -49% 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 loss before changes in fair value for the three months ended December 31, 2021 of $(2,800,620) represented reduction of loss of $19,732,011 or -88% while Gross loss before changes in fair value for the twelve months ended December 31, 2021 of $(3,592,565) represented a reduction of loss of $18,398,720 or -84% partly due to efficiency and partly due to lower inventory write-down in Q4 2021.

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 twelve months ended December 31, 2021, Gross loss decreased by $29,103,941 or -93% and $12,490,657 or -52% 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 twelve months ended December 31, 2021 decreased by $(3,171,531) or -29% and increased by 1,086,348 or 4% respectively, compared to the same period in 2020. Decrease for the three months ended December 31, 2021 is mainly driven by reduction in consulting fees, impairment of receivable, research and development and office and administrative expenses and increase for the twelve months ended December 31, 2021 is mainly driven by selling, marketing and promotion expenses, consulting fees and professional fees.
The Company's selling, general and administrative expenses consist of the following:

	For the three months ended			
	December 31, 2021	December 31, 2020	$ Change	% Change
Salaries and benefits	2,128,994	2,105,309	23,685	1%
Selling, marketing and promotion	2,046,060	856,017	1,190,043	139%
Rent & occupancy	91,015	(36,766)	127,781	-348%
Office & Administrative	1,741,612	2,232,259	(490,647)	-22%
Professional fees	1,447,394	1,821,734	(374,340)	-21%
Consulting fees	258,955	2,196,832	(1,937,877)	-88%
Research and development	122,303	834,422	(712,119)	-85%
Travel & accomodations	-	34,140	(34,140)	-100%
Impairment of receivable	-	963,917	(963,917)	-100%
Total	7,836,333	11,007,864	(3,171,531)	-29%

	For the year ended			
	December 31, 2021	December 31, 2020	$ Change	% Change
Salaries and benefits	11,946,564	12,494,636	(548,072)	-4%
Selling, marketing and promotion	3,458,800	1,773,889	1,684,911	95%
Rent & occupancy	313,810	240,835	72,975	30%
Office & Administrative	5,580,991	6,027,928	(446,937)	-7%
Professional fees	3,696,793	2,900,198	796,595	27%
Consulting fees	3,333,263	2,196,832	1,136,431	52%
Research and development	396,964	834,422	(437,458)	-52%
Travel & accomodations	1,587	209,767	(208,180)	-99%
Impairment of receivable	-	963,917	(963,917)	-100%
Total	28,728,772	27,642,424	1,086,348	4%

Salaries and benefits

Salaries and benefits increased by $23,685 or 1% to $2,128,994, during the three months ended December 31, 2021, respectively, compared to the same period in 2020. Salaries and benefits decreased by $(548,072) or -4% to $11,946,564, during the twelve months ended December 31, 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 increased by $1,190,043 or 139% to $2,0460,60 and $1,684,911 or 95% to $3,458,800, during the three and twelve months ended December 31, 2021, respectively, compared to the same period in 2020. This is mainly due to increase in in-person and in-store marketing initiatives to drive revenue growth.

Rent and occupancy

Rent and occupancy increased by $127,781 or -348% to $91,015 and by $72,975 or 30% to $313,810 during the three and twelve months ended December 31, 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 $(490,647) or -22% to $1,741,612 and $(446,937) or -7% to $5,580,991 during the three and twelve months ended December 31, 2021, respectively, compared to the same period in 2020.

Professional fees

Professional fees decreased by $(374,340) or -21% to $1,447,394 during the three months ended December 31, 2021, compared to the same period of 2020 mainly due to audit, legal and accounting fees. Professional fees increased by $796,595 or 27% to $3,696,793 during the twelve months ended December 31, 2021, compared to the same period of 2020 mainly due to audit, legal and accounting fees.

Consulting fees

Consulting fees decreased by -88% to $258,955 during the three months ended December 31, 2021 compared to the same period in 2020 due to conclusion of consulting engagement related to business transformation earlier in 2021. Consulting fees increased by 52% to $3,333,263 for the twelve months ended December 31, 2021, 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 decreased by -85% to $122,303 and -52% to $396,964 during the three and twelve months ended December 31, 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 $(34,140) or -100% to $Nil and $(208,180) or -99% to $1,587 during the three and twelve months ended December 31, 2021, respectively, compared to the same period of 2020 mainly due to reduced business travelling costs incurred during the COVID-19 pandemic.

Impairment of receivables

Impairment of receivables decreased by $(963,917) or -100% to $Nil and $(963,917) or -100% to $Nil during the three and twelve months ended December 31, 2021, respectively, compared to the same period of 2020 mainly due to impairment of receivables done in Q4 2020.

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 $(732,864) or -103% to $(22,906) and $(1,778,133) or -67% to $859,846 during the three and twelve months ended December 31, 2021, respectively, 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 in 2020, and granting an aggregate of 3,468,265 DSUs and 2,469,500 options to certain officers and directors of the Company during 2020.

Depreciation and Amortization

Total depreciation and amortization expense decreased by $(517,853) or -70% to $222,436 and increased by $583,625 or 27% to $2,736,983 for the three and twelve months ended December 31, 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.

Impairment

At the end of each year, the Company assesses whether there were events or changes in circumstances that would indicate that a CGU or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

Goodwill was initially recognized on acquisition of Starseed Holdings Inc. in December, 2019 and on acquisition of CannTx (Refer Note 4) and is monitored at company-wide CGU level. The Company noted indicators of impairment as at December 31, 2021 and 2020, including market capitalization and ongoing business transformation plans and, as a result, carried out an assessment of the impairment of its goodwill and other assets. In testing for impairment, goodwill and other assets acquired in a business combination were allocated to the cash-generating units to which they related. As a result of impairment testing performed December 31, 2021 and 2020, the Company determined an impairment loss of $31,165,073 (December 31, 2020 - $34,800,000), representing the difference between the recoverable amount and the carrying value of the CGU.

The impairment loss during the years ended December 31, 2021 and 2020 has been allocated as follows:

	For the three months ended		For the year ended	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Impairment of property, plant and equipment	(14,119,007)	-	(14,119,007)	(6,200,000)
Impairment of goodwill	(6,011,097)	-	(6,011,097)	(16,123,601)
Impairment of intangible	(7,381,415)	-	(7,381,415)	(12,376,399)
Impairment of right-of-use assets	(3,653,554)	-	(3,653,554)	(100,000)
Impairment of investment	-	-	-	-
Total Impairment	**(31,165,073)**	-	**(31,165,073)**	**(34,800,000)**

EBITDA and Adjusted EBITDA

	For the three months ended			
	December 31, 2021	December 31, 2020	$ Change	% Change
Loss and comprehensive loss	(44,509,174)	(45,545,046)	1,035,872	-2%
Add (Deduct)				
Depreciation and Amortization*	1,118,023	1,376,097	(258,074)	-19%
Finance costs	3,624,014	2,572,082	1,051,932	41%
Interest income	-	(2,723)	2,723	-100%
EBITDA	**(39,767,137)**	**(41,599,590)**	**1,832,453**	**-4%**
Inventory adjustments	798,276	19,741,465	(18,943,189)	-96%
Impairment of inventory included in cost of goods sold	5,477,552	27,721,116	(22,243,564)	-80%
Inventory provision included in cost of goods sold	3,576,799	-	3,576,799	100%
Severance	44,209	159,436	(115,227)	-72%
Realized fair value amounts included in inventory sold	(1,485,562)	9,709,401	(11,194,963)	-115%
Unrealized gain on changes in fair value of biological assets	947,110	(875,923)	1,823,033	-208%
Impairment of long lived assets	31,165,073	453,951	30,711,122	6765%
Share based compensation	(22,906)	709,958	(732,864)	-103%
Acquisition-related expenses	140,020	-	140,020	100%
Unrealized loss on investments	232,500	977	231,523	23697%
Realized loss on investments	-	(870)	870	0%
Loss on disposal of property, plant and equipment	145,137	-	145,137	100%
Loss on sale of assets held for sale	(332,696)	-	(332,696)	-100%
Gain on modification of loan and borrowings	227,156	-	227,156	100%
Government grants	670,530	(4,215,868)	4,886,398	-116%
Other income, net	(1,871,671)	2,913,277	(4,784,948)	-164%
Adjusted EBITDA [1]	(55,610)	14,717,330	(14,772,940)	-100%

* For three months ended December 31, 2021, includes depreciation of $895,587 (December 31, 2020- $635,808) amount expensed in Cost of goods sold

	For the year ended			
	December 31, 2021	December 31, 2020	$ Change	% Change
Loss and comprehensive loss	(78,935,133)	(89,607,134)	10,672,001	-12%
Add (Deduct)				
Depreciation and Amortization*	6,752,981	7,002,682	(249,701)	-4%
Finance costs	11,024,636	5,909,457	5,115,179	87%
Interest income	-	(65,760)	65,760	-100%
EBITDA	**(61,157,516)**	**(76,760,755)**	**15,603,239**	**-20%**
Inventory adjustments	8,352,811	23,359,741	(15,006,930)	-64%
Impairment of inventory included in cost of goods sold	5,477,552	27,721,116	(22,243,564)	-80%
Inventory provision included in cost of goods sold	3,576,799	-	3,576,799	100%
Severance	1,815,742	1,361,837	453,905	33%
Realized fair value amounts included in inventory sold	10,621,639	18,863,571	(8,241,932)	-44%
Unrealized gain on changes in fair value of biological assets	(2,499,282)	(16,649,277)	14,149,995	-85%
Impairment of long lived assets	31,165,073	35,253,951	(4,088,878)	-12%
Share based compensation	859,846	2,637,979	(1,778,133)	-67%
Acquisition-related expenses	466,897	-	466,897	100%
Unrealized loss on investments	232,500	33,579	198,921	592%
Realized loss on investments	-	32,709	(32,709)	-100%
Loss on disposal of property, plant and equipment	161,559	-	161,559	100%
Loss on sale of assets held for sale	(332,696)	-	(332,696)	-100%
Gain on modification of loan and borrowings	227,156	-	227,156	100%
Government grants	(2,301,857)	(4,215,868)	1,914,011	-45%
Other income, net	(5,959,738)	(3,980,274)	(1,979,464)	50%
Adjusted EBITDA [1]	(9,293,515)	7,658,309	(16,951,824)	-221%

* For twelve months ended December 31, 2021, includes depreciation of $4,015,998 (December 31, 2020- $4,849,324) amount expensed in Cost of goods s

[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 to $7,043,858 or -17% to $(34,555,732) and increased by $20,814,644 or -27% to $(55,946,111) during the three and twelve months ended December 31, 2021, respectively, compared to the same period of 2020 partly due to higher margin revenue and partly due to lower selling, general and administrative expenses.

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 $(14,772,940) or -100% to $(55,610) during the three months ended December 31, 2021 and decreased by $(16,951,824) or -221% to $(9,293,515) during the twelve months ended December 31, 2021, compared to the same period of 2020 partly due to generating higher-margin revenue and spending lower selling, general and administrative expenses.

Liquidity and Capital Resources

	For the three months ended			
	December 31, 2021	December 31, 2020 *	$ Change	% Change
Cash provided by (used in):				
Operating activities	(8,745,331)	(7,169,871)	(1,575,460)	22%
Investing activities	444,571	1,107,587	(663,016)	-60%
Financing activities	14,423,836	(2,640,354)	17,064,190	-646%
(Decrease) increase in cash	6,123,076	(8,702,638)	14,825,714	-170%

* As explained in Reclassification of comparative information - Note 30 in the Consolidated financial statements, certain information has been reclassified.

	For the year ended			
	December 31, 2021	December 31, 2020 *	$ Change	% Change
Cash provided by (used in):				
Operating activities	(30,007,076)	(35,538,706)	5,531,630	-16%
Investing activities	1,841,423	(1,400,912)	3,242,335	-231%
Financing activities	24,063,643	51,261,307	(27,197,664)	-53%
(Decrease) increase in cash	(4,102,010)	14,321,689	(18,423,699)	-129%

* As explained in Reclassification of comparative information - Note 30 in the Consolidated financial statements, certain information has been reclassified.

Cash flow from operating activities

Cash (used in) operating activities was $(8,745,331) and $(30,007,076) during the three and twelve months ended December 31, 2021, respectively, compared to $(7,169,871) and $(35,538,706) during the same periods of 2020, respectively. Lower spending for the twelve months ending December 31, 2021 was a result of organizational optimization as part of the business transformation the Company has been implementing.

Cash flow from investing activities

Cash provided (used in) by investing activities was $444,571 and $1,841,423 during the three and twelve months ended December 31, 2021, respectively, compared to $1,107,587 and $(1,400,912) during the same periods of 2020, respectively.

Cash flow from financing activities

Cash provided by (used in) financing activities was $14,423,836 and $24,063,643 during the three and twelve months ended December 31, 2021, respectively, compared to $(2,640,354) and $51,261,307 during the same periods of 2020, respectively. The cash flow from financing activities was primarily related to the additional loan provided by LiUNA Pension Fund of Central and Eastern Canada ("LPF") in December 2021.

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 December 31, 2021, the Company had cash and cash equivalents of $21,416,073 (December 31, 2020: $22,321,903). Total current assets for the same period were $61,425,413 (December 31, 2020: $66,304,285), including inventory and biological assets of $30,247,728 (December 31, 2020: $32,621,186), with current liabilities of $116,392,767 (December 31, 2020: $21,729,337) resulting in negative working capital of $54,967,354 (working capital of December 31, 2020: $44,574,948).

The Company's current ratio at December 31, 2021 was 0.53 compared to 3.05 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 11-12 of the consolidated financial statements).

Going Concern

As at December 31, 2021, the Company had negative working capital of $54,967,354 (December 31, 2020 – working capital of $44,574,948) and an accumulated deficit of $196,221,574 (December 31, 2020 - $117,286,441). For the twelve months ended December 31, 2021, the Company used cash in operating activities of $30,007,076 (twelve months ended December 31, 2020 - $35,538,706), resulting primarily from the net loss of $78,935,133 (twelve months ended December 31, 2020 - $89,607,134) 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 and extended the maturity date of its secured credity facilities to May 31, 2022. .

In addition the Company has restructured its operations over the twelve-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

	December 31, 2021	December 31, 2020	$ Change	% Change
Dried cannabis	17,736,539	18,758,723	(1,022,184)	-5%
Harvested work in progress	4,121,413	5,345,980	(1,224,567)	-23%
Extracts				
Resin	144,616	98,488	46,128	47%
Crude oil	998,714	693,835	304,879	44%
Finished oil	4,391,981	4,098,705	293,276	7%
Total extracts	27,393,263	28,995,731	(1,602,468)	-5.53%
Non-cannabis inventory	2,247,290	1,669,758	577,532	35%
	29,640,553	**30,665,489**	**(1,024,936)**	**-3%**

Total inventory decreased by $(1,024,936) or -3% from December 31, 2020 to December 31, 2021 mainly driven by dried cannabis and harvested work in progress inventory.

Loans and borrowings

Bank of Montreal ("BMO")

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

Facility 1: $3,000,000 committed Revolving Credit Facility (the "Revolver");
Facility 2: $33,150,000 committed term loan;
Facility 3: $3,000,000 committed term loan.
Facility 4: $500,000 for working capital purposes (not yet withdrawn as of December 31, 2021)

The Credit Facilities mature March 29, 2022 ("Maturity Date").

The guarantors are 2686912 Ontario Limited, 2686913 Ontario Inc, Starseed Holdings Inc, North Star Wellness Inc and 2690870 Ontario Inc. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property (carrying value amounting to $81,700,129 pertaining to property, plant and equipment), leased property, insurance and shareholder loan.

The amount available under Facility 4 shall be added to the Revolving Credit Commitment (Facility 1) for the period commencing on the date that the Sixth Amendment to the Credit Agreement becomes effective until the earlier of (a) the date on which the Additional LiUNA Pension Fund of Central and Eastern Canada ("LPF") Loan becomes available or (b) December 31, 2021. On that date, Facility 4 terminates and the amount available under the Revolving Credit remains at $3,000,000. Any amount outstanding under the Revolving Facility in excess of $3,000,000 must be repaid immediately. Facility 4 was expired on December 31, 2021.

Facility 1 requires interest-only payments with the balance due on the Maturity Date. As at December 31, 2021, $2,930,157 (December 31, 2020: $3,290,620) was outstanding.

Facility 2 requires interest-only payments until December 31, 2020, or such later date agreed upon conversion date, at which point the principal will become payable and will amortize over ten years with the remaining due upon the maturity date. The amortization period is 10 years but the term is for 3 years. As at December 31, 2021, $26,291,544 (December 31, 2020- $32,434,599) was outstanding.

Facility 3 requires interest-only payments until the Conversion Date*, at which point the principal will become payable and will amortize over five years with the remaining due upon the Maturity Date. The amortization period is 10 years but the term is for 3 years. As at December 31, 2021, $2,019,782 (December 31, 2020- $2,800,000) was outstanding.

*Conversion date means March 28, 2022 or such later date as the Lenders and the Borrower may agree provided that, as of the date of any request for extension of the then applicable conversion date, the Required Lenders are satisfied that:

(a) no Default or Event of Default has occurred and is continuing; and
(b) the Credit Parties shall be in compliance with all terms and conditions of the Loan Documents, including all financial covenants that apply after the Conversion Date.

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 was further extended to December 31, 2021, resulting in a deferral of certain covenants by another six months. In addition, the Company has agreed to a 50-basis point increase in the applicable interest rate margin on the Credit Facility (first amendment), which was further increased by 25 basis points on October 18, 2021.

Due to the modification of interest and principal repayment (repayment of principal payment of $3 million from restricted cash), the net present value of changes to the future contractual cash flows adjusts the carrying amount of the original debt with the difference immediately recognized in profit or loss. The adjusted carrying amount is then amortized over the remaining term of the (modified) liability using the original effective interest rate.

On December 23, 2021, the Company announced that it had signed an amendment to its secured credit facility entered into on March 29, 2019 (the "Credit Facility"). 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 December 31, 2021, to March 28, 2022. 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 based on agreement dated October 18, 2021. The Credit Facility provides the Company with non-dilutive financing and greater financial flexibility in alignment with market conditions.

There is no change in the principal repayment other than the restricted cash of $3 million was adjusted against the principal repayment.

Under the Credit Facilities until the Conversion Date the Company must maintain a total funded debt to tangible net worth ratio of not more than 1:1. At or after the Conversion Date the Company must maintain a minimum fixed charge coverage ratio of 1.25:1, a senior funded debt to EBITDA of not more than 3:1, and maintain a total funded debt to EBITDA ratio of not more than 4:1. For the year ended December 31, 2020, the Company was in compliance with the applicable covenants. For the year ended December 31, 2021, the Company was in breach to comply with only one of the covenants specific to total funded debt to tangible net worth ratio of not more than 1:1, however the Company received a written waiver from the lender prior to issuance of the consolidated financial statements. Accordingly, the Credit Facilities have been presented as current liabilities as at December 31, 2021.

On March 30, 2022, the Company secured an extension of the maturity date of the Credit Facility from March 28, 2022 to May 31, 2022, and a deferral of certain of its financial covenants to May 31, 2022, subject to certain conditions (Refer subsequent events Note 31).

The Company is currently in discussion with its lenders to amend the payment terms.

<u>LiUNA Pension Fund of Central and Eastern Canada ("LPF") Loan</u>

On September 23, 2020, the Company had entered into a credit facility with LPF. Under the terms, LPF provided the Company $30 million, maturing in August 2022 and bearing a 15% interest rate per annum and 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.

The guarantors are 2686912 Ontario Limited, 2686913 Ontario Inc, Starseed Holdings Inc, North Star Wellness Inc and 2690870 Ontario Inc. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property (carrying value amounting to $81,700,129 pertaining to property, plant and equipment), leased property, insurance and shareholder loan.

On October 28, 2021, the Company amended its existing credit facility ("Credit Facility") with LPF resulting in an interest rate increase of 25 basis points.

Based on the agreement dated December 23, 2021, the Company received additional disbursement of $20 million proceeds from LPF for use by the Company for general working Capital purposes, maturing in August 2022 and bearing a 15% interest rate per annum and 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. LPF is a shareholder of the Company (2021: 7.5%; 2020: 10.9%). As at December 31, 2021, $55,964,613 (December 31, 2020- $31,125,000) was outstanding.

Under the Credit Facilities until the Conversion Date the Company must maintain a total funded debt to tangible net worth ratio of not more than 1:1. At or after the Conversion Date the Company must maintain a minimum fixed charge coverage ratio of 1.25:1, a senior funded debt to EBITDA of not more than 3:1, and maintain a total funded debt to EBITDA ratio of not more than 4:1. For the year ended December 31, 2020, the Company was in compliance with the applicable covenants. For the year ended December 31, 2021, the Company was in breach to comply with only one of the covenants specific to total funded debt to tangible net worth ratio of not more than 1:1, however the Company received a written waiver from the lender prior to issuance of the consolidated financial statements. Accordingly, the Credit Facilities have been presented as current liabilities as at December 31, 2021.

<u>1217174 Ontario LTD</u>

As a part of the acquisition (refer note 4), the Company entered into a Loan agreement with 1217174 Ontario LTD for an aggregate principal balance of $5,000,000. The maturity date of the loan is 5 years from the date of acquisition. The interest rate of the loan is 6.21% payable on a monthly basis. There is a General Security agreement in place.

Concurrent with the loan, 1217174 Ontario LTD was granted 3,116,667 warrants with an exercise price of $0.354 per share purchase warrant. The expiry date of the warrants is December 15, 2024. The fair value estimate has been determined from the perspective of a market participant that holds similar loans without the share purchase warrants attached. The fair value of $3,653,050 on draw down date was estimated using a present value technique, by discounting the contractual cash flows using a market interest rate of companies with similar credit risk.

The discount rate applied in determining the discounted cash flows of the loan was 16.6%.

During the year ended, the Company incurred $51,750 in interest and $21,565 in accretion expense relating to these loans.

Restricted Cash

As at December 31, 2021, restricted cash amounted to $100,000 pertains to Credit card security (As at December 31, 2020 - $3,296,180 pertains to Credit card security and the debt service reserve). During the year ended December 31, 2021, the amendment in the agreement with the financial institution deleted the requirement for maintaining the debt service reserve ratio and the Company used $3,012,650 of restricted cash to repay the principal amount of the financial institution loan.

Off-balance sheet arrangements

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

Contractual obligations

Refer to Liquidity risk note (d) under Financial instruments and other instruments.

Transactions with related parties

The Company's key management includes the Chief Executive Officer, Chief Financial Officer, Chief People Officer, Chief Commercial Officer, Senior Vice President of Operations and all directors. Transactions with related parties include salaries, share based compensation and service fees.

The balances outstanding are as follows:

	December 31, 2020	December 31, 2020
Accounts payable and accrued liabilities	$ 115,543	$ 146,900

For the three and twelve months ended December 31, 2021 and 2020, total remuneration/service fees/ share based compensation expensed pertaining to the key management is as follows:

	For the three months ended		For the year ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Share based Compensation	$ 665,188	$ 106,132	$ 1,113,012	$ 835,899
Salaries	707,069	332,674	1,676,261	1,157,640
Bonuses	30,000	-	187,394	110,000
Other Compensation	-	906,891	859,310	906,891
Fees	-	425,000	-	425,000
	$ 1,402,257	**$ 1,770,697**	**$ 3,835,977**	**$ 3,435,430**

During the three and twelve months ended December 31, 2021, there are 2,226,473 and 3,519,055 DSU's, respectively (three and twelve months ended December 31, 2020: 265,491 and 3,468,265) received by the directors and officers of the Company.

Deferred share units

On July 20, 2020, The Company determined and authorized the grant of an aggregate of 2,688,314 deferred share units ("DSUs") to certain directors and officers of the Company based on the fair value of the services provided. 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 determined and 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 determined and 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 determined and 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 determined and 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 determined and 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 third 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 $139,843.

On December 31, 2021, the Company determined and authorized the grant of an aggregate of 2,226,473 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 fourth 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 $222,509.

On September 30, 2021, the Company granted 125,000 options to an employee of the Company which were valued based on the value of the instruments as the value of the services was not reliably determinable. Each option is exercisable into one common share at an exercise price of $0.40, until September 30, 2026. These options vest quarterly over 12 months. The fair value of the Options has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90.8%; (iii) risk-free interest rate of 0.48%; (iv) share price of $0.19; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is $21,038. Total share-based compensation for the year ended December 31, 2021 is $452,773.

Stock options expired during the year ended December 31, 2021 represents options expired due to employee turnover.

Total share-based compensation for the three and twelve months ended December 31, 2021 is $29,794 and $912,546 repectively, which includes DSU share based compensation of $227,386 and $642,020 repectively. During the twelve months ended December 31, 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 May 9, 2022, the following were outstanding:

Outstanding Shares	**As at May 9, 2022**
Common shares	303,976,702
Warrants	36,047,165
Stock and broker compensation options	11,780,278
	351,804,145

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 consolidated 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 consolidated 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 26" of the Consolidated Financial Statements.

a. Fair value

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.

The carrying values of cash (Level 1), trade and other receivables (Level 2), accounts payable (Level 2) and accrued liabilities (Level 2), short term loan and borrowings (Level 2) approximate their fair values because of the short-term nature of these financial instruments. Long term loan and borrowings and unsecured convertible debentures are recorded at amortized cost.

b. 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 $7,677,210 (December 31, 2020: $2,252,820).

As at December 31, 2021, 54% (December 31, 2020: 61%) of the Company's trade and other receivables balance, is owing from 1 customer (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 are from government bodies and participants in the cannabis industry and are received within a short period of time. As at December 31, 2021 the Company has $Nil of impaired receivables and promissory notes receivable (Promissory note receivable: December 31, 2020: $963,917). Management expects credit risk to be minimal.

c. 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 financial statements were issued. The Company does not utilize financial instruments to manage its foreign exchange risk.

d. 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 $116,392,767 (December 31, 2020: $21,729,337) with cash on hand of $21,416,073 (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, minimizing expenses by increasing efficiency and productivity, 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:

		2022		2023		2024		2025		2026 and later
Lease liabilities	$	1,272,470	$	445,371	$	329,827	$	326,686	$	1,257,617
Loans and borrowings		91,161,350		569,250		310,500		310,500		5,310,500
Unsecured convertible debentures		14,083,450		97,798		570,640		-		-
Other commitments		10,547		9,833		6,051		550		-
Accounts payables and accrued liabilities		17,437,329		-		-		-		-
Total	**$**	**123,965,146**	**$**	**1,122,252**	**$**	**1,217,018**	**$**	**637,736**	**$**	**6,568,117**

e. 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 May 9, 2022, the date the audited consolidated financial statements were issued and determined the following events:

a. On March 30, 2022 the Company confirmed it has signed an additional amendment (the "Amendment") to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility"). The Amendment modifies 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 an extension of the maturity date of the Credit Facility from March 28, 2022 to May 31, 2022, and a deferral of certain of its financial covenants to May 31, 2022, subject to certain conditions.

b. On April 6, 2022 the Company implemented its transformational initiative to transition all cultivation activities pertaining to the commercial sale of products to the Strathroy facility. Moving forward, the Guelph site will be fully utilized as a tissue culture centre of excellence that specializes in highly regarded genetics and cultivars. The invaluable expertise of the Guelph tissue culture, genetics and propagations team has helped the Company enhance its Strathroy cultivation platform for Color Cannabis, Saturday Cannabis and Starseed Medicinal. Production of premium flower for small-batch Royal City Cannabis Co. line will be done in Strathroy.

c. On April 29, 2022, the Company announced that it has amended and upsized its existing credit facility (the "Credit Facility") with an affiliate of the LiUNA Pension Fund of Central and Eastern Canada ("LPF"), adding an additional $15 million in funding availability. The Credit Facility will be used by Entourage for general working capital purposes as the Company continue to execute a balanced approach to achieving sustainable growth by the end of 2022.