Entourage Health Corp.

Management's Discussion & Analysis

For the three months ended March 31, 2022

May 30, 2022

INTRODUCTION

The following 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 months ended March 31, 2022 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes thereto as at and for the three months ended March 31, 2022, which have been prepared in accordance with International Accounting Standards 34 - Interim Financial Reporting ("IAS 34") of the International Financial Reporting Standards ("IFRS"), as well as the Company's audited consolidated financial statements and related unaudited MD&A for the year ended December 31, 2021.

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 30, 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., (TSXV: ENTG-X, OTCQX: ETRGF, FSE: 4WE) is the publicly traded parent company of Entourage Brands Corp. and CannTx Life Sciences Inc. ("CannTx"), license 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 licenses 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-propagation 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 rising consumer demand for recreational products to be strong opportunity for driving sustainable sales 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. 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.

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

The Company believes the medical cannabis market also represents another strong growth opportunity as well as product sales at relatively 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. Star seed'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, established 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 March 31, 2022

Leadership Appointments and Corporate News

- Executive appointments included naming Executive Chairman, George Scorsis, as permanent Chief Executive Officer in January 2022 ; and the appointment of Vaani Maharaj as Chief Financial Officer effective May 4, 2022.

Financing and Credit Facilities

- 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, Entourage and LiUNA Pension Fund announced the further upsizing of its existing credit facility with an additional $15 million in funding availability. The non-dilutive funding to be used for general working purposes to drive further commercial growth.
- Also in May, the Company entered into voting support agreements with certain holders of its 8.5% unsecured convertible debentures, and it announced proposed amendments to the same, to be voted on at a meeting of debenture holders scheduled for June 20, 2022.

Sales, Marketing and Business Development Highlights

Adult-Use Highlights

- The Company announced that pre-roll products in cultivars Mango Haze and Pedro Sweet Sativa continue to be top-sellers in BC with 10-pack pre-roll products - leading to new cultivars Black Sugar Rose and Blueberry Seagal being introduced as 10-pack pre-roll products in 2022.
- Also in early 2022, Entourage 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.
- In May 2022, Entourage announced it entered into an agreement with Pineapple Express – a wholly owned subsidiary of Fire & Flower – to launch same-day/next-day medical cannabis delivery services to the Company's Starseed Medicinal patients.
- Later in May, Entourage announced the Canadian debut of The Boston Beer Company's (BBC) new cannabis-infused iced tea beverages 'TeaPot'. Entourage will be the exclusive distributor of TeaPot to local retailers in Canada. Launching in select provinces as of July 2022, TeaPot is the first non-alcoholic, infused beverage crafted in partnership with Boston Beer's cannabis subsidiary BBCCC Inc., and Peak Processing, its bottling partner.

Extraction and Processing Centre of Excellence – Aylmer Facility

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

The Company is currently equipped with two supercritical CO_2 extractors capable of extracting up to 50,000kg ("kg") of high-cannabinoid biomass annually. In addition to providing an opportunity to create value accretive partnerships, a major portion of the biomass the Aylmer Facility produces is used for extraction at The Company's own processing facility as the Company increasingly commercializes new, innovative adult-use and medical-grade products to satisfy customer demand.

Leading Cultivation Centre of Excellence – Strathroy Facility

The Strathroy Facility is the Company's main cannabis cultivation hub situated on a 158-acre property in Strathroy, Ontario.

Its fully automated, temperature-controlled state-of-the-art modern hybrid greenhouse currently operates 265,000 sq. ft. of licensed cultivation and processing space with the opportunity to expand production by an additional 280,000 sq. ft.

The cultivation hub produces cost-effective and tailored-grown input biomass for all the Company's dried whole flower and pre-roll products, as well as extraction-grade input biomass for its cannabis 2.0 products. It also houses 27 acres of licensed outdoor cultivation space on the property, which can be expanded to 100 acres, however the Company is currently not utilizing the outdoor space to grow.

Tissue Culture and Genetics Centre of Excellence – Guelph Facility

The Company's Guelph Facility is a state-of-the-art micro-propagation 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 propagates 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.

Licenses and Agreements

The Company currently holds licenses at three facilities.

Location	Aylmer, ON	Strathroy, ON	Guelph, ON
Facility type	Indoor	Indoor & Outdoor	Indoor
License 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.

Adult-use	**Adult-use**	**Adult-use**	**Medical Direct-to-Patient** (benefits coverage)

Adult-use

The Company launched Color Cannabis® in 2019 as a premium brand designed 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 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.® craft 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 of March 31, 2022, the Company held adult-use distribution agreements in the following provinces:

Ontario Cannabis Retail Corporation:
Purchase agreement with the province of Ontario to supply cannabis for the adult-use market.
Alberta Gaming and Liquor-Commission:
Supply agreement with the province of Alberta to supply adult-use cannabis product.
BC Liquor Distribution Branch:
Supply agreement with the province of British Columbia to supply adult-use cannabis product.
Nova Scotia Liquor Corporation:
Purchase agreement with the province of Nova Scotia to supply cannabis for the adult-use market.
Manitoba Liquor & Lotteries Corporation:
Distribution agreement with the province of Manitoba to supply cannabis for the adult-use market.
Saskatchewan Liquor & Gaming Authority:
Authorization to supply cannabis directly to private retail and wholesale markets in the province of Saskatchewan.
Province of Quebec:
Partnership agreement with Rose Life Science Inc.
Cannabis New Brunswick:
Company received first purchase order from Cannabis NB, 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 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 license holder, Entourage Brands Corp., entered into an agreement with BBCCC, Inc., a subsidiary of The Boston Beer Company ("BBC") and Peak Processing Solutions ("Peak") to launch a new portfolio of non-alcoholic 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 exclusive 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 improving operational efficiencies to set the Company on the path to long-term profitability. The guiding principles of this transformation include realigning the business with current market conditions, 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 progress to date on the noted transformation initiatives, 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 has been no material impact to the Company's operations, COVID-19 has resulted in changes to the way the Company operates and it has taken steps to minimize any potential operational limitations. 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.

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. 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 impairment and going-concern assessments at March 31, 2022.

KEY FINANCIAL HIGHLIGHTS

HISTORICAL QUARTERLY RESULTS

	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Total Revenue	**15,770,569**	**13,538,872**	**14,978,879**	**13,811,639**
Revenue, Net	12,423,970	10,600,508	10,788,812	10,604,447
Gross profit (loss) before change in fair value	2,737,184	(2,800,619)	(4,155,264)	3,112,579
Loss and comprehensive loss	(8,763,599)	(44,509,173)	(17,467,138)	(9,950,886)
Basic and diluted (loss) per share from continuing operations	(0.03)	(0.17)	(0.07)	(0.04)
Basic and diluted (loss) attributable to the shareholders	(0.03)	(0.17)	(0.07)	(0.04)

	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Total Revenue	**12,899,981**	**6,961,763**	**7,739,923**	**7,181,501**
Revenue, Net	10,278,068	5,076,652	6,313,117	5,859,442
Gross profit (loss) before change in fair value	250,740	(22,532,631)	69,155	(898,050)
Loss and comprehensive loss	(7,007,935)	(45,545,046)	(26,165,379)	(8,895,017)
Basic and diluted (loss) per share from continuing operations	(0.03)	(0.22)	(0.12)	(0.04)
Basic and diluted (loss) attributable to the shareholders	(0.03)	(0.22)	(0.12)	(0.04)

Key Operating Metrics

For the three months ended	March 31, 2022	March 31, 2021	$ or Weight Difference	% Change
Revenue ($)	**15,770,569**	12,899,981	**2,870,588**	**22%**
Kilograms equivalent sold - cannabis	4,945	3,878	**1,067**	**28%**
Kilograms harvested	2,260	3,197	**(937)**	**-29%**
Average yield per plant (grams)	98	104	**(6)**	**-6%**
Weighted average cost per gram from clone to harvest of plants on hand	0.52	0.36	**0.16**	**44%**
Weighted average cost per gram of inventory on hand	0.51	0.51	**0.00**	**1%**

The Company harvested 2,260 kg of cannabis in the three months ended March 31, 2022, compared to 3,197 kg and in the same period of 2021, decreasing by 937 kg. For the three months ended March 31, 2022 yield per plant averaged 98 g per plant compared to 104 g per plant for the same period in 2021, with a weighted average cost per gram from clone to harvest of plants on hand of $0.52 in Q1 2022 compared to $0.36 in the comparable 2021 period. Weighted average cost per gram of inventory on hand remained same at $0.51 in Q1 2022 consistent with $0.51 in the comparable 2021 period.

Summary of Q1 Results and Results of Operations

		For the three months ended				
		March 31, 2022		**March 31, 2021**		$ Change	% Change
Total Revenue	$	15,770,569	$	12,899,981	$	2,870,588	22%
Net revenue		12,423,970		10,278,068	$	2,145,902	21%
Cost of goods sold		(9,686,786)		(10,027,328)		340,542	-3%
Gross (loss) profit before changes in fair value		2,737,184		250,740		2,486,444	992%
Gross (loss) profit before changes in fair value - as % of Net Revenue		22%		2%			20%
Realized FV amounts included in inventory sold		1,326,699		4,408,644		(3,081,945)	-70%
Unrealized loss (gain) on changes in fair value of biological assets		(528,291)		(4,081,729)		3,553,438	-87%
Gross profit (loss)		1,938,776		(76,175)		2,014,951	-2645%
Loss and comprehensive loss		(8,763,599)		(7,007,935)		(1,755,664)	25%
Adjusted EBITDA [1]		563,446		(432,109)		995,555	-230%
Cash provided by (used in) operations		(7,383,412)		(14,780,497)		7,397,085	-50%
Basic loss per share		(0.03)		(0.03)			
Diluted loss per share	$	(0.03)	$	(0.03)			

[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.

$	March 31, 2022	December 31, 2021
Total assets	132,608,529	144,223,828
Total non-current liabilities	6,394,961	6,405,050
Total liabilities	119,736,546	122,797,817
Cash and cash equivalent	9,783,979	21,416,073
Working capital	(62,572,877)	(54,967,354)

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			
	March 31, 2022	March 31, 2021	$ Change	% Change
Net Revenue*				
Medical	6,223,424	5,184,990	1,038,434	20%
Adult Use	5,982,484	4,806,483	1,176,001	24%
Bulk	218,062	286,595	(68,533)	-24%
Total Net Revenue	12,423,970	10,278,068	2,145,902	21%

* 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 $12,423,970 for the three months ended March 31, 2022, representing an increase of 21% compared to the same period in 2021. The increase is due to growth in adult use and medical revenue streams, mainly driven by Preroll and Vapes categories.

Grams sold by Category and total grams as follows:

	For the three months ended			
Grams sold	**March 31, 2022**	**March 31, 2021**	**Weight Change**	**% Change**
Medical	1,524,006	944,593	579,413	61%
Adult Use	2,262,050	1,325,972	936,078	71%
Bulk	1,158,710	1,607,440	(448,730)	-28%
Total grams sold	**4,944,766**	**3,878,005**	**1,066,761**	**28%**

Total dried cannabis sold for three months ended March 31, 2022 was 4,944,766 g compared to 3,878,005 g for the same period in 2021, representing an increase of 1,066,761 g or 28%.

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			
	March 31, 2022	March 31, 2021	$ Change	% Change
Medical	4.08	5.49	(1.41)	-26%
Adult Use	2.64	3.62	(0.99)	-27%
Bulk	0.19	0.18	0.01	6%
	2.51	**2.65**	**(0.14)**	**-5%**

For the three months ended March 31, 2022, the total average selling price per gram decreased by $(0.14) or -5%, compared to the same period in 2021. For the three months ended March 31, 2022, average selling price per gram of Medical and Adult Use products decreased by -26% and -27% respectively and while Bulk increased by 6%, compared to the same period in 2021. The reduction in selling price per gram for Medical and Adult use is due to general price compression in the Cannabis industry.

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 March 31, 2022 is $2,737,184 representing an increase in profit of $2,486,444 due to prior year inventory impairment.

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 months ended March 31, 2022, Gross profit increased by $2,014,951 compared to the same period in 2021 due to fair value changes for the biological assets in production.

Selling, general and administrative expenses

Selling, general and administrative expenses for three months ended March 31, 2022 increased by $649,033 compared to the same period in 2021. The increase versus 2021 is mainly driven by increased investment in salaries and benefits and sales and marketing and the remaining was driven by reduction in consulting fees, research and development and professional fees.

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

	For the three months ended			
	March 31, 2022	**March 31, 2021**	**$ Change**	**% Change**
Salaries and benefits	3,628,260	2,821,562	806,698	29%
Selling, marketing and promotion	1,034,194	447,766	586,428	131%
Office & Administrative	723,162	703,625	19,537	3%
Professional fees	972,716	1,271,696	(298,980)	-24%
Consulting fees	263,118	633,024	(369,906)	-58%
Research and development	48,248	141,788	(93,540)	-66%
Travel & accomodations	-	1,204	(1,204)	-100%
Total	6,669,698	6,020,665	649,033	11%

Salaries and benefits

Salaries and benefits increased by $806,698 or 29% to $3,628,620, during the three months ended March 31, 2022, compared to the same period in 2021. This increase is mainly due to one-time severance costs associated with the consolidation activities following the acquisition of Cann Tx.

Selling, marketing, and promotion

Selling, marketing, and promotion increased by $586,428 or 131% to $1,034,194 during the three months ended March 31, 2022 compared to the same period in 2021. This is mainly due to increase in-store marketing initiatives to drive revenue growth.

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 were $723,162 during the three months ended March 31, 2022 which is relatively flat compared to same period in 2021.

Professional fees

Professional fees decreased by $(298,980) or -24% to $972,716 during the three months ended March 31, 2022, compared to the same period of 2021 mainly due to a decrease in legal fees.

Consulting fees

Consulting fees decreased by $(369,906) or -58% to $263,118 during the three months ended March 31, 2022 compared to the same period in 2021 due to conclusion of consulting engagement related to business transformation earlier in 2021.

Research and Development

Research and Development decreased by $(93,540) or -66% to $48,248 during the three months ended March 31, 2022.

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 $(189,633) or -48% to $209,571 during the three months ended March 31, 2022 compared to the same period in 2021, mainly as a result of reduction of the number of options granted to Management, employees, directors and consultants of the Company in the first quarter of 2022.

Depreciation and Amortization

Total depreciation and amortization expense decreased by $(1,860,374) or -55% to $1,522,135 for the three months ended March 31, 2022 compared to the same periods in 2021. The decrease in depreciation and amortization is mainly due to impairment recorded on December 31, 2021 for property, plant and equipment's, right of use assets and intangibles. Therefore, no depreciation was recorded in the quarter on right of use of assets and intangibles.

EBITDA and Adjusted EBITDA

	For the three months ended			
	March 31, 2022	**March 31, 2021**	**$ Change**	**% Change**
Loss and comprehensive loss	(8,763,599)	(7,007,935)	(1,755,664)	25%
Add (Deduct)				
Depreciation and Amortization*	1,522,135	3,382,509	(1,860,374)	-55%
Finance costs	3,815,705	2,480,958	1,334,747	54%
EBITDA	**(3,425,759)**	**(1,144,468)**	**(2,281,291)**	**199%**
Inventory adjustments	592,468	2,207,345	(1,614,877)	-73%
One-time cost of sales expenses	1,779,604	-	1,779,604	100%
Severance	609,154	1,022,167	(413,013)	-40%
Realized fair value amounts included in inventory sold	1,326,699	4,408,644	(3,081,945)	-70%
Unrealized gain on changes in fair value of biological assets	(528,291)	(4,081,729)	3,553,438	-87%
Share based compensation	209,571	399,204	(189,633)	-48%
Government grants	-	(45,014)	45,014	-100%
Other income, net	-	(3,198,258)	3,198,258	-100%
Adjusted EBITDA [1]	563,446	(432,109)	995,555	-230%

* For three months ended March 31, 2022, includes depreciation of $1,514,733 (March 31, 2021- $2,108,304) amount expensed in Cost of goods sold

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

EBITDA

Earnings before interest, tax, depreciation and amortization ("EBITDA") increased by $(2,281,291) or 199% to $(3,425,759) during the three months ended March 31, 2022 compared to the same period of 2021 partly due to increase in finance costs.

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 increased by the $995,555 or 230% to $563,4446 during the three months ended March 31, 2022 compared to the same period of 2021 mainly due to reduction in expenses due to operational efficiencies.

Liquidity and Capital Resources

	For the three months ended			
	March 31, 2022	March 31, 2021	$ Change	% Change
Cash provided by (used in):				
Operating activities	(7,383,413)	(14,780,497)	7,397,084	-50%
Investing activities	(1,243,840)	(26,963)	(1,216,877)	4513%
Financing activities	(3,004,841)	12,999,458	(16,004,299)	-123%
Decrease in cash	(11,632,094)	(1,808,002)	(9,824,092)	543%

Cash flow from operating activities

Cash used in operating activities was $7,383,412 during the three months ended March 31, 2022 compared to $14,780,497 during the same periods of 2021. Lower spending for the three months ending March 31, 2022 was a result of the benefits from the ongoing business transformation which has helped optimize processes and eliminate inefficiencies.

Cash flow from investing activities

Cash used in by investing activities was $1,243,841 during the three months ended March 31, 2022, compared to $26,963 during the same periods of 2021, mainly due to fixed asset purchases.

Cash flow from financing activities

Cash provided by (used in) financing activities was $(3,004,841) during the three months ended March 31, 2022, compared to $12,999,458 during the same periods of 2021. The decrease of $16 million is mainly due to share proceeds issuance for the three months ended March 31, 2021, whereas there was no such financing activity in the quarter ended March 31, 2022.

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 March 31, 2022, the Company had cash and cash equivalents of $9,883,979 (December 31, 2021: $21,516,073). Total current assets for the same period were $50,768,708 (December 31, 2021: $61,425,413), including inventory and biological assets of $30,163,446 (December 31, 2021: $30,247,728), with current liabilities of $113,341,585 (December 31, 2021: $116,392,767) resulting in negative working capital of $62,572,877 (working capital of December 31, 2021: $54,967,354).

The Company's current ratio at March 31, 2022 was 0.45 compared to 0.53 at December 31, 2021 driven by classification of loans pertaining to Facility 1, 2 and 3 which will mature on May 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 6 and 7 of the consolidated financial statements).

Going Concern

As at March 31, 2022, the Company had negative working capital of $62,572,877 (December 31, 2021 – working capital of $54,967,354) and an accumulated deficit of $204,985,173 (December 31, 2021 - $196,221,574). For the three months ended March 31, 2022, the Company used cash in operating activities of $7,383,412 (three months ended March 31, 2021 - $14,780,497), resulting primarily from the net loss of $8,763,599 (three months ended March 31, 2021 - $7,007,935) offset by items not affecting cash such as depreciation, amortization and stock-based compensation.

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 uncertainty that may raise significant doubt upon the Company's ability to continue as a going concern.

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

In addition, the Company has restructured its operations over the twelve-month period to meet its working capital requirements by:1

- 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

	March 31, 2022	December 31, 2021	$ Change	% Change
Dried cannabis	17,019,262	17,736,539	(717,277)	-4%
Harvested work in progress	4,828,904	4,121,413	707,491	17%
Extracts				
Resin	151,385	144,616	6,769	5%
Crude oil	1,091,074	998,714	92,360	9%
Finished oil	4,087,861	4,391,981	(304,120)	-7%
Total extracts	27,178,486	27,393,263	(214,777)	-1%
Non-cannabis inventory	2,192,919	2,247,290	(54,371)	-2%
	29,371,405	**29,640,553**	**(269,148)**	**-1%**

Total inventory decreased by $(269,148) or -1% from December 31, 2021 to March 31, 2022 mainly driven by dried cannabis and finished oil inventory.

Loans and borrowings

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 three months ended March 31, 2022 and 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 condensed interim consolidated financial statements. Accordingly, the Credit Facilities have been presented as current liabilities as at March 31, 2022 and December 31, 2021.

*Conversion date means May 31, 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.

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.

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

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:

		March 31, 2022	December 31, 2021
Accounts payable and accrued liabilities	$	-	115,543

For the three months ended March 31, 2022 and 2021, total remuneration/service fees/ share-based compensation expensed pertaining to the key management is as follows:

For the three months ended March 31,		2022	2021
Share based Compensation	$	334,571	147,737
Salaries		320,008	457,616
Bonus			137,500
Severance payments			518,397
	$	654,579	1,261,250

Deferred share units

On March 31, 2022, the Company determined and authorized the grant of an aggregate of 1,911,290 deferred share units ("DSUs") to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first quarter of 2022. 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 $204,155.

Total share-based compensation for the three months ended March 31, 2022 is $5,416 (March 31, 2021 is $399,204).

Disclosure of outstanding share data

As at May 30, 2022, the following were outstanding:

Outstanding Shares	As at May 30, 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 20" 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 $7,281,330 (December 31, 2021: $7,677,210).

As at March 31, 2022, 78% (December 31, 2021: 54%) of the Company's trade and other receivables balance, is owing from 4 customer (December 31, 2021: 1 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. 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 $113,341,585 (December 31, 2021: $116,392,767) with cash on hand of $9,783,979 (December 31, 2021: $21,416,073). 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:

	2022-23 (Year 1)	2023-24 (Year 2)	2024-25 (Year 3)	2025-26 (Year 4)	2026 and later
Lease liabilities	$ 1,028,927	$ 416,047	$ 321,801	$ 328,318	$ 1,175,053
Loans and borrowings	90,210,225	491,625	310,500	310,500	5,207,000
Unsecured convertible debentures	13,658,796	1,104,225	-	-	-
Other commitments	9,833	9,833	4,143	-	-
Accounts payables and accrued liabilities	13,597,038	-	-	-	-
Total	**$ 118,504,819**	**$ 2,021,730**	**$ 636,444**	**$ 638,818**	**$ 6,382,053**

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 30, 2022, the date the unaudited condensed interim consolidated financial statements were issued and determined the following events:

a. 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.

b. 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.

c. On May 13, 2022, the Company announced that it has entered into voting support agreements with certain holders of the Company's 8.5% unsecured convertible debentures due September 25, 2022 (the "Debentures"), including Hygrovest Limited, the largest holder of Debentures (collectively, the "Supporting Debenture holders"), to vote in favour of certain proposed amendments to the trust indenture dated as of September 25, 2019 between TSX Trust Company and the Company (the "Indenture") governing the Debentures (the "Proposed Amendments"). Upon approval of the Proposed Amendments (Meeting of the holders is scheduled on June 20, 2022), the Indenture would be amended to, among other things,

    (i) accelerate the maturity date of the Debentures to June 30, 2022 (the "New Maturity Date"); and
    (ii) amend the cash amount payable in respect of the Debentures on the New Maturity Date to be 60% of the principal amount of the Debentures, together with any accrued and unpaid interest thereon up to the New Maturity Date, less any tax required by law to be deducted.