(TSX: LABS)

MEDIPHARM LABS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2020

August 13, 2020

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and performance of MediPharm Labs Corp. (formerly POCML 4 Inc.) (the "**Company**") for the three and six months ended June 30, 2020 was prepared by management as of August 13, 2020. Throughout this MD&A, unless the context indicates or requires otherwise, the terms "the Company", "we", "us" and "our" mean MediPharm Labs Corp. and its subsidiaries. This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 (the "**Financial Statements**"), including the accompanying notes.

This MD&A has been prepared with reference to the MD&A disclosure requirements established under National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") of the Canadian Securities Administrators. Additional information regarding the Company, including the Financial Statements and our most recent annual information form dated March 30, 2020 (the "**Annual Information Form**"), is available on the Company's website at www.medipharmlabs.com or the SEDAR website at www.sedar.com.

This MD&A contains commentary from the Company's management regarding the Company's strategy, operating results, financial position and outlook. Our management is responsible for the accuracy, integrity and objectivity of the disclosure contained in this MD&A and develops, maintains and supports the necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

Our board of directors (the "**Board of Directors**") and audit committee (the "**Audit Committee**") provide an oversight role with respect to all Company public financial disclosures. The Board of Directors approved the Financial Statements and MD&A after the completion of its review and recommendation for approval from the Audit Committee, which meets periodically to review all financial reports, prior to filing.

The Financial Statements and accompanying notes were prepared in accordance with International Accounting Standards IAS 34 following the same accounting policies and methods of application as those disclosed in the Company's most recent annual consolidated financial statements with the exception of new accounting policies that were subsequently adopted. The Financial Statements do not include all the notes of the type normally included in an annual financial statement. Accordingly, these Financial Statements are to be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All intercompany balances and transactions have been eliminated on consolidation. All dollar amounts are expressed in thousands of Canadian dollars unless otherwise noted.

The Company also uses certain non-IFRS financial measures to evaluate its performance. These non-IFRS measures include Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA). Non-IFRS measures used in this MD&A are reconciled to, or calculated from, IFRS financial information as discussed further in "Reconciliation of non-IFRS Measures".

In addition to historical information, the discussion in this MD&A contains forward-looking statements. The discussion is qualified in its entirety by the "Cautionary Note Regarding Forward-Looking Statements" that follows.

The Company does not, directly or indirectly, have any business operations in jurisdictions where cannabis is not federally legal, such as the United States.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and forward-looking statements within the meaning of Canadian securities legislation ("forward-looking statements") including but not limited to:

- assumptions and expectations described in the Company's critical accounting policies and estimates;
- the Company's expectations regarding legislation, regulations and licensing related to the import, export, processing and sale of cannabis products by the Company, along with the market demand and pricing for such products;
- the ability to enter and participate in international market opportunities;
- product diversification and future corporate development;
- anticipated results of research and development;
- production capacity expectations including discussions of plans or potential for expansion of capacity at existing or new facilities;
- expectations with respect to future expenditures and capital activities;
- statements about expected use of proceeds from fund raising activities, including the Bought Deal Financing (as defined below); and
- the Company's expectations regarding the adoption and impact of certain accounting pronouncements.

These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume, any obligation to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "considers", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved", or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "will", "intends", and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Risks related to forward-looking statements include, among other things, those outlined in "Risk Factors" and any other factors and uncertainties disclosed from time-to-time in the Company's filings with the Canadian Securities Administrators. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

EXECUTIVE SUMMARY

Operational Highlights

The following is a summary of the operational highlights for the six month period ended June 30, 2020 and period subsequent to the date of this MD&A.

Strong Balance Sheet: We successfully closed a private placement (the "**2020 Private Placement**") for aggregate gross proceeds of approximately $37.8 million June 8, 2020, with 50% of such amounts closing into escrow. Subsequent to receiving the required shareholder approval for the 2020 Private Placement on August 5, 2020, the net proceeds for the second half of the 2020 Private Placement were released from escrow to us, further strengthening our liquidity.

Increasing Diversification of Product Mix: During the quarter, we continued to increase the breadth of our product categories and depth of SKUS for each such category. Revenues related to the shipments of finished formulated products grew to comprise 16% in the second quarter, up from 13% in the first quarter revenue, and nil in the fourth quarter of 2019. The continued expansion of manufacturing and distribution capabilities is expected to increase sell-through of bulk concentrate inventory into the consumer market.

Australian Commercialization and Accreditation: During the quarter, our Australian subsidiary secured supply agreements with, among others, Burleigh Heads Cannabis Pty Ltd. (Australia); Helius Therapeutics Limited (New Zealand); Cannasouth Plant Research New Zealand Limited (New Zealand); and Therismos Limited (UK). Our Australian subsidiary then commenced sales of GMP-certified formulated products pursuant to these agreements during the second quarter of 2020. During the quarter, the Australian facility also achieved certification under the Therapeutic Goods Administration ("**TGA**") for the Good Manufacturing Practices ("**GMP**") standard and secured a License to Manufacture Therapeutic Goods, thereby creating a global pharmaceutical-quality supply chain (the Canadian facility was TGA GMP certified in late 2019) qualified to serve new emerging medical markets internationally.

Corporate Governance and Board Independence: We continued to strengthen the skills and independence of our Board of Directors and enhance our corporate governance through the appointment of three new independent directors, bringing the total proportion of independent directors on the Board of Directors to six out of nine directors.

Canadian Medical Channel Sales: After the launch of our initial medical sales channel through the national Medical Cannabis by Shoppers online platform, we added an additional medical sales channel through Hybrid Pharm Inc. The ability to distribute through these medical channels gives us exposure to Canada's medical market, without having to establish our own medical sales infrastructure.

Bulk Crude Resin and Distillate Sales and COVID-19: The oversupply in the Canadian bulk crude resin and distillate markets continued into the second quarter, and were further exacerbated by the impact of the COVID-19 pandemic, including additional delays in the anticipated expansion of retail channels in Canada and increased market uncertainty leading to decreased expenditures from our bulk concentrates client-base.

See "Company Overview" for further management's discussion and analysis regarding the operational highlights for the period.

(All dollar amounts are expressed in thousands of Canadian dollars (C$'000s) unless otherwise stated.)

Financial Highlights

The following table is a summary of financial highlights for the three months ended June 30, 2020, March 31, 2020, December 31, 2019, September 30, 2019 and June 30, 2019.

	Three months ended				
	June 30, 2020	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**
Revenue	13,918	11,089	32,444	43,386	31,472
Gross profit	2,212	(10,882)	9,987	14,754	11,311
Gross margin %	*16%*	*(98%)*	*31%*	*34%*	*36%*
Net (loss)/income before tax	(3,775)	(22,029)	(2,401)	5,395	4,083
Adjusted EBITDA [(1)]	(2,180)	(5,657)	2,661	10,066	7,700
Adjusted EBITDA margin %	*(16%)*	*(51%)*	8%	*23%*	*24%*

- Revenue of $13.9 million in Q2 2020, was a 25% increase over Q1 2020 due to increase in volume of bulk concentrates sold and growing shipments of formulated finished products to provincial distributors throughout Canada.
- Gross profit of $2.2 million and gross margin of 16% in Q2 2020, with the increase in gross margin from Q1 2020 largely attributable to a $12.8 million write down of inventory to net realizable value in Q1 2020, which depressed margins for that quarter.
- Net loss before tax of $3.8 million in Q2 2020 was largely attributable to reduced average selling prices for bulk concentrates and share-based compensation expense of $1.5 million.
- Negative Adjusted EBITDA[(1)] of $2.2 million in Q2 2020, a 61% increase over Q1 2020, and Adjusted EBITDA[(1)] margin of (16%), with the increase in Adjusted EBITDA is a result of an increase in revenue and decrease in headcount and ERP implementation expenses and government grants recognized as income in Q2 2020.

See "Discussion of Operations" for further discussion and analysis regarding the financial highlights for the periods.

Note:

(1) Adjusted EBITDA is a non-IFRS measure. See "Reconciliation of Non-IFRS Measures" for reconciliation to IFRS measures.

COMPANY OVERVIEW

We are a specialized, research-driven cannabis extraction business focused on downstream extraction methodology, distillation, and derivative product development. Our mission is to become a global leader specialized in providing pharmaceutical quality derivative cannabis products and to drive future cannabis product innovation.

Our common shares (the "**Common Shares**") trade on the Toronto Stock Exchange (the "**TSX**") under the symbol "LABS", on the OTCQX in the US under the ticker symbol "MEDIF", and on the Frankfurt Stock Exchange under the ticker symbol "MLZ".

Our operations are primarily conducted at our Barrie, Ontario facility through our wholly owned subsidiary MediPharm Labs Inc. ("**MediPharm Labs**"), which holds a standard processing licence and a research licence under the *Cannabis Act* (Canada) (the "**Cannabis Act**"). Through our 80% owned Australian subsidiary, MediPharm Labs Australia Pty. Ltd. ("**MediPharm Labs Australia**"), we also hold a manufacturing licence under the *Australian Narcotics Drugs Act 1967* (the "**Australian Act**").

Both MediPharm Labs' Canadian facility and MediPharm Labs Australia's Australian facility hold GMP certifications from the TGA.

Background

MediPharm Labs was founded in 2015 by pharmaceutical and healthcare industry experts. While initially exploring options to cultivate cannabis plants, the founders of MediPharm Labs came to recognize the opportunity for a select focus on cannabis concentrates. Accordingly, MediPharm Labs set out to master this area of production and rely on third-party cultivation experts to provide quality raw materials for its cannabis concentrates.

The Company was incorporated under the *Business Corporations Act* (Ontario) on January 23, 2017 as "POCML 4 Inc." and classified as a capital pool company under TSX Venture Exchange (the "**TSXV**") Policy 2.4.

On October 1, 2018, MediPharm Labs completed the reverse takeover of the Company (the "**Qualifying Transaction**"), which constituted the Company's "Qualifying Transaction" pursuant to TSXV policies. In connection with and immediately prior to the Qualifying Transaction, the Company filed articles of amendment to: (i) change its name from "POCML 4 Inc." to "MediPharm Labs Corp.", and (ii) consolidate the Common Shares on the basis of one "new" Common Share for every two "old" Common Shares then outstanding. The Qualifying Transaction then proceeded by way of a "three-cornered amalgamation" pursuant to which MediPharm Labs amalgamated with 2645354 Ontario Inc., a wholly owned subsidiary of the Company, and the Company acquired all of the issued and outstanding class A common shares of MediPharm Labs (the "**MediPharm Shares**") in exchange for Common Shares on the basis of 12.68 Common Shares for every one MediPharm Share then issued and outstanding (the "**Exchange Ratio**").

On October 4, 2018, the Common Shares commenced trading on a post-consolidation basis on the TSXV under the symbol "LABS". On July 29, 2019, the Common Shares were voluntarily delisted from the TSXV and began trading on the TSX under the symbol "LABS".

Business Overview

Founded in 2015, we specialize in the production of purified, pharmaceutical-quality cannabis oil and concentrates and advanced derivative products utilizing GMP certified facilities and ISO standard built clean rooms. We have invested in an expert, research driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with primary extraction lines and finished formulated products capabilities used to deliver pure, trusted and precisely-dosable cannabis products for our customers. We formulate, process, package and distribute cannabis extracts and advanced cannabinoid-based products at our Canadian and Australian facilities for domestic and international markets.

Operations and Facilities

As of the date of this MD&A, our core business generates revenue through two primary activities, being the sale of bulk and consumer packaged cannabis concentrate-based products and contract manufacturing services.

On March 29, 2018, MediPharm Labs received its oil production licence (the "**Licence**") pursuant to the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") and became the first company in Canada to receive a production licence for cannabis oil production under the ACMPR without first receiving a cannabis cultivation licence. On October 17, 2018, the Cannabis Act came into force, and MediPharm Labs' Licence was transitioned from a producer's licence under the ACMPR to a standard processing licence under the Cannabis Act and *Cannabis Regulations.* On November 9, 2018, the Licence was amended to permit the sale and distribution of cannabis oil and derivatives to the following authorized classes of purchasers:

- a holder of a licence for processing under the Cannabis Act;
- a holder of a licence for analytical testing under the Cannabis Act;
- a holder of a licence for research under the Cannabis Act;
- a holder of a cannabis drug licence under the Cannabis Act;
- the Minister of Health;
- a person to which an exemption has been granted under section 140 of the Cannabis Act in relation to the cannabis or a class of cannabis that is sold or distributed; or
- certain individuals who are involved in testing cannabis at laboratories operated by the Government of Canada or accredited laboratories under the *Seeds Act*.

On June 7, 2019, the Licence was further amended to permit the sale of cannabis products to the following authorized classes of purchasers:

- a holder of a licence for sale of medicinal cannabis products under the Cannabis Act; and
- a person authorized to sell cannabis under a provincial Act, such as a provincially authorized retailer or distributor.

On October 21, 2019, MediPharm Labs' Licence was amended to permit the activity of production and sale of additional cannabis products included in the Cannabis Act, including cannabis extracts, cannabis edibles and cannabis topicals.

On October 25, 2019, MediPharm Labs received its research licence under the Cannabis Act. This licence permits MediPharm Labs to conduct controlled human administration trials for sensory testing of cannabis extracts and derivative products at its Barrie facility. Cannabis companies without this licence cannot use sensory experiments with taste, thus limiting their understanding of the taste profile of the raw material, in-process material and consumer products.

At our 70,000 sq. ft. Barrie, Ontario facility, we currently operate supercritical CO_2 primary extraction lines for crude resin production, rotary evaporation lines for distillation production and packaging and labelling lines for various finished formulated products. The facility has been built to GMP standards and received its Australian GMP certificate in the third quarter of 2019 and, subject to various third-party audits being scheduled once permissible in the COVID-19 environment, we are expecting to receive a European GMP certificate. We expect that international sales will ramp-up slowly and incrementally during 2020.

Our 10,000 sq. ft. Australian facility received its manufacturing licence (the "**Australian Licence**") under the Australian Act on May 21, 2019 with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin. Products manufactured under the Australian Licence must be only for the purpose of a clinical trial or prescribed as medical cannabis products. The facility was built to the same GMP standards as our Canadian facility and MediPharm Labs Australia has received a GMP certificate under the Australian *Therapeutic Goods Act 1989*.

We are initially sourcing and processing dried cannabis at our TGA GMP certified Canadian facility before export of the resulting products to MediPharm Labs Australia. MediPharm Labs Australia then distributes throughout its local, and various accessible international markets. MediPharm Labs Australia has currently also entered into several agreements with Australian licensed cultivators with respect to the supply of dried cannabis flower, and also a manufacturing agreement with respect to the production of cannabis oil and manufactured products. MediPharm Labs Australia commenced shipment of finished formulated products in the second quarter of 2020.

The statements regarding intended expansions, exports, distributions and GMP certifications are forward-looking statements. The current term of the Licence and Australian Licence ends on March 29, 2021 and November 21, 2020, respectively. It is anticipated by our management that Health Canada and the Australian Office of Drug Control will extend or renew the Licence and the Australian Licence, as applicable, at the end of their respective terms. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Product Manufacturing Services and Sales

As part of our business, we process our own inventory of dried cannabis and sell both the resulting bulk cannabis concentrates and finished formulated products. We have historically procured the majority of bulk shipments of dried cannabis for our wholesale production lines in the spot market and from various licenced cultivators under the Cannabis Act. As part of these manufacturing activities, we utilize primary supercritical CO_2 extraction lines and secondary distillation lines and various formulation, packaging and labeling lines.

We continue to expand our focus on the creation and distribution of finished formulated products throughout the Canadian and Australian domestic channels and into other international markets and expect the proportion of our sales mix to increasingly be comprised of finished formulated products we continue

to increase the breadth (product formats) and depth (SKUs per product format) of our finished formulated product capabilities.

Finished formulated products are sold both under our own MediPharm Labs family of brands, and our customers' brands through white label and contract manufacturing arrangements. Customers that do not hold a requisite *Cannabis Act* or other licence, rely on us for the complete manufacturing and distribution of the branded product. Under these arrangements we typically pay our clients a portion of net revenues generated from sales or receive a fixed fee per unit shipped. Customers that hold their own licence may directly purchase the finished or partially finished products from us to manage the remaining portion of the manufacturing and/or supply chain themselves and we would receive typically received a fee per unit shipped under that arrangement.

We commenced shipping initial white label vape products in December 2019, and as at the date of this MD&A are currently shipping four finished product formats (being formulated cannabis oil bottles, topicals, disposable vaporizer pens and vaporizer cartridges) along with continued shipment of bulk offerings. Finished formulated product shipments grew to comprise 16% of second quarter revenue, up from 13% in the first quarter and nil in the fourth quarter of 2019.

Historically, we realized the majority of our revenue from product sales through long-term and spot sales of bulk crude resin and distillate. Purchasers are then responsible for their own formulation, packaging and distribution of the final cannabis products, most typically to their own medicinal clients or provincially authorized retail distributors. During the fourth quarter of 2019 the expansion in the Canadian market for bulk concentrates seen in the ramp up to Cannabis 2.0 legalization began to slow, which resulted in the smaller volumes being sold pursuant to long-term contracts and a preference for spot deals (which saw pricing pressure) as opposed to new long-term contracts from our domestic customers. During the second quarter of 2020, 65% of bulk concentrates were sold pursuant to spot arrangements (as compared to 58% in Q1 2020; 46% in Q4 2019; 31% in the Q3 2019; 30% in Q2 2019; and 24% in Q1 2019). We believe these trends reflect the ongoing supply and demand imbalance in the Canadian market for bulk crude and distillate, given the slower than expected roll-out of cannabis retail channels, licensing of new and specialized Cannabis 2.0 businesses, and conversion of bulk concentrates inventory into further value added goods by existing domestic market participants; trends which have all been exacerbated by the by the global COVID-19 pandemic which has increased uncertainty and disruptions for current and potential B2B customers.

New Product Offerings and Research & Development (R&D)

During fiscal 2019, we continued to move up the value chain from primary extraction to the roll-out of commercial scale distillation and finished formulated products. We intend to continue developing our valued-added product line, including additional bulk and finished product categories.

We have successfully completed the isolation and fractionation of specific cannabinoids at our facility on an R&D scale, with the intention to commercialize some of these actives in the second half of 2020. Such isolated cannabinoids are intended to form part of both our bulk and finished formulated products offerings.

Further, we expect that industrial scale chromatography capabilities will permit the Company to address the market for active pharmaceutical ingredients (APIs) that require cannabinoid isolates and purity of at

least 99.9%. Initial investigations and R&D and methodology has been completed. We have ordered additional chromatography equipment and will then continue our R&D activities in the second half of 2020.

The planned development and licencing of new product lines and capabilities and commercialization of R&D are forward-looking statements. See "Cautionary Note Regarding Forward Looking Statements" and "Risk Factors", including "Realization of Growth Targets", "Reliance on Licenses and Authorizations" and "Research and Development".

Highlights for the Six Months Ended June 30, 2020

During the six month period ended June 30, 2020, we saw the following business developments:

International White Label Supply Agreements

During the period, our Australian subsidiary secured white label supply agreements with, among others, Compass Clinics Australia Pty Ltd (Australia); Burleigh Heads Cannabis Pty Ltd. (Australia); Helius Therapeutics Limited (New Zealand); Cannasouth Plant Research New Zealand Limited (New Zealand); Therismos Limited (UK); and Beacon Medical Australia Pty. Ltd., a subsidiary of VIVO Cannabis Inc. We commenced sales of GMP-certified products pursuant to these agreements within the second quarter of 2020.

COVID-19 Pandemic

On January 30, 2020, the World Health Organization (the "**WHO**") declared the ongoing COVID-19 outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of the outbreak to a worldwide pandemic. Federal, state, provincial and municipal governments in North America and Australia enacted measures to combat the spread of COVID-19. The COVID19 outbreak continues to rapidly evolve, and is causing business disruptions across the entire global economy and society.

We have taken various measures to prioritize the health and safety of our employees, customers and partners, including: restricted work travel and site access; improved safety & hygiene; and the requirement of non-essential staff members to work remotely. As a manufacturer of consumable and medicinal products, our practice is always to operate to global pharma-quality standards within our ISO-designed critical environment' facility with strict hygiene practices and mandated personal protective equipment.

The extent of the impact on COVID-19 on the Company's operational and financial performance will depend on various developments, including the duration and magnitude of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and can not be predicted at this point. During the three month period ended March 31, 2020, the Company saw the ongoing supply/demand imbalance for cannabis concentrates become exacerbated as a result of the economic uncertainty created through the COVID-19 pandemic. The increased market uncertainty resulting from the COVID-19 pandemic, coupled with the recent and ongoing oversupply of bulk concentrates, led to decreased expenditures from existing bulk concentrate customers who sought deferrals or adjustments for previously committed shipments during the quarter, but some of which have subsequently resumed purchases. In addition, one historical long-term contract is subject to ongoing litigation and as a result the counterparty did not fulfill its contractual obligations for committed amounts during the quarter.

Australian Licence to Import Drugs

On January 31, 2020 we announced that the Australian Department of Health, Drug Control Section issued an import licence to MediPharm Labs Australia for the importation of drugs listed in Schedule 4 of the Customs (Prohibited Imports) Regulations 1956, which includes cannabis, cannabinoids and cannabis resin. Upon the receipt of the applicable import permits, this licence allows for the importation of cannabis, cannabinoids and cannabis resin from MediPharm Labs in Canada, and other global authorized exporters, for finalization into tinctures and other product forms in Australia.

Canadian Medical Channel

On February 20, 2020, we announced that MediPharm Labs was selected by Shoppers Drug Mark to supply high-quality concentrate products to medical patients through the national Medical Cannabis by Shoppers online platform. The ability to distribute through this channel gives us exposure to Canada's long-standing medical market, without having to establish the required infrastructure for a direct medical cannabis sales channel (e.g. clinics, patients and call centres).

We have made further strides into the Canadian medical channels through our supply agreement with Hybrid Pharm Inc., a modern wellness pharmacy and medical cannabis sales licence holder serving patients in the Ottawa region.

Finished Formulated Products Shipments

On March 25, 2020, we announced that we completed our first shipments of topical cannabis products from our Canadian facility to a contract manufacturing customer.

On March 26, 2020, we announced the launch of a new family of MediPharm Labs branded products to deliver high-quality, innovative offerings to customers in the medical and adult-use markets across Canada. The first product launched within the MediPharm Labs family was "MediPharm Labs CBD25 Regular Formula", a High-CBD, Low-THC regular strength formulated cannabis oil made using full spectrum cannabis concentrate processed at one of our GMP certified facilities. Our family of MediPharm Labs branded products has been subsequently expanded with the inclusion of "MediPharm Labs CBD50 Plus Formula" and "MediPharm Labs CBD25:5 Release Formula".

On May 25, 2020, we announced that we commenced shipments of white labeled "Ace Valley Vapes" under our white label disposable vaporizer pen agreement with AV Cannabis Inc. (d/b/a Ace Valley). Under this agreement, we provide high-quality cannabis extracts, filling services and national distribution of a line of Ace Valley Vapes. Ace Valley leverages its leading brand traction and product strategy expertise to design, brand and market the products.

MediPharm Labs Australia Achieves GMP Certification

On May 7, 2020, we announced that MediPharm Labs Australia's facility achieved TGA GMP certification and secured a License to Manufacture Therapeutic Goods, thereby creating a global pharmaceutical-quality supply chain (the Canadian facility was TGA GMP certified in late 2019) qualified to serve new emerging medical markets internationally.

The TGA is the branch of the Australian Government's Department of Health responsible for regulating therapeutic goods including prescription medicines, vaccines and medical devices. The TGA is one of 53

regulatory authority members of the Pharmaceutical Inspection Co-operation Scheme (PIC/S), an international co-operative arrangement among regulatory authorities in the field of GMP for medicinal products. The PIC/S mission is to lead the development, implementation and maintenance of harmonised GMP standards and quality systems of inspectorates in the field of medicinal products. Many PIC/S members, such as the TGA, also enter into mutual recognition agreements with other PIC/S members whereby each regulatory authority specifically recognizes certain processes and procedures of the other country to expedite the international flow of goods.

This licence confirms that MediPharm Labs Australia complies with the internationally recognized GMP requirements of the PIC/S Guide for Medicinal Products and allows the manufacture of therapeutic goods intended for export or which are exempt from registration and listing on the Australian Register of Therapeutic Goods under the provisions of Section 18(1) or Section 19 (1)(a) of the Therapeutic Goods Act.

MediPharm Labs Australia is now authorized to store cannabis resin as an Active Pharmaceutical Ingredient ("**API**") and may engage in packaging, storage and release for supply as a Medicine Manufacturer of Oral Liquids within its specialized facility in Wonthaggi, Victoria.

Avicanna

On May 14, 2020, we entered into a strategic manufacturing and intellectual property licensing agreement with Avicanna Inc. ("**Avicanna**") through which we intend to commercialize a diverse array of sophisticated product formats.

Under the agreement, which has an initial three-year term, MediPharm Labs will use the specialized contract manufacturing capabilities resident at its state-of-the-art Canadian production facility to produce Avicanna's advanced medical cannabis products and topicals under license for commercial sales. Avicanna granted MediPharm Labs a license to use proprietary Avicanna formulations to develop additional MediPharm Labs and white label branded products for the domestic and international market.

The continued expansion of our finished formulated products manufacturing and distribution capabilities is expected to increase sell-through of bulk concentrate into the consumer market.

Agreement with Argentia Gold

On May 27, 2020, we announced that we entered into a white label supply agreement with Argentia Gold Corporation ("**Argentia Gold**"). Under the agreement, which has an initial 2-year term, MediPharm Labs will provide Argentia Gold-branded formulated tincture bottles of CBD cannabis resin and Argentia Gold will provide distribution, sales, and service to leading retailers in Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick.

Private Placement

On June 8, 2020, the Company closed the 2020 Private Placement with an institutional investor for aggregate gross proceeds of approximately $37.8 million.

Half of the gross proceeds of the 2020 Private Placement were related to the placement of a $20.5 million unsecured convertible note (the "**First Note**") and a warrant (the "**First Warrant**") to purchase up to 3,601,427 Common Shares at a price of $2.28 per share and expiring on October 9, 2023. The remaining half of the gross proceeds were put in escrow and were related to the placement of a subscription receipt (the "**Subscription Receipt**") entitling the holder to receive, upon satisfaction of certain Escrow Release

Conditions (as defined below), a further $20.5 million unsecured convertible note (the "**Second Note**" and, together with the First Note, collectively, the "**2020 Notes**") and a further warrant (the "**Second Warrant**" and, together with the First Warrant, collectively, the "**2020 Warrants**") to purchase up to 3,601,427 Common Shares at a price of $2.28 per share and expiring on October 9, 2023.

The Notes have a three-year term, were issued at an original issue discount of 7.75% and are convertible at the option of the holder at a price of $2.28 per share (the "**Conversion Price**"). Commencing four months after the closing date, the Notes will begin to amortize through bi-monthly installment payments of approximately $320, payable in Common Shares, subject to the satisfaction of equity conditions, at a price per Common Share equal to 90% of the market price of the Common Shares (being the 5-day volume weighted average price of the Common Shares on the TSX) or 87% of such market price where that market price is less than $1.00 (each an "**Installment Percentage**") or, at the option of the Company, in whole or in part, in cash. Upon receipt of approval of the 2020 Private Placement by the Company's shareholders in accordance with the requirements of the TSX ("**Shareholder Approval**"), the price for such Common Shares issued pursuant to the Bi-Monthly Installment Payments shall be adjusted to the lesser of (i) the then existing Conversion Price; and (ii) the Installment Percentage.

The gross proceeds from the placement of the Subscription Receipt were delivered to a licensed Canadian trust company, in its capacity as subscription receipt agent, and were delivered to the Company net of certain fees and expenses upon satisfaction of the escrow release conditions, specifically, the receipt of Shareholder Approval, and there existing no event or pending event of default under the Notes (collectively, the "**Escrow Release Conditions**"). Upon satisfaction of the Escrow Release Conditions, the Subscription Receipt will convert automatically into the Second Note and the Second Warrant.

In connection with the 2020 Private Placement, Roth Capital Partners, LLC acted as sole placement agent and earned a cash fee equal to 5.5% of the gross proceeds of the 2020 Private Placement.

See "Subsequent Events" for retails regarding the satisfaction of the Escrow Release Conditions.

Independent Director Appointment

On June 22, 2020, Ms. Shelley Martin was appointed to our Board of Directors. Ms. Martin served in a variety of senior executive roles at Nestlé Canada Inc. from 1990 until she retired after five years as President and Chief Executive Officer in 2018. During her time leading Nestlé Canada, she drove a substantial increase in revenue, market share and profitability and transformed core business units and brands by introducing new formulas, packaging, pricing, global sources of supply and Lean (Six Sigma) tools. In 2018, Nestlé Canada's annual sales were approximately $2.6 billion. She began her career at General Mills Canada in 1985 and was named one of Canada's Most Powerful Women by the Women's Executive Network (WXN) in 2015, 2016 and 2018. Ms. Martin is a member of the Advisory Board of Moosehead Breweries as well as Crosby Molasses, and is a Director of Vineland Research and Innovation Centre, a leader in horticultural research and innovation. From 2016 to 2018, she served as Board Chair of Food & Consumer Products of Canada (FCPC), which represents more than 100 food, beverage, and consumer product manufacturers of all sizes. From 2013 to 2018, she was a Director of The Grocery Foundation, a not-for-profit organization that has raised over $90 million for student nutrition programs. Ms. Martin is a graduate of Wilfrid Laurier University (Bachelor of Business Administration) and earned the Institute of Corporate Directors ICD. D designation in 2016.

Subsequent Events

Subsequent to the six months ended June 30, 2020, the following Company developments also occurred:

Additional Independent Director Appointments

On July 13, 2020, Mr. Chris Taves was appointed to our Board of Directors. As COO of BMO Capital Markets ("BMOCM"), a leading full-service financial services provider and member of BMO Financial Group, one of the largest banks in North America, Mr. Taves is responsible for setting and overseeing implementation of BMOCM's strategies and for all balance sheet and risk taking activity as well as regulatory, compliance and operational functions. He also serves as a Board Member of BMO China Co. and BMO Capital Markets Corp. Prior to assuming his current role in 2018, he served as Head of Global Markets responsible for BMO's global trading businesses and in various other roles over an 11-year career at BMO. Mr. Taves began his career at KPMG in 1989 and joined Citigroup in 1997 where he became Head of Corporate Canada Team, Derivatives & Structured Product before moving to BMOCM. He has an MBA from the Ivey Business School at Western University, and a Bachelor of Mathematics from the University of Waterloo. He is a CA CPA and a member of the National Association of Corporate Directors.

On August 4, 2020, Mr. Chris Halyk was appointed to our Board of Directors. Mr. Halyk's career has had many highlights, including Vice-President, Sales and Marketing and a member of the Janssen Management Board with responsibility for innovations in direct-to-consumer advertising, patient education and sales force automation; Managing Director of Ortho Biotech, the biopharmaceutical division of Janssen Inc.; and from 2006 until his retirement in 2019 as the President of Janssen Inc. (Canada) one of the largest pharmaceutical companies in Canada. During his tenure, his accomplishments included, bringing innovative products, services and solutions to market along with new technologies and treatments in oncology, immunology, neuroscience, infectious diseases and vaccines, cardiovascular and metabolism and pulmonary hypertension.

2020 Private Placement Escrow Release

On August 5, 2020, we held our annual and special shareholder meeting, and received Shareholder Approval as required by the Escrow Release Conditions. On August 6, 2020, the Escrow Release Conditions were satisfied, we received the remaining portion of the net proceeds of the 2020 Private Placement from escrow, and we issued the Second Note and the Second Warrant.

DISCUSSION OF OPERATIONS

Overview

Revenue

In the fourth quarter of 2019, we commenced generating revenue from our white label activities. However, the wholesale of cannabis concentrates through the Company's private label program was still the primary source of revenue during the six months ended June 30, 2020.

Cost of Sales

Cost of sales reflects the cost to extract and process the cannabis concentrates as well as the management of product throughput and inventory levels. Cost of sales includes the purchase of material and services

such as the purchase of dried cannabis, freight expenses, sub-contractors (including related to GMP audits), employee wages and benefit costs, and other operating expenses such as repairs and maintenance, plant overhead, as well as depreciation, amortization and any write-downs of inventory.

Gross Profit

Gross profit is calculated by deducting the cost of sales from revenue. The Company continues to refine its production processes and methodologies, and sell through historically acquired higher priced raw materials, and expects to increase production efficiency and gross profit.

Expenses

General administrative expenses include personnel expenses, consulting and professional fees, depreciation, travel and entertainment expenses, and occupancy cost, filing fees and shareholder communications, and other expenses related to the infrastructure required to support our business.

Marketing and selling expenses include investor relations expenses, advertising and promotion expenses, personnel expenses, depreciation, travel and entertainment expenses, and other expenses incurred to win new business and retain existing clients.

R&D expenses currently include expenses related to the formulating, manufacturing and filling of vape pens and cartridges and working on new product lines.

Share-based compensation expense includes stock options granted.

Other operating expenses include start-up and pre-manufacturing costs of MediPharm Labs Australia incurred prior to the commencement of production (research and development of products, personnel expenses, depreciation, supplies and small equipment, and other) foreign exchange loss, and bank and financial instituion service fees, which are costs that do not depend on sales or production quantities.

Included in other operating expenses, are expenses incurred in performing initial product testing and related manufacturing costs, materials and supplies, salaries and benefits, contract research costs, patent procurement costs, and occupancy costs prior to the commencement of operations.

Operating income

Included in other operating income are government grants. The Company has been granted amounts under the Canada Emergency Wage Subsidy (CEWS) and Australia JobKeeper Payment Subsidy.

Finance income

Finance income comprises interest income earned on cash balance and short-term investments and revaluation gain or loss of financial instruments.

Finance expense

Finance expense comprises finance fees and interest expenses that were incurred on the loans, convertible notes and lease liability.

Taxation expense

Taxation expense reflects the Company's income tax expense and deferred tax expense or recovery.

Other Comprehensive Income and Loss

Other comprehensive income and loss includes exchange gains and losses on translation of foreign operations. MediPharm Labs is a majority shareholder of subsidiary MediPharm Labs Australia, which has been developing a production facility in Victoria, Australia.

Comparison of Three-Month Period and Six-Month Period Ended June 30, 2020 to 2019

Discussion and Analysis of the Results for the Three-Month Period Ended June 30, 2020

Results of operations for the three months ended June 30, 2020 as compared to the three months ended June 30, 2019.

	Three months ended June 30		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
Revenue	13,918	31,472	(17,554)	(56%)	The decrease in sales is due to a decrease in bulk concentrate volumes and decrease in domestic selling prices which was partially off set by an increase in finished formulated product sales.
Cost of sales	(11,706)	(20,161)	8,455	(42%)	The decrease in cost of sales was largely driven by decrease in volume and decrease in dried flower cost.
Gross profit	**2,212**	**11,311**	**(9,099)**	**(80%)**	See comments above.
General administrative expenses	(6,793)	(3,225)	(3,568)	111%	General administrative expenses increased due to: • Increase in personnel headcount both in Barrie and Australia facilities, partially offset through headcount reductions within the quarter. • Implementation of an ERP system which will support the growth of the Company. • Transaction costs related with the issuance of the First Warrant and conversion option of First Note
Marketing and selling expenses	(948)	(859)	(89)	10%	Marketing and selling activities such as conferences, events, promotions and investor relations have decreased due to COVID-19 which was offset with the increase in headcount due to investing in new sales workforce.
R&D expenses	(337)	-	(337)	N/A	In connection with commencement of new product development activities in Q4 2019, R&D expenses have increased. By the end of Q4 2019, a dedicated R&D team was built.

	Three months ended June 30		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
Share-based compensation expenses	(1,520)	(2,742)	1,222	(45%)	Expenses incurred due to remuneration in the form of share-based payments granted to employees (including senior executives) decreased due to less new employee hiring in Q2 2020 and decreased fair value of options granted.
Other operating income, net	2,879	(258)	3,137	(1,216%)	The increase in other operating income is related to Canada Emergency Wage Subsidy (CEWS) and Australia JobKeeper Payment Subsidy and foreign currency exchange gain which was incurred as a result of AUD foreign currency denominated transactions.
Operating (loss)/income	**(4,507)**	**4,227**	**(8,734)**	**207%**	See comments above.
Adjusted EBITDA	**(2,180)**	**7,700**	**(9,880)**	**(128%)**	The decrease in Adjusted EBITDA is mainly attributable to the decrease of revenue and gross profit, and increase in general and administrative expenses, which was partially offset by government grants. Adjusted EBITDA is a non-IFRS measure. See "Reconciliation of Non-IFRS Measures" for reconciliation to IFRS measures.
Unrealized gain in revaluation of derivative liabilities	1,285	-	1,285	N/A	The gain in revaluation is due to the fair value change of First Warrant and conversion option of First Note as a result of decrease of quoted share prices of the Common Shares.
Finance income	34	36	(2)	(6%)	No major change in finance income.
Finance expense	(587)	(180)	(407)	226%	Finance expenses increased due to increase in interest expenses on loan and lease liability and accretion expense of the First Note.
(Loss)/income before taxation	**(3,775)**	**4,083**	**(7,858)**	**192%**	See comments above.
Taxation recovery/ (expense)	285	(2,116)	2,401	(113%)	Taxation recovery (expense) increased due to having a loss for the three month period ended June 30, 2020.
Net (loss)/income for the period	**(3,490)**	**1,967**	**(5,457)**	**(277%)**	See comments above.
Attributable to					

	Three months ended June 30		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
- Non controlling interest	(136)	(32)	(104)	325%	The Australian facility owned by MediPharm Labs Australia started its operations towards the end of this quarter. Since it was not fully operational in this quarter, loss attributable to non controlling interest increased.
- Equity holder of parents	(3,354)	1,999	(5,353)	(268%)	See comments above.

Discussion and Analysis of the Results for the Six-Month Period Ended June 30, 2020

Results of operations for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019.

	Six months ended June 30		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
Revenue	25,007	53,422	(28,415)	(53%)	The decrease in sales is due to a decrease in bulk concentrate volumes and decrease in domestic selling prices which was partially off set by an increase in consumer packaged good sales.
Cost of sales	(33,677)	(35,248)	1,571	(4%)	The increase in cost of sales was largely driven by a write down of inventory by $12.8 million to its net realizable value which was offset by the decrease in volume and the decrease in dried flower cost.
Gross profit	**(8,670)**	**18,174**	**(26,844)**	**(148%)**	See comments above.
General administrative expenses	(12,293)	(5,354)	(6,939)	130%	General administrative expenses increased due to: • Increase in personnel headcount both in Barrie and Australia facilities, partially offset through headcount reductions within the quarter. • Implementation of an ERP system which will support the growth of the Company. • Transaction cost related with the issuance of the First Warrant and conversion option of First Note.
Marketing and selling expenses	(1,747)	(1,766)	19	(1%)	The impact of new sales workforce is offset by decreased conferences, events, promotions and investor relations due to COVID-19.

	Six months ended June 30		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
R&D expenses	(1,381)	-	(1,381)	N/A	In connection with commencement of new product development activities in Q4 2019, R&D expenses have increased. By the end of Q4 2019, a dedicated R&D team was built.
Share-based compensation expenses	(4,279)	(6,714)	2,435	(36%)	Expenses incurred due to remuneration in the form of share-based payments granted to employees (including senior executives) decreased due to less new employee hiring in 2020 and decreased fair value of options granted.
Other operating income, net	1,928	(265)	2,193	(828%)	The increase in other operating income is related to Canada Emergency Wage Subsidy (CEWS) and Australia JobKeeper Payment Subsidy and foreign currency exchange gain which was incurred as a result of AUD foreign currency denominated transactions.
Operating (loss)/income	**(26,442)**	**4,075**	**(30,517)**	**749%**	See comments above.
Adjusted EBITDA	**(7,837)**	**12,010**	**(19,847)**	**(165%)**	The decrease in Adjusted EBITDA is mainly attributable to the decrease of revenue and gross profit, and increase in general and administrative expenses, and R&D expenses which were partially offset by government grants. Adjusted EBITDA is a non-IFRS measure. See "Reconciliation of Non-IFRS Measures" for reconciliation to IFRS measures.
Unrealized gain in revaluation of derivative liabilities	1,285	-	1,285	N/A	The gain in revaluation is due to the fair value change of First Warrant and conversion option of First Note as a result of decrease of quoted share prices of the Common Shares.
Finance income	170	41	129	315%	Finance income increase due to having more cash and cash equivalents within six months ending June 30, 2020.
Finance expense	(817)	(358)	(459)	128%	Finance expenses increased due to increase in interest expenses on loan and lease liability and accretion expense of the First Note.
(Loss)/income before taxation	**(25,804)**	**3,758**	**(29,562)**	**786%**	See comments above.
Taxation recovery/ (expense)	4,951	(2,364)	7,315	(309%)	Taxation recovery (expense) increased due to having a loss for the six month period ended June 30, 2020.

	Six months ended June 30		Change		
$'000s	**2020**	**2019**	**$**	**%**	**Management Commentary**
Net (loss)/income for the period	**(20,853)**	**1,394**	**(22,247)**	**1,596%**	See comments above.
Attributable to					
- Non controlling interest	(411)	(95)	(316)	333%	The Australian facility owned by MediPharm Labs Australia started its operations towards the end of June. Since it was not fully operational yet, loss attributable to non controlling interest increased.
- Equity holder of parents	(20, 442)	1,489	(21,931)	1,473%	See comments above.

SUMMARY OF QUARTERLY RESULTS

The following table sets out the Company's selected quarterly consolidated financial information:

	Three months ended			
	June 30 2020 $'000s (Unaudited)	**March 31 2020 $'000s** (Unaudited)	**December 31 2019 $'000s** (Unaudited)	**September 30 2019 $'000s** (Unaudited)
Total revenue	13,918	11,089	32,444	43,386
Net (loss)/income attributable to equity holder of parent	(3,354)	(17,088)	(3,221)	3,376
Basic (loss)/gain per share	(0.02)	(0.13)	(0.03)	0.03
Diluted (loss)/gain per share	(0.02)	(0.13)	(0.02)	0.02

	Three months ended			
	June 30 2019 $'000s (Unaudited)	**March 31 2019 $'000s** (Unaudited)	**December 31 2018 $'000s** (Unaudited)	**September 30 2018 $'000s** (Unaudited)
Total revenue	31,472	21,950	10,198	Nil
Net loss attributable to equity holder of parent	1,999	(511)	(3,503)	(1,954)
Basic loss per share	0.02	(0.01)	(0.05)	(0.02)
Diluted loss per share	0.01	(0.01)	(0.05)	(0.02)

The Company received authorization to produce and sell cannabis oil from Health Canada in 2018 and has since commenced production and sales activities. Up to the three month period ended September 30, 2019, the Company saw an increasing trend in revenue and net income quarter over quarter as a result of increasing sales volume in the bulk concentrates market. The decrease in revenue seen by the Company in the last two quarters as compared to the three month periods in 2019 was due to a decrease in selling prices and volumes and a shift in product mix from bulk concentrates to finished formulated products. The Company realized a net loss in the first quarter of 2020 due to an inventory impairment and lower quarterly revenue compared to fourth quarter of 2019. The revenue has increased in the second quarter of 2020 compared to the first quarter of 2020 due to increase in volume in bulk concentrate and finished formulated products. Net income in the second quarter of 2020 has increased as a result of increase in revenue and government grants recognized as income in Q2 2020 which is partially offset by increased regulatory fees and professional service fees.

RECONCILIATION OF NON-IFRS MEASURES

The information presented within this MD&A includes "Adjusted EBITDA", which is not a defined term under IFRS. This non-IFRS financial measure should be read in conjunction with the Financial Statements. See reconciliations below of non-IFRS financial measures to the most directly comparable IFRS measure.

Management believes supplementary financial measures provide useful additional information related to the operating results of the Company. Adjusted EBITDA is used by management to assess financial performance of the business and is a supplement to the Financial Statements. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to using net income as a measure of profitability or as an alternative to the Company's IFRS-based Financial Statements.

Adjusted EBITDA does not have any standardized meaning and the Company's method of calculating Adjusted EBITDA may not be comparable to calculations used by other companies bearing the same description.

Adjusted EBITDA Reconciliation

Adjusted EBITDA is defined as net income (loss) excluding interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, depreciation and amortization, and share-based compensation and other non-cash expenses. Adjusted EBITDA has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, and share-based compensation. Because of these limitations, Adjusted EBITDA should not be considered as the sole measure of the Company's performance and should not be considered in isolation from, or as a substitute for, analysis of the Company's results as reported under IFRS. Adjusted EBITDA, as used within this MD&A and the Company's disclosure, may not be directly comparable to Adjusted EBITDA used by other reporting issuers.

The following tables reconcile the Company's Adjusted EBITDA and income/(loss) from operations (as reported) for each of the periods presented.

	Three months ended				
	June 30, 2020 $'000s	**March 31, 2020 $'000s**	**December 31, 2019 $'000s**	**September 30, 2019 $'000s**	**June 30, 2019 $'000s**
Income / (loss) from operations - as reported	**(4,507)**	**(21,935)**	**(2,502)**	**5,365**	**4,227**
Add / (deduct):					
Share-based compensation expense	1,520	2,759	4,631	4,157	2,742
Depreciation	807	708	532	544	731
Inventory impairment	-	12,811	-	-	-
Adjusted EBITDA	**(2,180)**	**(5,657)**	**2,661**	**10,066**	**7,700**

CAPITAL STRUCTURE

Outstanding Equity Securities

Common Shares

The Company's authorized capital consists of an unlimited number of Common Shares. As at June 30, 2020, the Company had 136,277,016 Common Shares issued and outstanding and as at the date of this MD&A the Company had 136,285,841 Common Shares issued and outstanding.

Dividend Policy

Payment of any future dividends by the Company, if any, will be at the discretion of the Board of Directors after considering many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

Warrants

On March 22, 2018, MediPharm Labs completed a private placement (the "**March 2018 Private Placement**") of 796,709 units at a price of $3.72 per unit for aggregate gross proceeds of $2,964, each unit being comprised of one MediPharm Share and one common share purchase warrant (each, a "**MediPharm Labs March 2018 Warrant**"). Each MediPharm Labs March 2018 Warrant entitled the holder to acquire one MediPharm Share at an exercise price of $6.00 until October 1, 2020. On closing of the Qualifying Transaction, replacement warrants of the Company (each, a "**March 2018 Warrant**"), adjusted by the Exchange Ratio, were issued to holders of MediPharm Labs March 2018 Warrants. Each 2018 March Warrant entitles the holder to acquire one Common Share at an exercise price of $0.47 per Common Share until October 1, 2020.

In connection with the March 2018 Private Placement, an aggregate of 47,043 broker warrants were issued, each warrant entitling the holder to acquire one MediPharm Share and one MediPharm Labs March Warrant

at an exercise price of $3.72 until the date which is 24 months following completion of the Qualifying Transaction. On closing of the Qualifying Transaction, replacement warrants (the "**March 2018 Broker Warrants**"), adjusted by the Exchange Ratio, were issued to holders of these warrants.

On June 1, 2018 and June 29, 2018, MediPharm Labs completed private placements (the "**June 2018 Private Placements**") for an aggregate of 2,071,168 units at a price of $10.778 per unit for aggregate gross proceeds of $22,317, each unit being comprised of one MediPharm Share and one-half of one common share purchase warrant (each whole warrant, a "**MediPharm Labs June 2018 Warrant**"). Each MediPharm Labs June 2018 Warrant entitled the holder to acquire one MediPharm Share at an exercise price of $15.216 until October 1, 2020. On closing of the Qualifying Transaction, replacement warrants (each, a "**June 2018 Warrant**"), adjusted by the Exchange Ratio, were issued to holders of MediPharm Labs June 2018 Warrants. Each June 2018 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $1.20 per Common Share until October 1, 2020. The June 2018 Warrants are governed by a common share purchase warrant indenture dated October 1, 2018 between the Company and TSX Trust Company, as warrant agent.

In connection with the brokered portion of the June 2018 Private Placements, certain agents received 118,960 broker warrants, each entitling the holder to acquire one MediPharm Share and one MediPharm Labs June 2018 Warrant at an exercise price of $10.778 until the date which is 24 months following completion of the Qualifying Transaction. On closing of the Qualifying Transaction, replacement broker warrants (the "**June 2018 Broker Warrants**"), adjusted by the Exchange Ratio, were issued to holders of these warrants.

As at June 30, 2020 the Company had the following Common Share purchase warrants issued and outstanding: 1,551,206 March 2018 Warrants; 596,505 March 2018 Broker Warrants; 3,894,000 June 2018 Warrants; 754,207 June 2018 Broker Warrants; and one 2020 Warrant. During the six months ended June 30, 2020, 2,726,883 March 2018 Warrants and 1,753,309 June 2018 Warrants were exercised.

Subsequent to June 30, 2020, 8,825 June 2018 Warrants were exercised.

Stock Options

As at June 30, 2020, the Company had 11,916,660 stock options issued and outstanding. During the six months ended June 30, 2020, options to purchase up to 603,150 Common Shares were issued, options to purchase 1,800 Common Shares were exercised, and options to purchase up to 444,710 Common Shares were cancelled and/or expired.

Subsequent to June 30, 2020, 600,000 options were issued, and 359,460 stock options were cancelled, resulting in 12,157,200 stock options remaining outstanding as of the date of this MD&A.

Indebtedness

The following discusses the significant movements in the Company's debt balances as indicated:

2020 Private Placement

On June 8, 2020, the Company issued the First Note and the First Warrant in connection with the 2020 Private Placement. Subsequent to period end the Company issued the Second Note and the Second Warrant upon the satisfaction of the Escrow Release Conditions.

Loans

On October 10, 2019, MediPharm Labs, as borrower, signed a credit agreement (together with any amendments, supplements or revisions thereto the "**Credit Agreement**") with a Schedule 1 Bank, as lender, for up to $38,700 upon the satisfaction of various conditions. The Credit Agreement bears interest at the Bank's prime lending rate plus a certain per cent per annum dependent upon the Company's debt covenants. The Credit Agreement has a general security interest in the Company's assets and can be repaid without penalty. The Credit Agreement is comprised of a revolving term facility, a non-revolving term facility and a non-revolving delayed draw term facility.

During the six-month period ended June 30, 2020, MPL repaid amounts of $3,900 outstanding under the non-revolving delayed term facility under the Credit Agreement. As of June 30, 2020, the Group has outstanding amounts payable under the Credit Agreement of $5,415 that relates to the non-revolving term facility and repayable in mandatory quarterly installments. See "Liquidity and Capital Resources – Contractual Obligations" for a discussion of amounts owed under the Credit Agreement.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management's objectives when managing the Company's liquidity and capital structure are to generate sufficient cash to fund the Company's operating and growth strategy. The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion.

As at June 30, 2020, the Company had a positive working capital of $87,707 (December 31, 2019: $90,855). The decrease in working capital was driven primarily by decreased cash and cash equivalents and inventory.

Management of the Company believes the Company's current resources are sufficient to settle its current liabilities, when considering inventory and trade receivables and the 2020 Private Placement.

The following table presents the net cash flows for each of the periods presented:

	Three months ended June 30			
$'000s	**2020**	**2019**	**Change**	**Management Commentary**
Cash and cash equivalents, beginning of period	30,777	5,357	25,420	-
Net cash (used in) operating activities	(5,674)	(10,192)	4,518	Negative cash flow from the operating activities was partially the result of a net decrease in accounts payable resulting from repayment of prior quarter payables and increase in accounts receivable due to increase in revenue.
Net cash (used in) investing activities	(2,919)	(5,711)	2,792	Cash used in investing activities are mainly driven by capital expenditure, mostly including the purchase of machinery, the renovation of the Barrie facility and the construction of the Australia facility. In 2019, the cash used in investing activities was driven mainly by purchase of production machineries and construction of Australian facility building.
Net cash provided by financing activities	15,173	80,224	(65,051)	Cash provided by financing activities in 2019 is driven mainly by Bought Deal Financing amounting of $70,828 and exercise of warrants. In 2020, cash provided by financing activities is mainly driven by the 2020 Private Placement amounting to $17,363 and exercise of warrants which were partially offset by payments under the Credit Facility.
Cash and cash equivalents, end of period	37,357	69,678	(32,321)	See comments above.

$'000s	Six months ended June 30 2020	2019	Change	Management Commentary
Cash and cash equivalents, beginning of period	38,627	7,850	30,777	-
Net cash (used in) operating activities	(21,070)	(6,154)	(14,916)	Negative cash flow from the operating activities was partially the result of a net decrease in accounts payable resulting from repayment of year end payables and decreased purchases of dried flower within the period.
Net cash (used in) investing activities	(6,411)	(12,284)	5,873	Cash used in investing activities are mainly driven by capital expenditure, mostly including the purchase of machinery, the renovation of the Barrie facility and the construction of the Australia facility. In 2019, the cash used in investing activities was driven mainly by purchase of production machineries and construction of Australian facility building.
Net cash provided by financing activities	16,800	83,311	(66,511)	Cash provided by financing activities in 2019 is driven mainly by Bought Deal Financing amounting of $70,828 and exercise of stock options and warrants. In 2020, cash provided by financing activities is mainly driven by the 2020 Private Placement amounting to $17,363 and exercise of warrants, which were partially offset by payments under the Credit Facility.
Cash and cash equivalents, end of period	27,946	72,723	(44,777)	See comments above.

Contractual Obligations

The Company's contractual obligations as at June 30, 2020 increased by $23,692 as compared to December 31, 2019 mainly as a result of the issuance of the First Note and Subscription Receipt in connection with the 2020 Private Placement. The Company's short-term (less than one year) undiscounted contractual obligations are $19,637 and long-term undiscounted contractual obligations are $20,647.

Contractual Obligations	Total	Payments due by Period < 1 year	1-3 years	4-5 years	> 5 years
Debt	5,421	576	4,845	-	-
Convertible debt	20,911	5,589	15,322	-	-
Lease Liabilities	867	387	376	104	-
Trade and Other Payables	13,085	13,085	-	-	-

Total Contractual Obligations	40,284	19,637	20,543	104	-

In addition, the Company has white label agreements under which it committed to sell up to 2,000 units of tincture bottles of cannabis oil to licensed producers within next 11 months. If the Company does not deliver committed product for which it has received an order, the Company is not subject to a late in-kind/cash payment. For the six months ended June 30, 2020, the Company fulfilled all committed amounts that were ordered.

Under the cannabis material purchase agreements signed within the reporting period, MediPharm Labs committed to purchase 480kg of dried GMP grade cannabis flower within six months.

Capital Resources

As of June 30, 2020, the Company does not have any commitments for capital expenditures; however, to meet the Company's planned growth, the Company is currently undergoing various projects to increase the production capacity and capabilities at its Barrie and Australian facilities. The Company currently expects that internally generated cash and cash equivalents, along with the net proceeds of the 2020 Private Placement that closed in June 2020, will be sufficient to maintain its currently planned growth. However, the Company is continually evaluating various debt and/or equity financing opportunities so as to lower its cost of capital and optimize its capital structure.

The Company is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support its development, including the continued expansion and development of its Barrie facility and development of its Australian facility, and continued operations and to meet its liabilities and commitments as they come due. See "Risk Factors", including "Realization of Growth Targets".

Use of Funds Reconciliation

Upon the completion of a bought deal financing for aggregate gross proceeds of $75,002 on June 10, 2019 (the "**Bought Deal Financing**"), the Company had approximately $70,581 of available funds pursuant to such financing. The following table sets forth a comparison of the disclosure regarding the Company's estimated use of funds set out in the Company's final short form prospectus dated June 10, 2019, which may be viewed on its SEDAR profile at www.sedar.com, and its actual use of available funds as at June 30, 2020:

Principal Use of Available Funds	Estimated ($'000s)	Actual ($'000s)
Canadian facility expenses	24,000	15,716
Australian facility expenses	5,500	5,895
International expansion expenses	20,000	303
R&D expenses	6,000	2,248
G&A expenses and working capital	15,081	46,419
Total	**70,581**	**70,581**

Given the current supply and demand situation for bulk crude and distillate within the Canadian market, the Company has streamlined its international expansion efforts by re-allocating international capital expenditures and focusing on exports from its Canadian and Australian facilities, which the Company expects will result in a more efficient capital allocation and higher utilization of existing assets. In addition, owing to the decrease in revenue seen year-over-year in the first and second quarters of 2020, the Company allocated additional funds to its G&A expenses and working capital.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company has determined that key management personnel consists of directors and officers. The remuneration to directors and officers during the three-month and six-month periods ended June 30, 2020 was $429 and $998, respectively (June 30, 2019: $407 and $833, respectively) included in general and administrative expenses.

During the six-month period ended June 30, 2020, the Company issued 300,000 options at an average exercise price of $1.35 per share (June 30, 2019: 1,890,000 options at an average exercise price of $2.00 per share) to its key management personnel and recognized total share-based compensation expense of $465 (June 30, 2019: $1,097). During the six-month period ended June 30, 2020, the key management personnel exercised no options (June 30, 2019: 3,043,200 options for gross proceeds of $720).

Several key management personnel hold positions in other companies that result in them having control or significant influence over these companies. Some of these companies may transact with the Company from time-to-time. For the three and six months ended June 30, 2020, the Company incurred $5 and $11, respectively (June 30, 2019: $Nil and $7, respectively) operational expenses, on arm's length terms and conditions, as a result of short-term rental payments to an entity controlled by the CEO of MediPharm Labs Australia, for the use of property for MediPharm Labs Australia personnel and visitors.

As at June 30, 2020, the Company has $nil (December 31, 2019: $4) due to key management personnel and entities over which they have control or significant influence.

FINANCIAL INSTRUMENTS AND RELATED RISKS

Financial Instruments

The 2020 Private Placement

On June 8, 2020, the Company issued the First Note in connection with the 2020 Private Placement and allocated the gross proceeds of $18,911 for purpose of initial recognition as follows: $10,693 to the First Note based on the discounted gross proceeds of the 2020 Private Placement, $6,187 to the conversion option derivative liability and $2,031 to the warrant derivative liability.

A holder of the Notes has the option to accelerate or defer the Bi-Monthly Installment Payments. Common Shares issued as settlement Bi-Monthly Installment Payments area issued in accordance with the

Installment Percentage, resulting in a variable number of Common Shares issuable. As a result, a holder's acceleration right for the Bi-Monthly Installment Payments was recognized as conversion option derivative liability and had a fair value of $6,187 at issuance. As at June 30, 2020, the conversion option derivative liability was revalued and a revaluation gain of $287 was recorded in the Financial Statements for the six-month period ended June 30, 2020 (three-month period ended June 30, 2020: $287).

On June 8, 2020, the Company issued the First Warrant in connection with the 2020 Private Placement. The First Warrant is classified as a liability because of a cashless exercise option that the holder can avail itself of when the Common Shares do not satisfy certain tradability-related conditions. Warrant derivative liability of $2,031 was recognized for the First Warrant using the Black-Scholes option pricing model.

The First Warrant related derivative liability was revalued as of June 30, 2020 using the Black-Scholes option pricing model and a gain of $998 was recognized in the condensed interim consolidated statements of loss (three-month period ended June 30, 2020: $998).

Related Risks

The Company is exposed to a variety of financial risks due to its operations. These risks include credit risk, liquidity risk, and interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by the subsidiaries of the Company under policies approved by Board of Directors.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits at banks and financial institutions of $27,946 (December 31, 2019: $38,627) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

As the trading price and volume of the Common Shares is subject to change, and certain minimum equity conditions must be met in order for the Company to make the Bi-Monthly Installment Payments through the issuance of Common Shares, the Company may be required to make some or all Bi-Monthly Installment Payments in cash which could negatively impact the Company's liquidity.

The Credit Agreement contains covenants which are monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreements. Given the ongoing decreases in demand for the Company's bulk concentrates and COVID-19 related slowdown, the Company is at risk of breaching such covenants, which could negatively impact the Company's liquidity position. See "Liquidity and Capital Resources – Contractual Obligations" for a discussion of amounts owed under the facility and applicable covenants.

Credit risk

Credit risk arises from deposits with banks and financial institutions and outstanding receivables if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company holds cash of $27,946 (December 31, 2019: $38,627). The cash and restricted cash held in escrow are held with banks and financial institutions that are either Schedule 1 Canadian Banks or large credit unions. At June 30, 2020, the exposure to credit risk for trade receivables and contract assets by the type of customer is $31,001 for business to business customers (December 31, 2019: $26,105) and $1,323 for distributors and retailers (December 31, 2019: $112).

The Company limits its exposure to credit risk from trade receivables and contract assets by negotiating advance payment from business to business customers before the shipment of the products. Also, the Company management believes that the exposure to credit risk from distributors is very limited since most of the distributors are government organizations. As at June 30, 2020, 89% of the Company's trade receivables (December 31, 2019: 86%) was due from five customers (December 31, 2019: three customers) each representing more than 10% of the Company's trade receivables balance. The Company has legal collection proceedings with respect to $8,531 of the Company's trade receivable balance, with the past due portion of such trade receivables comprising 47% of all the Company's past due trade receivables as at June 30, 2020.

The expected loss rate for undue and overdue balance is estimated to be nominal based on the expected collections on the outstanding receivable balance and the credit worthiness and payment history of the customers.

Interest rate risk

The Company's main interest rate risk arises from indebtedness under the Credit Agreement with variable rates, which expose the Company to cash flow interest rate risk. The Company's indebtedness under the Credit Agreement with a variable rate is denominated only in Canadian Dollars.

Price risk

The Company's price risk arises from the volatility of the Common Shares which could significantly affect the fair value of the Company's derivative liabilities.

RISK FACTORS

There are a number of 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 the following risk factors discussed in greater detail under the heading "Risk Factors" in the Annual Information Form available on www.sedar.com, which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- limited operating history;
- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- reliance on licences and authorizations;
- lack of long-term client commitments;
- COVID-19 pandemic;
- supply chain;
- client risks;
- realization of growth targets including expansion of facilities and operations;
- management of growth;

- history of net losses;
- difficulty to forecast;
- competition;
- inability to sustain pricing and inventory models;
- conflicts of interest;
- legal proceedings;
- product liability;
- product recall;
- environmental regulation and risks;
- insurance risks;
- unfavourable publicity or consumer perception;
- reliance on a single facility;
- dependence on supply of cannabis and other key inputs;
- maintenance of effective quality control systems;
- retention and acquisition of skilled personnel;
- clinical trials;
- failure to comply with laws in all jurisdictions;
- perceived reputational risk for third parties;
- risks related to intellectual property;
- marketing constraints;
- research and development;
- shelf life of inventory;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- risks as a result of international expansions;
- operations in foreign jurisdictions;
- reliance upon international advisors and consultants;
- foreign currency risk;
- 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;
- reporting issuer status;
- significant sales of Common Shares;
- analyst coverage; and
- tax issues related to the Common Shares.

CRITICAL ACCOUNTING ESTIMATES

See Note 2.5 of the Financial Statements.

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

Changes in Accounting Policies

The Company adopted new accounting policy regarding government grants in 2020. See Note 2.2 of the Financial Statements.

The Company adopted the following new standards and amendments to standards that were effective January 1, 2020. These changes did not have a material impact on the Company's Financial Statements and are not expected to have a material effect on the Company's financial statements in the future.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

Future Accounting Changes

The following new accounting standard will become effective in a future year and is not expected to have an impact on the Company's Financial Statements in the future.

- IFRS 17, *Insurance Contracts*

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures and controls to provide reasonable assurance that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer (the "**CEO**") and Chief Financial Officer (the "**CFO**") of the Company, along with the assistance of senior management under their supervision, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

No changes were made in our design of internal controls over financial reporting during the six months ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance of control issues, including whether instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.