
VIVO
CANNABIS

VIVO CANNABIS INC.

Management's Discussion & Analysis

For the Three and Six Months Ended June 30, 2020

August 14, 2020

Introduction

This management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of VIVO Cannabis Inc. (the "**Company**" or "**VIVO**") is for the three and six months ended June 30, 2020 and is prepared as of August 14, 2020. It is supplemental to, and should be read in conjunction with, the Company's condensed interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2020 and 2019. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All monetary amounts herein are expressed in Canadian dollars unless otherwise specified.

This MD&A provides information that management of the Company believes is helpful to understand the results of operations and financial condition of the Company. The objective is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that have affected the operating results, liquidity and financial position of the Company.

This MD&A refers to certain non-IFRS financial measures. For further information, see the section entitled "Non-IFRS Financial Measures".

Additional information relating to the Company can be found under the Company's profile on the SEDAR website at www.sedar.com.

Company Overview

The Company operates two wholly-owned licence holders ("**Licence Holders**") under the *Cannabis Act* (Canada) (the "**Cannabis Act**"), being ABcann Medicinals Inc. ("**ABcann**") and Canna Farms Limited ("**Canna Farms**"), both of which hold licences to produce and sell dried cannabis and cannabis oils, and to cultivate and produce cannabis products for direct sale to medical patients across Canada, as well as for retail adult-use sales. ABcann and Canna Farms are both wholly owned subsidiaries of the Company.

ABcann received its first licence to produce cannabis in 2014 and commenced production in 2015, with commercial sales commencing in 2016. ABcann currently operates two production facilities in Napanee, Ontario, being its original Vanluven facility (the "**Vanluven Facility**") and the new Kimmetts Facility (the "**Kimmetts Facility**"). Canna Farms, which was the first licensed producer in British Columbia, has a solid track record of execution, which led to it being one of the first licensed producers to achieve positive operating cash flow. Canna Farms operates a production facility in Hope, British Columbia (the "**CF Facility**"), as well as an online medical cannabis platform.

The Company's business has three primary segments: (i) a premium cannabis product segment operated by Canna Farms and ABcann, through which the Company produces and sells cannabis and cannabis products for medical purposes and for the adult-use market; (ii) a medical cannabis clinic segment operated by the Company's wholly-owned subsidiary, Harvest Medicine Inc. ("**Harvest Medicine**"); and (iii) a corporate and international segment, which encompasses VIVO's product development and growth related activities together with international operations.

The common shares in the capital of the Company (each a “Shares”) trade on the Toronto Stock Exchange (the "**TSX**") under the symbol "VIVO".

Strategic Overview

VIVO is committed to a focus on the production of high-quality, high margin premium products. VIVO has continued to position itself well to increase revenue in 2020 and future years. The Company has grown production capacity through the expansion of its facilities in Hope, British Columbia, and Napanee, Ontario and by entering into strategic supply agreements with qualified third-party cultivators. The Company has expanded product lines through the launch of its Cannabis 2.0 product lines, which include cannabis-infused chocolates, vapes, and concentrates such as kief, live rosin, bubble hash, and shatter. It has also widened its customer and patient base by expanding its distribution channels and clinic network.

The Company continues to develop its cannabis products, systems and facilities in such a way that these can be replicated in other jurisdictions throughout the world where medical cannabis may be legally produced and sold. The Company believes that its approach to cultivation creates a reproducible environment and results in pharmaceutical-grade cannabis of consistent quality. The Company will continue to expand its portfolio of products and the jurisdictions outside of Canada in which it operates as local laws allow, resources permit, and where market research indicates opportunity.

VIVO continues to focus on four key strategic priorities, which it believes will help grow long-term shareholder value:

1. Enhance Supply and Production Capabilities
2. Create a Broad and Loyal Customer Network
3. Build an Innovation-Driven Branded Organization
4. Accelerate International Medical Business Growth

The following summarizes recent activities undertaken by the Company in furtherance of the strategic objectives described above.

Enhance Supply and Production Capabilities

- The Company received Health Canada approval of its latest 10,000 square foot expansion at the CF Facility. Operations within the expansion have commenced and the first harvests are expected in the third quarter. As the Company's capital expenditure plan for 2020 was largely related to this project, capital expenditures for the second half of 2020 are expected to be minimal.

- Commissioning of the Vanluven Facility's ethanol extraction suite is complete and commercial production is underway. The resulting high quality, low production-cost resins and distillates will be used as inputs for VIVO's oils, vape cartridges, and other Cannabis 2.0 products, such as the first Canadian-launched shatter by Fireside™ X.

- Planting in the airhouses at the Kimmetts Facility in Napanee was completed successfully in the second quarter of 2020. The airhouse environment allowed for earlier planting compared with traditional outdoor growing and protects the plants from weather extremes and pests. The plants are now approximately seven feet tall and the Company is optimistic about the potential quality and yield of this year's harvest.

- EU-GMP certification of the Vanluven Facility continues to advance. The Company expects to send its final submission to the German authorities in August 2020. Barring regulatory delays, and delays in the ability of the German authorities to make a final inspection as a result of the COVID-19 pandemic, certification is still expected to be granted in the second half of 2020.

The Company has followed a measured and sensible approach to capacity expansion. This is consistent with its core principles of maintaining and instilling fiscal discipline and structure, capital stewardship and financial stability, while continuing to scale and meet growing patient and consumer demand.

The Company has completed the commissioning of its ethanol extraction suite at the Vanluven Facility and is prepared to handle output from the Kimmetts Facility harvest in the fall. A new distillation system operating at the Vanluven Facility complements this extraction capability. It is expected that the Vanluven Facility's focus will emphasize the processing and manufacturing of quality oils, distillates, concentrates and more advanced formulations for VIVO's current and anticipated portfolio of medical products, as well as edibles and topicals. VIVO has also invested in automated packaging and labelling equipment throughout its facilities which are expected to increase its finished goods throughput and lower manufacturing costs.

The following table provides additional information with respect to the Company's production capacity at its facilities:

Location	Grow Type	Status	Facility Area (square feet)	Estimated Annual Rated Capacity (kg)[(1)]
Napanee, ON	Indoor	Operating	29,000	1,500
Hope, BC	Indoor	Operating	37,000	6,500
Napanee, ON	Seasonal Airhouses	Operating	86,000	4,000
Hope, BC	Indoor	Operating[(2)]	10,000	2,500

(1) Estimated annual rated capacity is based on the Company's experience growing a variety of different cannabis strains at the Vanluven Facility and CF Facility. Material assumptions used to determine the estimated rated capacity include the yield per square foot of cultivation space per harvest; the number of harvests per year; and the maximum number of square feet of cultivation space available to cultivate plants. Depending on the relative market demand for cultivation and other production requirements, the Company has and will continue to allocate some of its cultivation space to non-cultivation activities.

(2) The 10,000 square foot phase 5 expansion at the CF Facility was commissioned and approved by Health Canada in Q2 2020. A substantial portion of this square footage will be allocated to non-cultivation activities.

With all facility expansion projects completed, VIVO anticipates capital expenditure for the remainder of 2020 to be minimal. Disciplined investments in product development and international market commercialization are expected to continue to facilitate future profitable growth.

Create a Broad and Loyal Customer and Patient Network

- VIVO continues to focus on supplying sought-after premium products, allowing the Company to maintain industry leading top-tier prices for its medical and adult-use dry flower products, with a net average selling price of $6.07 per gram of dry flower in Q2 2020.

- VIVO entered into a product supply agreement and a clinic services agreement with Medical Cannabis by Shoppers™. Under the terms of the supply agreement, VIVO's licensed producers will offer a broad portfolio of Canna Farms™ and Beacon Medical™ branded medical cannabis products through the Medical Cannabis by Shoppers™ online sales platform to patients across

Canada, including its latest Cannabis 2.0 offerings such as chocolates and extracts. Under the terms of the clinic services agreement, VIVO's subsidiary, Harvest Medicine, will provide cannabis education services to patients who are appropriate candidates for cannabinoid-based products and provide consulting services to the Medical Cannabis by Shoppers™ Cannabis Care team.

- VIVO's family of brands, each targeting a specific market segment, include Canna Farms™, Beacon Medical™, Fireside™, Lumina™ and Harvest Medicine™. Canadian Bud Collection™, a new brand directed at the popular value segment of the market, was introduced to capture market share in this high-demand segment of the market**.** The Company currently sells over 100 stock keeping units (SKUs) and has successfully launched several new product lines in 2020.

- VIVO continues to launch additional Cannabis 2.0 products, helping contribute to the Company's quarter-over-quarter sales growth in Q2 2020. The Company's first shipments of Fireside X shatter were sold to multiple provinces in the quarter.

Canna Farms operates an industry-leading online medical cannabis platform, (https://www.cannafarms.ca). Combining the Company's Beacon Medical™, Fireside™, Lumina™, Canna Farms™ and Canadian Bud Collection™ brands, and products from additional third-party cultivators, including Pure Sun Farms™, GTEC Holdings Ltd. (sold under the brand GreenTec™), and Aqualitas Inc. into one on-line point of purchase is believed to offer a distinct advantage for patients looking for a single location to access a broad selection of medical cannabis products. Canna Farms' platform represents one of the largest medical cannabis suppliers in Canada and, to date, has over 25,500 patient registrations.

Under VIVO's cannabis clinic segment, Harvest Medicine operates a portfolio of four education focused, patient-centric, cannabis discovery clinics, including a 3,500 square foot clinic located in Northland Village Mall in Calgary, Alberta, a 3,000 square foot clinic inside the St. Albert Centre in St. Albert, Alberta, and two additional clinics in the provinces of New Brunswick and Nova Scotia. Harvest Medicine has conducted more than 100,000 registered patient visits through its clinics, clinic-in-clinic partnerships and via its telemedicine platform, making it one of the top clinic networks in Canada.

As noted below under the heading "*Current Outlook – COVID-19 Pandemic*", the Company temporarily suspended in-clinic visits at its Harvest Medicine clinics but the Company's HMED Connect telemedicine platform is proving to be of increased service to the medical cannabis market during the pandemic, as the general public has become increasingly conscious of social distancing and more patients are choosing to remain at home. The telemedicine platform brings medical cannabis information and services to patients across Canada, allowing them to access the same Harvest Medicine's patient-centric services they would receive in its clinics, on-line.

Building an Innovation-Driven Branded Organization

- During Q2 2020, VIVO made initial shipments of its Fireside X shatter product to several provincial wholesalers, including in British Columbia, where the provincial wholesaler sold its entire purchase within the first week. This is the fifth significant concentrates product format launched by VIVO, following Fireside vape cartridges, and Canna Farms' bubble hash, kief and live rosin.

- In August 2020, VIVO introduced Beacon Medical softgel capsules, available through its Canna Farms on-line medical marketplace. Beacon softgel capsules provide patients with a convenient

format to ingest cannabis in a precise-dosed format, increasing choice for the Company's more than 25,000 registered patients.

- Subsequent to the signing of an exclusive agreement with Vertosa Inc. (an infusion technology company based in Oakland, California), for Canadian production rights, Vertosa's equipment was installed at the Vanluven facility. VIVO expects to begin production of active emulsions using this technology for the cannabis beverage market in the coming months.

- VIVO advanced into the next stage of product development with partner, Pharmascience Inc., a global pharmaceutical company based in Montreal, Quebec, for a unique line of specific medical cannabis formulations produced under pharmaceutical quality standards. VIVO believes that a significant catalyst to increased medical cannabis use is the introduction of new medical-grade, precise-dosed, stable formulations, which the partnership with Pharmascience is intended to target. The first products from this partnership are expected to be introduced in the Canadian market by the end of Q1 2021.

VIVO is committed to pursuing innovation throughout its value chain. The Company uses data insights gained from Harvest Medicine's clinics and from Canna Farms' medical cannabis platform as a foundation for the development of novel products that meet patients' needs and give VIVO a competitive edge.

ABcann continues to invest in initiatives focused on growing techniques to maximize yields through its Kimmetts Facility. It intends to use its processing licence, which allows for the sale of cannabis oil as well as the manufacturing and preparation of other concentrates, to manufacture new products for the edibles and concentrates market. The Company also intends to provide extraction services to partner-Licence Holders and cannabis processing companies that require high grade extracts and distillates for their edibles and beverage programs.

The Company actively accesses scientific advances in the cannabinoid field to shape its product development efforts. The Company's goal is to expand its offering of high-quality and precisely dosed cannabis products for medical patients and health care professionals.

Accelerate International Medical Business Growth

- VIVO's Australian business continues to rapidly advance, achieving record sales in Q2 2020. Australia's Therapeutics Goods Administrator (TGA) reported a record number of new patient approvals in July of 2020 and triple digit growth in patient approvals year over year. VIVO is well positioned to capitalize on this rapidly growing market.

- VIVO continued to advance its European expansion strategy through its partnership with Linneo Health, a Spanish-based EU-GMP certified supplier of pharma-grade cannabis. VIVO's subsidiary, Beacon Medical Germany, is expecting final approval of Linneo product for import to Germany in late 2020.

- Beacon Medical Germany was granted a narcotics licence in Germany, and is awaiting receipt of an import licence, the final permit necessary to facilitate imports from the Vanluven Facility and from other non-EU sources. EU-GMP certification of the Vanluven Facility continues to advance, with a follow-up audit having recently been completed. The follow-up audit is an important step towards EUGMP-certification and is a requirement to import medical cannabis products from Canada for sale in Germany and other European countries.

- VIVO and Beacon Australia entered into a contract manufacture supply agreement with MediPharm Australia through which Beacon Australia will sell oil under the Beacon Medical brand in the Australian market.

The Company is selectively expanding its international medical footprint, leveraging its experience and leadership to enter new high-growth markets. The Company is following a capital-light approach, with an intense focus on go-to-market execution, leveraging strategic partnerships and pharmaceutical experience to ensure success. Initial focus is on the German and Australian markets, which, combined, have a population of over 100 million people.

In March 2019, Beacon Medical Germany received its pharmaceutical wholesale licence and GDP-certificate from the regulatory authorities of the state of Brandenburg, Germany, followed by receipt of its narcotics licence from BfArM in November 2019, which now enables it to commercialize medical pharmaceutical products. Beacon Medical Germany is now fully licensed to sell cannabis in Germany.

VIVO continues to advance its European expansion strategy by strengthening its partnership with Linneo Health. Linneo is expected to complete the stability studies on its medical cannabis grown in Spain in the fall and to supply Beacon Medical Germany with product immediately thereafter. Linneo is an EU-GMP certified leader in the European pharmaceutical cannabis industry. By having an EU-GMP certified source of medical cannabis within Europe, VIVO expects to be able to supply the unmet medical needs of the European high-growth market with premium medical cannabis products and services.

Beacon Australia has partnered with Australian Medical Cannabis Services and is currently conducting an observational study on the use of cannabinoids as therapy for chronic pain. The study is being led by The Metro Pain Group in Melbourne, Australia and is expected to provide long-term data with which to evaluate the efficacy of medical cannabis in treating pain, and to further support the development of VIVO's portfolio of medical cannabis products.

Selected Quarterly Financial Information

The following table sets forth a comparison of the Company's revenue and earnings on a quarterly basis for each of the eight most recently completed quarters:

(in millions, except loss per share)	**June 30, 2020 ($)**	**March 31, 2020 ($)**	**December 31, 2019 ($)**	**September 30, 2019 ($)**
Net revenue	9.4	8.2	6.6	6.3
Net loss	(4.6)	(11.1)	(12.2)	(9.7)
Net loss per share, basic and diluted	(0.02)	(0.04)	(0.04)	(0.03)

(in millions, except loss per share)	*June 30, 2019 ($)*	*March 31, 2019 ($)*	*December 31, 2018 ($)*	*September 30, 2018 ($)*
Revenue	5.3	5.1	5.8	2.3
Net income (loss)	(13.8)	5.0	(8.0)	(9.1)
Net loss per share, basic and diluted	(0.05)	0.02	(0.03)	(0.04)

The Company's revenue increased significantly in the second quarter of 2020 as a result of increased production capacity and corresponding sales growth, including from new products in the Company's

Cannabis 2.0 line. Improvements in revenue in the second quarter of 2020 continue the quarter-over-quarter growth experienced over the past four quarters and were largely attributable to the expansion of the adult-use market, which opened in Q4 2018. All revenue earned in the second quarter of 2020 was derived from the sale of medical and adult-use cannabis products except the $0.7 million derived from VIVO's Harvest Medicine clinic operations.

The change in the Company's net loss of $4.6 million for the second quarter of 2020 compared to its net loss of $11.1 million for the first quarter of 2020 was primarily attributable to an unrealized gain on financial assets of $0.6 million in the second quarter of 2020 and an unrealized loss on financial assets of $2.7 million in the first quarter of 2020, as well as to lower general and administrative expenses, lower costs of sales and production, and favourable changes to biological assets on the statement of losses in Q2 2020 compared to Q1 2020.

Current Outlook – COVID-19 Pandemic

In the first half of 2020, and particularly in the last five months, the global economy, and society generally, has been in a state of upheaval as a result of the COVID-19 pandemic which has had, and is expected to continue to have, an unprecedented impact. The severity of the pandemic and the mid to long term effects on the economy cannot yet be determined, but it is expected that they will be deep and widespread. While much of this is expected to be negative, there are certain sectors that are experiencing an uptick in activity.

The Company expects that the results of its operations may be adversely affected in 2020 as a result of the pandemic, particularly if there is a breakdown in the supply chain both domestically, with respect to the shipment of its cannabis products across Canada, and globally. Further, the Company temporarily suspended all in-clinic visits at its Harvest Medicine clinics, while at the same time expanding the use of its HMED Connect telemedicine platform for phone and video consultations.

VIVO continues to monitor COVID-19 developments and has implemented a number of enhanced personal safety and sanitation measures. VIVO's production facilities are continuing operations and, to the Company's knowledge, there have been no confirmed cases of COVID-19 among Company personnel. The Company's facilities have extended hours and staggered shifts to facilitate physical distancing and to ensure a safe working environment for its production employees. Frontline staffing levels at the facilities during the last two months have ranged between 80% and 90%.

Results of Operations

Over the last twelve months, the Company has continued to increase its business activities. It has enhanced its supply and production capabilities through the expansion of its Vanluven and CF facilities; entered full scale cultivation at its Kimmetts Facility; expanded Canna Farms' online medical platform; and commenced the development and production of Cannabis 2.0 products. These business activities have resulted in the improvements in adjusted EBITDA over the period.

The Company's net loss was $4.6 million and $15.7 million in the three and six months ended June 30, 2020 (loss of $0.02 and $0.05 per Share respectively) compared to a net loss of $13.8 and $8.8 million in the three and six months ended June 30, 2019 (loss of $0.05 and $0.03 per Share respectively), with the difference primarily attributable to an unrealized gain on financial assets of $0.6 million recognized in the second quarter of 2020 ($2.1 million loss for the six months ended June 30, 2020) and an unrealized loss on financial assets of $10.5 million recognized in the second quarter of 2019 ($1.6 million loss for the six months ended June 30, 2019); and a decrease in general and administrative expense of $4.7 million in Q2 2020 compared to $4.9 million in Q2 2019. There was also a gain on fair value of contingent consideration

of $1.8 million and $3.8 million for the three and six-months ending June 30, 2019 that did not occur in 2020. Loss per share represents both diluted loss per Share and basic loss per Share. These are deemed equivalent because the Company's outstanding options and warrants have an anti-dilutive effect on the loss per Share.

The Company's business is subject to various risks and uncertainties. See the section entitled "Risks and Uncertainties" in this MD&A.

Revenue

The following table presents selected financial results for the Company's business segments for the three and six months ended June 30, 2020:

(in millions)	Cannabis Sales ($)	Patient Clinics ($)	Corporate ($)	Total ($)
For the three months ended June 30, 2020				
Net revenue	8.8	0.7	-	9.4
Net loss	(1.0)	(0.2)	(3.5)	(4.6)
For the six months ended June 30, 2020				
Net revenue	16.2	1.4	-	17.6
Net loss	(5.9)	(0.3)	(9.5)	(15.7)

The Company carries out operations across two regions – Canada and International (made up of Germany and Australia). During the three and six months ended June 30, 2020, the majority of revenue was earned in Canada, and total revenue increased by 77% and 71% for the three and six months ended June 30, 2020 over the same prior year periods. In Q2 2020, the Company generated its first significant revenue in Australia totaling $0.3 million (but transacted by ABcann, its Canadian based subsidiary). The following table sets out segmented financial information with respect to the Company's financial results for each region for the three and six months ended June 30, 2020, capturing the Australian sales in the International segment:

	Canada ($)	International ($)	Total ($)
For the three months ended June 30, 2020			
Net revenue	9.4[(1)]	-	9.4
Net income (loss)	(4.0)	(0.6)	(4.6)
For the six months ended June 30, 2020			
Net revenue	17.6[(1)]	-	17.6
Net income (loss)	(14.6)	(1.1)	(15.7)

[(1)] Including $0.3 million with respect to the Company's Australian activities that was booked through ABcann.

Medical and Adult-Use Cannabis

Gross revenue net of excise taxes and discounts from the sale of dried cannabis into the medical market for the three and six months ended June 30, 2020 was $3.3 million and $6.0 million respectively ($2.1 million and $4.5 million for the same prior year periods).

The total grams of dried cannabis sold into the medical market for the three and six months ended June 30, 2020 was 545 kg and 964 kg respectively (302 kg and 616 kg for the same prior year periods) at an Average

Selling Price, Net of Excise (as defined below under the heading "Non-IFRS Financial Measures"), of $6.02 and $6.21 per gram respectively (2019: $7.08 per gram and $7.38 per gram).

Gross revenue net of excise taxes and discounts from the sale of dried cannabis into the adult-use market for the three and six months ended June 30, 2020 was $1.3 million and $4.4 million respectively, compared to $2.2 million and $3.8 million for the same prior year periods.

The total grams of dried cannabis sold into the adult-use market during the three and six months ended June 30, 2020 was 206 kg and 663 kg respectively (318 kg and 533 kg for the same prior year periods), at an Average Selling Price, Net of Excise, of $6.21 and $6.66 per gram respectively (2019: $6.84 and $7.21 per gram).

Cost of Goods Sold and Production Costs

A summary of the categories comprising cost of sales and production Costs is as follows:

'Cost of inventory sold' is comprised of: (i) in the case of internally produced inventory, the postharvest processing costs that have been capitalized; (ii) in the case of purchased inventory, the acquisition costs of third-party inventory plus any processing costs that have been capitalized; and (iii) the acquisition costs of any third-party inventory and any capitalized processing costs for either internally produced or purchased inventory that has been used for testing or sample retention, or has been impaired. Any biological asset value embedded in inventory sold, sampled, tested or impaired is netted against "increases in fair value due to biological transformation" on the statement of losses. Cost of inventory as a percentage of net revenue increased to 54% and 50% for the three and six months end June 30, 2020, compared to 48% and 43% over the same prior year periods, driven by the Company's increased utilization of third-party inputs. Additionally, inventory impairment expenses of $0.2 million were charged to cost of inventory sold in Q2 2020, representing the reclassification of cannabis flower inventory to cannabis trim inventory and a corresponding reduction in value. The Company incurred an increase in third-party extraction input costs in Q2 2020. With the Vanluven Facility extraction suite coming on-line in Q2 2020, the Company expects to reduce its reliance on third party inputs for its vapes and extracts.

'Production salaries and wages' are pre-harvest expenses attributable to the cultivation of plants, including both direct and indirect labour costs. These costs are expensed in the period in which they are incurred and are comprised of payroll costs related to personnel directly and indirectly involved in the growing of plants. The Company's Q2 2020 production salaries and wages increased over Q1 2020 and over Q2 2019 reflecting the expansion of the Company's facilities in Hope and Napanee.

'Production amortization and depreciation' are expenses attributable to the depreciation of the capital assets used to cultivate, harvest and process cannabis products. These expenses reflect the depreciation schedules of the underlying assets.

'Production supplies and expense' are pre-harvest expenses attributable to the cultivation of plants, including both direct and indirect expenses. These costs are expensed in the period in which they are incurred and are comprised of direct materials, supplies, utilities, processing, packaging, equipment and facility maintenance, lab expenses and supplies, and uniforms. The increase in production supplies and expenses in Q2 2020 over Q2 2019 reflect the expansion of the Company's facilities during the year.

Biological Assets

Biological assets consist of cannabis plants at various stages of growth (pre-harvest) being cultivated by

the Company. The value of these plants is recorded on the balance sheet as biological assets at their anticipated fair value less costs to harvest, package and sell. At harvest, the cumulative biological asset value of these plants is transferred from biological assets to inventory. This biological asset value is thereby 'embedded' in the value of the Company's inventory. Further post-harvest processing expenses are capitalized to inventory. When sold, the value of the capitalized post-harvest processing expenses within the sold inventory are expensed to 'cost of inventory sold', and the biological asset value embedded in the inventory is booked to 'realized gain on biological transformation' on the statement of losses.

All pre-harvest expenses attributable to the cultivation of plants, including both direct and indirect expenses, are expensed as production costs in the period in which they are incurred. They are not capitalized to biological assets and therefore are never included in inventory.

As at June 30, 2020, the Company had 58,439 plants that contributed to its biological assets (December 31, 2019: 68,153), and the plants were, on average, 43% through their growing cycle (December 31, 2019: 39%). It was expected that the biological assets as at June 30, 2020 would yield approximately 1,067 kg of dry flower (December 31, 2019: 1,560 kg) and 787 kg of trim (December 31, 2019: 640 kg).

The Company values its biological assets at the end of each reporting period at fair value less costs to sell. This is determined using a valuation model that calculates biological asset value by estimating the expected yield of each plant at harvest, prorated based on the stage at which the plant is in its lifecycle, multiplied by the survival rate of plants at this stage in their life cycles, the estimated per-gram selling price for the expected yield (different prices are applied for trim and dry flower yield), and less processing and selling costs. The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- For plants cultivated indoors, the average number of weeks in the growing cycle is sixteen weeks from propagation to harvest. The Company considers plants less than 3.5 weeks of age to be in the cloning stage; between 3.5 and 6 weeks to be in the vegetative stage; and more than 6 weeks to be in the flowering stage. For plants grown in the Company's Kimmetts Facility airhouses, assumed harvest dates of September 30 and October 15, 2020 were used to determine the proration based on the stage of plants in their lifecycle. All plants in the Kimmetts airhouses were classified as being in the vegetative stage. As at June 30, 2020, the Company had $0.2 million (2019 - $0.3 million) of biological assets in the cloning stage, $0.5 million (2019 - $0.7 million) in the vegetative stage and $2.2 million (2019 - $2.8 million) in the flowering stage.

- For plants cultivated indoors, the expected average yields used were 26.6 grams of dry flower per plant (2019 – 28.6 grams per plant) and 12.5 grams of dry trim per plant (2019 – 11.7 grams). For plants in the Kimmetts Facility airhouses, the expected average yields used were 200 grams of dry flower for extraction per plant and 200 grams of dry trim per plant.

- For plants cultivated indoors, the expected average selling price used was $5.74 per gram (2019 - $6.10 per gram) for dry flower, and $0.23 per gram (2019 – $0.22 gram) for trim, based on management's estimates. For plants in the Kimmetts Facility airhouses, the expected average selling price of dry flower for extraction, net of processing and selling costs, was $0.75 per gram and the expected average selling price of trim, net of processing and selling costs, was $0.25 per gram.

- For plants cultivated indoors, the expected average processing and selling costs, including the costs to harvest, trim, dry and package dry flower is $1.25 per gram (2019 - $0.70 per gram).

The estimates of growing cycle, harvest yield and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward. These assumptions are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Company expects that a $1 increase or decrease in the selling price per gram of indoor cultivated dried cannabis flower would increase or decrease the fair value of its indoor biological assets by $0.5 million (2019 – $0.6 million), of it for plants cultivated in the Kimmetts Facility airhouses by $0.5 million (2019 - $nil). A 5% increase or decrease in the estimated yield cultivated cannabis plants would result in an increase or decrease in the fair value of biological assets of $0.1 million for indoor (2019 - $0.2 million) for indoor cultivated cannabis, and $0.0 million (2019 - $nil) for cannabis cultivated in the Kimmetts Facility airhouses. Additionally, an increase or decrease of 10% in the costs of production would decrease or increase the fair value of biological assets by $0.1 million (2019 - $0.0 million).

(in millions)	**June 30, 2020 ($)**	**June 30, 2019 ($)**
Increase in fair value due to biological transformation	6.3	8.5
Realized loss on inventory sold in the year	(7.7)	(4.8)
Unrealized fair value on biological asset transformation	(1.5)	3.7

The Company acknowledges the concerns of the Canadian Securities Administrators ("**CSA**") noted in CSA Staff Notice 51-357 *Staff Review of Reporting Issuers in the Cannabis Industry* (the "**Staff Notice**"). In particular, the Staff Notice states that issuers who expense biological asset costs as incurred (like the Company) should consider whether the accounting policy results in information that is relevant to the decision-making needs of investors. As a result of the Staff Notice, the Company is providing the following supplemental information, which shows what impact the capitalization of production costs related to biological assets would have on the statement of operations and comprehensive loss:

(in millions)	**Results of the Company's current IFRS compliant method**	**Results when capitalizing costs during the biological transformation process**	**Results of the Company's current IFRS compliant method**	**Results when capitalizing costs during the biological transformation process**
	YTD June 30, 2020		**YTD June 30, 2019**	
Production costs	5.1	1.2	3.2	0.03
Unrealized gain on biological transformation	(6.2)	(2.4)	(8.5)	(5.4)
Total increase to comprehensive loss	**(1.2)**	**(1.2)**	**(5.3)**	**(5.3)**

Medical Cannabis Clinics

Revenue from the Harvest Medicine clinics for the three and six months ended June 30, 2020 was $0.7 million and $1.4 million, compared to $0.9 million and $1.7 million respectively for the same prior year periods. The primary cost of sales with respect to the clinics relates to the payments made by Harvest Medicine to physicians for their services under Alberta Health Services.

Expenses

General and administrative expenses increased to $4.5 million and $9.8 million for the three and six months ended June 30, 2020, compared to $4.9 million and $8.8 million for the same prior year periods. The

increase was primarily driven by increased salaries, wages and office expenses in connection with the Company's increased number of employees and the enhancement of the management team, and by increased professional fees in connection with the expansion of its facilities and in connection with strategic initiatives undertaken by the Company.

Sales and marketing expenses decreased by $0.7 million to $0.2 million during the three months, and by $1.6 million to $0.4 million during the six months ended June 30, 2020, compared to the same prior year periods. Sales and marketing costs were higher in the first six months of 2019 primarily due to distribution costs being captured in this expense category (in 2020 captured as Cost of sales) as well as significant marketing investments made by Harvest Medicine in Q1 2019. Many of the activities and programs undertaken by the Company in 2019 have not been continued as the Company has focused its sales and marketing efforts on more targeted customer segments.

Finance expenses increased during the three and six months ended June 30, 2020 to $1.1 million and $2.7 million, from $1.1 million and $2.2 million in the same periods in 2019. The increase was driven by the accretion on convertible debentures as they near maturity.

VIVO also saw amortization and depreciation expenses of $1.1 million and $2.2 million in the first three and six months of 2020 compared to $1.2 million and $2.3 million in the same periods ended June 30, 2019.

The Company had unrealized gains (losses) on other financial assets, comprised of marketable securities of other issuers held by the Company. $0.4 million was gained in the three months ended June 30, 2020 and $2.3 million was lost for the six months ended the same date. In the same prior year periods, the Company had unrealized losses on its financial assets of $10.5 million and $1.6 million respectively. The securities underlying the unrealized losses were acquired by the Company in 2018 and 2019.

Non-IFRS Financial Measures

The Company calculates Adjusted EBITDA as the sum of net revenue, other income, cost of inventory sold, production salaries and wages, production supplies and expense, general and administrative expense, and sales and marketing expense, as determined by management. Adjusted EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges.

(in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2020 ($)	2019 ($)	2020 ($)	2019 ($)
Net revenue	9.4	5.3	17.6	10.3
Less: Adjusted cost of sales[(1)]	7.0	3.8	12.2	6.6
Adjusted Gross Margin	**2.5**	**1.4**	**5.4**	**3.7**
Less: General and administrative costs	4.5	4.9	9.8	8.8
Less: Sales and marketing costs	0.2	0.9	0.4	2.0
Adjusted EBITDA	**(2.2)**	**(4.3)**	**(4.8)**	**(7.1)**

(1) Adjusted cost of sales is the sum of cost of inventory sold, production salaries and wages, and production supplies and expense.

The Company's Adjusted EBITDA increased by $2.1 million and $2.3 million during the three and six months ended June 30, 2020, compared with the same prior year periods mainly due to increased gross margin.

The Company is making significant efforts to prepare for its entry into international markets, as well as to develop innovative cannabis based medical products. To date, these efforts have not resulted in the generation of revenue, notwithstanding that the Company has made expenditures in furtherance thereof. The following table sets out the impact of the Company's spending on matters related directly to its operating business, which is focused solely on the Canadian medical and adult-use cannabis markets and clinic operations, and the development of international operations and potential new products:

Canadian Focused Operating Business (in millions)	Three Months Ended June 30	Six Months Ended June 30
Sales	9.1	17.3
Adjusted cost of sales	6.8	12.0
Adjusted gross margin	**2.3**	**5.2**
General and administrative costs	3.9	8.4
Sales and marketing costs	0.2	0.4
Adjusted EBITDA	**(1.8)**	**(3.6)**
International Focused Operations and New Product Development (in millions)	**Three Months Ended June 30**	**Six Months Ended June 30**
Sales	0.3	0.3
Adjusted cost of sales	0.2	0.2
Adjusted gross margin	**0.2**	**0.2**
General and administrative costs	0.5	1.4
Sales and marketing costs	0.0	0.0
Adjusted EBITDA	**(0.4)**	**(1.2)**
Total (in millions)	**Three Months Ended June 30**	**Six Months Ended June 30**
Sales	9.4	17.6
Adjusted cost of sales	7.0	12.2
Adjusted gross margin	**2.5**	**5.4**
General and administrative costs	4.5	9.8
Sales and marketing costs	0.2	0.4
Adjusted EBITDA	**(2.2)**	**(4.8)**

Operating, Financing and Investing Activities

The following table highlights the Company's cash flows for the six months ended June 30, 2020 compared to the same period ended June 30, 2019 (in millions):

Net cash provided by (used in):	Six months ended June 30, 2020 ($)	Six months ended June 30, 2019 ($)
Operating activities	(7.1)	(10.4)
Investing activities	(3.9)	(8.1)
Financing activities	(10.2)	1.6
Increase (decrease) in cash	(21.2)	(16.8)

Operating activities used cash of $7.1 million in the first half of 2020 compared to $10.4 million in the first half of 2019. In 2020, cash was primarily used to increase operating activities in connection with the launch of the Cannabis 2.0 market and for expansion of the Company's facilities. There was also an unrealized loss

on other financial assets of $2.1 million in the six months ended June 30, 2020 compared to an unrealized loss of $1.6 million in the same period in 2019.

Financing activities used cash of $10.2 million in the first half of 2020 compared to providing cash of $1.6 million in the first half of 2019. In April and May of 2020, the Company repurchased $10.9 million (face value) of its outstanding 6% convertible debentures at a discount of 7% to face value. The Company paid $10.1 million plus accrued interest to repurchase these convertible debentures.

Investing activities used cash of $3.9 million in the first half of 2020, compared to using cash of $8.1 million in the first half of 2019. In the six months ended June 30, 2020, the Company used $3.7 million to invest in property and equipment (Q2 YTD 2019 - $2.3 million). This included the completion of Phase 5 at the CF Facility and the airhouses at the Kimmetts Facility.

The Company did not use any cash to purchase short-term investments and other financial assets (Q2 YTD 2019: $1.9 million) and did not derive any cash from the sale of short-term investments (Q2 YTD 2019: $0.4 million).

Liquidity and Capital Resources

In 2020, the Company primarily financed its operations through revenue from operations and the proceeds of debt and equity financing undertaken in 2018 and 2017.

As at June 30, 2020, the Company had working capital of $15.0 million including cash and cash equivalents of $22.2 million, compared to working capital of $60.9 million including cash and cash equivalents of $43.4 million at December 31, 2019. The decrease in working capital was driven by the outstanding convertible debentures becoming due within one year; by $10.8 million having being used to repay some of the convertible debentures in the period; and the funding of on-going losses.

Accounts receivable were $3.6 million at June 30, 2020, compared to $2.9 million at December 31, 2019, with the increase primarily driven by provincial purchases of retail products near the end of the second quarter of 2020. Other financial assets were $2.9 million at June 30, 2020 compared to $4.9 million at December 31, 2019, with the decrease due to the devaluation of the shares underlying the investments. Other receivables at June 30, 2020 were $1.4 million compared to $0.9 million at December 31, 2019, which was largely related to an increase in GST and HST receivables owing to certain of the Company's subsidiaries.

Inventories at June 30, 2020 were $14.3 million (December 31, 2019: $11.6 million), comprised of $8.2 million of dried cannabis (December 31, 2019: $7.7 million), $4.1 million of cannabis derivatives (December 31, 2019: $2.0 million), $1.0 million of cannabis oils (December 31, 2019: $1.5 million), and $1.4 million of supplies (December 31, 2019: $0.4 million). The increase in the derivative inventory reflects the coming on-line of multiple formats of Cannabis 2.0 products in the first half of 2020 requiring the building of bulk and finished goods inventories of these products. Biological assets at June 30, 2020 were $2.3 million compared to $3.8 million as at December 31, 2019.

The Company's long term assets at June 30, 2020 mainly consisted of: property, plant and equipment of $45.2 million (December 31, 2019 - $43.6 million) related to the Company's facilities and the expansions thereof; intangible assets of $115.6 million (December 31, 2019 - $117.2 million), comprised of customer relationships assumed in the acquisition of Harvest Medicine and the unallocated purchase price with respect to the acquisition of Canna Farms; and goodwill of $45.8 million related to the acquisitions of Harvest Medicine, Canna Farms and Trauma Healing Centres (December 31, 2019 - $45.8 million).

At June 30, 2020, the Company had the total convertible debentures in the aggregate principal amount of $27.1 million. On April 2, 2020, the Company repurchased outstanding convertible debentures in the aggregate principal amount of $10 million for a price of $9.3 million (plus accrued and unpaid interest thereon), representing a 7.0% discount to the face value, pursuant to a private agreement.

On May 8, 2020, the Company repurchased outstanding convertible debentures in the aggregate principal amount of $0.9 million for a price of $0.8 million (plus accrued and unpaid interest thereon up to but excluding April 30, 2020), representing a 7.0% discount to the face value, pursuant to the terms of a first supplement to the debenture indenture dated April 24, 2020 between the Company and TSX Trust Company.

The following table sets out the Company's total assets and liabilities for each of its business segments as at June 30, 2020:

(in millions)	**Cannabis Sales ($)**	**Patient Clinics ($)**	**Corporate ($)**	**Total ($)**
Total assets	233.3	2.3	20.4	256.1
Total liabilities	41.0	0.6	34.8	76.5

The following table sets out the Company's total assets and liabilities for each geographical location in which the Company operated as at June 30, 2020:

(in millions)	**Canada ($)**	**International ($)**	**Total ($)**
Total assets	255.1	1.0	256.1
Total liabilities	76.2	0.3	76.5

The Company continually monitors and manages its cash flow to assess the liquidity necessary to fund operations, and has determined that it will need to procure additional financing in order to fund its planned expenditures for the next twelve months, as these expected expenditures have a total value that exceeds the Company's end of period cash and cash equivalents. These planned expenditures include repayment of the remaining convertible debentures in the aggregate principal amount of $27.1 million, of which debentures in the principal amount of $3.5 million will mature in December 2020 and debentures in the aggregate principal amount of $23.6 million will mature in February 2021

The condensed interim consolidated financial statements and the MD&A for the period ended June 30, 2020 are prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management believes that it has sufficient time and opportunity to secure various combinations of debt and equity financing needed to fund its ongoing operations and commitments, however, there is no assurance that additional funding will be available or available on terms that management finds acceptable, or within the required timeframe, thus creating a risk that the Company will be unable to meet its financial obligations and continue as a going concern. While the Company has been successful in obtaining financing to datem and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability,

or secure financing on terms favourable to the Company or at all..

Financial Instruments and Risk Management

Financial Instruments

The Company has classified its cash and cash equivalents, other financial assets and derivative liability as fair value through profit and loss. Other receivables, short-term investments, due from related parties, loan receivable and mortgage receivable have been classified as loans and receivables. Accounts payable and accrued liabilities, due to related parties, mortgage payable, convertible debenture and loans payable have been classified as other financial liabilities.

The carrying values of cash and cash equivalents, other receivables, short-term investments, due to/from related parties, loan receivable, accounts payable and accrued liabilities approximate their fair values due to their short periods to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data.

Level 3 – inputs for assets and liabilities not based upon observable market data.

The following table summarizes information about financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position and categorized by level of significance of the inputs used in making the measurements:

	June 30, 2020			December 31, 2019		
Other Financial Assets	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Common shares of Decibel	**529,412**	-	-	1,176,471	-	-
Common share purchase - warrants of Decibel	-	**7**	-	-	31,135	-
Common shares of Meta Growth	**714,286**	-	-	1,813,187	-	-
Common shares of CB2	**592,874**	-	-	624,000	-	-
Common shares of Friendly Stranger	-	-	**533,779**	-	-	750,000
Convertible debentures of Friendly Stranger	-	-	**459,194**	-	-	513,479
RSU plan liability	**83,938**	-	-	66,769	-	-
	$1,920,510	**$7**	**$992,973**	$3,680,427	$31,135	$1,263,479

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and amounts due from related parties. The Company's cash and cash equivalents are held at a major Canadian bank or credit union. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Company's financial liabilities are due within one year except for its finance lease obligations.

(c) Interest rate risk

The Company is subject to interest rate risk from its convertible debentures. Debentures owed by the Company are all fixed rate instruments.

Related Party Transactions

During the three and six months ended June 30, 2020 and 2019, compensation awarded to directors and officers of the Company was comprised of the following:

	Three Months Ended June 30		Six Months Ended June 30	
(in millions)	2020 ($)	2019 ($)	2020 ($)	2019 ($)
Short-term	0.3	0.9	1.1	1.6
Share-based payments	0.0	0.2	0.1	0.5
Total	**0.3**	**1.1**	**1.2**	**2.1**

Critical Accounting Estimates

Management has applied significant estimates and assumptions related to the following:

Biological assets and inventory

Management is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis, harvesting costs, sales price, and expected yields. The Company must also determine if the cost of any inventory exceeds its net realizable value. In making these estimates, management considers the product life of inventory, whether inventory is damaged and the profitability of recent sales of inventory.

Fair value of stock options and warrants

Management uses the Black-Scholes option-pricing model to calculate the fair value of stock options and warrants. Use of this method requires management to make assumptions and estimates about the expected life of options and warrants, anticipated forfeitures, the risk-free rate, and the volatility of the Company's share price. In making these assumptions and estimates, management relies on historical market data.

Contingent consideration

Management is required to make a number of estimates in calculating the fair value of contingent consideration. These estimates include a number of assumptions such as estimating future financial performance, the likelihood of achieving performance milestones, and the cost of capital of the acquired business.

Estimated useful lives, impairment considerations and amortization of property, plant and equipment and intangible assets

Amortization of property, plant and equipment and intangible assets is dependent upon estimates of useful lives based on management's judgment. Goodwill and indefinite life intangible asset impairment testing require management to make estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired. Impairment is influenced by judgment in defining a cash generating unit ("**CGU**") and determining the indicators of impairment, and estimates used to measure impairment losses. The recoverable value of goodwill, indefinite and definite long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding projected future cash flows and capital investment, growth rates and discount rates.

Changes in Accounting Policies including Initial Adoption

Accounting Policies Adopted During the Period

Beginning on January 1, 2020, the Company adopted certain International Financial Reporting Standards ("IFRS") and amendments. As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Conceptual Framework

Beginning January 1, 2020, the Company adopted the revised Conceptual Framework for Financial Reporting ("revised conceptual framework"). The revised conceptual framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered such as presentation and disclosure. The adoption of the revised conceptual framework did not have a material impact on the consolidated financial statements.

Definition of a Business

Beginning January 1, 2020, the Company adopted the IASB amendment regarding the definition of a business under IFRS 3 *Business Combinations*. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Disclosure of Outstanding Share Data

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of common shares without par value. The Company had the following securities outstanding as at August 14, 2020:

Type of Security	Number Outstanding
Common Shares	295,888,654
Dilutive Effect of Convertible Debentures[(1)]	8,238,333
Stock Options	13,394,539
Warrants	7,768,000
Restricted Share Units	381,538
Fully Diluted	**325,671,064**

(1) Assuming conversion of: (i) outstanding convertible debentures in the aggregate principal amount of $3.5 million into 2,333,333 Shares at a conversion price of $1.50 per Share; and (ii) outstanding convertible debentures in the aggregate principal amount of $23.6 million into 5,905,000 Shares at a conversion price of $4.00 per Share.

Canadian Regulatory Regime

On August 24, 2016, the Canadian federal government introduced the *Access to Cannabis for Medical Purposes Regulations* (Canada) (the "**ACMPR**") to govern the production, sale and distribution of medical cannabis and related oil extracts. The ACMPR effectively combined the regulations and requirements of the *Marihuana for Medical Purposes Regulations*, the *Marihuana Medical Access Regulations* and the Section 56 exemptions related to cannabis oil under the *Controlled Drugs and Substances Act* (Canada) into one set of regulations. In addition, among other things, the ACMPR set out the process patients were required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients had three options for obtaining cannabis: (i) they could continue to access quality-controlled cannabis by registering with Licensed Producers; (ii) they could register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they could designate someone else to produce cannabis for them.

These three options for access to medical cannabis have been continued under the Cannabis Act, which came into force on October 17, 2018, and substantively incorporates the regulatory framework of the ACMPR. The current medical regime builds upon the previous requirements to reduce administrative requirements that were identified by patients, patient advocates, and healthcare professionals as being especially burdensome. For example, registered clients may now request the transfer of their medical document from one Licence Holder to another without having to obtain new medical documents from a healthcare practitioner. The period of validity of each medical document has also been extended by using the date of registration as the first day of the validity period as opposed to the date on which it was issued by the healthcare practitioner.

The federal regulatory regime under the Cannabis Act provides for the issuance of cultivation licences for standard cultivation, micro-cultivation and nursery cultivation, licences for standard processing and micro-processing, as well as sales licences for medical or non-medical use. Licences to sell for non-medical use are limited to provinces where local distribution models have not been implemented. In addition, the federal regulatory regime includes generally less cumbersome personnel and physical security obligations than those previously contemplated under the ACMPR. In addition, federal regulations include packaging and labeling restrictions for cannabis products, aimed to minimize the appeal to children and youth, protect against accidental consumption and ensure consumers are informed of the potential risks and harms of cannabis.

While the Cannabis Act and associated regulations provide for the regulation of the commercial production, processing and sale (for medical purposes) of cannabis and related matters by the federal government, the provinces and territories of Canada regulate the distribution, sale and consumption of recreational cannabis, such as distribution and retail licensing, minimum age requirements, places where cannabis can be consumed, and a range of other matters. The governments of every Canadian province and territory have implemented different regulatory regimes for the distribution, sale and use of recreational cannabis within those jurisdictions.

The Cannabis Act provided that licences issued under the ACMPR that were in force immediately before the commencement date of the Cannabis Act would generally be deemed to be licences issued under the corresponding provisions of the Cannabis Act and any such licences would continue in force until they are revoked or expire. The licences under the ACMPR held by ABcann and Canna Farms were subject to these transition provisions and the Company has had its licences continued as licences to cultivate, licences for processing and licences for sale for medical purposes under the Cannabis Act. ABcann and Canna Farms have also applied for and received the necessary excise duty licences from the Canada Revenue Agency.

In December 2018, the federal government announced a framework to govern the production and sale of edible cannabis, cannabis extracts and cannabis topicals, known as "Cannabis 2.0" products. These regulations came into force on October 17, 2019, and Cannabis 2.0 became eligible for purchase in cannabis retail stores after December 17, 2019. The Company intends to continue dedicate additional resources to supply edible products and concentrates into the adult-use recreation market now that such products are lawfully permitted.

Potential Conflicts of Interest

Harvest Medicine receives educational grants from various Licence Holders to support the educational activities at its clinics and to help educate patients on the safe and appropriate use of medical cannabis, including topics such as: the difference between THC, CBD and terpenes; the entourage effect; the proper storage and safe handling of cannabis; dosing guidelines; strain selection; and product format selection (for example, oils versus dry flower).

Harvest Medicine's patient educators ("**Educators**") have not been made aware of the specific terms of any contractual arrangements with any Licence Holders and their recommendations to clients are not informed in any way by such arrangements. Rather, Harvest Medicine and the Educators are committed to connecting patients to Licence Holders that are best suited for their needs. Educators are not prevented from recommending or suggesting the products of a Licence Holder that has not provided an educational grant to Harvest Medicine. Management of Harvest Medicine monitor the product offerings of Licence Holders on an ongoing basis to ensure that Educators are able to make recommendations with respect to particular product types that may be sought by patients, notwithstanding that Harvest Medicine may not be party to an educational grant agreement with such Licence Holder.

To address any potential conflicts of interest, the Company has provided an undertaking to the Ontario Securities Commission that: (i) the Company will continue to implement certain conflict of interest measures, specifically that: (a) no incentives (monetary or in any other form) will be provided to physicians or Educators to prescribe or recommend the Company's products, and (b) should the Company offer a product that may be appropriate for a patient, the Company's product will only be recommended by Educators as one of several recommended products (together with similar products from other Licence Holders) or as a product without discussion or reference to the Company's name, and, in the event that these measures are altered, the Company will notify the Ontario Securities Commission, issue a press release and file a material change report with respect to same; and (ii) the Company will disclose in its annual and

interim MD&A on a going-forward basis that the foregoing measures to address potential conflicts of interest continue to be in effect.

For additional information with respect to the regulatory framework applicable to Harvest Medicine, as well as its relationship with Licence Holders, distributors and dispensaries, and other information about its business, see the Company's annual information form for the year ended December 31, 2019 (the "**AIF**"), which is available under the Company's profile on SEDAR at www.sedar.com.

Notice Concerning Forward-Looking Statements

This MD&A includes "forward-looking information" or "forward-looking statements" within the meaning of applicable Canadian securities legislation, which are statements other than statements of historical fact and which can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may", "would", "could" or "will" happen, or by discussions of strategy. Forward-looking statements in this MD&A include statements with respect to: the expected performance of the Company's business and operations, and the impact of the COVID-19 pandemic thereon; the Company's expectations regarding revenue, expenses and anticipated cash needs; the intention to grow the Company's business and operations, including the expansion of the Company's product lines as the adult-use market matures; the expected market availability of its new products and the variety of products offered; the expected timing of receipt of EU-GMP certification for the Vanluven Facility; expectations regarding the Company's strategic partnerships; and the Company's international expansion plans and objectives.

Forward-looking statements are based upon the expectations, estimates, projections, assumptions and views of management at the date hereof and which management believe to be reasonable in the circumstances, including with respect to: general economic conditions both in Canada and internationally, particularly as a result of the COVID-19 pandemic; the expected timing and cost of developing new product lines and, where warranted, expanding capacity; future growth of the Company's business and international opportunities, as well as industry growth trends; the development, expansion, and assumed future results of operations; the ability of the Company to generate cash flow from operations; the development of new products, product formats and delivery methods, including with respect to the Cannabis 2.0 market; the Company's ability to retain key personnel; the Company's ability to continue investing in its infrastructure to support growth; the impact of competition; trends in the Canadian cannabis industry; public perception, including with respect to new products offered with the launch of the Cannabis 2.0 market; the competitive conditions of the cannabis industry; future legislative and regulatory developments and changes involving medical and adult-use cannabis; and whether the Company will continue to be in compliance with regulatory requirements.

Forward-looking statements should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications as to whether, or the times at which, such events, performance or results will occur or be achieved. The forward-looking statements contained in this MD&A are subject to known and unknown risks and uncertainties, including the risks and uncertainties described in this MD&A under the heading "*Risks and Uncertainties*", any of which could cause actual results to differ materially from those expressed or implied by the forward-looking statements disclosed herein. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements in this MD&A speak only as of the date on which they are made and the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the establishment and maintenance of disclosure controls and procedures ("DCP") and internal controls over financial reporting ("ICFR") is the responsibility of management. The DCP and ICFR have been designed by management based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide reasonable assurance that the Company's financial reporting is reliable and that its financial statements have been prepared in accordance with IFRS.

Regardless of how well the DCP and ICFR are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting the Company's objectives in providing reliable financial reporting information in accordance with IFRS. These inherent limitations include, but are not limited to, human error and circumvention of controls and as such, there can be no assurance that the controls will prevent or detect all misstatements due to errors or fraud, if any. The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis.

As at June 30, 2020, an evaluation of the design of DCP and ICFR was performed by management under the supervision of VIVO's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Enhancing the Company's control environment is a key priority for management. As such, during the upcoming quarters, management, under the direction and supervision of the Company's CEO and CFO, will be reviewing and updating its ICFR certification documentation including, but not limited to, scoping documentation, process documentation, risk assessment and testing working papers. The Company is also looking to engage a third party to perform a gap assessment between the Company's identified control matrix and the principles detailed in the 2013 COSO framework to identify opportunities for management to refine and improve ICFR. During the current quarter, the Company hired an additional resource with financial reporting, public company and internal control expertise, whose role and responsibilities will also include the assessment of the Company's control environment.

There have been no changes in the Company's internal controls over financial reporting as at June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risks and Uncertainties

There are various risk factors that could cause the Company's future results to differ materially from those described in this MD&A. The risks and uncertainties described below are those the Company currently believes to be material, but they are not the only ones the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that it currently considers not to be material, actually occur or become material risks, the Company's business, financial condition, results of operations and cash flows, and consequently the price of its Shares, could be materially and adversely affected. The risks discussed below also include forward-looking statements and the Company's actual results may differ substantially from those discussed in the forward-looking statements. See "*Notice Concerning Forward-Looking Statements*" in this MD&A.

Reliance on Licences

VIVO's ability to grow, store and sell cannabis in Canada is dependent on its ability to maintain, in good standing, the licences issued by Health Canada under the Cannabis Act to ABcann and Canna Farms. VIVO is subject to ongoing inspections by Health Canada to monitor VIVO's compliance with its licensing requirements. VIVO's existing licences and any new licences that it may obtain in the future in Canada or other jurisdictions may be revoked or restricted at any time in the event that VIVO is found not to be in compliance. Failure to comply with the requirements of such licences, or any failure to maintain these licences in good standing, will have a material adverse impact on the business, financial condition and operating results of VIVO. Although VIVO believes it will meet the requirements for extension of the licences when required, there can be no guarantee that Health Canada will extend or renew any or all of the licences or, if they are extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the licences, or should it renew the licences on different terms, the business, financial condition and results of operations of VIVO could be materially adversely affected.

Reliance on the Facilities

VIVO's operations and the conditions of its facilities are, and will be, subject to hazards inherent in the cannabis industry, including equipment defects, equipment malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the facilities. Any adverse change or event affecting the facilities, including changes to municipal laws regarding zoning, facility design errors, environmental pollution, non-performance by third party contractors, increases in materials or labour costs, labour disputes or disruptions, inability to attract sufficient numbers of qualified workers, productivity inefficiencies, equipment or process failures, production errors, disruption in the supply of energy and utilities, and major incidents and/or catastrophic events such as earthquakes or storms, may have a material adverse effect on VIVO's business, results of operations and financial condition. In addition, VIVO bears all of the costs of maintenance and upkeep of the facilities. VIVO's operations and financial performance may be adversely affected if it is unable to keep up with maintenance requirements.

VIVO is also subject to the risk of theft of its product and other security breaches. A security breach at the facilities could result in a significant loss of available product, expose VIVO to additional liability under applicable regulations and to potentially costly litigation, or increase expenses relating to the resolution and future prevention of similar thefts, any of which could have an adverse effect on VIVO's business, financial condition, results of operations and prospects.

Regulatory Risks

The cannabis industry, and the business and activities of the Company, are heavily regulated in all jurisdictions where it currently carries on, and intends to carry on, business, both domestically and internationally. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale and disposal of cannabis, and also including laws and regulations relating to health and safety, employment, the conduct of operations and the protection of the environment. Laws and regulations grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements, and obtaining all regulatory approvals for, among other things, the production and sale of its

products, including maintaining and renewing its licences. The impact of Health Canada's compliance regime, and any delays in obtaining, or failure to obtain, necessary regulatory approvals from Health Canada or any other applicable regulatory authorities, may significantly delay or impact the development of markets, products and sales initiatives, and could have a material adverse effect on the business, financial condition and operating results of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation of its licences; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; product recalls or seizures; and the imposition of fines and censures or criminal charges. In addition, the Company may be subject to enforcement proceedings resulting from a failure to comply with applicable regulatory requirements in Canada or other jurisdictions, which could delay or entirely prevent the Company from continuing the production, testing, marketing, sale or distribution of its products and divert management's attention and resources away from its business operations. There is no assurance that the Company will be able to comply or continue to comply with applicable regulations. To the extent that there are changes to existing laws and regulations, or the enactment of new ones, that affect the sale or offering of the Company's products or services in any way, the Company's revenue may be adversely affected.

Financing Requirements and Going Concern

The Company continually monitors and manages its cash flow to assess the liquidity necessary to fund operations, and has determined that it will need to procure additional financing in order to fund its planned expenditures for the next twelve months, as these expected expenditures have a total value that exceeds the Company's end of period cash and cash equivalents. Management believes that it has sufficient time and opportunity to secure various combinations of debt and equity financing needed to fund its ongoing operations and commitments, however, there is no assurance that additional funding will be available or available on terms that management finds acceptable, or within the required timeframe, thus creating a risk that the Company will be unable to meet its financial obligations and continue as a going concern. While the Company has been successful in obtaining financing to date, and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability, or secure financing on terms favourable to the Company or at all. The Company's inability to raise additional financing could limit the Company's growth and may have a material adverse effect upon its business, operations, results, financial condition or prospects. Further, if additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution.

In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of any security granted pursuant to such debt financing.

Development of Canadian Adult-Use Recreational Market

The Cannabis Act came into effect on October 17, 2018 and governs the federal legalization and regulation of cannabis use in Canada. On October 17, 2019, targeted amendments to the Cannabis Act and Cannabis Regulations came into force, adding three new authorized classes of cannabis for sale: edibles, extracts and topicals. These amendments introduced new regulatory controls to address the sale of the new product classes, content and product specifications, and packaging and licensing requirements. Given the recent introduction of these regulations, the effect of Health Canada's administration, application and enforcement of this new regulatory regime on the Company is unknown and the interpretation and application of the regulations may change at any time, or their implementation may be delayed. There is no assurance that the Company will be able to comply with these new regulations.

In addition, the governments of every Canadian province and territory have enacted and implemented their respective regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. Various different models for distribution and sale have been implemented in each jurisdiction across Canada, including government-operated retail models, privately operated retail models and hybrid approaches. These regulatory regimes may change in ways that impact the Company's ability to continue its business as currently conducted or proposed to be conducted. There is no guarantee that the various regulatory regimes will remain as currently enacted or that any such legislation will create the growth opportunities that the Company currently anticipates.

The various regulatory regimes for cannabis products also include excise duties payable by Licence Holders on adult-use cannabis products, in addition to goods and services tax/harmonized sales tax in certain provinces and territories. The rate of the excise duties for cannabis products varies by province and territory. Any significant increase in the rate of excise duties could reduce consumer demands for cannabis products and adversely impact the adult-use cannabis industry and market in general. In addition, any increase in the rate of excise duties could reduce the Company's margins and profitability in the event that the Company cannot, or chooses not to, pass along such increases to consumers. Any of the foregoing could result in a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Effect of COVID-19 Pandemic

The COVID-19 pandemic has already had, and is expected to continue to have, an unprecedented impact on both domestic and international economies, resulting in the rapid onset of an economic downturn. The situation is changing quickly and the ultimate impact on the Company's business is, as yet, unknown. The pandemic may result in staff shortages, decreased consumer demand, supply chain issues, transportation delays, changes to governmental regulation and ongoing economic uncertainty, any of which may have a material and adverse effect on the Company's business, financial condition and results of operations. The duration and impact of the COVID-19 pandemic is unknown at this time, and it is not possible to reliably estimate the length of the outbreak or the severity of its impact on the Company.

History of Losses

The Company has a history of losses from operations since incorporation. The Company will need to generate and sustain increased revenue levels in future periods in order to become profitable, and, even if it does, the Company may not be able to maintain or increase its level of profitability. The Company intends to continue to invest in research and development and in accelerating its international medical business growth. The Company's efforts to grow its business may be more costly than it expects, and the Company may not be able to increase revenue enough to offset its operating expenses. The Company may incur significant losses in the future for a number of reasons, including the other risks described in this MD&A and unforeseen expenses, difficulties, complications, delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Shares may significantly decrease.

Competition

Because of the early stage of the legal cannabis industry, VIVO expects to face additional competition from existing market participants and new entrants. VIVO expects significant competition from other companies that may have significantly greater financial, technical, marketing and other resources, which may be able to devote greater resources to the development, promotion, sale and support of their products and services, and that may have more extensive customer bases and broader customer relationships. The Company's commercial opportunity in the adult-use market could be reduced or eliminated if the Company's competitors produce and commercialize products for the adult-use market that, among other things, are more convenient or less expensive than the products that the Company may produce; have greater sales, marketing and distribution support than the Company's products; enjoy enhanced timing of market introduction and perceived effectiveness advantages over the Company's products; or receive more favourable publicity than its products. As cannabis is perceived by some as a commodity product, there may be little to differentiate VIVO's products from those of other Licence Holders in terms of unique features or benefits. VIVO believes that competition in the future will be based on issues such as product quality, variety, price and client service. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of VIVO.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, VIVO faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of VIVO's products may involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of VIVO's products alone or in combination with other medications or substances could occur. VIVO may be subject to various product liability claims, including, among others, that VIVO's products caused injury or illness, included inadequate instructions for use, or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against VIVO could result in increased costs, could adversely affect VIVO's reputation with its clients and consumers generally, and could have a material adverse effect on its results of operations and financial condition. There can be no assurances that VIVO will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms, or to

otherwise protect against potential product liability claims, could materially and adversely affect VIVO's business, financial condition and results of operations.

Product Recalls

If any of VIVO's products are recalled due to an alleged product defect or for any other reason, VIVO could be required to incur the unexpected expense of such recall and any legal proceedings that might arise in connection with such recall. Further, VIVO may lose a significant number of future sales due to reputational damage and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although VIVO has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of VIVO's products were subject to recall, VIVO's image could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for VIVO's products and could have a material adverse effect on its results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of VIVO's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Information Systems Security Threats

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and financial performance.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Security Risks

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Canadian federal government, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches, and may deter potential patients and consumers from choosing the Company's products.

In addition, the Company collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data

for competitive purposes, particularly patient lists and preferences, is an ongoing risk, whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of federal and provincial laws protecting the privacy of personal information, including records of a patient's personal health information. Generally, these laws require the prior consent of an individual to collect, use and disclose that individual's personal information. They also require that personal information be protected by appropriate safeguards, and that the Company restrict the handling of personal information to the minimum amount of personal information necessary to carry out permitted purposes. If the Company is found to be in violation of these privacy laws, or other laws governing patient health information, the Company could be subject to sanctions and civil or criminal penalties, which could increase the Company's liabilities, harm the Company's reputation and have a material adverse effect on the Company's business, results of operations and financial condition.

Illicit Supply of Cannabis

In addition to competition from Licence Holders and those able to produce cannabis legally without a licence, the Company also faces competition from unlicensed and unregulated market participants, including illegal dispensaries and black-market suppliers selling cannabis and cannabis-based products in Canada. Despite the legalization of cannabis in Canada, black market operations remain and are a substantial competitor to the Company's business. In addition, illegal dispensaries and black market participants may: (i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current Canadian regulations, (ii) use marketing and branding strategies that are restricted under the Cannabis Act, and (iii) make claims not permissible under the Cannabis Act and other regulatory regimes. As these illicit market participants do not comply with the regulations governing the legal cannabis industry in Canada, their operations may also have significantly lower costs. Any unwillingness by consumers currently utilizing unlicensed distribution channels to begin purchasing under the legal regime for any reason, or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products, could result in the perpetuation of the black market for cannabis and adversely affect the Company's market share, which could have a materially adverse effect on the Company's business, operations and financial condition.

Supply Risks and Price Fluctuations

The Company's business is dependent on a number of key inputs, including raw materials and supplies related to the Company's growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's business, financial condition and operating results. Further, the Company purchases additional dried cannabis from other Licence Holders to supplement its own production. If the Company is unable to acquire additional cannabis sufficient to meet demand on terms and conditions favourable to the Company, it could have a material adverse effect on its business, results of operations and financial condition.

Further, demand for cannabis and cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. A material decline in the economic conditions affecting consumers could cause a reduction in disposable income for the average consumer, change consumption patterns, and result in a reduction in spending on cannabis products or a switch to other products obtained through illicit channels. There can be no assurance that market demand for cannabis will

continue to be sufficient to support the Company's current or future production levels or that the Company will be able to generate sufficient revenue to be profitable.

In the future, cannabis producers in Canada may produce more cannabis products than are needed to satisfy domestic demand, and they may be unable to export that oversupply into other international markets. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If such supply or price fluctuations were to occur, the Company's revenue and profitability may fluctuate materially and the Company's business, results of operations, financial condition and prospects may be adversely affected.

Risks Related to Product Development

In attempting to keep pace with new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenue from new products. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

Marketing Constraints

The development of the Company's business and operating results may be hindered by restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Brand Risks

The Company's success is reliant on, among other things, the value of the Company's brands, and the failure to preserve their value and relevance could have a negative impact on the Company's results of operations. To be successful in the future, the Company must preserve, enhance and leverage the value of the Company's brands. Brand value is based in part on consumer tastes, preferences and perceptions on a variety of factors. Consumer acceptance of the Company's brands may be influenced by or subject to change for a variety of reasons. For example, adverse publicity associated with the Company's business practices may drive popular opinion against the Company's brands. If the Company is unsuccessful in addressing any such adverse perceptions, the Company's brands and results of operations may suffer.

Further, developing and enhancing VIVO's brands may require VIVO to make substantial investments in areas such as research and development, product design, marketing, and employee training, and these investments are costly and may not be successful. Leveraging others' brands through joint ventures or partnerships may result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that any such joint ventures or partnerships will be achieved on satisfactory terms, or at all, or achieve the expected benefits to VIVO's business. Failure to develop or maintain strong brands and products may materially and adversely affect VIVO's business, financial condition, results of operations and prospects.

Government Supply Agreements and Other Customer Relationships

The Company expects to derive a significant portion of its future revenue from its supply contracts with various Canadian provinces and territories. There are many factors which could impact these contractual arrangements, including availability of supply, product selection and the popularity of the Company's products with retail customers. If any of the Company's supply agreements are amended, terminated or otherwise altered, the Company's sales and results of operations could be adversely affected, which could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, not all of the Company's supply contracts with the various Canadian provinces and territories contain purchase commitments or otherwise obligate the provincial or territorial wholesaler to buy a minimum or fixed volume of cannabis products from the Company. The amount of cannabis that the provincial or territorial wholesalers may purchase under the supply contracts may therefore vary from what the Company expects or has planned for. As a result, the Company's revenue could fluctuate materially in the future and could be materially and disproportionately impacted by the purchasing decisions of the provincial or territorial wholesalers. If any of the provincial or territorial wholesalers decide to purchase lower volumes of products from the Company than the Company expects, alters its purchasing patterns at any time with limited notice or decides not to continue to purchase the Company's cannabis products at all, the Company's revenue could be materially adversely affected, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Product Obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third-party commitments. The Company's failure to develop new technologies and products or the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The Company may not be successful in developing or using new technologies, exploiting its niche markets effectively, or adapting its business to evolving customer or medical preferences or emerging industry standards.

Inventory Shelf Life

The Company holds finished goods in inventory and the Company's inventory has a shelf life. Although the Company's management regularly reviews the amount of inventory on hand and its remaining shelf life, and estimates the time required to manufacture and sell such inventory, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Reliance on Management

The success of VIVO's business is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method

of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of key personnel could have a material adverse effect on the business, operating results or financial condition of VIVO.

Limited Operating History

VIVO is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of material revenue. There is no assurance that VIVO will be successful in achieving a return on shareholders' investment, and the likelihood of success must be considered in light of the early stage of its operations.

Client Acquisition and Retention

The Company's success depends on its ability to attract and retain patients and customers. There are many factors which could impact the Company's ability to attract and retain patients and customers, including: the Company's ability to continually produce desirable and effective product; limitations around advertising and promotion; the successful implementation of the Company's patient-acquisition plan; the continued growth in the adult-use market and in the aggregate number of patients selecting medical cannabis as a treatment option; and other companies producing and supplying similar products. If the Company fails to continue to acquire and retain patients and customers, there will be a material adverse effect on its business, financial condition and operating results.

Risks Related to the Agricultural Business

VIVO's business involves the growing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as risks related to crop damage from insects, plant diseases and similar agricultural risks. Although VIVO grows its products indoors under climate-controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Results of Future Research

Clinical trials, observational studies, and basic research in Canada, the U.S., and internationally regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC), remain in early stages. There have been relatively few clinical trials or observational studies on the benefits of cannabis or isolated cannabinoids. Although the Company believes that published articles, reports, and studies support the Company's beliefs regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabis, future clinical trials, observational studies, and basic research may prove such statements to be incorrect, or could raise concerns regarding cannabis and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, investors and prospective investors should not place undue reliance on such articles, reports, and studies. Future research studies and clinical trials may draw opposing conclusions to those originally anticipated or reach negative conclusions regarding the benefits, viability, safety, efficacy, dosing, social acceptance, or other facts and perceptions related to cannabis, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Risks Inherent in the Nature of the Health Clinic Industry

Changes in operating costs (including costs for maintenance and insurance), inability to obtain permits required to conduct the Company's medical cannabis business, changes in health care laws and

governmental regulations and various other factors may significantly impact the ability of the Company to generate revenue from its medical cannabis business. Certain significant expenditures, including legal fees, borrowing costs, maintenance costs, insurance costs, and related charges, must be made to conduct its medical cannabis business, regardless of whether the Company is generating revenue.

Vulnerability to Rising Energy Costs

VIVO's cannabis growing operations consume considerable energy, making VIVO vulnerable to rising energy costs. Rising or volatile energy costs may adversely affect the ability of VIVO to operate profitably.

Third Party Transportation Risks

VIVO is dependent on fast and efficient third-party transportation services for distribution due to the perishable and premium nature of its products. Any prolonged disruption of a transportation service could have an adverse effect on its financial condition and results of operations. Rising costs associated with the transportation services used by VIVO to ship its products may also adversely impact the business of VIVO. Further, due to the nature of the Company's products, security of the product during transportation to and from the facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the Company's business, financial condition and operating results. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability to continue operating under its licences or the Company's ability to have its licences renewed. Rising costs associated with the transportation services used by VIVO to ship its products may also adversely impact its business.

Unfavourable Publicity or Consumer Perception

VIVO believes the medical and adult-use cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis. Consumer perception of VIVO's products could be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of cannabis products, which may not be favourable to the cannabis market or consistent with earlier publicity. Adverse publicity or other media attention could arise even if the adverse effects associated with cannabis products result from consumers' failure to consume such products appropriately or as directed. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for VIVO's products and its business, results of operations, financial condition and cash flows.

Dependence on Suppliers and Skilled Labour

The ability of VIVO to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that VIVO will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have a material adverse effect on the financial results and operations of VIVO.

Limitations on Forecasting

VIVO must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources given the early stage of the medical and adult-use cannabis industries in Canada. In addition, as a result of recent and ongoing regulatory and policy changes in the medical and

adult-use cannabis industry, the market data available may be limited and unreliable. The research data collected by VIVO will be an integral part of its business for the production of research-based reports. Market research and projections by VIVO of estimated total retail sales, demographics, demand, and similar consumer research, may be based on assumptions from limited and unreliable market data. If there are issues with the data's integrity or security, the data and research-based reports could be considered ineffective or unreliable. If expected demand for its products fails to materialize due to competition, technological change or other factors, the business, results of operations and financial condition of VIVO could be materially adversely affected.

Severe Weather, Natural Disasters and other Catastrophic Events

The Company's facilities and operations are exposed to potential interruption and damage, and partial or full loss, resulting from environmental disasters, other seismic activity, equipment failures and other catastrophic events. There can be no assurance that in the event of an earthquake, hurricane, tornado, fire, flood, ice storm, tsunami, typhoon, or other natural, manmade or technical catastrophe, all or some parts of the Company's cannabis production facilities and infrastructure will not be disrupted or damaged. The occurrence of a significant event which disrupts the ability of the Company's facilities to produce cannabis or cannabis derivatives for an extended period could have a material adverse impact on the Company's business. The Company's assets could be exposed to effects of severe weather conditions, natural and man-made disasters and potentially other catastrophic events. An outbreak of an infectious disease, a pandemic or a similar public health threat, such as the COVID-19 outbreak, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays and disruptions, labour shortages and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Company.

Variable Revenue and Earnings

The revenue and earnings of the Company may fluctuate from quarter to quarter, which could affect the market price of the Shares. Revenue and earnings may vary quarter to quarter as a result of a number of factors, including: the timing of releases of new products; the timing of sales orders or deliveries; the occurrence of a catastrophic event, such as the COVID-19 pandemic; activities of the Company's competitors; possible delays in the production or shipment of products; concentration in the Company's customer base; possible delays or shortages in critical inputs; or transition periods associated with the migration to new production methods. Any of the foregoing factors could cause significant variations to the Company's revenue, gross margin and earnings in any given quarter.

International Expansion Risks

As further described above, VIVO continues to focus on targeted international expansion activities and intends to expand into select markets in which medical cannabis can be legally prescribed, including the European market and the Asia-Pacific market. VIVO's expansion into jurisdictions outside of Canada is subject to additional business risks, including whether any market for the Company's products will develop or be maintained. VIVO may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit VIVO's ability to successfully expand the Company's operations into such jurisdictions and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

TSX Restrictions on U.S. Operations

In the United States, despite cannabis having been legalized at the state level for medical use in many states and for adult use in a number of states, cannabis containing 0.3% or more THC continues to be categorized as a Schedule I controlled substance under the Controlled Substances Act. Accordingly, on October 16, 2017, the TSX provided clarity regarding the application of certain of its listing requirements to TSX-listed issuers with business activities in the cannabis sector. In TSX Staff Notice 2017-0009, the TSX notes that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with these requirements. The TSX reminded issuers that, among other things, should the TSX find that a listed issuer is engaging in activities contrary to the requirements, the TSX has the discretion to initiate a delisting review. While VIVO, does not currently produce or distribute any cannabis products in the United States, failure to comply with the requirements could have an adverse effect on the Company's business.

Operating Risk and Insurance Coverage

VIVO has insurance to protect its assets, operations and employees. While VIVO believes its insurance coverage adequately addresses material risks to which it is exposed and is at a level customary for its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which VIVO is exposed. In addition, no assurance can be given that such insurance will be adequate to cover VIVO's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If VIVO was to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if such liability was incurred at a time when VIVO is unable to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of Growth

VIVO may be subject to growth-related risks, including capacity constraints and pressure on internal systems and controls. The ability of VIVO to manage growth effectively will require it to continue to implement and improve its operational and financial systems, and to expand, train and manage its employee base. The inability of VIVO to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain of the directors and officers of VIVO are also directors and officers of other companies. In addition, the Company's officers and directors may devote time to other outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these other business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and officers, who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular,

in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Litigation

VIVO may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any such litigation be determined against VIVO, such a decision could adversely affect its ability to continue operating and the market price for the Shares. Even if successful, such litigation would require VIVO to expend significant time and money.

Reputational Risks

The Company's reputation could be damaged as a result of the actual or perceived occurrence of any number of events. The increased usage of social media and other web-based tools to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easy for people to communicate and share opinions and views in regards to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business, thereby having a material adverse impact on its financial performance and growth prospects.

Environmental and Employee Health and Safety Regulations

VIVO's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. VIVO expects to incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on its operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof, or other unanticipated events, could require extensive changes to VIVO's operations or give rise to material liabilities, which could have a material adverse effect on VIVO's business, results of operations and financial condition.

Accounting Policies Related to Biological Assets

The Company acknowledges the concerns of the CSA noted in CSA Staff Notice 51-357 *Staff Review of Reporting Issuers in the Cannabis* Industry. In particular, the Staff Notice states that issuers who expense biological asset costs as incurred (like the Company) should consider whether the accounting policy results in information that is relevant to the decision-making needs of investors. As a result of the Staff Notice, the Company has provided supplemental information in this MD&A, which shows what impact the capitalization of production costs related to biological assets would have on the statement of operations and comprehensive loss. The Company currently believes that management's decision to expense biological assets costs as incurred provides the most useful information to its investors, however the Company may determine to change its decision in future financial periods.

Competition from Synthetic Production and Technological Advances

The pharmaceutical industry may attempt to dominate the cannabis industry through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of VIVO to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services, which may have a material adverse effect on the Company's business, revenue, operating results, financial condition or prospects.

Fraudulent or Illegal Activity by Employees, Contractors, and Consultants

VIVO is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to VIVO that violates government regulations, manufacturing standards, federal and provincial healthcare fraud and abuse laws and regulations; or laws that require the true, complete, and accurate reporting of financial information or data. The precautions taken by VIVO to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting VIVO from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against VIVO, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on VIVO's business, including the imposition of civil, criminal, and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits, and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Corruption and Anti-Bribery Law Violations

The Company's business is subject to Canadian laws which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, the Company is subject to the anti-bribery laws of any other countries in which it conducts business now or in the future. The Company's employees or other agents may, without the Company's knowledge and despite its efforts, engage in prohibited conduct under the Company's policies and procedures and anti-bribery laws for which the Company may be held responsible. There can be no assurance that the Company's internal control policies and procedures will always protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by its affiliates, employees, contractors or agents. If the Company's employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a material adverse effect on its business, financial condition and results of operations.

Non-IFRS Measures

This MD&A refers to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other issuers. Rather, these measures are provided as additional information to complement IFRS measures by providing readers with further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation, nor as a substitute for analysis of financial information reported under IFRS. See "*Non-IFRS Financial Measures*".

EBITDA and Adjusted EBITDA

The Company uses earnings before interest, tax, depreciation and amortization ("**EBITDA**"), and adjusted earnings before interest, tax, depreciation and amortization ("**Adjusted EBITDA**"), which are non-IFRS financial measures, as supplemental measures of operating performance which highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company calculates Adjusted EBITDA as a sum of sales, other income, cost of inventory sold, production salaries and wages, production supplies and expense, general and administrative expense, and sales and marketing expense.

Adjusted Cost of Sales and Average Selling Price, Net of Excise

Adjusted cost of sales ("**Adjusted Cost of Sales**") is defined as the sum of cost of inventory sold, production salaries and wages, and production supplies and expense. In determining Adjusted Cost of Sales, production amortization and depreciation are excluded because they are non-cash items.

Average selling price, net of excise ("**Average Selling Price, Net of Excise**") is the gross sales less discounts and excise taxes per gram (or gram equivalent, where applicable) sold.

Adjusted Gross Margin

Adjusted gross margin ("**Adjusted Gross Margin**") represents the gross margin for management purposes based on the Company's complete cost to produce inventory sold, exclusive of any fair value measurements as required by IFRS. Adjusted Gross Margin is defined as the sum of net revenue, other income, Adjusted Cost of Sales.

Additional Information

Additional information about the Company, including the AIF, are available under the Company's profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.