Rubicon Organics Inc.

Management's Discussion & Analysis

For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars

Preface

In this Management's Discussion & Analysis ("MD&A"), "Rubicon Organics", "Rubicon", the "Company", or the words "we", "us", and "our" refer to Rubicon Organics Inc. together with its subsidiaries.

This MD&A comments on our operations, financial performance, and financial condition for the three and nine months ended September 30, 2023. All amounts in this MD&A are in Canadian dollars, unless otherwise noted. It is supplemental to and should be read in conjunction with the Company's unaudited condensed consolidated financial statements including the accompanying notes for the three and nine months ended September 30, 2023 (the "Financial Statements") the audited consolidated financial statements including the accompanying notes for the fiscal year ended December 31, 2022 (the "Annual Financial Statements"), and the Annual Management's Discussion and Analysis for the year ended December 31, 2022 ("Annual MD&A").

All financial information contained in this MD&A and in the Financial Statements is prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, except for certain non-GAAP information as noted and where a reconciliation to IFRS is provided.

In preparing this MD&A, we have considered all information available to us up to November 14, 2023.

This MD&A contains forward-looking information within the meaning of Canadian securities laws. Refer to '*Cautionary Note Regarding Forward-Looking Statements'*.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Additional information regarding the Company is available on our website at www.rubiconorganics.com or through the SEDAR+ website at www.sedarplus.ca.

About Us

Overview

Headquartered in Vancouver, British Columbia, Rubicon Organics Inc. exists under the laws of the Business Corporations Act (British Columbia) and its common shares are listed under the symbol "ROMJ" on the TSX Venture Exchange and under the symbol "ROMJF" on the OTCQX.

Rubicon Organics, through our wholly-owned subsidiary Rubicon Holdings Corp., is a licensed producer under the *Cannabis Act* focused on providing premium organic certified cannabis for the recreational and medical-use markets in Canada. Rubicon Organics owns and operates a fully licensed 125,000 square foot high-tech greenhouse located on a 20-acre property in Delta, British Columbia (the "Delta Facility"). Out of our Delta Facility, the Company grows organic cannabis certified by the Fraser Valley Organic Producers Association ("FVOPA"), Canada's preeminent certification body for organic operators.

Rubicon Organics was the first cannabis company in the world to release an Environmental, Social and Governance ("ESG") report ("ESG Report") and expects to continue to take an ESG leadership position in the cannabis sector. Our 3rd annual ESG report, covering 2022, is available on the Company's website.

We are focused on building a portfolio of premium brands in the Canadian market, including three flagship brands: our super-premium brand Simply Bare™ Organic, our premium brand 1964 Supply Co™, and our cannabis wellness brand Wildflower™ in addition to our mainstream brand Homestead Cannabis Supply™ and our premium concentrate brand Lab Theory™.

We currently have over 170 unique SKUs available for sale across Canada, with over 97% coverage of the addressable market[1]. The Company has direct supply agreements in place with the British Columbia Liquor Distribution Branch ("BCLDB"), the Alberta Gaming, Liquor and Cannabis Commission ("AGLC"), the Ontario Cannabis Stores ("OCS"), the Société Québécoise du cannabis ("SQDC"), Cannabis NB ("CNB"), the Yukon Liquor Corporation ("YLC") and sells directly to Manitoba Liquor & Lotteries ("MBLL"), the Northwest Territories Liquor, Cannabis Commission ("NTLCC"), the Newfoundland Liquor Corporation ("NLC") and the PEI Cannabis Management Corporation ("PEICMC"). We have distribution agreements with distributors in Saskatchewan who distribute the Company's products to certain provincial distributors and retailers.

As at September 30, 2023, Rubicon Organics has the following subsidiaries:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings Corp. ("RHC") †	BC, Canada	100%
West Coast Marketing Corporation	BC, Canada	100%

† Formerly Rubicon Organics Canada Corp.

Our Operations

Delta Facility

Our Delta Facility is a licensed 125,000 square foot state-of-the-art hybrid greenhouse owned and operated by Rubicon Organics located on a 20-acre property in Delta, British Columbia. The entire greenhouse facility is licensed for cultivation and processing and is certified by FVOPA for organic cannabis cultivation.

Our Delta Facility is made up of a processing area, a nursery, and a total of five cultivation compartments. Since March 2020, the facility has been in full scale operation. Our Delta Facility utilizes cold cure processing rooms and follows Good Production Practices ("GPP") for processing dried flower, performing solvent-less extraction and packaging finished goods.

Rubicon Organics has invested in our Delta Facility to create year-round organic growing conditions. Since achieving full scale cultivation operations in early 2020, we have continued to adapt our infrastructure to refine and optimize our growing environment with a focus to drive high quality production. Our Delta Facility utilizes two different spectrums of supplemental LED light and advanced climate and humidity controls. Full spectrum LED lights mimic natural sunlight, resulting in healthier plants with higher yields than conventional greenhouses while reducing our energy use compared with other lighting methods. The Delta Facility is also outfitted with precision, sensor-based watering that reduces water consumption.

The Company's Delta Facility employs FVOPA organic certified cannabis cultivation methods. Our soil is a proprietary blend of structural and nutritional components, locally sourced to naturally deliver nutrients to the crop, while minimizing the impact on our environment.

[1] *By population per Statistics Canada*

Brands and Products

Cannabis Flower Brands

Simply Bare™ Organic is Rubicon Organics' flagship super-premium brand launched in December 2019. Cannabis packaged and sold under the Simply Bare™ Organic brand is grown in a proprietary mix of 100% certified organic soil made in-house with ingredients from British Columbia's Sunshine Coast. Each plant is grown under sunlight and full-spectrum LED lights, harvested by hand and cold cured for two weeks to achieve a rich terpene profile. Buds are then selected and carefully trimmed by hand, to preserve quality, before being packaged. Simply Bare™ Organic flower is utilized to make a variety of dried flower based and cannabis 2.0 products for a true expression of each cultivar.

Product formats available as of November 14, 2023:

- 3.5 gram jar
- 7.0 gram jar
- 14 gram bag
- 28 gram bag
- 1 x 0.5 gram pre-roll
- 1 x 0.5 gram pre-roll *(rosin infused)*
- 2 x 0.5 gram pre-rolls
- 3 x 0.5 gram pre-rolls
- 3 x 0.5 gram pre-rolls *(rosin infused)*
- 5 x 0.3 gram pre-rolls
- 1 x 1 gram pre-roll
- 1 x 1 gram pre-roll *(rosin infused)*
- 1 x 1.5 gram pre-rolls *(rosin & hash infused)*
- 1.0 gram hash
- 2.0 gram hash
- 1.0 gram live rosin
- 0.5 gram PAX® Era™ pod

1964 Supply Co™, initially launched in December 2020, is now available from Coast to Coast in eight provinces from British Columbia to Newfoundland and Labrador and two territories. 1964 Supply Co™ is aimed at offering premium cannabis at legacy market prices. The brand is available in dried flower, pre-rolls, hash formats and edibles.

Product formats available as of November 14, 2023:

- 1 gram bag
- 3.5 gram bag
- 14 gram bag
- 15 gram bag
- 28 gram bag
- 1 x 1 gram pre-roll
- 1 x 1 gram pre-roll *(hash infused)*
- 1 x 1 gram blunt
- 1 x 1 gram blunt *(hash infused)*
- 1 x 0.7 gram pre-roll *(diamond infused)*
- 5 x 0.5 gram pre-rolls

- 5 x 0.7 gram pre-rolls
- 7 x 0.5 gram pre-rolls
- 2 gram hash bag
- 3.5 gram hash bag
- 2 x 5 milligram edibles *(live rosin infused)*

Homestead Cannabis Supply™ launched in Western Canada in July 2021 and hit the Ontario and Quebec market in October 2021. Homestead Cannabis Supply™ is Rubicon Organics' first mainstream brand developed for the price conscious and avid cannabis consumer.

Product formats available as of November 14, 2023:

- 7 gram milled flower
- 15 gram milled flower
- 28 gram flower
- 14 x 0.5 gram pre-rolls
- 60 x 0.5 gram pre-rolls
- 30 x 1 gram pre-rolls

LAB THEORY™ is a premium concentrate brand launched in January 2021 and is currently available in Alberta and BC. LAB THEORY™ combines high terpene flower with industry-leading extraction techniques to produce high-quality concentrates, available in sought after formats. To create flavourful, full spectrum concentrates, every strain must be seen on its own merits. By experimenting with different processes for growing and extracting, we find the perfect formula that brings out the unique characteristics of each cultivar.

Product formats available as of November 14, 2023:

- 1 gram diamonds

Wildflower™ is a cannabis wellness product brand owned by Rubicon Organics in Canada[2]. CBD Relief Sticks and CBD Cool Sticks launched in April 2021 to consumers nationally and on certain medical platforms.

Product formats available as of November 14, 2023:

- 2 x 15 gram Relief and 1:1 Relief Stick
- 30 gram and 73 gram CBD Relief Stick
- 30 gram and 73 gram CBD Cool Stick
- 30 gram 1:1 Relief Stick
- 60 gram CBD Extra Strength Relief Stick
- 5 pack CBD + CBN + THC edibles *(live rosin infused)*
- 10 pack CBD + CBN + THC edibles *(live rosin infused)*
- 10 pack CBD + CBG edibles

Strategy and Outlook

Canadian Recreational Market, Premium Quality and Product Line Extension

Rubicon Organics' strategy is to achieve industry leading profitability through premium and super-premium cannabis flower products, including our three flagship brands: our super-premium brand Simply Bare™ Organic, our premium brand 1964 Supply Co™, and our cannabis wellness brand Wildflower™ in

[2] *Rubicon Organics purchased the Wildflower brand in Canada in October 2022.*

addition to our mainstream brand Homestead Cannabis Supply™ and our premium concentrate brand Lab Theory™.

The Company is focused on premium and organic cannabis flower and part of our strategy is to launch new genetics and various product formats. Throughout 2023 and up to the date of this MD&A, Rubicon Organics has continued to expand and refine our product lines under each of Simply Bare™ Organic, 1964 Supply Co™ and Wildflower™ brands, with the launch of various new genetics, cultivars and the continued expansion product formats.

The Company launched new products and cultivars under the Simply Bare™ Organic brand, including infused pre-rolls such as “Layer J”, and new genetics such as our BC Organic White Rainbow, BC Organic Bridesmaid and BC Organic Jokerz as well as the Company’s first super-premium balanced cultivar of BC Organic Harlequin.

Under 1964 Supply Co™ we have launched new genetics, single strain live rosin edibles and infused pre-rolls including Super Lemon Haze and Comatose rosin rolls.

Under the Wildflower™ brand, we have launched the 1:1 CBD:THC Relief Stick and the 60 gram CBD Extra Strength Relief Stick as well as minor cannabinoid centered live-rosin edibles.

There will be further expansion in all these areas in the remainder of 2023 and beyond, with the focus on margin optimization for each gram produced from our Delta Facility. The Canadian cannabis industry continues to experience general price compression with an oversupply of cannabis inventory in the highly competitive market. Consumer preferences and product mix has evolved to focus on more value offerings through larger formats and cannabis-infused products. Through insights from customers and understanding of our consumers, the Company is focused on continuous innovation to respond to trends in the industry.

The Delta Facility

In 2022, the Company achieved an increase in both quality and yield due to the upgrade of our greenhouse climate system, genetic innovations, improved cultivation conditions and continued learning and optimization of our crop work. We expect that while there are optimization opportunities, our Delta Facility is largely running at capacity with maintenance and downtime projects needed to maintain quality. Rubicon completed the BC Hydro power upgrade to the Delta Facility in September 2022. This project has eliminated the on-going dependence on natural gas generators, reduced the Company’s operating costs and further contributes to our ESG goal to reduce greenhouse gas emissions.

In 2023 and beyond, the Company continues with certain strategic capital investments focussed on improving quality and yield, increasing efficiency, and/or decreasing operating costs with items such as additional tables for plants in our cultivation area, a second boiler and automation opportunities. The Company’s capital expenditures committee reviews every proposal for quality and yield improvement, risk management and payback of expenditure to cost savings.

Company Outlook

Rubicon Organics has set out four key priorities for 2023:

1. *Optimize Yield and Cultivation at our Delta Facility*

Our priority is delivering super-premium quality cannabis flower products in the Canadian market. Producing at scale in a greenhouse environment is subject to seasonal impacts and commercializing new strains to meet the demand in market and our brand standards can present challenges. We remain focused on ongoing refinement and optimization in our cultivation systems. In 2022, the Company achieved several crops exceeding our nameplate 11,000 kg capacity, and 2023 has been a year of steady and consistent quality production so far.

In late October 2023, the installation of additional tables has been completed in our facility and we anticipate continued improvements in air circulation and an increase in capacity up to 10% from crops harvested in late 2023 and beyond.

2. Maximize Canadian Premium Opportunity

Rubicon is focused on maximizing the gross margin we earn from each gram produced from our Delta Facility. Delivering both the right genetics and product formats to the customer at the right price to value ratio and maintaining good relationships with the provincial distributors and retail stores are critical to our success. We are working to grow our Simply Bare™ Organic brand and to premiumize opportunistically elements of our 1964 Supply Co™, to make a positive contribution to our gross profit.

As we have forecast demand beyond our available supply from our Delta Facility, we have entered partnerships to incrementally grow our net revenue and gross profit that do not require our Delta Facility's capacity. In early 2023, the Company entered into an agreement with a third-party manufacturer of high-quality edibles and has expanded the portfolio with new flavours after the successful launch. Within five months of launch, our 1964 Supply Co™ edibles are the third best-selling premium edible brand with 5.1%[3] of market share. We believe this strong market share capture was driven by the leading reputation of our premium brands. By working with high-quality partners that complement our own premium production, we have seen early success in adding incremental gross profit to our results in a cost effective and efficient manner.

We will continue to look for opportunities to build our revenue with the launch of new products under our existing brands which can be contracted to other licensed producers thus not utilizing our existing capacity, but will be to Rubicon's quality standards. We have established our first high-quality partnership for contract grow that will help fulfill demand under the 1964 Supply Co™ brand. We intend to deliver this incremental gross profit without significant incremental overhead cost to our business, thus driving additional overall profitability.

3. Drive Efficiency in Processes and Systems

As steady state has been established at our Delta Facility, we are now seeking to create efficiency in our systems away from manual processes or those where there is reliance on key individuals to increase the resilience and repeatability of our systems and reduce cost.

As part of this process, Rubicon has been evaluating new information systems and has begun implementing a new system in the second half of 2023, with the intention to go live in the beginning of 2024 with Phase 1, and later in 2024 with Phase 2. This project will increase short-term costs but we believe will improve efficiency of the existing business and ready Rubicon for further growth.

4. Build a Proud, Engaged Team Delivering Outstanding Results

With turmoil in the cannabis sector in the last number of years, coupled with the stresses relating to work in the pandemic and tightness of the labour market, we have seen considerable turnover in the business. We believe that in order to deliver a premium product to market, our team members being engaged and proud is important to put our best foot forward with our consumers and customers. Furthermore, the cost and resources used when there is labour turnover can be considerable. As part of achieving an engaged and proud team, we have set clear goals and objectives linked to reward to recognize the hard work and accomplishments of team members. We have also reviewed our Company values listening to our people as part of the process and Rubicon's evolution, now that we are in a steadier state. These revised values will be introduced to Company at the end of November 2023.

[3] *Hifyre data for premium edible products covering three months ended September 30, 2023*

Outlook

Rubicon believes that our cannabis quality, brand positionings and product offerings will drive continued growth in net revenue, resulting in an increase in gross profit and Adjusted EBITDA[4] for the full year 2023. With a stable cost base, this anticipated growth in net revenue and gross profit would improve our operating leverage. Additionally, we expect to achieve positive cashflow for the full year.

In 2023 the Canadian cannabis landscape has seen two notable trends. Firstly, price compression has affected all flower categories, including premium. We believe that the price compression is largely driven by the financial strain faced by many competitors and there will be a rebalancing over the coming year as companies leave the sector and there is more of a supply/demand equilibrium established. Secondly, products claiming extremely high THC have surged drawing consumer interest, but there have been widespread doubts about the accuracy of these high THC results. We anticipate that regulators will look more closely at this area over the coming year. At premium price points, consumer demands are more heavily weighted on overall experience, predominantly smell / flavour / flower quality vs. THC levels alone, and with Rubicon's quality flower and consistency of cultivation, we believe we are well positioned to win in the premium category over the coming years.

As a business we are now looking to increase the volume of product that we have available for sale to fill the demand we have for our quality products. The business is evaluating several options to increase our capacity. We believe that despite any market volatility, price compression, inflationary pressures, regulatory change, our product quality and brand portfolio has positioned Rubicon to win in the premium cannabis market.

Recent Activities

Key Developments in the nine months ended September 30, 2023

- Achieved net revenue of $10.0 million (5% decrease from Q3 2022) and $30.1 million (23% increase from Q3 2022) for the three and nine months ended September 30, 2023
- Achieved Adjusted EBITDA[4] of $1.1 million and $3.1 million for the three and nine months ended September 30, 2023
- Achieved operating cash flow of $1.4 million and $4.0 million for the three and nine months ended September 30, 2023
- Launch of 1964 Supply Co™ live rosin gummies in Ontario, BC and Alberta
- Simply Bare™ Organic and 1964 Supply Co™ identified as 2 of top 3 brands recommended by Canadian budtenders[5]
- Wildflower™ is the number one[6, 7] topical brand in Canada with market share of 26.0%[6] and 22.0%[7] for the three and nine months ended September 30, 2023
- 2.0%[8] and 2.0%[9] national market share of flower and pre-rolls for the three and nine months ended September 30, 2023
- 5.6%[10] and 5.4%[11] national market share of premium flower and pre-rolls for the three and nine months ended September 30, 2023

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[4] *Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes. See* ***Selected Financial Information*** *for details on the Adjusted EBITDA calculation.*

[5] *Brightfield Group Canada Budtender Study 2023*

[6] *Hifyre data for topical products covering three months ending September 30, 2023*

[7] *Hifyre data for topical products covering nine months ending September 30, 2023*

[8] *Hifyre data for flower & pre-rolled products covering three months ending September 30, 2023*

[9] *Hifyre data for flower & pre-rolled products covering nine months ending September 30, 2023*

[10] *Hifyre data for premium flower & pre-rolled products covering three months ending September 30, 2023*

[11] *Hifyre data for premium flower & pre-rolled products covering nine months ending September 30, 2023*

- 5.1%[3] national market share of premium edibles for the three months ended September 30, 2023 following initial launch in Q2 2023

For the three months ended September 30, 2023, the Company reported net revenues of $10,041,746, a 5% decrease compared to the prior year. For the nine months ended September 30, 2023, the Company reported net revenues of $30,123,479, a 23% increase compared to the same period in the prior year. For the three months ended September 30, 2023, Adjusted EBITDA[4] was a profit of $1,141,923, compared to a profit of $1,896,578 in the three months ended September 30, 2022. For the nine months ended September 30, 2023, the total Adjusted EBITDA[4] amounted to a profit of $3,078,509, compared to a profit of $641,349 in the nine months ended September 30, 2022.

Market Share

The Company's total market share in the Canadian flower and pre-rolls category amounted to 2.0%[8], and 2.0%[9] for the three and nine months ended September 30, 2023, a decrease from 3.2%[12] and 2.4%[13], as compared to the prior periods.

The Company's overall market share in the premium flower and pre-rolls category with 5.6%[10] and 5.4%[11] for the three and nine months ended September 30, 2023 (8.0%[14] and 6.6%[15] for the three and nine months ended September 30, 2022).The Company has maintained its number three position in the premium market, despite the share decline, as growth in this segment of premium has been dominated by the increase of infused pre-roll offerings.

The premium category is defined as products sold with a 20% premium over average selling price. The premium flower and pre-rolls category continues to grow despite price compression, which is primarily attributed to a large volume of infused pre-rolls coming into this category. Both 1964 Supply Co™ and Simply Bare™ Organic have launched a number of infused pre-roll offerings in the last year, and are gaining market share within this growing segment of the pre-roll market.

In the three months ended September 30, 2023, 1964 Supply Co™ has achieved 3.1%[10] market share in the premium flower and pre-rolls category, compared to 2.1%[14] in the prior period.

The Company's topical brand, Wildflower™, continues to be the number one[6, 7] topical brand in Canada with a market share of 26.0%[6] and 22.0%[7] for the three and nine months ended September 30, 2023, increasing from 19.9%[16] and 16.7%[17] from the comparative periods in the prior year.

Corporate

On January 6, 2023, the Company granted an aggregate of 1,055,000 stock options to certain employees of the Company pursuant to the Equity Plan. The options are exercisable at $0.90 per share, for a period of 5 years. The options vest over 3 years.

On March 20, 2023, the Company announced the appointment of Michael Detlefsen to its Board of Directors (the "Board").

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[12] *Hifyre data for flower & pre-rolled products covering three months ending September 30, 2022*
[13] *Hifyre data for flower & pre-rolled products covering nine months ending September 30, 2022*
[14] *Hifyre data for premium flower & pre-rolled products covering three months ending September 30, 2022*
[15] *Hifyre data for premium flower & pre-rolled products covering nine months ending September 30, 2022*
[16] *Hifyre data for topical products covering three months ending September 30, 2022*
[17] *Hifyre data for topical products covering nine months ending September 30, 2022*

On September 14, 2023, the Company held its Annual General Meeting ("AGM"). At the AGM, the Company elected Karen Proud, Len Boggio, Doris Bitz[18] and Ian Gordon to its Board. Len Boggio has been appointed as Chair of the Board (the "Chair").

Commercial

During April 2023, the Company launched its first entry into the edibles category with the 1964 Supply Co™ live rosin edibles in BC and Ontario. These vegan and gluten-free edibles are 2 x 5 milligram THC and were the first single-strain live rosin edibles available in the Canadian market. The initial product rollout was two flavours, Pink Lemonade and Berry Blitz, each paired with a specific live rosin strain. On May 9, 2023, these products also became available in Alberta.

Following up on the launch of the 1964 Supply Co™ Pink Lemonade & Berry Blitz Live Rosin edibles, the brand has rolled out three new flavours, Strawberry Watermelon, Tropical Punch, and Green Apple, in June 2023 in BC. The Strawberry Watermelon and Tropical Punch gummies launched in BC in July 2023. Additionally, the brand launched the three new flavours into the Ontario market in July and into the Alberta market in August 2023.

With the continuing growth of the infused pre-roll category, 1964 Supply Co™ launched the brands newest infused pre-roll into markets across Canada. The Comatose rosin roll is a 1 x 1 gram infused pre-roll that features a mix of flavourful Comatose flower, and potent Comatose hash rosin. This product first launched in Alberta on June 29, 2023.

In April 2023, the Company's brand, 1964 Supply Co™ launched Gelato #41 flower and pre-rolls which have become available in Alberta, Ontario and Quebec, followed by the launch in BC in May 2023.

In June 2023, the Company's brand Wildflower™ launched new products to address consumer needs in the wellness space. The new products consist of Wildflower™ Extra Strength Relief Stick and Wildflower™ 1:1 CBD:THC Relief Stick.

In June 2023, the Company's brand, Simply Bare ™ Organic launched the BC Organic Jelly Breath, followed by the launch in Ontario and Quebec in July 2023. The brand also launched BC Organic Scotti Biscotti in flower and pre-rolls in BC in June 2023, followed by the launch in Alberta, Quebec and Ontario in July 2023.

In July 2023, the Company's first super-premium balanced cultivar of BC Organic Harlequin was launched in BC, under the Simply Bare ™ Organic brand. This all-new sativa dominant balanced cultivar, with a ratio of 11% CBD and 8% CBD, was made available in the BC market for the first time and in a new 5 x 0.3 gram pre-roll format.

In August 2023, the newest cultivar in the Company's brand's 1964 Supply Co™ portfolio, Organic Death Bubba was launched in the Ontario market. This product has launched in a 3.5 gram flower and 1 x 0.7 gram pre-roll formats.

On September 21, 2023, the Company's brand Simply Bare ™ Organic launched BC Organic Bridesmaid and BC Organic Jokerz in both flower and pre-rolls in BC.

On September 28, 2023, the Company's brand 1964 Supply Co™ also launched another infused pre-roll, the Super Lemon Haze "Heavy Hitter" rosin roll which is a 1 x 1 gram infused pre-rolls featuring Super Lemon Haze flower, and potent Super Lemon Haze hash rosin.

In the second quarter of 2023, Brightfield released its own survey of Canadian Budtenders and in those results, Simply Bare™ Organic and 1964 Supply Co™ were identified as two of the top three most recommended brands by Canadian budtenders[5].

[18] *Ms. Bitz has been elected to the Board at the AGM, subject to being granted security clearance by Health Canada, which was subsequently received in October 2023. Ms. Bitz was appointed to the Board in October 2023.*

Developments Subsequent to September 30, 2023

Environmental, Social and Governance

On October 16, 2023, the Company announced the publication of its third ESG Report. The ESG Report captures the period between January 1 and December 31, 2022, and reflects the Company's determination to formally embed transparency, sustainability and responsible business practices throughout the business focused on the areas of governance, environment, people and community.

Commercial

On October 12, 2023, the Company received its first purchase order from PEICMC, a provincial crown corporation responsible for distribution and retail of cannabis in PEI.

On October 24, 2023, the Company launched its first Wildflower™ edibles in BC. These edible products consist of four flavours including Sweet Dreams Blood Orange, Goji Berry, Cherry and Daily Bliss Lemon Ginger, containing the minor cannabinoids CBN, CBG and CBD as well as full spectrum THC Live Rosin, and are vegan and gluten-free. In November 2023, all four flavours also became available in Alberta.

In October 2023, the Company's brand, Simply Bare™ Organic launched its newest infused pre-roll, the "Layer J" in BC and Ontario. It contains two layers, one with flower and hash of one cultivar, and the other with flower and hash rosin of another cultivar. The two cultivars are BC Organic Cleopatra and BC Organic White Rainbow.

In October 2023, the Company's brand, Simply Bare ™ Organic launched a new 2 gram hash, "New School Hash" available in BC, Ontario, Alberta and Quebec.

In October 2023, cultivar BC Organic Harlequin by Simply Bare™ Organic has become available in Ontario, followed by Quebec in November 2023. As well as that, BC Organic Bridesmaid and BC Organic Jokerz in flower and pre-rolls, available in BC, Ontario, Alberta and Quebec in October 2023.

Results of Operations and Financial Review

	Three months ended		**Nine months ended**	
	September 30, 2023 $	September 30, 2022 $	**September 30, 2023 $**	September 30, 2022 $
Net revenue	**10,041,746**	10,543,139	**30,123,479**	24,526,148
Production costs	**2,797,037**	2,850,646	**8,067,975**	7,924,820
Inventory expensed to cost of sales	**3,806,971**	3,377,239	**10,657,979**	8,274,785
Inventory written off or provided for	**194,798**	201,478	**525,401**	624,765
Gross profit before fair value adjustments	**3,242,940**	4,113,776	**10,872,124**	7,701,778
Fair value adjustments to cannabis plants, inventory sold, and other charges	**(1,309,266)**	1,889,334	**(1,776,209)**	3,975,755
Gross profit	**1,933,674**	6,003,110	**9,095,915**	11,677,533

Net revenue

The Company delivered net revenue of $10,041,746 and $30,123,479 for the three and nine months ended September 30, 2023, respectively. This a decrease of 5% and an increase of 23%, compared to the same three and nine-month periods in the prior year. The most recent quarter was hindered by a weak July, before returning to net revenue growth for both August and September across our portfolio. In particular, Simply Bare™ Organic was impacted by continued price pressure in every segment of the market, and the market shift from dry flower to infused pre-rolls. Despite the decline year-on-year, Simply Bare™ Organic recorded higher net revenue sequentially to Q2 as we continue to refine the portfolio for the competitive premium category.

1964 Supply Co™ although also impacted by a weak July, continued in growth vs. the prior year across all our key markets (BC, Alberta, Ontario and Quebec), which together make up 99% of our sales in the three and nine months ended September 30, 2023, respectively (98% and 97% in the three and nine months ending September 30, 2022). The continuing success of this brand is attributed to the increase of infused product sales, increased distribution and rate of sale of pre-roll formats including the continued success of the Comatose strain.

Wildflower™ also continues to perform strongly in the topicals category, with net revenue growth driven by the range extension with the new Wildflower™ Extra Strength Relief Stick and Wildflower™ 1:1 CBD:THC Relief Stick.

Production costs

For the three and nine months ended September 30, 2023, production costs decreased by $53,609 (2%) and increased by $143,155 (2%) respectively, compared to the prior year.

Under the Company's accounting policy, production costs are expensed as incurred. Production costs consist of the direct and indirect costs incurred to grow cannabis plants to the point of harvest. They include labour related costs, cultivation materials and consumables, utilities, facility costs, certain overheads, and production related depreciation. This methodology means that unless product is produced and sold during the period, the production costs associated with inventory held at period end are expensed prior to revenue being derived.

Production costs in 2023 are benefitting from the BC Hydro power upgrade completed in September 2022. Since then, the Delta Facility has been powered by hydro electricity, opposed to the use of higher-cost natural gas generators. These cost reductions contributed to a decrease in production costs for the three months ended September 30, 2023, which were partially offset by an increase in the nine months ended September 30, 2023, due to more labour used in the cultivation cycle and harvests as a result of an increased number of plants on hand compared to the prior period.

Inventory expensed to cost of sales

For the three and nine months ended September 30, 2023, inventory expensed to cost of sales increased by $429,732 (13%) and $2,383,194 (29%) respectively, compared to the prior year.

After cannabis is harvested, the remaining costs incurred in drying, processing, and packaging are capitalized to inventory and expensed once the finished good is sold. The ratio of inventory expensed to cost of sales was 38% and 35% of net revenue for the three and nine months ended September 30, 2023, respectively (September 30, 2022: 32% and 34%, respectively). This ratio has slightly increased in the current periods due to changes in product mix, notably larger formats to be price competitive, and higher cost products such as infused pre-rolls.

Given the high inflationary environment in which the Company is operating in 2023, Management continues to monitor these costs closely and identify cost savings initiatives.

Inventory written off or provided for

For the three and nine months ended September 30, 2023, inventory written off or provided for was $194,798 and $525,401 respectively, compared to $201,478 and $624,765, respectively, in the prior year.

This represents 1.9% and 1.7% of net revenue for the three and nine months ended September 30, 2023, respectively, compared to 1.9% and 2.5% respectively, in the prior year.

The Company was able to reduce the amount of inventory written off or provided for relative to sales through continuous improvement of our supply and demand planning, and better aligning our production of finished goods and bulk cannabis inventory with sales. Improving flower quality and the introduction of product formats to enable us to sell different grades of flower has further contributed to this improvement.

Gross profit before fair value adjustments

For the three and nine months ended September 30, 2023, gross profit before fair value adjustments was $3,242,940 and $10,872,124, respectively, compared to $4,113,776 and $7,701,778, respectively, in the prior year. This represents a gross profit margin of 32% and 36% for the three and nine months ended September 30, 2023, compared to 39% and 31% in the prior year.

Gross profit margin has remained relatively consistent with a decrease in the three months ended September 30, 2023, and an increase in the nine months ended September 30, 2023. The overall trend aligns with the sales performance during both periods.

Fair value adjustments to cannabis plants, inventory sold and other charges

Unrealized gain on changes in fair value of cannabis plants

Unrealized gain on changes in fair value of cannabis plants is the gain resulting from management’s estimate of the fair value less costs to sell of live cannabis plant inventory up to the point of harvest. IFRS requires management to estimate the fair value of cannabis through its growth phase, to the point of harvest. Once harvested, the fair value estimate of a plant at the harvest date becomes “crystallized” and forms the cost base of that plant as it is further processed, packaged, and sold.

For the three and nine months ended September 30, 2023, unrealized gain on changes in fair value of cannabis plants was $1,856,280 and $7,839,741 compared to $6,047,126 and $14,073,069 in the prior year.

The gain for the three and nine months ended September 30, 2023, decreased by $4,190,846 and $6,233,328, respectively, compared to the prior year.

The largest driver of the decrease is the comparable selling price of wholesale dried cannabis, which has been declining year-over-year due to increased supply, and overall price competitiveness. As of September 30, 2023, the Company’s weighted average fair value less costs to sell was approximately $1.20, compared to $1.92 as of September 30, 2022.

In the Company’s cultivation operations, there has been an increase in the quantity of plants, therefore decreasing the number of grams per plant. The overall yield per square foot has been stabilizing over the period, though there have been seasonal and strain-based variations.

Realized fair value of inventory sold

For the three and nine months ended September 30, 2023, realized fair value of inventory sold was $2,943,443 and $9,109,297, respectively, compared to $3,980,791 and $9,200,148, respectively, in the prior year. Realized fair value of inventory sold is the non-cash fair value released from inventory when cannabis is sold. Refer to *Inventory expensed to cost of sales* discussion above.

Adjustment to net realizable value of inventory on hand at period end

For the three and nine months ended September 30, 2023, the adjustment to net realizable value of inventory on hand at period end was $222,103, and $506,653, respectively, compared to $177,001 and $897,166, respectively, in the prior year. The adjustment consists of the fair value component of inventory that was written off or provided for in the year. Refer to *Inventory write off* discussion above.

Operating Expenses

	Three months ended		**Nine months ended**	
	September 30, 2023 $	September 30, 2022 $	**September 30, 2023 $**	September 30, 2022 $
Consulting, salaries and wages[1]	**1,645,840**	1,849,406	**5,665,590**	5,906,260
General and administrative[2]	**666,810**	852,604	**2,471,448**	2,263,822
Sales and marketing	**529,901**	242,098	**1,759,100**	907,979
Share-based compensation	**529,742**	773,769	**944,268**	2,228,243
Depreciation and amortization	**69,099**	83,255	**228,120**	242,423
Total operating expenses	**3,441,392**	3,801,132	**11,068,526**	11,548,727

[1] and [2] contains research and development charges

Consulting, salaries and wages

For the three and nine months ended September 30, 2023, consulting, salaries, and wages decreased by $203,566 and $240,670, respectively, compared to the prior year.

The decrease in salary costs for both the last three and nine months are due to a more streamlined executive structure, and bonus adjustments in line with bonus performance achievements, per the Company's corporate bonus plan.

General and administrative expenses

For the three and nine months ended September 30, 2023, general and administrative expenses decreased by $185,794 and increased by $207,626, respectively, compared to the same periods in the prior year. General and administrative expenses consist of certain short-term leases, insurance, professional fees, investor relations fees, office expenses, research and development and other licensing costs.

In the three months ended September 30, 2023, the decrease is mainly due to a reduction in legal fees and an increase in interest revenue compared to the prior period. This decrease is offset by an increase in the nine months ended September 30, 2023, due to higher Health Canada fee which is based on revenue. The Company continues to monitor its spend closely to remain fiscally prudent.

Sales and marketing

For the three and nine months ended September 30, 2023, sales and marketing expenses increased by $287,803 and $851,121, respectively, compared to the same periods in the prior year. Sales and marketing expenses consist of the costs to maintain the Company's brands, carry out marketing initiatives, develop new brands, and sample our products.

The increased sales and marketing expenditures in the three and nine months ended September 30, 2023, align with efforts to drive brand growth and awareness of 1964 Supply Co™, Simply Bare™ Organic and Wildflower™ compared to the prior period. Rubicon has focused its sales and marketing spend to ensure there is direct, measurable impact.

Share-based compensation

Non-cash share-based compensation reflects the estimated value of stock options, restricted share units, restricted share awards and deferred share units issued to employees and directors of the Company.

For the three and nine months ended September 30, 2023, share-based compensation decreased by $244,027 and $1,283,975, respectively, compared to the same periods in the prior year.

The lower expense for the three months ended September 30, 2023, compared with the prior period, is due to a lower number of RSUs outstanding throughout the period. Furthermore, there was a modification of options which occurred in the prior period, resulting in an additional expense recognised during the three months ended September 30, 2022. There was no such expense in the current period.

A number of RSUs have expired in the nine months ended September 30, 2023, given the departure of certain employees which has resulted in a gain at the beginning of 2023. In addition, there is a lower amount of expense relating to RSUs going forward with a lower number of RSUs outstanding.

Selected Financial Information

The following tables present selected financial information of the Company:

As at:	**September 30, 2023 $**	December 31, 2022 $
Current assets	**26,202,941**	27,694,524
Non-current assets	**28,175,736**	28,412,176
Current liabilities	**7,530,798**	8,372,553
Non-current liabilities	**9,903,268**	9,401,052
Shareholders' equity	**36,944,611**	38,333,095

	Three months ended		**Nine months ended**	
	September 30, 2023 $	September 30, 2022 $	**September 30, 2023 $**	September 30, 2022 $
Net revenue	**10,041,746**	10,543,139	**30,123,479**	24,526,148
Profit (loss) from operations	**(1,507,718)**	2,201,978	**(1,972,611)**	128,806
Net profit (loss) for the period	**(1,643,867)**	2,025,532	**(2,332,752)**	(698,235)
Adjusted EBITDA*	**1,141,923**	1,896,578	**3,078,509**	641,349
Profit (loss) per share, basic	**(0.03)**	0.04	**(0.04)**	(0.01)
Profit (loss) per share, diluted	**(0.03)**	0.04	**(0.04)**	(0.01)

*Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes as shown below. Management uses Adjusted EBITDA to assess the Company's performance. Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

The following table presents the Company's reconciliation of Adjusted EBITDA to the most comparable IFRS financial measure for the three and nine months ended September 30, 2023 and September 30, 2022.

	Three months ended		**Nine months ended**	
	September 30, 2023 $	September 30, 2022 $	**September 30, 2023 $**	September 30, 2022 $
Profit (loss) from operations	**(1,507,718)**	2,201,978	**(1,972,611)**	128,806
IFRS fair value accounting related to cannabis plants and inventory	**(1,309,266)**	1,889,334	**(1,776,209)**	3,975,755
	(198,452)	312,644	**(196,402)**	(3,846,949)
Depreciation and amortization	**810,633**	810,165	**2,330,643**	2,260,055
Share-based compensation expense	**529,742**	773,769	**944,268**	2,228,243
Adjusted EBITDA	**1,141,923**	1,896,578	**3,078,509**	641,349

Summary of Quarterly Results

The following table summarizes quarterly financial results for Rubicon Organics for the last eight quarters:

	2023			**2022**				**2021**
(C$000's)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Net revenue	10,042	11,282	8,800	10,992	10,543	8,835	5,148	6,815
Inventory written off or provided for	(195)	(173)	(157)	(241)	(201)	(313)	(111)	(280)
Gross profit (loss) before fair value adjustments	3,243	4,600	3,030	4,509	4,114	2,844	744	1,530
Net profit (loss) for the period	(1,644)	(114)	(575)	(3,158)	2,026	(1,232)	(1,492)	(1,591)
Weighted average shares outstanding (000's), basic	56,442	56,439	56,425	56,300	56,250	56,247	56,231	56,170
Weighted average shares outstanding (000's), diluted	56,858	56,855	56,858	56,733	56,733	56,247	56,231	56,170
Net profit (loss) per share, basic	(0.03)	(0.00)	(0.01)	(0.06)	0.04	(0.02)	(0.03)	(0.03)
Net profit (loss) per share, diluted	(0.03)	(0.00)	(0.01)	(0.06)	0.04	(0.02)	(0.03)	(0.03)

From Q4 2021 onwards, the Company has experienced consistent annual revenue growth, excluding the notable annual seasonal declines in the first quarter of each year. The first quarter of the fiscal year is a seasonally low quarter due to buying patterns from provincial distributions. The overall revenue growth is driven by our three flagship brands Simply Bare™ Organic, 1964 Supply Co™, and Wildflower™ through increased distribution and demand in BC, Ontario, Quebec, and Alberta. In Q2 2023, the Company has recorded the highest net revenue achieved in one quarter. In Q3 2023, the Company experienced a decline in net revenue due to reduced demand for Simply Bare™ Organic in three key markets, Alberta, Ontario and Quebec due to a soft July and increased price competitiveness in the premium category.

Inventory written off or provided for has improved from Q4 2021 onwards, through continuous improvement in supply and demand planning as well as improving overall flower quality. However, fluctuations can still be observed in some quarters due to factors in production as seen in Q2 2022, being the highest quarter compared to the other quarters. A slight increase can be observed in Q3 2023, compared to the previous two quarters.

Gross profit (loss) before fair value adjustments is driven by (i) net revenue for the quarter (see above) (ii) production costs, which are expensed as incurred during the quarter, and (iii) inventory expensed to cost of sales. Net revenue experienced a slight decline compared to the prior quarter. The ratio of inventory expensed to cost of sales of net revenue has also slightly increased due to variations in product mix, including lower gross margin large formats, and higher cost products such as infused pre-rolls, contributing to the overall decline in gross profit before fair value adjustments in the current quarter.

Net profit (loss) for the period is affected by the above factors in addition to significant variations due to the fair value adjustments relating to cannabis plants as prescribed by the accounting standards. There were large gains in Q1 2022 and Q3 2022 and large losses in Q4 2022 and Q3 2023 followed due to the factors involved in valuing the cannabis plants.

For a detailed review of the three and nine months ended September 30, 2023, refer to the results analysis under '*Results of Operations and Financial Review'.*

Liquidity and Capital Resources

Liquidity

Our objectives when managing our liquidity and capital structure are to maintain sufficient cash to fund our working capital needs, capital asset development and contractual obligations.

	Nine months ended		
	September 30, 2023 $	September 30, 2022 $	Change $
Net cash provided (used in):			
Operating activities	**3,951,617**	(887,311)	4,838,928
Investing activities	**(2,058,779)**	(3,126,963)	1,068,184
Financing activities	**(786,613)**	(795,833)	9,220
Effect of foreign exchange on cash	**(3,045)**	64,503	(67,548)
Increase (decrease) in cash	**1,103,180**	(4,745,604)	5,848,784
Cash beginning of the period	**8,294,117**	11,583,443	
Cash end of the period	**9,397,297**	6,837,839	

Operating Activities

In the nine months ended September 30, 2023, net cash provided in operating activities was $3,951,617 compared to net cash used in operating activities of $887,311 in the prior year.

Revenue has been continuing to grow from 2022 into 2023 primarily due to the performance 1964 Supply Co™ nationally since launch in 2021, which together with the other brands contributed gross margin to improve cash flows from operating activities. The Company continues to use financial prudence in its operating spend and to prioritize process improvements, with a focus in the cultivation department to increase crop quality and yield.

Investing Activities

In the nine months ended September 30, 2023, net cash used in investing activities decreased by $1,068,184 compared to the same period in the prior year. The spend on projects in the current period relates to capacity upgrades, quality upgrades, and risk management. Projects identified are smaller in scale than in the past and focused on those which deliver a less than one year return on investment or maintenance or risk mitigation for the Delta Facility.

In 2022, the Company completed two significant capital projects. The first project was the completion of the installation of the final dehumidification units improving crop quality and climate in the cultivation area in the first quarter and the second being the link of the Delta Facility to BC Hydro completed in September 2022.

Financing Activities

In the nine months ended September 30, 2023, net cash used by financing activities was $786,613 compared to $795,833 in the prior year.

During the nine months ended September 30, 2023 and 2022, the Company's only financing related activity was to service its existing debts (interest and lease payments).

Capital Resources

The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2023, the Company had cash and cash equivalents of $9,397,297 and net working capital of $18,672,142. Effective July 1, 2023, the interest rate of the Debenture had increased from 6.5% to 7.5%, until maturity date on December 31, 2024. The Company is currently in discussions with various parties for financing options.

Contractual Obligations

The Company has the following contractual obligations as at September 30, 2023:

Payments due by period:	**Less than one year $**	**One to three years $**	**Over three years $**	**Total $**
Lease liabilities[1]	70,653	116,824	-	187,477
Trailer leases[2]	214,831	-	-	214,831
Loans and interest obligations[3]	772,350	10,678,550	-	11,450,900
Total contractual obligations	**1,057,834**	**10,795,374**	**-**	**11,853,208**

[1] Consists of right-of-use Vancouver head office and right-of-use tractors.
[2] Modular buildings to provide additional space at the Delta Facility.
[3] Includes principal and interest on maturing loans. All USD amounts were translated at the future exchange rates specified in the swap contracts (the Derivatives).

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at November 14, 2023, the Company has the following securities outstanding:

	Number of units
Common Shares	56,191,661
Stock Options	2,529,700
Warrants	4,815,315
Restricted Share Units	2,076,666
Deferred Share Units	300,000
Fully Diluted Shares Outstanding	**65,913,342**

Proposed Transactions

There are no undisclosed proposed transactions that will materially affect the Company.

Off-balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements.

Related Party Transactions

Accounts payable and accrued liabilities at September 30, 2023, included $48,311 (December 31, 2022: $13,041) owed to executives and directors of the Company for expenses paid on behalf of the Company.

The Company has obtained a consulting agreement with its largest shareholder, a related party (the "Related Party"). In the three and nine months ended September 30, 2023, the Company incurred an expense of $12,000 and $36,000, respectively, for consulting services and $2,250 and $6,223, respectively, in related expenses payable to the Related Party.

Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Key management compensation for the nine months ended September 30, 2023, and September 30, 2022, was comprised of:

	September 30, 2023 $	September 30, 2022 $
Salaries and accrued salaries	**724,430**	409,289
Bonuses in accrued liabilities	**318,902**	150,000
Termination benefits	**—**	450,000
Share based compensation	**489,405**	1,924,186
Total compensation of key management personnel	**1,532,737**	2,933,475

Critical Accounting Estimates and Judgments

The preparation of the Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Management considers the areas described in Note 4 of the Financial Statements to be the most critical in understanding the judgments and estimates that are involved in the preparation of the Company's Financial Statements and the uncertainties that could impact its results of operations, financial condition, and cash flows.

Changes in Accounting Policies Including Initial Adoption

The Company has not identified any new accounting standards that would be applicable and are not yet effective that would have a material impact on the Company.

Financial Instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Derivatives	Fair value through profit or loss
Security deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Interest payable	Amortized cost
Loans and borrowings	Amortized cost

The fair values of cash and cash equivalents, accounts receivable, security deposits, accounts payable and accrued liabilities and interest payable approximate their carrying amounts due to the short-term maturity of those instruments.

The Company entered the Derivatives to offset the future foreign exchange impact of the principal and interest payments on the US$8.0 million Debenture. Refer to Note 14 in the Financial Statements for more information on the Derivatives.

Loans and borrowings were incurred to fund upgrades of the Delta Facility and general operations. Refer to Note 13 in the Financial Statements for more information on loans and borrowings.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk, interest rate risk and foreign exchange risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on its cash and cash equivalents, accounts receivable, security deposits and the Derivatives. The carrying amount of these assets represent the maximum credit exposure.

The Company limits exposure to credit risk by maintaining its cash and cash equivalents and security deposits with institutions of high credit worthiness.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into arrangements with reputable and stable counterparties and frequent reviews of exposure to individual entities. With regards to receivables, the Company is not exposed to significant credit risk as the majority of the Company's sales and trade receivables are with government bodies and crown corporations.

An impairment analysis of receivables is performed at each reporting date and the balances are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and a change in the commercial terms associated with the balance held.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue debt or additional common shares to ensure that there is cash available for its programs.

Current liabilities, being accounts payable and accrued liabilities, interest payable, the current portion of lease liabilities and the current portion of loans and borrowings are payable within one year and are to be funded from cash. Long term liabilities consist of the non-current portion of lease liabilities and the non-current portion of loans and borrowings.

Interest rate risk

Interest rate risk is the risk the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's debt is held at a fixed interest rate and no significant interest rate risk applies.

Foreign exchange risk

The Company and its subsidiaries conduct certain transactions denominated in currencies other than the functional currency of the Company (United States dollars and Euros). Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

The Company's main risk is associated with the impact of fluctuations in US$ exchange rates on the Debenture. The Company entered several foreign exchange swap and forward contracts (referred to as the Derivatives) to offset the future exchange impact of the principal and interest payments on the Debenture. The Company has not included the impact of foreign exchange on the US$ Debenture in the analysis below as it is mitigated by the purchase of the Derivatives.

For the nine months ended September 30, 2023, the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		September 30, 2023		December 31, 2022
Cash		**532,749**		530,618
Accounts payable and accrued liabilities		**(199,289)**		(162,016)
Interest payable		**-**		(260,000)
	US$	**333,460**	US$	108,602

A 10% change of the US$ against the CAD$ would have increased net loss by $45,084 (December 31, 2022: $14,709).

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – Financial Instruments; Fair Value Measurement ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

There were no transfers within the fair value hierarchy during the three and nine months ended September 30, 2023.

The fair value of the Derivatives were determined using prices obtained from the Company's foreign exchange broker on the measurement date. These fair value measurements have been categorized as Level 2 on the fair value hierarchy.

Capital Management

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders. Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing market conditions. In doing so, the Company may issue new shares or refinance existing long-term debt. Annual budgeting is the primary tool used to manage the Company's capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors, proposed expenditure programs and market conditions.

Risks and Uncertainties

The Company is exposed to risks and uncertainties relating to the business of the Company that should be considered by both existing and potential investors. The risks and uncertainties appearing in the Company's Management, Discussion and Analysis for the three and nine months ended September 30, 2023 are qualified in their entirety by reference to, and must be read in conjunction with, the Company's Annual Information Filing dated March 31, 2023. These risks and uncertainties are intended to serve as an overview and should not be considered comprehensive. Investing in the Company's common shares involves significant risks. The Company may face additional risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner. Many factors could cause the Company's results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this MD&A.

Conflicts of Interest

To the best of our knowledge, there are no known existing or potential material conflicts of interest among us and our directors, officers or other members of Management as a result of their outside business interests except that certain of our directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director, officer or advisor of such other companies.

Cautionary Note Regarding Forward-Looking Statements

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "if", "expects", "estimates", "may", "could", "should", "will", "intends" and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking statements are based on certain assumptions and analyses made by the Company considering the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) information or statements concerning the Company's expectations of financial resources availability to fund operations; (ii) obtaining the necessary regulatory approvals; (iii) that regulatory requirements will be maintained; (iv) general business and economic conditions; (v) the Company's ability to successfully execute its plans and intentions; (vi) the Company's ability to obtain financing at reasonable terms though the sale of equity and/or debt commitments; (vii) the Company's ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company's competitors; and (x) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: the legal status of cannabis cultivation, distribution and sales in Canada; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; uncertainty about the Company's ability to continue as a going concern; risk that the Company will not obtain or retain any relevant licenses; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Many of the factors are beyond our control. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events, new information, or for any other reason except as required by law. These forward-looking statements are made as of the date hereof. Additional information related to us is available by accessing the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR+") website at www.sedarplus.ca.

Additional Information

Additional information related to the Company is available on the Company's website at www.rubiconorganics.com and through its public filings on www.sedarplus.ca.

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