



MEDCOLCANNA ORGANICS INC.

(FORMERLY INTEGRATED ENERGY STORAGE CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2020

INTRODUCTION

Medcolcanna Organics Inc. ("Medcolcanna" or "MCCN" or the "Company") was initially incorporated in the province of Alberta on May 31, 2010 under the Business Corporations Act (Alberta). Pursuant to a transaction with Medcolcanna (BVI), Inc., the Company was continued into the province of British Columbia under the Business Corporations Act (British Columbia). Medcolcanna is a publicly traded corporation with its corporate office located at Suite 800, 400 – 5th Avenue SW, Calgary, AB, T2P 0L6. The common shares of the Company are listed on the TSX Venture Exchange ("TSXV") under the symbol "MCCN".

The following Management's Discussion and Analysis (the "MD&A") of Medcolcanna constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2020. This MD&A should be read in conjunction with Medcolcanna's condensed interim consolidated financial statements for the three months ended March 31, 2020, as well as the annual audited consolidated financial statements for the year ended December 31, 2019 (collectively, the "Financial Statements"). The Financial Statements and notes thereof are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102") of the Canadian Securities Administrators. The MD&A and the Financial Statements have been filed on SEDAR and are available at www.sedar.com. Additional information can also be found on the Company's website at www.medcolcanna.com.

This MD&A is prepared as of June 1, 2020. All dollar values are expressed in Canadian dollars, unless otherwise indicated.

KEY DEVELOPMENTS

Below is a summary of key developments up to the date of this MD&A.

- In February 2020, Medcolcanna signed a Letter of Intent ("LOI") with Dona Blanca Limited ("Dona Blanca"), an unlisted Australian corporation with operations in Colombia. Pursuant to the LOI, Dona Blanca will invest \$1,500,000 USD (\$2,128,000 CAD) for a 15% ownership stake in Extralia Labs SAS ("Extralia"), Medcolcanna's wholly-owned subsidiary, designed to have annualized extraction capacity of 300,000 kilograms of dried flower in Colombia. Pursuant to the LOI, Dona Blanca provided a non-refundable deposit of \$25,000 USD (\$33,123 CAD) for the 15% ownership stake in Extralia.
- In March 2020, Medcolcanna and Dona Blanca amended the LOI to extend the period to invest \$1,500,000 USD (\$2,128,000 CAD) for a 15% ownership stake in Extralia to October 15, 2020 in consideration for an additional non-refundable deposit of \$22,500 USD (\$31,786 CAD). This additional non-refundable deposit was received in April 2020.
- In March 2020, Medcolcanna signed a definitive agreement with Dona Blanca. Pursuant to the agreement Dona Blanca will invest up to \$1,000,000 USD (\$1,420,000 CAD), to build up to an additional two hectares of greenhouses on Medcolcanna's fully licensed cultivation property which would earn Dona Blanca a 70% working interest in the economic rights to the output from such greenhouses. Dona Blanca will earn into the project in 3 stages; stage 1 where Dona Blanca will invest \$516,678 USD (\$712,351 CAD), to earn a 35% working interest or 0.7 net hectares; stage 2 where Dona Blanca will invest \$290,000 USD (\$408,610 CAD) by May, 15, 2020 to earn an additional 20% working interest or an aggregated 55% working interest, or 1.1 net hectares; and stage 3 where Dona Blanca will invest an additional \$193,000 USD (\$274,000 CAD) to earn

an additional 15% working interest (to hold an aggregate 70% working interest in the project). By May 2020, Dona Blanca had contributed a total of \$806,678 USD (\$1,120,961 CAD) to Medcolcanna, thus completing the first and second stages of the agreement for an aggregate 55% working interest to the economic benefits of the project.

- In April 2020, Medcolcanna received final approval for commercial production of 8 strains (5 non-psychoactive and 3 psychoactive) of cannabis from its Colombian operations. This allows the Company to execute on its plan to begin generating revenue from its cannabis farms in Colombia in Q3 2020. As at June 1, 2020, Medcolcanna had 5,271 kilograms of dried cannabis equivalent on hand.

COVID-19 PANDEMIC

During the three months ended March 31, 2020, the global outbreak of COVID-19 (coronavirus), was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, Colombia, and Europe have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic downturn. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on Medcolcanna as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by countries throughout the world to fight the virus. While the extent of the impact is unknown, it is possible this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

COMPANY OVERVIEW AND OUTLOOK

In May 2019, the Company (then being Integrated Energy Storage Corp. ("IES")) completed a transaction whereby IES acquired all of the outstanding shares of Medcolcanna (BVI), Inc. ("Medcolcanna BVI" or "MCCN BVI") a private company incorporated under the laws of the British Virgin Islands. The transaction constituted a reverse asset acquisition in accordance with IFRS, whereby the shareholders of Medcolcanna BVI took control of IES (the "Reverse Takeover Transaction" or "RTO Transaction" or "RTO"). Pursuant to the RTO Transaction, IES changed its name to Medcolcanna Organics Inc.

Through the Medcolcanna's subsidiary, Medcolcanna S.A.S, ("MCCN SAS"), the Company is licensed by the Colombian Ministry of Social Health and Protection and the Colombian Ministry of Justice and Law to use seeds for sowing, cultivate both psychoactive and non-psychoactive cannabis plants, and manufacture cannabis derivatives in Colombia.

In June 2018, the Colombian Ministry of Health granted the production license authorizing the domestic and international distribution of high and low THC medicinal cannabis extracts which allows MCCN SAS to produce cannabis for domestic use and international export. In addition, in June 2018, the Ministry of Justice granted a low and high THC cultivation license which enables MCCN SAS to cultivate non-psychoactive and psychoactive medicinal cannabis for domestic consumption and production of seeds for cultivation, storage and disposal.

MCCN SAS registered 50 different varieties of cannabis seeds with the Instituto Colombiano Agropecuario ("ICA") in 2018. The Company has 16 different varieties of cannabis seeds under Agronomical evaluation with ICA. Medcolcanna finalized the first agronomical evaluation in December 2019, registering commercially 8 of those

strains with the National Cultivar Registry - ICA. Additionally, another 5 varieties are going to be evaluated in different Colombian regions. In order to maintain cannabis genetics, Medcolcanna established an in vivo germoplasm bank.

Medcolcanna's manufacturing process follows GACP and GMP standards that regulate principles and practices of hygiene in the handling, preparation, processing, packaging, storage, transportation, and distribution of food and medicines for human consumption. Medcolcanna expects to be GACP certified in June 2020 and GMP EU compliant by November 2020. Medcolcanna is committed to the development of final products that are consistent with medicinal cannabis industry standards and pharmaceutical procedures. The products will include a variety of THC and CBD compositions that will be designed to respond to specific medical conditions.

As previously mentioned, Medcolcanna currently has 2.2 hectares under greenhouse. Currently the Company has expanded its cultivation to 1 additional hectare outdoors, completing 3.2 hectares of total cultivation. Also, another 2 hectares of greenhouse are under construction in relation to the aforementioned Dona Blanca agreement. Once Dona Blanca completes the final stage of investment, Medcolcanna will hold a 30% working interest to the economic benefits of these hectares. It is anticipated that these constructions will be finalized by July 2020. Furthermore, Medcolcanna started the construction of its extraction and post-extraction laboratory in September 2019 and expects completion in June 2020. An additional 1 outdoor growing hectare is being prepared and will be cultivated by July 2020.

Medcolcanna's contracted extraction capacity exceeds the Company's estimates for its own biomass production, which will allow the Company to exploit a tolling revenue stream. MCCN is actively developing its tolling revenue model with interested third parties and expects to process all of the Dona Blanca biomass through Extralabs Labs.

Medcolcanna has also established a breeding laboratory, which enables the Company to select specific varieties and cross them to improve and create proprietary genetics. To date, Medcolcanna has characterized 30 different genotypes. Based on the characterization, the Company has implemented the first crosses among genotypes in order to evaluate progeny with new characteristics adapted to local conditions. Moreover, the protocol to obtain viable pollen from feminized plants has been established. The Company started to implement the protocol to propagate in vitro material which allows the Company to produce disease free plants and maintain germoplasm in vitro.

To date, Medcolcanna has entered into 22 contracts to supply genetics (seeds or cuttings) to third parties. This is also expected to provide an additional revenue stream for the Company.

Medcolcanna has implemented a scalable and comprehensive security plan that identifies and mitigates risks relating to Medcolcanna's assets and covering the production, distribution, logistics and operations chain. Medcolcanna's security protocol features range from electronic controlled access to ultra-high definition video surveillance and intrusion detection devices, among others. Medcolcanna's security protocol was prepared by a security company after an assessment performed to the leased land location and was presented and approved by the authorities at license application.

Medcolcanna is also involved in the cannabis vaping industry in Europe. Under the brand name Cannav™, Medcolcanna develops its own vaping liquids which it sells along with vaping devices and equipment through retail and wholesale distribution chains. The Company had sales online through its website, in-shop at its Swiss location, and through the use of commissioned salespersons during the three months ended March 31, 2020. Medcolcanna plans to continue expansion and development of its vape brand with the intent of making this a sustainable source of revenue for the Company.

INDUSTRY INFORMATION

Medicinal cannabis refers to the use of cannabis and its constituent cannabinoids to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications., autism, rheumatoid arthritis, osteoarthritis, fibromyalgia, neuropathic pain, endometriosis, menstrual pain, psoriasis, eczema, Crohn's disease, insomnia, anxiety, PTSD and other conditions. Cannabinoids is a blanket term covering a family of complex chemicals, both natural and man-made, that bind with cannabinoid receptors (protein molecules on the surface of cells) in the human body and effect a wide number of responses. Cannabinoid receptors in the human body are part of a system called the endocannabinoid system. This system produces chemicals called endocannabinoids, which also bind with cannabinoid receptors. Cannabinoid receptors are found in the brain and throughout the body. Scientists have found that cannabinoid receptors in the endocannabinoid system are involved in a vast array of functions in our bodies, including helping to modulate brain and nerve activity (including memory and pain), energy metabolism, heart function, the immune system and even reproduction.

While there are a large number of active cannabinoids found in cannabis, the two most common currently used for medical purposes are tetrahydrocannabinol (THC) and cannabidiol (CBD). Although no clinical trials have been completed in Canada to validate the effectiveness of tetrahydrocannabinol or cannabidiol in managing disease and improving symptoms, scientific studies have identified that they, alone and/or in combination, have potential to provide treatment benefits for a large number of medical conditions.

The global medicinal cannabis industry is a growing industry experiencing significant change as a result of legislative reform to legalize the production and consumption of cannabis for therapeutic and medicinal purposes. The evolving global framework yields opportunities for medicinal cannabis producers to cultivate, develop, and market cannabis and cannabis derived products in an environment of substantially increasing cannabis demand.

With the adoption of Law 1787 and Decree 613, the Colombian government has constructed an effective legal framework with appropriate mechanisms to introduce and regulate the use of cannabis for medicinal purposes. Law 1787 outlines the regulatory framework that allows for safe and informed use of medicinal cannabis and its derivatives, while Decree 613 elaborates on this concept and established a licensing regime to conduct related activities. Colombia's regulatory framework, climate conditions, and low-cost labour are positive factors that position Colombia as a global leader in cannabis production. Foreign corporations have entered the Colombian market as a result of Colombia's regulatory regime, creating the prospect of Colombia becoming a hub for future industry development. Medcolcanna is optimally structured and positioned to capitalize on this movement to exploit the growing global cannabis industry.

KEY FINANCIAL RESULTS

The following table summarizes results of operations of the Company for the three months ended March 31, 2020 and 2019:

Three months ended March 31	2020	2019
Revenue	26,957	-
Net loss	(1,485,923)	(603,841)
Net loss attributable to Medcolcanna Organics Inc.	(1,477,107)	(603,841)
Loss per share (basic & diluted)	(0.02)	(0.01)

The following table summarizes key financial information about the Company as at March 31, 2020 and December 31, 2019.

	March 31, 2020	December 31, 2019
Working capital	1,088,802	2,554,463
Total assets	5,070,628	6,567,588
Total non-current liabilities	629,601	403,633
Shareholders' equity	3,890,245	5,497,874

Medcolcanna is still in the early development phase of its international cannabis operations. The Company has made significant progress in development of its Colombian operations and international expansion. In Q1 2020, Medcolcanna incurred a net loss of \$1,485,923 (March 31, 2019 - \$603,841) and maintained a positive working capital position as at March 31, 2020 of \$1,088,802 (December 31, 2019 - \$2,554,463).

SELECTED QUARTERLY INFORMATION

The following table sets out selected quarterly financial information of Medcolcanna from July 10, 2018 (date of incorporation) to March 31, 2020

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenues	26,957	1,582	-	-
Net loss	(1,485,923)	(1,608,415)	(1,223,530)	(3,778,682)
Net loss attributable to Medcolcanna	(1,477,107)	(1,608,415)	(1,223,530)	(3,778,682)
Loss per share	(0.02)	(0.02)	(0.01)	(0.06)
Diluted loss per share	(0.02)	(0.02)	(0.01)	(0.06)

	Q1 2019	Q4 2018	Q3 2018
Revenues	-	-	32,750
Net loss	(603,841)	(523,363)	(15,119)
Net loss attributable to Medcolcanna	(603,841)	(523,363)	(15,119)
Loss per share	(0.01)	(0.01)	(0.01)
Diluted loss per share	(0.01)	(0.01)	(0.01)

DISCUSSION OF OPERATIONS

Revenues

The Company recognized \$26,957 in revenue from the sale of purchased CBD isolate and internally developed vaping liquids and devices during the three months ended March 31, 2020 (March 31, 2019 – nil). Cost of sales on these transactions amounted to \$19,589 (March 31, 2019 – nil), resulting in a gross profit of \$7,368 (March 31, 2019 – nil). Since the Company is still in its early development stage with minimal revenue during the three months ended March 31, 2020, a breakdown and discussion of material costs has been presented below.

Operating expenses

Operating expenditures include expenses relating to agricultural operations for cultivation, extraction, and production activities before final commercial cultivation approval has been received by the ICA. Operating expenses also includes vaping production activity costs incurred within the Company's Swiss segment. A summary of operating expenses by activity type is presented below for the period ended March 31, 2020 and 2019

For the three months ended March 31	2020	2019
Medicinal Agricultural activities	255,085	46,200
Vaping activities	1,293	-
Total operating expense	256,378	46,200

Agricultural operations operating expenses increased by \$208,885 during the three months ended March 31, 2020 compared to the same period in 2019. The increase is due to the Colombian operations being newly established prior to the RTO Transaction, resulting in minimal operating expenditures during the three months ended March 31, 2019. Major greenhouse constructions were completed prior to the first quarter in 2020 and full operating activities were ongoing during this time resulting in increased expenditures. During the three months ended March 31, 2020, the vaping activities operating expense totalled \$1,293. The Company was not involved in the vaping industry prior to August of 2019.

General and administrative ("G&A") expenses

G&A expenses include expenditures relating to day-to-day operations of the business not directly tied to a specific function or department within the Company. Medcolcanna incurred total G&A expenses of \$975,679 and \$426,119 during the three months ended March 31, 2020 and 2019 respectively. The nature of the G&A expenses are as follows:

For the three months ended March 31	2020	2019
Salary, wages, and benefits	511,923	118,903
Professional fees	187,657	110,875
Legal fees	63,522	81,919
General office ⁽¹⁾	40,814	30,757
Travel	35,416	11,361
Insurance	28,644	-
Director fees	26,488	-
Investor relations	17,937	33,000
Software and IT expenses	14,159	-
Transfer agent and filing fees	12,478	19,140
Other	36,641	20,164
Total	975,679	426,119

(1) General office expense includes rent on office equipment, communication costs, cleaning services, office supplies and stationery, etc.

G&A expense increased by \$549,560 from the three months ended March 31, 2019. The increase is attributable to an increase in the number of employees working for the Company. In the first quarter of 2019, the Company had just barely started operations, resulting in a minimal number of employees needed. As the Company continued to grow and expand more personnel were required to maintain the Company's operations. Due to the growth and international expansion efforts, Medcolcanna also increased its use of consultants and other professionals during the first quarter of 2020 to help advance product development in international jurisdictions. Travel costs of the

company also increased as a result of the Company pursuing strategic international deals and agreements to position Medcolcanna as a leader in cannabis extraction and cultivation. During the three months ended March 31, 2020, Legal fees decreased compared to the same period in 2019. A significant amount of legal fees incurred in the 2019 were indirectly related to the RTO Transaction, which was a one-time transactional event used by the Company for public listing on the TSXV.

Finance expense

The components of finance expenses (income) are as follows:

For the three months ended March 31	2020	2019
Interest income	(2,019)	(7,891)
Lease interest expense	15,162	3,340
Bank charges	7,138	7,899
Total	20,281	3,348

Finance expense of \$20,281 was recorded during the three months ended March 31, 2020 compared to finance expense of \$3,348 for the three months ended March 31, 2019. The change in finance expense is mainly attributed to an increase in lease interest expense. This is the result of new leases entered into subsequent to the first quarter of 2019, resulting in more lease agreements outstanding during the three months ended March 31, 2020 compared to 2019.

GEOGRAPHICAL SEGMENTED INFORMATION

The Company is engaged in the growth, cultivation, and development of medicinal cannabis and medicinal cannabis products through its Colombian and Netherland subsidiaries. The Company is also engaged in the cannabis vaping industry through its Swiss subsidiary. Management has defined the operating segments of the Company based on geographical areas, identifying operations held in Colombia, Switzerland, and the Netherlands as separate reporting segments. The Corporate segment reflects balances and expenses related to all Company operations outside of Colombia, Switzerland, and the Netherlands which collectively represent the corporate operations of the Company.

The following tables show information regarding the Company's segments for the three months ended March 31, 2020 and 2019

For the three months ended March 31, 2020	Colombia	Switzerland	Netherlands	Corporate	Total
Revenue:					
Vape products	-	(9,163)	-	-	(9,163)
CBD isolate	(17,794)	-	-	-	(17,794)
Cost of sales	15,662	3,927	-	-	19,589
Gross Profit	(2,132)	(5,236)	-	-	(7,368)
Expenses:					
Operating expenses	255,085	1,293	-	-	256,378
General and administrative	545,839	38,072	-	391,768	975,679
Selling, marketing and promotion	1,775	3,424	-	-	5,199
Depreciation and amortization	62,364	3,484	-	-	65,848
Research and development	12,225	4,574	-	-	16,799
Share-based compensation	-	-	-	154,721	154,721
Finance expense (income)	19,364	304	156	457	20,281
Foreign exchange loss (gain)	185	189	-	(1,988)	(1,614)
Net Loss	894,705	46,104	156	544,958	1,485,923
Assets at March 31, 2020	2,954,975	124,125	1,001,943	989,585	5,070,628
Liabilities at March 31, 2020	566,668	23,563	163	589,989	1,180,383

For the three months ended March 31, 2019	Colombia	Switzerland	Netherlands	Corporate	Total
Expenses:					
Operating expenses	46,200	-	-	-	46,200
General and administrative	195,766	-	-	230,353	426,119
Depreciation and amortization	21,396	-	-	-	21,396
Transaction costs relating to the RTO	-	-	-	103,302	103,302
Business development	-	-	-	2,143	2,143
Finance expense (income)	8,299	-	-	(4,951)	3,348
Foreign exchange loss (gain)	(301)	-	-	1,634	1,333
Net Loss	271,360	-	-	332,481	603,841
Assets at December 31, 2019	2,108,017	88,438	1,001,943	3,369,190	6,567,588
Liabilities at December 31, 2019	791,125	32,631	150	245,808	1,069,714

CAPITAL ADDITIONS

For the three months ended March 31, 2020, the Company had capital additions of \$180,640. The additions to property, plant, and equipment were categorized as follows:

- \$102,210 related to Agricultural facilities which includes completed greenhouses, laboratory buildings, and construction of post-harvest amenities
- \$53,323 related to the purchase of laboratory equipment
- \$22,651 for computer and office equipment
- \$2,456 of leasehold improvements on the leased farm property in Colombia.

GOING CONCERN, LIQUIDITY, AND CAPITAL RESOURCES

Medcolcanna's primary business activities include the cultivation, production, and distribution of medicinal cannabis and cannabis derived products in Colombia. The Company is also involved in the cannabis vaping industry through its Swiss segment. Medcolcanna has limited revenues and cash inflows for the period ended March 31, 2020. As such the Company's business activities are financed through equity offerings of securities issued by the Company.

During the three months ended March 31, 2020, Medcolcanna incurred a net loss of \$1,485,923 and used \$1,441,283 of cash flow in its operating activities. The negative cash flows from operations was driven by the fact that the Colombian cannabis business is in the development phase with no significant revenue to positively affect cash flows. As at March 31, 2020, the Company's accounts payable and accrued liabilities were valued at \$461,633. This balance was classified as a current liability as all amounts are due within 12 months. Additionally, the Company had a working capital surplus of \$1,088,802 which indicates the Company has the ability to meet its current obligations as they come due. The available working capital is also sufficient to meet contractual capital construction and lease commitments entered into by the Company.

Net cash used in investing activities was \$125,644 for the three months ended March 31, 2020. This was mainly attributed to the purchase and construction of property, plant, and equipment assets of \$185,288. Medcolcanna also made cash advances towards property, plant, and equipment of \$238,459. The advances, purchases, and constructions of property, plant, and equipment was partially offset by contributions received of \$298,103 from Dona Blanca in regard to the definitive agreement previously mentioned.

The Company used cash in financing activities for the three months ended March 31, 2020 of \$29,702. This was entirely related to the principal portion of lease payments made during the period.

The Company currently does not have consistent revenue generating assets. Until the Company has sustaining revenue streams, it will continue to exhaust its remaining financial resources to fund existing operations. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern

The Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. Management believes that the going concern assumption is appropriate for the Financial Statements and that the Company will be able to meet its budgeted administrative and development costs during the upcoming year and beyond when considering the Company's current financial forecast. Medcolcanna continues to enter into strategic agreements, joint ventures, and relationships to source funds and maintain its operations.

As previously stated, in April 2020, the Company received final approvals from the Instituto Colombiano Agropecuario ("ICA") for commercial production of certain strains of cannabis from its Colombian cannabis farm. This enables Medcolcanna to begin generating revenue from its Colombian segment to sustain operations. However, there is no certainty as to the timing and likelihood of realizing sufficient revenues to fully sustain the Company's activities.

The Company may need to seek further financing in the future to maintain its current level of activity. To date, Medcolcanna has been successful in raising funds to sustain operations. However, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company.

Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, the Financial Statements would require adjustments to the amounts and classifications of assets and liabilities.

EQUITY

Common shares

As at March 31, 2019, the Company was authorized to issue an unlimited number of common shares, with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared.

Common shares issued and outstanding are as follows:

	Common shares	Amount (\$)
Balance at December 31, 2018	41,362,659	1,102,584
Shares issued for subscription in March 2019 ⁽¹⁾	400,000	36,000
Share issuance costs		(3,187)
Share pursuant to the RTO Transaction	12,899,968	2,708,993
Fair value of units attributed to common shares ⁽²⁾	30,986,800	6,770,990
Share issuance costs of units attributed to common shares		(739,509)
Shares issued to acquire ICP	4,701,240	987,260
Balance at December 31, 2019 & March 31, 2020	90,350,667	10,863,131

(1) In March 2019, Medcolcanna completed a non-brokered private placement of 400,000 common shares at a price of \$0.09 per share for gross proceeds of \$36,000. Issuance costs totaling \$3,187 has been recognized in share capital in connection with this placement.

(2) Upon completion of the RTO Transaction, the subscription units issued by the Company were allocated to common shares and warrants based on the assessed fair value using the Black-Scholes valuation model. As at the RTO date, the subscription receipts had a gross value of \$7,746,700 and a net value of \$6,900,627 after issuance costs. The \$6,900,627 was held as restricted cash at the RTO date and only became available for the Company to use at the completion of the RTO Transaction. As a result of the RTO, 30,986,800 shares were issued to unit holders for a total gross value of \$6,770,990 and 15,493,400 warrants issued for a gross value of \$975,710. Issuance costs of \$739,509 were allocated to the shares, while \$106,564 issuance costs were allocated to the warrants for a net value of \$6,031,481 and \$869,146 respectively.

Shares to be issued

Included in equity is \$30,000 of shares to be issued relating to the value of services provided by an external consultant in the year 2019. It was agreed that payment would be issued in the form of shares of the Company. As at the date of this MD&A, the shares have not officially been issued.

Additionally, in November 2019, the Company hired a new executive officer of the Company and agreed to issue 720,000 shares up front as part of his employment contract. The shares were valued at \$54,000 on the grant date and were issued in April 2020 to the executive officer.

Warrants

The following tables summarizes changes in the number and value of warrants:

	Purchase warrants	Amount (\$) (net of issuance costs)
Balance at December 31, 2018	4,681,330	79,729
Warrants issued pursuant to RTO ⁽¹⁾	6,450,000	404,569
Warrants issued from subscription units ⁽¹⁾	15,493,400	869,146
Warrants expired	(3,681,330)	(18,457)
Balance at December 31, 2019 & March 31, 2020	22,943,400	1,334,987

(1) In May 2019, Pursuant to the RTO Transaction, 6,450,000 settlement warrants in IES were converted to 6,450,000 purchase warrants in Medcolcanna. Additionally, the 30,986,800 subscription units were converted into 30,986,800 common shares and 15,493,400 purchase warrants. The warrants issued are exercisable immediately at a price of \$0.40 per common share until May 2021.

The following table summarizes information about the warrants outstanding as at March 31, 2020:

Exercise price (\$)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.40	22,943,400	1.11	22,943,400

Compensation Options

Pursuant to the closing of subscription receipts, compensation options were awarded to agents of the subscription offering accumulating to 6% of the number of subscription units sold pursuant to the agency agreement under the offering.

Each compensation option entitles the holder thereof to acquire one Unit (a "Compensation Option Unit") at the offering price of \$0.25 for a period of 24 months following the date of issuance. Each compensation option unit is comprised of one common share and one-half of one warrant (each whole Warrant, a "Compensation Option Warrant"). Each compensation option warrant shall entitle the holder thereof to purchase one common share at a price of \$0.40 for a period of 24 months following the closing of the RTO Transaction.

The following tables summarizes changes in the number of compensation options as at March 31, 2020:

	Compensation options	Amount (\$)
Balance at December 31, 2018	348,960	30,554
Compensation options issued pursuant to the RTO	267,656	23,680
Compensation options issued	1,510,248	134,805
Balance at December 31, 2019 & March 31, 2020	2,126,864	189,039

The following table summarizes information about the Compensation Options outstanding as at March 31, 2020:

Exercise price (\$)	Number of compensation options outstanding	Weighted average term to expiry (years)	Number of compensation options exercisable
0.25	2,126,864	0.84	2,126,864

Stock options

Pursuant to the RTO Transaction, Medcolcanna adopted the Incentive Stock Option Plan (the "Plan") dated May 16, 2019. Per the Plan, the Board will establish vesting and other terms and conditions for options at the time that they are granted. The plan provides that stock options may be granted up to a number equal to 10% of the Company's outstanding shares. The plan also indicates, subject to a minimum exercise price of \$0.05 per common share, the exercise price per common share for an option shall not be less than the discounted market price for the Company's common shares at the grant date pursuant to TSXV policies. Options can have up to a maximum term of 10 years.

In May 2019, 7,400,000 options were granted with an exercise price of \$0.40 per option. These options have 5-year term, expiring in May 2024. One-third of the options vested immediately on the grant date, one-third vests on the first anniversary of the grant date in May 2020, and one-third vests on the second anniversary of the grant date in May 2021.

In July 2019, 700,000 options were granted with an exercise price of \$0.40 per option. These options have a 5-year term, expiring in July 2024. One-third of the options vested immediately on the grant date, one-third vests on the first anniversary of the grant date in July 2020, and one-third vests on the second anniversary of the grant date in July 2021.

As at March 31, 2020, a total of 7,875,000 options were outstanding under this plan. The following table summarizes information about the changes in stock options as at March 31, 2020:

	Stock options	Exercise price (\$)
Balance at December 31, 2018	-	-
Options issued	8,100,000	0.40
Options forfeited	(225,000)	0.40
Expired options	-	-
Balance at December 31, 2019 & March 31, 2020	7,875,000	0.40

The following summarizes information about stock options outstanding as at March 31, 2020:

Exercise price (\$)	Number of stock outstanding	Weighted average term to expiry (years)	Number of stock options exercisable
0.40	7,875,000	4.16	2,624,998

Using the Black-Scholes option pricing model, the stock options issued in May 2019 were assessed a fair value of approximately \$0.18 per option, while the options issued in July were assessed a fair value of approximately \$0.09 per option. Total share-based compensation expense of \$154,721 was recognized in the statement of loss and comprehensive loss of the Company for three months ended March 31, 2020 (March 31, 2019 – nil).

SUMMARY OF OUTSTANDING SHARE DATA

As at the date of this MD&A, Medcolcanna had the following number of common shares and potential dilution effect from shares to be issued, stock options, purchase warrants, and compensation options issued and outstanding:

Common shares	91,070,667
Shares to be issued	120,000
Stock options	7,875,000
Purchase warrants	22,943,400
Compensation option unit	2,126,864
Compensation option warrant	1,063,432
Total	125,199,363

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As of March 31, 2020, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, due to related parties and accrued liabilities, and lease liabilities.

The Company characterizes its fair value measurements of financial instruments into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs other than quoted prices included within Level 1, that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 - inputs are unobservable for the asset or liability

A financial instrument is classified to the lowest level hierarchy for which a significant input has been used in measuring fair value. The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their respective fair values due to the short-term maturities of those instruments. The carrying amount of lease liabilities approximates its fair value as it is present valued using the discount rate implicit within the lease or the Company's incremental borrowing rate.

Financial risk management

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively. The principal financial risks arising from financial instruments are liquidity risk, credit risk, and market risks.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. As at March 31, 2020 the Company's financial liabilities consist of accounts payable and accrued liabilities, due to related parties, and lease liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient cash resources in order to finance operations, funds capital expenditures, and to repay financial liabilities. The Company manages its liquidity risk by preparing and monitoring operating budgets, reviewing capital requirements, and coordinating and authorizing project expenditures. As at March 31, 2020, the Company had a working capital surplus of \$1,088,802.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its contractual obligations. Financial instruments subject to credit risk include cash and cash equivalents and accounts receivables. All of the Company's cash and cash equivalents are held at reputable financial institutions. As of March 31, 2020, the Company's accounts receivable balance consists mainly of sales tax receivables that the Company expects to receive from the Government of Canada.

Market Risk

Market risk is the risk or uncertainty that changes in price, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. Medcolcanna is exposed to two types of market risk, being foreign currency risk and interest rate risk as outlined below.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its foreign subsidiaries. As at March 31, 2020, the Company had not entered into any foreign currency derivatives to manage its exposure to currency fluctuations.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk only on cash and cash equivalents. Fluctuations of interest rates for the period ending March 31, 2020 would not have had a significant impact on cash and cash equivalents.

Capital management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations, growth, and ongoing developmental activities. The Company is dependent upon funding these activities through a combination of available cash, debt and equity, which it considers to be the components of its capital structure as outlined below.

	March 20, 2020	December 31, 2019
Shareholders' equity	3,890,245	5,497,874
Cash	1,121,360	2,800,665
Working capital	1,088,802	2,554,463

RELATED PARTY TRANSACTIONS

Medcolcanna recorded the following related party transactions in the Financial Statements:

- a) During the period ended March 31, 2020, certain expenses were paid by members of management. Periodically advances were made to management in anticipation of expenses that they will be paying on behalf of the Company. From time to time, the amount may result in a net receivable position. As at December 31, 2019, a net receivable of \$9,324 existed as a result of these transactions. As at March 31, 2020, the balance switched to a net liability of \$1,881.

- b) During the three months ended March 31, 2020, Medcolcanna incurred accounting consulting fees of

\$45,000 (March 31, 2019 – nil) to a firm affiliated with an officer of the Company. Fees are based on services rendered at prevailing market rates. The amount has been recorded as professional fees within general and administrative expense.

COMMITMENTS

The Company has entered into various agreements with different vendors relating to the construction and improvement of its agricultural facilities. The remaining construction work is expected to be completed and paid within the year 2020. The Company also had property and office lease commitments outstanding.

The following table summarizes the contractual commitments as at March 31, 2020:

Commitments	2020	2021	2022	2023 and thereafter	Total
Property Lease	53,017	70,689	70,689	400,573	594,968
Office Leases	39,503	56,092	-	-	95,595
Capital constructions	126,717	-	-	-	126,717
Total	219,237	126,781	70,689	400,573	817,280

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, expenses and equity. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Biological assets

Biological assets are measured at fair value less cost to sell up to the point of harvest at each reporting period using the income approach. Certain assumptions, judgements, and estimates are required to be made by the Company in determining the fair value of these assets. These assumptions, judgements, and estimates include the expected selling price, number of plants harvested, expected yield, cost to harvest and convert to cannabis finished goods, and the stage of completion in the production process.

Impairment

Long-term, non-financial assets are tested for impairment when events or changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. Indefinite life intangible assets are tested for impairment, at a minimum, on an annual basis regardless of whether or not events or circumstances exist indicating possibility of impairment. For the purpose of testing impairment, assets may be grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit or "CGU"). Professional judgement is used to assess and determine the Company's CGU groupings.

Useful lives of PP&E and intangible assets

Depreciation and amortization of PP&E and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of professional judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

Business combinations and assets acquisitions

Judgment is required in determining whether an acquisition is a business combination or an asset acquisition. The Company assesses if the assets acquired and liabilities assumed constitute a business following guidance in IFRS 3. In determining the fair value of consideration paid, assets acquired, and liabilities assumed, of a business combination and the relative fair value under an asset acquisition, management may be required to make certain assumptions and judgements. These judgements and assumptions include whether amounts paid on achievement of milestones represents contingent consideration, the classification of contingent consideration as equity or a liability, and the measurement of such consideration.

Valuation of deferred tax assets

The Company assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to account for certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When a forecast shows a net profit, the Company considers that the use of deferred income taxes is probable and recognizes the benefit. When management believes that the benefits will not be realized, the deferred income tax asset is not recognized.

Warrants, compensation options and stock options

All warrants, compensation options, and stock options issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation and warrants, estimates have to be made regarding the expected volatility in share price, instrument life, dividend yield, risk-free rate, estimated life and estimated forfeitures at the initial grant date.

Lease liabilities and right-of-use assets

A lease liability and a corresponding right-of-use asset is recognized at the commencement date of a lease at the present value of the lease payments over the lease term. The Company uses the implicit rate within the lease, if readily available, or the incremental borrowing rate when the rate implicit is not known. The discount rate is based on judgements including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use asset, lease liability, and resulting interest expense and depreciation expense, may differ due to changes in the market conditions. The lease term is also subject to certain assumptions including, the Company's intent regarding extension and termination options of a lease.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

In connection with National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the Financial Statements and respective accompanying MD&A. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal controls over financial reporting as defined in NI 52-109.

OFF-BALANCE-SHEET-ARRANGEMENTS

As of the date of this MD&A, Medcolcanna does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

BUSINESS RISKS

Limited Operating History

Medcolcanna is in the early stages of operations and as a result it has a limited operating history upon which its business and future prospects may be evaluated. Medcolcanna will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for Medcolcanna to meet future operating requirements, Medcolcanna will need to be successful in its growing, marketing and sales efforts. Additionally, where Medcolcanna experiences increased sales, Medcolcanna's current operational infrastructure may require changes to scale Medcolcanna's business efficiently and effectively to keep pace with demand and achieve long-term profitability. If Medcolcanna's products and services are not accepted by new customers, Medcolcanna's operating results may be materially and adversely affected.

Managing Growth

In order to manage growth and change in strategy effectively, Medcolcanna must (i) maintain adequate systems to meet customer demand; (ii) expand sales and marketing, distribution capabilities and administrative functions; (iii) expand the skills and capabilities of its current management team; and (iv) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, Medcolcanna expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Legal Proceedings

From time to time, Medcolcanna may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. Medcolcanna will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with IFRS. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on Medcolcanna's financial results.

Regulatory Compliance Risk

Achievement of Medcolcanna's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Medcolcanna may not be able to obtain or maintain the necessary licenses, permits, quotas, authorizations or accreditations to operate its business, or may only be able to do so at great cost. Medcolcanna cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, Medcolcanna has received licenses for cultivation of medicinal cannabis from the Colombian government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly

delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of Medcolcanna.

The officers and directors of Medcolcanna must rely, to a great extent, on Medcolcanna's Colombian legal counsel and local consultants retained by Medcolcanna in order to keep informed of material legal, regulatory and governmental developments as they pertain to and affect Medcolcanna's business operations, and to assist Medcolcanna with its governmental relations. Medcolcanna must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia and Europe in order to enhance its understanding of and appreciation for the local business culture and practices.

Medcolcanna also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia, Switzerland, and the Netherlands. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in these countries are beyond the control of Medcolcanna and may adversely affect its business.

Medcolcanna will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Medcolcanna may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Medcolcanna's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Medcolcanna.

Change in Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require Medcolcanna to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of Medcolcanna's businesses. Medcolcanna cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on Medcolcanna's business. Management expects that the legislative and regulatory environment in the cannabis industry in Colombia and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in the industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on Medcolcanna's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Reliance on Medcolcanna Licenses and Authorizations

Medcolcanna's ability to grow, store and sell cannabis in Colombia is dependent on Medcolcanna's ability to sustain and/or obtain the necessary licenses and authorizations by certain authorities in Colombia.

The licenses and authorizations are subject to ongoing compliance and reporting requirements and the ability of Medcolcanna to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to

maintain the licenses or authorizations would have a material adverse impact on the business, financial condition and operating results of Medcolcanna.

Although Medcolcanna believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, Medcolcanna may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of Medcolcanna may be materially adversely affected.

Unexpected disruptions affecting operations

Medcolcanna's operations may be disrupted by a variety of risks and hazards that are beyond its control, including, but not limited to, fires, power outages, labour disruptions, supply disruptions, flooding, pandemics, and the inability to obtain suitable or adequate machinery, equipment or labour as well as other risks involved in the cultivation and production of medicinal cannabis, and such disruptions could have a material adverse effect on the business of the Company.

Demand for Cannabis and Derivative Products

The legal cannabis industry in Colombia is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. 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 medicinal cannabis and on the business, results of operations, financial condition and cash flows of Medcolcanna. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of medicinal cannabis with illness or other negative effects or events could have such a material adverse effect on the Company. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medicinal cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization. Medcolcanna's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on Medcolcanna.

Breaches of Security

Given the nature of Medcolcanna's products, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage, as well as theft. A security breach at one of Medcolcanna's facilities or vape retail locations could expose Medcolcanna to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential consumers from choosing Medcolcanna's products. In addition, Medcolcanna collects and stores personal information about its consumers 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 consumer lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through a deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on Medcolcanna's business, financial condition and results of operations.

Product Liability

As a distributor of products designed to be ingested by humans, Medcolcanna faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of Medcolcanna's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of Medcolcanna's products alone or in combination with other medications or substances could occur. Medcolcanna may be subject to various product liability claims, including, among others, that Medcolcanna's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against Medcolcanna could result in increased costs, could adversely affect Medcolcanna's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of Medcolcanna. There can be no assurances that Medcolcanna 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 prevent or inhibit the commercialization of Medcolcanna's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Medcolcanna's products are recalled due to an alleged product defect or for any other reason, Medcolcanna could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Medcolcanna may lose a significant amount of sales 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 Medcolcanna has detailed procedures in place for testing its 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 Medcolcanna is subject to recall, the image of Medcolcanna could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Medcolcanna's products and could have a material adverse effect on the results of operations and financial condition of Medcolcanna. Additionally, product recalls may lead to increased scrutiny of Medcolcanna's operations by regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

Negative Results from Clinical Trials

From time to time, studies or clinical trials on cannabis products may be conducted by academics or others, including government agencies. The publication of negative results of studies or clinical trials related to Medcolcanna's proposed products or the therapeutic areas in which the Company's proposed products will compete could have a material adverse effect on Medcolcanna's future sales.

Risks Inherent in an Agricultural Business

Medcolcanna's business involves the growing of cannabis, which is an agricultural product. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce Medcolcanna's yields or require Medcolcanna to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which

could negatively affect cannabis crops. Future droughts could reduce the yield and quality of Medcolcanna's cannabis production, which could materially and adversely affect Medcolcanna's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural products, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, Medcolcanna's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect Medcolcanna's operating results and financial condition. Furthermore, if Medcolcanna fails to control a given plant disease and the production is threatened, Medcolcanna may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

Energy Supply and Prices

Medcolcanna requires substantial amounts of electric energy and other resources for its harvest activities and transport of cannabis. Medcolcanna relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. If energy supply is cut for an extended period of time and Medcolcanna is unable to find replacement sources at comparable prices, or at all, Medcolcanna's business, financial condition and results of operations would be materially and adversely affected.

Changes in Corporate Structure

Colombian cannabis licenses are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may give rise to unilateral termination of the license by the governmental authority.

Notwithstanding the above, Colombian laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licences.

Colombian legislation gives special attention to the identification and background of the legal representatives of licensees. Licensees must file a declaration of the legality of the proceeds of the legal representatives. Furthermore, Decree 613 of 2017 provides a set of resolutive conditions, which enable the Ministry of Health or the Ministry of Justice, as applicable, to terminate a license if the licensee fails to request the amendment of the licence within 30 calendar days following any changes in (i) the legal representation of the licensee; or (ii) the declaration that a legal representative is criminally liable for drug trafficking or related crimes, after having issued the respective license.

Foreign Transactions

Medcolcanna's functional currency is denominated in Canadian dollars. Medcolcanna currently expects that future sales will be denominated in currencies other than the Canadian dollar. In addition, due to the Company's operations being located in Colombia and Europe, Medcolcanna incurs most of its operating expenses in Colombian pesos, Euros, and Swiss Francs. Any fluctuation in the exchange rates of foreign currencies may negatively impact Medcolcanna's business, financial condition and results of operations. Medcolcanna can look to engage in foreign currency hedging in the future. However, it may not be able to hedge effectively due to unreasonable costs or illiquid markets. In addition, hedging activities may be limited in the protection they provide the Company from foreign currency fluctuations and can themselves result in realized losses.

TSXV Restrictions on Business

As a condition to initially listing on the TSXV, the TSXV required that Medcolcanna deliver an undertaking (the "Undertaking") confirming that, while listed on the TSXV, Medcolcanna will only conduct the business of the production, sale and distribution of medicinal marijuana in Colombia pursuant to the licenses and in accordance with applicable law, unless prior approval is obtained from the TSXV. The Undertaking could have an adverse effect on Medcolcanna's ability to do business or operate outside of Colombia and on its ability to expand its business into other areas, including the provision of non-medical marijuana in the event that the laws were to change to permit such sales, if Medcolcanna is still listed on the TSXV and remains subject to the Undertaking at such time. The Undertaking may prevent Medcolcanna from expanding into new areas of business when Medcolcanna's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition, and results of Medcolcanna's operations.

RISKS RELATED TO INVESTMENT IN A COLOMBIAN COMPANY

Emerging Market Risks

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

Colombia has a history of economic instability or crises (such as inflation or recession). While there is no current political instability, and historically there has been no change in laws and regulations, this is subject to change in the future and could adversely affect Medcolcanna's business, financial condition and results of operations.

Fluctuations in the Colombian economy and actions adopted by the Government of Colombia have had and may continue to have a significant impact on companies operating in Colombia, including Medcolcanna. Specifically, Medcolcanna may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Colombia and in other countries that may affect Colombia.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Colombia. Such events could materially and adversely affect Medcolcanna's business, financial condition and results of operations.

Operational Risks

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require Medcolcanna to suspend operations on its properties. Although Medcolcanna is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in Medcolcanna's operations, or other matters. Medcolcanna also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that Medcolcanna is relying upon.

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

Inflation in Colombia

Colombia has in the past experienced double-digit rates of inflation. If Colombia experiences substantial inflation in the future, Medcolcanna's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail Medcolcanna's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect Medcolcanna's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase Medcolcanna's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements within this MD&A are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.