MEDCOLCANNA ORGANICS INC.

(FORMERLY INTEGRATED ENERGY STORAGE CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2021

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 NEO exchange (NEO) under the symbol "MCCN". The common shares are also listed on the Frankfurt Stock Exchange ("FSE") under the symbol "MO2".

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, 2021. This MD&A should be read in conjunction with Medcolcanna's condensed interim consolidated financial statements for the three months ended March 31, 2021, as well as the annual audited consolidated financial statements for the year ended December 31, 2020 (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 May 17, 2021. 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 2021, Medcolcanna was granted a psychoactive quota for the production of THC derivatives by the ministry of Health and Social Protection in Colombia. The grant allows the Company to produce and supply capsules, oils, sprays, trans
- dermal gel, creams, and almost all pharmaceutical forms of cannabis to be distributed through the Company's ow clinic and affiliated medical centers, its partnership with physician networks such as Grupo Curatia and its licensed pharmacy networks.

- In March 2021, Medcolcanna issued an aggregate of 3,837,440 common shares in the capital of the Company with certain trade creditors, employees and members of the board of directors in exchange for the forgiveness of a total amount of $456,725 worth of liabilities owed to such creditors.

- In March 2021, Medcolcanna announced that it has closed a bridge loan with certain executive officers of the Company. Under the terms of loan, the lenders provided a total of $750,000 for a two-year term at an annual interest rate of 7.85% with interest payments completed quarterly and with amortization of the same commencing fifteen months from the date of the loan. Payments of the bridge loan are deferred until fifteen months after the commencement of the bridge loan, unless certain financing events or positive cash flow milestones are achieved by the Company wherein repayment of the loan would be accelerated. As part of the bridge loan, 11,250,000 warrants with an exercise price of $0.10 over a two-year term were issued to the lenders.

- In March 2021, the Company announced it entered into a distribution agreement with the company responsible for the Rappi app for the distribution of MCCN's magistral formulations and to provide telemedicine services for the diagnosis and treatment of conditions and diseases with medicinal cannabis formulations. The deal between MCCN and Rappi is a commission-based arrangement, lowering the risk to the Company while giving it access to a well-developed and widely recognized distribution channel with potential to benefit more than 5.6 million active users in the region that spent, in 2020, more than $4 million USD per month in pharmacy transactions alone, with growth expected to continue in 2021 in Colombia.

COVID-19 PANDEMIC

During the three months ended March 31, 2021, the global outbreak of coronavirus disease ("COVID-19"), was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, Colombia, Switzerland, and the Netherlands 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 disruptions to businesses globally resulting in an economic downturn. As a result of COVID-19 Medcolcanna experienced some disruptions in its own business activities including temporarily shutting down its Swiss operations and delays in receiving imported capital equipment.

Medcolcanna continues to be proactive and closely monitor the ongoing COVID-19 situation. As the global situation continues to change rapidly, ensuring the well-being of our employees remains one of our top priorities. Our facilities in Colombia remain open and operational with safety measures in place to protect the health and safety of employees, vendors, partners, and their families. The Company is committed to providing safety measures and implementing other practices to provide for the wellbeing of all personnel that visit the facilities.

COVID-19 has increased the Company's risk profile significantly, notably due to the following:

- a potential curtailment or total shut down of operations by government
- potential loss of manpower at its facilities
- potential of a Medcolcanna employee falling ill and causing a disruption to the operations
- the ability to procure and transport critical supplies and parts to the facilities and
- the ability of the Colombian operations to transport finished products to clients to generate revenues.

If any of these events were triggered, the result could be a complete shutdown of the Colombian operations for an undetermined period.

To minimize this risk, the following actions have been taken: a policy has been instituted supporting employees to work from home where practical; preliminary screenings at facilities, any employees or contractors showing potential signs of COVID-19 will be placed into self-isolation; special arrangements at the facilities have been implemented to maximize social distancing.

The Company is treating the threat of a COVID-19 outbreak very seriously. A care-and-maintenance plan has been prepared and would be executed in the event of an outbreak at one of the facilities. The Company is preserving as much cash as possible; all non-critical expenditures have been deferred for the foreseeable future. Should the COVID-19 cause a prolonged interruption of operations, this could impact the Company's ability to secure financing required to progress its strategic initiatives and/or could result in an impairment of asset values

COMPANY OVERVIEW

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 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. This is the last license needed for MCCN to have all licenses required for commercial cultivation and for the export of CBD.

MCCN SAS registered 50 different varieties of cannabis seeds with the Instituto Colombiano Agropecuario ("ICA") in 2018. Medcolcanna commercially registered 12 varieties (6 non psychoactive, 1 CBG and 5 psychoactive) with the National Cultivar Registry - ICA. During 2020, Medcolcanna finished the agronomical evaluation of 5 non-psychoactive varieties at three different Colombian regions (Valles Internaninos, Region Andina fria and Zona cafetera region).

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 obtained GACP certification in June 2020 and expects to be GMP EU compliant by Q2 2021. 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.

The Company has been working towards the launch of finished products including, cosmetics, over the counter formulations, nutraceuticals, and oils. The Company expects to launch these brands before the end of the year. Medcolcanna has received approval for domestic sales from the Instituto Nacional de Vigilancia de Medicamentos y Alimentos (Colombian National Food and Drug Surveillance Institute or "INVIMA"). This gives Medcolcanna the ability to sell its line of cosmetic products and magistral preparations in the local Colombian market (Magistral preparations are similar to compound pharmacies and will be sold through medical prescriptions).
Medcolcanna's proprietary formulations are expected to be distributed Curativa's network of doctors to benefit the growing patient base they have created since 2014. Medcolcanna's product portfolio of 12 base formulations are expected to be augmented by Curativa's recognized 17 formulations allowing Medcolcanna to offer science-backed products to its own network of patient clinics in Colombia as well as its other medical cannabis distribution channels in Spain and Germany. Along with its 17 formulations for humans, Curativa has also developed 7 formulations for pets. Medcolcanna will collaborate with the Curativa technical teams for reformulations and the development of new formulations.

Medcolcanna currently has 5.7 hectares under greenhouse and has expanded its cultivation to include 2 additional hectares outdoors, for a total cultivation of 7.7 hectares. Of this total 7.7 hectares, the economic benefits of 1.4 hectares are owned by Dona Blanca per the earn-in agreement previously discussed, leaving Medcolcanna with a net beneficial interest of 6.3 hectares.

During October 2020, the Neiva hemp project started. By December 2020, 6,377 plants were planted (flowering stage) corresponding to 0.25 hectares. In addition, 78,672 plants were planted in confinement (vegetative phase) corresponding to 3.14 hectares. Additionally, 7 hectares were prepared for planting.

Furthermore, Medcolcanna started the construction of its extraction and post-extraction laboratory in September 2020 which was completed subsequent to quarter end. During this period of time Medcolcanna standardized the process of extraction, distillation and crystallization and began commercial production of isolates finalizing September and continue working until December.

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 Extralia Labs.

During 2020, Medcolcanna continued the characterization of new varieties to select specific varieties and cross them to improve and create proprietary genetics. During 2020, Medcolcanna characterized 76 different genotypes under outdoor conditions in order to select genotypes adapted to these agronomical conditions. 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 51 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. In September 2020, the Company began selling dry flower it had purchased to customers in Europe. The Company had sales online through its website, in-shop at its Swiss location, and through the use of commissioned salesperson. 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 Medcolcanna's key financial results for the three months ended March 31, 2021 and 2020.

As at March 31,	2021	2020
Revenue	46,068	26,957
Cost of goods sold	207,245	19,589
Impairment of inventory	124,150	-
Gross profit (loss) before fair value adjustments	(285,327)	7,368
Unrealized loss on changes in fair value of biological assets	(110,014)	-
Gross profit (loss)	(231,059)	7,368
Net loss	(1,582,360)	(1,485,923)
Net loss attributable to Medcolcanna Organics Inc.	(1,573,467)	(1,477,107)
Basic loss per share	(0.02)	(0.02)
Diluted loss per share	(0.02)	(0.02)

The following table summarizes key financial information about the Company as at March 31, 2021 and 2020:

	2021	2020
Working capital	(3,067,632)	1,088,802
Total assets	5,786,416	5,070,628
Total non-current liaiblities	3,493,974	629,601
Shareholders' equity	(1,672,507)	3,890,245

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. During the three months ended March 31, 2021, Medcolcanna incurred net loss of $1,582,360 (March 31, 2020 - $1,485,923). The Company incurred a capital deficit as at March 31, 2021 of $3,067,632 (March 31, 2020 working capital - $1,088,802).

SELECTED QUARTERLY INFORMATION

The following table sets out selected quarterly financial information of Medcolcanna from June 30, 2019 to March 31, 2021.

	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenues	46,068	10,991	51,992	5,834
Cost of goods sold	207,245	1,198	41,060	12,273
Impairment of inventory	124,150	96,075	-	-
Changes in fair value of inventory sold	164,282	(86,282)	10,932	(6,439)
Unrealized gain on changes in fair value of biological assets	(110,014)	(975,850)	114,718	73,359
Gross profit (loss)	(231,059)	(1,062,132)	125,650	66,920
Net loss	(1,582,360)	(3,282,038)	(1,424,105)	(1,168,935)
Net loss attributable to Medcolcanna	(1,573,467)	(3,243,448)	(1,396,237)	(1,155,804)
Loss per share	(0.02)	(0.04)	(0.01)	(0.01)
Diluted loss per share	(0.02)	(0.04)	(0.01)	(0.01)

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenues	26,957	1,582	-	-
Cost of goods sold	19,589	636	-	-
Impairment of inventory	-	4,711	-	-
Gross loss before fair value adjustments	7,368	(3,765)	-	-
Unrealized gain on changes in fair value of biological assets	-	-	-	-
Gross loss	7,368	(3,765)	-	-
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)

DISCUSSION OF OPERATIONS

Adjusted EBITDA

Adjusted EBITDA (earnings before interest, taxes depreciation and amortization) is not a recognized performance measure under IFRS and therefore it may not be comparable to similar measures presented by other issuers. The term EBITDA consists of net income (loss) and excludes interest (financing costs), taxes, depreciation and amortization. Adjusted EBITDA also excludes share-based compensation, RTO related costs, impairment of assets and adjustments for fair valuing of biological assets. Adjusted EBITDA is included as a supplemental disclosure because Management believes that such measurement provides a better assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges or gains that are nonrecurring.

The following is a reconciliation of the Company's net income (loss) to Adjusted EBITDA for the three months ended March 31, 2021 and 2020.

For the three months ended March 31		
	2021	**2020**
Net income (loss)	(1,582,360)	(1,485,923)
Add back:		
Depreciation expense	30,720	65,848
Interest expense on leases	41,567	3,340
Accrued interest on convertible debentures	71,268	-
Accretion expense on convertible debentures	36,062	-
EBITDA	(1,402,743)	(1,416,735)
Adjustments:		
Transaction costs relating to the RTO	-	103,302
Share-based compensation	51,054	-
Fair value of biological assets	54,268	-
Adjusted EBITDA[(1)]	**(1,297,421)**	**(1,313,433)**

(1) Non-GAAP measure

During the three months ended March 31, 2021, the Company generated an Adjusted EBITDA loss of $1,297,421 (March 31, 2020 - $1,313,433).

Revenue and Cost of Sales

A table of the items included in revenue for the three months ended March 31, 2021 and 2020 has been presented below.

Three months ended March 31, 2021:

	Vape products	**Cannabis products**	**Total**
Total revenue	42,922	3,146	46,068
Total costs of sales	(43,341)	(163,904)	(207,245)
Impairment of inventory	-	(124,150)	(124,150)
Gross profit before fair value adjustments	**(419)**	**(284,908)**	**(285,327)**

Three months ended March 31, 2020:

	Vape products	**Cannabis products**	**Total**
Total revenue	17,794	9,163	26,957
Total costs of sales	(3,925)	(15,664)	(19,589)
Gross profit before fair value adjustments	**13,869**	**(6,501)**	**7,368**

Vape and cannabis product sales increased during the three months ended March 31, 2021 compared to March 31, 2020 as a result of the Company's continued expansion and development in the global market. During the three months ended March 31, 2021, Medcolcanna received final approval for commercial production of certain strains of cannabis from its Colombian operations, which allowed the Company to produce commercial cannabis derived products such as isolates, oils and distillates.

Additionally, during the year ended December 31, 2020, a fire occurred at the Company's post-harvest extraction facility, resulting in inventory valued at $6,741 being damaged and considered obsolete. This inventory was written off by the Company and recorded in the consolidated statement of loss and comprehensive loss as impairment of

inventory. Additionally, a further $214,439 of inventory was written down to net realizable value during the three months ended March 31, 2021 (March 31, 2020 - $nil), resulting in total impairment of inventory of $214,439 (March 31, 2020 - $nil).

Unrealized loss on changes in fair value of biological assets

As at March 31, 2021, the Company's biological assets consist of 170,296 cannabis plants, measured at their fair value less costs to sell. The Company incurred $110,014 in production costs towards its biological assets (March 31, 2020 - $nil). As at March 31, 2021, the Company measured its biological assets at fair value less cost to sell of $nil (March 31, 2020 - $nil) and recorded an unrealized loss on changes in fair value of biological assets of $110,014 on the consolidated statement of loss and comprehensive loss. Currently, all of the Company's biological assets are located in Colombia, where the sale and export of cannabis flower is prohibited. As such, the cannabis plants and dry flower produced by the Company must first be processed to create cannabis derived products before the Company can realize the economic benefits of its biological assets and inventory derived thereto.

Operating expenses

Included in operating expenses are costs associated with operating agricultural activities, pre-operational extraction and processing costs, and vape operational expenses in Switzerland. A summary of these activities is presented below.

For the three months ended March 31	**2021**	2020
Agricultural[(1)]	**55,597**	255,085
Extraction and processing	**3,880**	-
Vaping	**-**	1,293
Total	**59,477**	256,378

(1) Agricultural operating costs include cultivation and production activities prior to receiving final approval for commercial cultivation of biological assets.

During the three months ended March 31, 2021, operating expenses decreased by $196,901 compared to the three months ended March 31, 2020. This is a result of the Company receiving final approvals to produce commercial products, which results in the majority of production costs being initially included in biological assets and inventory.

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 $879,298 for the three months ended March 31, 2021 (March 31, 2020 - $975,679). The nature of the G&A expenses are as follows:

For the three months ended March 31	2021	2020
Salary, wages, and benefits	**387,689**	511,923
Professional fees	**244,824**	187,657
Legal fees	**39,513**	63,522
Travel	**-**	35,416
Investor relations	**35,671**	17,937
General office[(1)]	**40,853**	40,814
Transfer agent and filing fees	**63,525**	12,478
Director fees	**24,130**	26,488
Software and IT expenses	**18,547**	14,159
Insurance	**18,521**	28,644
Other	**6,025**	36,641
Total	**879,298**	975,679

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

G&A expense decreased by $96,381 from the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease is attributable to a slight decrease in number of employees working for the Company. Most of the employees of the Company are located in Colombia, during the three months ended March 31, 2021, the Colombian Peso exchange rate decreased significantly, causing the Canadian Dollar equivalent to decrease.

Selling, marketing, and promotion expense

During the three months ended March 31, 2021, the Company incurred selling, marketing, and promotional expenses of $26,762 compared to three months ended March 31, 2020 expense of $5,199. The increase is due to directed marketing and advertising campaigns in both Colombia and Switzerland to help grow the business and generate sustainable revenue for the Company. The Company is still considered to be in its infancy, and the selling, marketing, and promotional campaigns are anticipated to help find new customers and revenue generating opportunities.

Research and development ("R&D") expense

R&D expenses are costs incurred to develop new products or processes that may or may not be commercially viable. Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. During the three months ended March 31, 2021, Medcolcanna incurred R&D costs of $45,490 (March 31, 2020- $16,799).

A summary of the nature of R&D activities is provided below:

For the three months ended March 31	2020	2020
Agricultural product and process development	**45,490**	12,225
Medicinal cannabinoid formulations	**-**	-
Vape product development	**-**	4,574
Total	**45,490**	16,799

As Medcolcanna begins to sell its internally grown and produced cannabis products to customers, the Company has increased its R&D activities to test and develop new products, extraction processes, and growing conditions, specifically as it relates to hemp production.

Finance expense

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

For the three months ended March 31	2021	2020
Interest (income) expense	**1,916**	(2,019)
Lease interest expense	**41,567**	15,162
Bank charges	**2,032**	7,138
Accrued interest on convertible debentures	**71,268**	-
Accretion on convertible debentures	**36,062**	-
Total	**152,845**	20,281

Finance expense of $152,845 was recorded during the three months ended March 31, 2021 compared to finance expense of $3,348 for the three months ended March 31, 2020. The change in finance expense is mainly attributed to an increase in lease interest expense as a result of an additional 53 hectares of land leased by the Company in Colombia. Additionally, during the third quarter of 2020 the Company issued convertible debentures. The interest expense and accretion expense have been recorded within finance expense of $71,268 and $36,062 respectively for the three months ended March 31, 2021 ($nil and $nil respectively for the three months ended March 31, 2020).

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, 2021 and 2020.

For the three months ended March 31, 2021	Colombia	Switzerland	Netherlands	Corporate	Total
Revenue:					
Product sales	3,146	42,922	-	-	46,068
Total revenue	**3,146**	**42,922**	**-**	**-**	**46,068**
Cost of sales - products	163,904	43,341	-	-	207,245
Impairment of inventory	124,150	-	-	-	124,150
Gross loss before fair value adjustments	**(284,908)**	**(419)**	**-**	**-**	**(285,327)**
Change in fair value of inventory sold	164,282	-	-	-	164,282
Unrealized loss on changes in fair value of biological assets	(110,014)	-	-	-	(110,014)
Gross loss	**(230,640)**	**(419)**	**-**	**-**	**(231,059)**
Expenses:					
Operating expenses	59,477	-	-	-	59,477
General and administrative	317,533	14,425	-	547,340	879,298
Selling, marketing and promotion	22,058	3,379	-	1,325	26,762
Research and development	45,490	-	-	-	45,490
Depreciation and amortization	19,732	3,850	-	7,138	30,720
Share-based compensation	-	-	-	51,054	51,054
Finance expense (income)	17,077	364	-	135,404	152,845
Other expenses (income)	(2,382)	-	-	98,343	95,961
Foreign exchange loss (gain)	12,429	416	-	(3,151)	9,694
Net loss before tax	**722,054**	**22,853**	**-**	**837,453**	**1,582,360**
Deferred tax recovery	-	-	-		-
Net loss	**722,054**	**22,853**	**-**	**837,453**	**1,582,360**
Assets at March 31, 2021	**4,335,191**	**106,844**	**1,001,942**	**342,439**	**5,786,416**
Liabilities at March 31, 2021	**4,022,160**	**60,036**	**-**	**3,376,727**	**7,458,923**

For the three months ended March 31, 2020	Colombia	Switzerland	Netherlands	Corporate	Total
Revenue:					
Product sales	17,794	9,163	-	-	26,957
Total revenue	**17,794**	**9,163**	**-**	**-**	**26,957**
Cost of sales	15,662	3,927	-	-	19,589
Gross Profit (loss)	**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**	**245,808**	**836,202**

CAPITAL ADDITIONS

For the three months ended March 31, 2021, the Company had capital additions of $30,256. The additions to property, plant, and equipment were categorized as follows:

- $24,808 related to Agricultural and extraction facilities which includes completed greenhouses, laboratory buildings, and construction of post-harvest amenities
- $3,633 related to the purchase of production and medical equipment
- $1,270 for computer and office equipment
- $545 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 three months ended March 31, 2021. As such the Company's business activities are financed through debt and equity offerings issued by the Company.

During the three months ended March 31, 2021, Medcolcanna incurred a net loss of $1,582,360 and used $597,171 in 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 ongoing sustainable revenue to positively and consistently affect cash flows. As at March 31, 2021, the Company's accounts payable and accrued liabilities were valued at $2,210,312. This balance was classified as a current liability as all amounts are due within 12 months. Additionally, the Company had a deficit working capital of $3,067,632.

Net cash used in investing activities was $158,993 for the three months ended March 31, 2021. This was mainly attributed to the purchase and construction of property, plant, and equipment assets of $30,256. Medcolcanna also made cash advances towards property, plant, and equipment of $128,737.

The Company generated cash from financing activities for the three months ended March 31, 2021 of $475,036. This mainly attributed to a bridge loan Medcolcanna received from certain officers of the Company at the amount of $585,018, net of related costs. Warrants were issued in attribution to the bridge loan, due to which the Company received $155,142.

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. During to the three months ended March 31, 2021, the Company closed its bridge loan financing of $750,000 and settled $456,725 liabilities through the issuance of shares in the Company.

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.

CONVERTIBLE DEBENTURES

During 2020, the Company completed a non-brokered private placement of senior secured convertible debenture units. The debentures closed in three separate tranches in July, August, and December. Total proceeds received from the debentures equate to $2,046,915. The debentures mature two years from the date of issuance and are convertible into common shares of the Company, at the option of the holder, at any time prior to the maturity date, at a price of $0.20 per share. For the debentures issued in July, interest is payable on the maturity date at a rate of fourteen percent (14%) per annum (simple not compounded), payable in cash or shares. Interest for the August and December issued debentures is payable semi-annually, at the end of June and December, at a rate of fourteen percent (14%) per annum (simple not compounded), payable in cash or shares. The debentures will be subject to earlier redemption by the Company in the event the common shares are trading at a volume weighted average trading price at or above $0.40 per share for a period of not less than ten (10) consecutive trading days.

The debentures include five common share purchase warrants for every one dollar of principal amount of debentures subscribed for, with each warrant exercisable at a price of $0.20 to purchase one common share for a period of 24 months from the date of issuance.

A summary of the Company's convertible debentures as at March 31, 2021 is presented in the table below:

	July 2020	August 2020	December 2020	Total
Balance at December 31, 2020	754,107	860,903	205,891	1,820,901
Accrued interest	28,000	34,518	8,750	71,268
Accretion	14,543	17,074	4,445	36,062
Balance at March 31, 2021	796,650	912,495	219,086	1,928,231
Current accrued interest payable included in accounts payable and accrued liabilities	-	(34,518)	(8,750)	(43,268)
Non-current convertible debenture liability	**796,650**	**877,977**	**210,336**	**1,884,963**

EQUITY

Common shares

As at March 31, 2021, 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, 2019	90,350,667	10,863,131
Shares issued to employee[(1)]	720,000	54,000
Shares issued for subscription in July 2020[(2)]	10,000,000	800,000
Share issuance costs		(5,833)
Balance at December 31, 2020	101,070,667	11,711,298
Shares issued for debt extinguishment[(3)]	3,837,440	556,428
Share issuance costs		(7,000)
Shares issued for convertible debentures[(4)]	813,850	48,831
Share issuance costs		(7,000)
Balance at March 31, 2021	**105,721,957**	**12,302,557**

(1) 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 officially issued to the officer in April 2020.

(2) In July 2020, the Company completed a non-brokered private placement of 10,000,000 common shares at a price of $0.08 per share for gross proceeds of $800,000. Issuance costs totaling $5,833 has been recognized in share capital in connection with the placement.

(3) March 2020, the Company issued an aggregate 3,837,440 shares in the capital of the Company with certain trade creditors, employees, and members of the Board of Directors in exchange for the forgiveness of a total amount of approximately $456,725 worth of debt owed to such creditors. On the issuance date, the shares were assessed a value of $556,429, resulting in a $99,704 loss recorded in other expenses (income) on the statements of loss and comprehensive loss. The Company incurred transaction costs of $7,000 for the issuance of these shares.

(4) Pursuant to the convertible debenture agreements, during the three months ended March 31, 2021, the Company issued 813,850 shares to pay the interest owed to debenture holders. The Company incurred transaction costs of $7,000 for the issuance of these shares.

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 March 31, 2021, the shares have not officially been issued.

Warrants

The following tables summarizes changes in the number of warrants:

	Purchase warrants	Amount ($)
Balance at December 31, 2019	22,943,400	1,334,987
Warrants issued with convertible debentures [(1)]	10,234,575	205,660
Warrant issuance costs		(3,311)
Warrants expired	(1,000,000)	(61,272)
Balance at December 31, 2020	32,177,975	1,476,064
Warrants issued for brdige loan [(2)]	11,250,000	157,205
Warrant issuance costs		(2,063)
Balance at March 31, 2021	**43,427,975**	**1,631,206**

(1) As previously explained above, Medcolcanna completed a non-brokered private placement of senior secured convertible debentures. The debentures include five common share purchase warrants for every one dollar of principal amount of debentures subscribed for, with each warrant exercisable at a price of $0.20 to purchase one common share for a period of 24 months from the date of issuance. In total 10,234,575 warrants were issued with the convertible debentures. The warrants have a forced conversion feature whereby the Company will have the option to force the conversion of warrants upon the common shares trading at a volume weighted average price at or above $0.40 per share for a period of not less than ten (10) consecutive trading days.

(2) During the three months ended March 31, 2021 Medcolcanna received $750,000 from a related party. As part of the agreement, warrants were issued. The warrants were issued in two tranches, the first trance was issued at January 18, 2021 with issuance of 7,500,000 warrants. The second trance was issued at March 9, 2021 with issuance of additional 3,750,000 warrants. Each warrant exercisable at a price of $0.10 to purchase one common share for a period of 24 months from the date of issuance.

The following table summarizes information about the warrants outstanding as at March 31, 2021:

Exercise price ($)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.28	43,427,975	0.86	43,427,975

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, 2021:

	Compensation options	Amount ($)
Balance at December 31, 2019	2,126,864	189,039
Compensation options expired	(697,920)	(61,427)
Balance at December 31, 2020	1,428,944	127,612
Compensation options expired	(1,428,944)	(127,612)
Balance at March 31, 2021	-	-

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. 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, 2021, 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, 2021:

	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, 2019,2020 & March 31, 2021	**7,875,000**	**0.40**

The following summarizes information about stock options outstanding as at March 31, 2021:

Exercise price ($)	Number of stock outstanding	Weighted average term to expiry (years)	Number of stock options exercisable
0.40	7,875,000	3.41	5,250,000

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 $52,054 was recognized for the three months ended March 31, 2021 (March 31, 2020 - $154,721).

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	105,721,957
Shares to be issued	120,000
Stock options	7,875,000
Purchase warrants	43,427,975
Convertible debentures	10,234,575
Total	**167,379,507**

RELATED PARTY TRANSACTIONS

The following are related party transactions that occurred during the three months ended March 31, 2021:

a) During the three months 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 March 31, 2021, a net liability of $25,089 existed as a result of these transactions (March 31, 2020 – $1,881).

b) During the three months ended March 31, 2021, Medcolcanna incurred accounting consulting fees of $98,257 (March 31, 2020 – $45,000) 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.

c) During the three months ended March 31, 2021, certain executive officer of Medcolcanna provided $79,000 in loans. The loans are in addition to the bridge loan discussed in note 14 of these financial statements and are zero interest bearing and payable on demand.

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As of March 31, 2021, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments in Dona Blanca, accounts payable and accrued liabilities, due to related parties, convertible debentures, 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 investments in Dona Blanca which is composed of shares and warrants held by Medcolcanna are measured using a Black Scholes option pricing model based on level 3 inputs. 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. The carrying amount of the convertibles debentures approximate its fair value as it is the present value calculated using a market rate that was determined during the three months ended March 31, 2021.

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, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, due to related parties, convertible debentures, 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, 2021, the Company had a working capital deficit of $3,067,632.

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, accounts receivables, and amounts due from related parties. All of the Company's cash and cash equivalents are held at reputable financial institutions. As of March 31, 2021, the majority of the Company's accounts receivable balance relates to GST receivables 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, 2021, 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, 2021 would not have had a significant impact on cash and cash equivalents. Furthermore, the Company is not currently exposed to interest rate risk on its interest-bearing debentures given these debt instruments are all subject to fixed interest rates.

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.

For the three monthe ended March 31	**2021**	2020
Convertible debentures - liability	**1,884,963**	-
Shareholders' equity	**(1,672,507)**	3,890,245
Cash	**125,171**	1,121,360
Working capital	**(3,067,632)**	1,088,802

COMMITMENTS

The Company's commitments are outlined as follows:

Commitments	**2021**	**2022**	**2023**	**2024 and thereafter**	**Total**
Property Lease	92,424	94,840	108,830	792,506	1,088,600
Office Leases	37,200	-	-	-	37,200
Total	**129,624**	**94,840**	**108,830**	**792,506**	**1,125,800**

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.

Convertible debentures

Convertible debentures are compound financial instruments that contain a debt and equity component, which must be measured separately on the financial statements. The fair value of the liability component is determined using a discounted cash flow model with an estimated market interest rate of equivalent debt without a conversion feature. The Company estimates an appropriate interest rate to use through reviewing market data and performing internal calculations to arrive at an appropriate rate. The residual difference between the proceeds received from issuing convertible debentures and the calculated fair value on the debentures is allocated to the equity component of the convertible debentures.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 ("NI 52-109") Certification of Disclosure in Issuers' Annual and Interim Filings, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal control over financial reporting ("ICFR"), as defined in NI 52-109, includes those policies and procedures that:

1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made in accordance with authorizations of management and directors of Medcolcanna; and
3) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

NI 52-109 requires that Medcolcanna disclose in its MD&A any material weaknesses in the Company's internal controls over financial reporting and/or any changes in its internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, Medcolcanna's internal control over financial reporting. Medcolcanna confirms that no material weaknesses or such changes were identified in the Company's internal controls over financial reporting during the first quarter of 2021.

It should be noted that while Medcolcanna's officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors

and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

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 resolutory 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.

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.