MEDCOLCANNA ORGANICS INC.

(FORMERLY INTEGRATED ENERGY STORAGE CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 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 1620, 444 5th Avenue SW, Calgary, AB, T2P 2T8. 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 and nine months ended September 30, 2021. This MD&A should be read in conjunction with Medcolcanna's condensed interim consolidated financial statements for the three and nine months ended September 30, 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 November 15, 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, transdermal gel, creams, and almost all pharmaceutical forms of cannabis to be distributed through the Company's own 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.

- During the nine months ended September 30, 2021, Medcolcanna entered into two bridge loans with certain executive officers of the Company. Per the terms of the agreement, the lenders provided $1,040,000 for a two-year term at an annual interest rate of 7.85%, with interest payments completed quarterly. Principal payments on the bridge loan are deferred until fifteen months after the commencement of each bridge loan, unless certain financing events or positive cash flow milestones are achieved by the Company wherein repayment of the bridge loan would be accelerated. As part of the bridge loan arrangement, 14,150,000 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.

- In June 2021, the company announced execution of an extraction service agreement with an International Cannabis Company, a company with formulations for health and wellness applications, for depression, anxiety and PTSD, which also has cultivation operations in Colombia. The execution of this commercial extraction agreement is a significant milestone for MCCN. MCCN is offering commercial third-party extraction services through its wholly owned subsidiary, Extralia Labs. To perform on this agreement, MCCN will utilize its different extraction lines and will transform biomass into CBD isolates.

- In October 2021, the Company announced the signing and execution of a five-year deal with Industrial Hemp Farms ("IHF") one of the largest producers of hemp derived products in the world. This $12.0M USD ($14.9M CAD) a year deal ($60M USD in total - $74.4M CAD over five years) follows the Colombian government's change in regulation this past July which allows Colombian licensed producers to export dried flower outside of the country. The terms in this definitive supply agreement revolves around a "take or pay" arrangement for the supply of CBD dried flower. The agreement also outlines the sale and distribution of other cannabis derived products such as isolates, distillates, and an investment option for IHF into the Company, if IHF meets certain performance targets. In addition to the supply agreement, the two companies have established an option agreement whereby the Company is to produce and supply other products for IHF including CBD, CBG and CBN isolates, oils and distillates as well as end user consumer products.

- In November 2021, the Company announced its intention to complete a non-brokered offering of up to 10,000,000 common shares in the capital of the Company at a price of $0.05 per share for gross proceeds of up to $500,000. As at the date of this MD&A, 7,100,000 common shares have been issued pursuant to this offering.

- In November 2021, the Company issued 2,332,036 common shares in the capital of the Company, at a deemed price of $0.085 per share, to certain trade creditors and members of the board of directors in exchange for the forgiveness of a total amount of approximately $198,223 worth of debt owed to such creditors. The common shares are subject to a four month and a day hold period under applicable securities laws from the issuance date, with such hold expiring on March 4, 2022.

- In November 2021, the Company issued 231,468 common shares in exchange for interest owing on bridge loans. A total of 58,306 common shares were issued at a deemed price of $0.115 per share to extinguish approximately $6,700 worth of interest owing for the period of January 2021 to March 2021, and 173,162 common shares issued at a deemed price of $0.085 per share to extinguish approximately $14,718 worth of interest owing for the period of April 2021 to June 2021. The common shares issued are subject to a four month and a day hold period under applicable securities laws from the date of issuance, with such hold expiring on March 4, 2022.

- In November 2021, the Company issued a total of 1,021,328 common shares to settle interest owing on the convertible debentures of $86,813. Per the terms of the convertible debentures, the common shares were issued at a deemed price of $0.085 per share, such price being based on the sixty-day volume weighted average trading price of the common shares on the facilities of the NEO up to June 30, 2021.

COVID-19 PANDEMIC

In March 2020, 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 in 2020 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 employees remains one of the Company's top priorities. Medcolcanna's 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 of time.

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 in the second half of 2021. Medcolcanna plans to achieve GMP EU compliance status through Medcolcanna facilities and with strategic partnerships. 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 operates 5.7 hectares under greenhouse on its Cota Colombia property and has expanded its cultivation to include 2 additional outdoor hectares on the Cota property, for a total cultivation of 7.7 hectares in Cota. Of this total 7.7 hectares, the economic benefits of 1.4 hectares are owned by Dona Blanca per the earn-in agreement discussed below, 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. During the second quarter of 2021, the Company expanded the cultivation area to 7 hectares of planted cannabis, the Company can expand to a total outdoor cultivation area of 32 hectares and plans to do so by the fourth quarter of 2021.

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.

Along with the objectives outlines above, Medcolcanna's main focus is on the cultivation, sale, export and fulfilment of the of the definitive supply agreement with Industrial hemp farms ("IHF"), the terms of which were announced on October 20, 2021, such as the sale of 20,000 lbs of CBD dried per month. The execution of this agreement is a significant milestone for MCCN, the Company anticipates that it will begin material exports to IHF in the first quarter of 2022, and expects to export a trial shipment of CBD dried flower in the fourth quarter of 2021.

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.

On July 23, 2021, the president of Colombia signed a decree lifting a prohibition on exporting dried cannabis flower. The Decree aims to make the country's legal cannabis industry more competitive on a global scale. In addition, the Decree creates greater legal clarity, provides quotas for a new low-THC extract category and offers producers new business opportunities for domestic and export purposes among other key elements.

Among the various regulatory updates introduced in the new Decree, there are three that stand out with highest potential impact on Medcolcanna and the Colombian medical cannabis industry.

The first is that Colombia will allow domestic commercialization and industrial use of CBD in non-medical industrial product categories such as wellness, beauty/cosmetics, functional foods and beverages. The second is the closing a legislative gap by allowing authorization quotas for low-THC extracts for commercialization and exportation. This enables cannabis extract producers to commercialize and export low-THC derivatives and input materials. These are highly sought-after ingredients, which are by-products derived from non-psychoactive cannabis extraction processes.

The third update by decree which should have a significant positive impact on Medcolcanna and the Colombian Cannabis Industry is for the sale and export of medicinal use dry-flower as a final product for patients' consumption. Medcolcanna's current infrastructure and distribution partnership with Industrial Hemp Farms will enable the Company to greatly benefit from its specialization of propagation of in-vitro tissue culture cloning, environmentally sustainable climate and cultivation conditions, and its low cost highly skilled labour. Subsequent to quarter end the Colombian Government has published their draft process and procedures for the export of dried flower, the Company expects this process and procedures to be finalized prior to the end of the fiscal 2021 year.

KEY FINANCIAL RESULTS

The following table summarizes Medcolcanna's key financial results for the three and nine months ended September 30, 2021 and 2020.

	Three months ended		Nine months ended	
	Sept 30, 2021	**Sept 30, 2020**	**Sept 30, 2021**	**Sept 30, 2020**
Revenue	156,392	51,992	305,615	84,783
Cost of goods sold	86,478	111,524	416,857	143,386
Impairment of inventory	14,088	-	138,238	-
Gross profit before fair value adjustments	55,826	(59,532)	(249,480)	58,603
Changes in fair value of inventory sold	29,838	-	270,720	-
Unrealized gain(loss) on changes in fair value of biological assets	(180,632)	114,718	(658,682)	188,077
Gross profit (loss)	(94,968)	55,186	(637,442)	129,474
Net income (loss)	(2,137,407)	(1,428,385)	(3,144,598)	(4,083,283)
Net loss attributable to Mecolcanna Organics Inc	(2,125,827)	(1,400,517)	(3,115,187)	(4,033,428)
Basic earning (loss) per share	(0.02)	(0.01)	(0.03)	(0.04)
Diluted earning (loss) per share	(0.02)	(0.01)	(0.03)	(0.04)

The following table summarizes key financial information about the Company as at September 30, 2021 and December 31, 2020:

	Sept 30 2021	December 31 2020
Convertible debentures - liability	**2,020,243**	1,820,901
Bridge loans	**819,897**	-
Advances of loan proceeds	**225,000**	-
Shareholders' equity	**(3,071,956)**	(742,380)
Cash	**114,668**	276,762
Working capital	**(4,535,560)**	(3,018,864)

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 and nine months ended September 30, 2021, Medcolcanna incurred net loss of $2,137,407 (September 30, 2020 loss of - $1,428,385) and net loss of $3,144,598 (September 30, 2020 loss of - $4,083,243) respectively. The Company currently has a working capital deficit as at September 30, 2021 of $4,535,560 (December 31, 2020, working capital deficit - $3,018,864).

SELECTED QUARTERLY INFORMATION

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

	Q3 2021	Q2 2021	Q1 2020	Q4 2020
Revenues	156,392	103,155	46,068	10,991
Cost of goods sold	86,478	123,134	207,245	1,198
Impairment of inventory	14,088	-	124,150	96,075
Changes in fair value of inventory sold	29,838	76,600	164,282	(86,282)
Unrealized gain (loss) on changes in fair value of biological assets	(180,632)	(368,036)	(110,014)	(975,850)
Gross profit (loss)	(94,968)	(311,415)	(231,059)	(1,062,132)
Net income (loss)	(2,137,407)	575,169	(1,582,360)	(4,706,143)
Net income (loss) attributable to Medcolcanna	(2,125,827)	584,107	(1,573,467)	(4,639,685)
Earning (loss) per share	(0.02)	0.01	(0.02)	(0.04)
Diluted earning (loss) per share	(0.02)	0.01	(0.02)	(0.04)

	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenues	51,992	5,834	26,957	1,582
Cost of goods sold	111,524	12,273	19,589	636
Impairment of inventory	-	-	-	4,711
Gross profit (loss) before fair value adjustments	(59,532)	(6,439)	7,368	(3,765)
Unrealized gain (loss) on changes in fair value of biological assets	114,718	73,359	-	-
Gross profit (loss) before fair value adjustments	55,186	66,920	7,368	(3,765)
Net loss	(1,428,385)	(1,168,935)	(1,485,923)	(1,608,415)
Net loss attributable to Medcolcanna	(1,565,753)	(1,155,804)	(1,477,107)	(1,608,415)
Loss per share	(0.01)	(0.01)	(0.02)	(0.02)
Diluted loss per share	(0.01)	(0.01)	(0.02)	(0.02)

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.

	Three months ended		Nine months ended	
	2021	**2020**	**2021**	**2020**
Net income (loss)	(2,137,407)	(1,428,385)	(3,144,598)	(4,083,243)
Add back:				
Depreciation and amortization expense	23,844	33,451	78,061	132,604
Interest expense	215,615	82,800	584,359	130,458
EBITDA	(1,897,948)	(1,312,134)	(2,482,178)	(3,820,181)
Adjustments:				
Share-based compensation	2,885	55,749	115,506	354,730
Fair value of biological assets	180,632	(114,718)	658,682	(188,077)
Impairment of licenses	1,001,943	-	1,001,943	-
Impairment of inventory	14,088	-	138,238	-
Adjusted EBITDA(1)	**(698,400)**	**(1,371,103)**	**(567,809)**	**(3,653,528)**

(1) Non-GAAP measure

During the three and nine months ended September 30, 2021, the Company generated an Adjusted EBITDA loss of $698,400 (September 30, 2020 loss of - $1,371,103) and EBITDA loss of $567,809 (September 30, 2020 - $3,653,528) respectively.

Revenue and Cost of Sales

A table of the items included in revenue for the three and nine months ended September 30, 2021 and 2020 has been presented below.

Three months ended September 30, 2021:

	European operations	**Colombian operations**	**Total**
Total revenue	16,353	140,039	156,392
Total costs of sales	(7,947)	(78,531)	(86,478)
Inventory impairment	-	(14,088)	(14,088)
Gross profit before fair value adjustments	**8,406**	**47,420**	**55,826**

Nine months ended September 30, 2021:

	European operations	**Colombian operations**	**Total**
Total revenue	117,748	187,867	305,615
Total costs of sales	(102,988)	(313,869)	(416,857)
Inventory impairment	(10,725)	(127,513)	(138,238)
Gross profit (loss) before fair value adjustments	**4,035**	**(253,515)**	**(249,480)**

Three months ended September 30, 2020:

	European operations	Colombian operations	Total
Total revenue	30,493	21,499	51,992
Total costs of sales	(16,977)	(94,547)	(111,524)
Gross profit before fair value adjustments	**13,516**	**(73,048)**	**(59,532)**

Nine months ended September 30, 2020:

	European operations	Colombian operations	Total
Total revenue	40,739	44,044	84,783
Total costs of sales	(21,551)	(121,835)	(143,386)
Gross profit (loss) before fair value adjustments	**19,188**	**(77,791)**	**(58,603)**

During the three and nine months ended September 30, 2021, Medcolcanna sold vape products, dry flower, and isolates from its Swiss operations to various European wholesale and retail customers. Additionally, the Company sold plant cuttings and isolates within Colombia during the three and nine months ended September 30, 2021. The Company also provided laboratory and dilution services from its extraction laboratory. Although Medcolcanna is still considered to be in the early phases of development, the Company has been able to realize sales on products it has developed and continues to commercially develop various strains of cannabis from its farms in Colombia.

The Company recognized an inventory impairment during the three and nine months ended September 30, 2021, of $nil and $10,725 respectively for its vape products no longer viable for use and $14,088 and $127,513 relating to dry flower and CBD isolates produced at Medcolcanna's farms in Colombia. The inventory impairment loss on the Colombian operations is driven mainly by low global CBD isolate pricing and the current legislation prohibiting the sale and export of cannabis flower.

Unrealized loss on changes in fair value of biological assets

During the three and nine months ended September 30, 2021, the Company incurred $180,632 and $658,682 in production costs towards its biological assets (September 30, 2020 - $114,718 and $188,077 respectively). The Company measured its biological assets at fair value less cost to sell of $nil (December 31, 2020 - $nil) and recorded an unrealized loss on changes in fair value of biological assets of $180,632 and $658,682 during the three and six months ended September 30, 2021 respectively (three and six months ended September 30, 2020 - $114,718 and $188,077 unrealized gain). Currently, all 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 September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
Agricultural[1]	**24,216**	409	**58,035**	314,430
Dona Blanca agreement	**3,099**	12,121	**85,941**	48,890
Extraction and processing	**8,673**	144,164	**19,263**	205,345
Vaping	**2,316**	-	**4,178**	1,631
Total	**38,304**	156,694	**167,417**	570,296

(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 September 30, 2021, operating expenses decreased by $118,390 compared to the three months ended September 30, 2020. During the nine months ended September 30, 2021, operating expenses decreased by $402,879 compared to nine months ended September 30, 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 instead of being expense when incurred. The Company received these final approvals in April 2020. Additionally, during September 2020, the Company's extraction and processing facilities were still in development phase as the Company was not yet fully producing its own isolates, resulting in extraction type expenditures being expensed as incurred instead of included in the cost of inventory.

Selling, marketing, and promotion expense

During the three months ended September 30, 2021, $nil amount was recognized as selling, marketing and promotion expenses, which is a decrease of $21,687 compared to the three months ended September 30, 2020. During the nine months ended September 30, 2021, $26,762 was recognized as selling, marketing and promotion expenses which is a decrease of $22,888 compared to nine months ended September 30, 2020. Medcolcanna engages in selling, marketing, and promotional activity to increase awareness of products, brand name, and reputation. From time-to-time Medcolcanna will engage in marketing activities in an effort to increase sales and find new customers. During the three and nine months ended September 30, 2021, the Company has chosen to reduce its marketing campaigns in order to conserve cash and focus on product development and operations.

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 $605,875 for the three months ended September 30, 2021 (September 30, 2020 - $1,073,154) and $1,925,184 for the nine months ended September 30, 2021 (September 30, 2020 - $2,817,823). The nature of the G&A expenses are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
Salary, wages, and benefits	**291,737**	475,547	**1,024,202**	1,389,944
Professional fees	**120,275**	258,066	**342,778**	632,878
Legal fees	**5,916**	75,247	**98,083**	191,436
Transfer agent and filing fees	**17,402**	38,624	**97,257**	66,781
Director fees	**23,940**	25,310	**71,402**	78,119
Investor relations	**16,828**	122,083	**61,297**	168,113
Insurance	**27,870**	20,850	**56,009**	73,390
Software and IT expenses	**7,526**	9,889	**36,283**	28,022
General office(1)	**-**	14,554	**25,865**	55,368
Travel	**-**	994	**7,450**	36,516
Business registration and license fees	**1,105**	17,237	**5,048**	28,352
Other	**93,276**	14,753	**99,510**	68,904
Total	**605,875**	1,073,154	**1,925,184**	2,817,823

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

During the three months ended September 30, 2021, G&A expenses decreased by $467,279 compared to the three months ended September 30, 2020. During the nine months ended September 30, 2021, G&A expenses decreased by $892,639 compared to nine months ended September 30, 2020. The decrease is attributable to a decrease in number of employees working for the Company, as the Company scaled down its workforce to reduce costs, thus reducing salary, wages, and benefits expense. Also, in an effort to preserve costs, the Company decreased the number of consultants used during the three and nine months ended September 30, 2021 contributing to the decrease in professional fees. During the nine months ended September 30, 2021, amounts previously accrued for particular consultants and general office expenditures were reversed as certain consultants and vendors agreed to provide discounts to the Company. The Company reduced its stock promotion activities, which resulted in a decrease of investor relations services costs during the three and nine months ended September 30, 2021 compared to the same period in 2020. Additionally, as a result of COVID-19, travel costs were significantly reduced, as international business travel was difficult to do given the lockdowns and quarantine procedures implemented by various countries worldwide.

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 and nine months ended September 30, 2021, Medcolcanna incurred R&D costs of $36,497 and $126,352 respectively compared to $80,742 and $195,388 in 2020 for the same periods. A summary of the nature of R&D activities is provided below:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
Agricultural product and process development	**29,090**	49,558	**118,945**	118,927
Medicinal cannabinoid formulations	**-**	31,756	**-**	70,446
Vape product development	**7,407**	(572)	**7,407**	6,015
Total	**36,497**	80,742	**126,352**	195,388

R&D expenditures have reduced from the three and nine months ended September 30, 2021, compared to the same period in 2020 as a result of the Company receiving approval to commercially develop certain strains of cannabis in April 2020. Prior to this the Company was expensing development and operational costs as either R&D expenses or operating expenses depending on the nature of the expenditure incurred.

Impairment of licenses

During the three and nine months ended September 30, 2021, the Company recorded impairment expense of $1,001,943 to write down the formulation intangible assets to $nil. The formulations are considered to be impaired given the Company currently does not have the capacity to pursue the development of products using the formulations.

Finance expense

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
Interest (income) expense	**(448)**	(381)	**1,417**	(2,698)
Lease interest expense	**35,442**	7,752	**111,587**	21,961
Bank charges	**380**	30,712	**12,958**	78,368
Accrued interest on convertible debentures	**69,901**	35,809	**212,714**	35,809
Accretion on convertible debentures	**41,483**	16,281	**115,653**	16,281
Accrued interest on Bridge loan	**22,012**	-	**45,333**	-
Accretion on Bridge loan	**46,778**	-	**99,073**	-
Other	**4,410**	-	**4,410**	-
Total	**219,958**	90,173	**603,145**	149,721

Finance expense of $219,958 was recorded during the three months ended September 30, 2021 compared to finance expense of $90,173 for the three months ended September 30, 2020. During the nine months ended September 30, 2021, finance expense of $603,145 was recorded compared to $149,721 for the same period in 2020. The change in finance expense is mainly attributed to an increase in lease interest expense as a result of additional land leased by the Company in Colombia. Additionally, during the third quarter of 2020 and the Company issued convertible debentures and in 2021 the combined interest expense and accretion expense have been recorded within finance expense of $111,384 and $328,367 respectively for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 - $52,090). Also, during the nine months ended September 30, 2021 the Company entered into bridge loans with certain executive officers of the Company for a two-year term at an annual interest rate of 7.85%, with interest payments completed quarterly. The Company recorded a combined interest and accretion expense relating to the bridge loans of $68,790 and $144,406 for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 - $nil).

Other expenses (income)

Significant items included in other expenses (income) on the Financial Statements of the Company for the three and nine months ended September 30, 2021 include advances received from Dona Blanca Limited ("Dona Blanca") for various agreements as outlined below

(a) Extralia labs investment

During the year ended December 31, 2020, Medcolcanna signed a Letter of Intent ("LOI") with Dona Blanca in which Dona Blanca could invest up to $2,500,000 USD ($3,183,000 CAD) for a 25% ownership stake in Extralia, Medcolcanna's wholly-owned subsidiary. As part of the agreement, Dona Blanca provided a series of non-refundable cash advances to Medcolcanna amounting to $50,558 USD ($68,928 CAD). Additionally, Dona Blanca issued shares and options to Medcolcanna to be applied as payment toward the Extralia investment. The shares and options were initially valued at $95,964 CAD as consideration received towards the Extralia Labs investment. As at December 31, 2020 the non-refundable cash advances, and value of the Dona Blanca shares and options were recorded on the Financial Statements of the Company as advances received on transactions. By September 30, 2021, the LOI has expired without any extension in its place. As a result, during the nine months ended September 30, 2021, the Company recognized the compensation received from Dona Blanca in other expense (income) on the statement of loss and comprehensive loss.

(b) Earn-in Agreement

During the year ended December 31, 2020, the Company recognized $1,000,000 USD ($1,391,730 CAD) as advances received from funds provided by Dona Blanca in relation to an earn-in agreement for the sale of 70% working interest in the economic rights of two hectares of land. Dona Blanca was required to provide funds in stages to earn the full 70%: stage 1 where Dona Blanca invested $516,678 USD ($719,075 CAD), to earn a 35% working interest or 0.7 net hectares; stage 2 where Dona Blanca invested $290,000 USD ($404,055 CAD) to earn an additional 20% working interest or an aggregated 55% working interest, or 1.1 net hectares; and stage 3 where Dona Blanca invested an additional $193,322 USD ($268,600 CAD) to earn an additional 15% working interest for a total working interest percentage of 70% and total proceeds received by Medcolcanna of $1,000,000 USD ($1,391,730 CAD).

During the prior period nine months ended September 30, 2020, Medcolcanna initially recognized the funds received from Dona Blanca as income on the statement of loss and comprehensive loss. However, by December 31, 2020, the agreement was being revised and amended resulting in Medcolcanna reclassifying the amounts received as advances received on transactions on the statement of financial position.

During the nine months ended September 30, 2021, Dona Blanca and Medcolcanna revised the agreement, and as such, the total proceeds received of $1,000,000 USD ($1,391,730 CAD) have now been recorded in other income on the statement of loss and comprehensive loss.

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 and nine months ended September 30, 2021 and 2020.

For the three months ended September 30, 2021	**Colombia**	**Switzerland**	**Netherlands**	**Corporate**	**Total**
Revenue:					
Product sales	91,998	16,353	-	-	108,351
Service revenue	48,041	-	-	-	48,041
Total revenue	**140,039**	**16,353**	**-**	**-**	**156,392**
Cost of sales - products	78,531	7,947	-	-	86,478
Impairment of inventory	14,088	-	-	-	14,088
Gross profit (loss) before fair value adjustments	**47,420**	**8,406**	**-**	**-**	**55,826**
Change in fair value of inventory sold	29,838	-	-	-	29,838
Unrealized loss on changes in fair value of biological assets	(180,632)	-	-	-	(180,632)
Gross profit (loss)	**(103,374)**	**8,406**	**-**	**-**	**(94,968)**
Expenses:					
Operating expenses	35,988	2,316	-	-	38,304
General and administrative	282,518	20,187	-	303,170	605,875
Research and development	29,333	7,164	-	-	36,497
Depreciation and amortization	20,719	3,125	-	-	23,844
Impairment of licenses	-	-	1,001,943	-	1,001,943
Share-based compensation	-	-	-	2,885	2,885
Finance expense (income)	40,835	219	-	178,904	219,958
Other expenses (income)	(2,130)	(848)	-	101,609	98,631
Foreign exchange loss (gain)	(564)	1,312	-	13,754	14,502
Net loss before tax	**(510,073)**	**(25,069)**	**(1,001,943)**	**(600,322)**	**(2,137,407)**
Current and deferred income tax	-	-	-		-
Net income (loss)	**(510,073)**	**(25,069)**	**(1,001,943)**	**(600,322)**	**(2,137,407)**

For the nine months ended September 30, 2021	Colombia	Switzerland	Netherlands	Corporate	Total
Revenue:					
Product sales	139,826	117,748	-	-	257,574
Service revenue	48,041				48,041
Total revenue	**187,867**	**117,748**	**-**	**-**	**305,615**
Cost of sales - products	313,869	102,988	-	-	416,857
Impairment of inventory	127,513	10,725	-	-	138,238
Gross profit (loss) before fair value adjustments	**(253,515)**	**4,035**	**-**	**-**	**(249,480)**
Change in fair value of inventory sold	270,720	-	-	-	270,720
Unrealized loss on changes in fair value of biological assets	(658,682)	-	-	-	(658,682)
Gross profit (loss)	**(641,477)**	**4,035**	**-**	**-**	**(637,442)**
Expenses:					
Operating expenses	163,239	4,178	-	-	167,417
General and administrative	890,017	50,367	-	984,800	1,925,184
Selling, marketing and promotion	15,500	9,922	-	1,340	26,762
Research and development	118,945	7,407	-	-	126,352
Depreciation and amortization	68,412	9,649	-	-	78,061
Impairment of licenses	-	-	1,001,943	-	1,001,943
Share-based compensation	-	-	-	115,566	115,566
Finance expense (income)	127,958	1,274	-	473,913	603,145
Other expenses (income)	(1,587,126)	(848)	-	35,058	(1,552,916)
Foreign exchange loss (gain)	11	1,918	-	13,713	15,642
Net income (loss) before tax	**(438,433)**	**(79,832)**	**(1,001,943)**	**(1,624,390)**	**(3,144,598)**
current and deferred income tax	-	-	-	-	-
Net income (loss)	**(438,433)**	**(79,832)**	**(1,001,943)**	**(1,624,390)**	**(3,144,598)**
Assets at September 30, 2021	**4,157,458**	**78,002**	**-**	**214,489**	**4,449,949**
Liabilities at September 30, 2021	**3,125,323**	**32,785**	**-**	**4,363,797**	**7,521,905**

For the three months ended September 30, 2020	Colombia	Switzerland	Netherlands	Corporate	Total
Revenue:					
Product sales	21,499	30,493	-	-	51,992
Total revenue	**21,499**	**30,493**	**-**	**-**	**51,992**
Cost of sales	94,547	16,977	-	-	111,524
Gross profit (loss) before fair value adjustments	**(73,048)**	**13,516**	**-**	**-**	**(59,532)**
Unrealized gain on changes in fair value of biological assets	114,718	-	-	-	114,718
Gross profit	**41,670**	**13,516**	**-**	**-**	**55,186**
Expenses:					
Operating expenses	156,694	-	-	-	156,694
General and administrative	541,248	16,865	-	515,041	1,073,154
Selling, marketing and promotion	14,204	5,486	-	1,997	21,687
Research and development	11,368	(1,072)	-	70,446	80,742
Depreciation and amortization	68,011	4,130	-	(38,690)	33,451
Share-based compensation	-	-	-	55,749	55,749
Finance expense (income)	37,590	203	-	52,380	90,173
Other expenses (income)	(14,000)	-	-	-	(14,000)
Foreign exchange loss (gain)	3,406	257	-	(17,742)	(14,079)
Net loss	**(776,851)**	**(12,353)**	**-**	**(639,181)**	**(1,428,385)**

For the nine months ended September 30, 2020	Colombia	Switzerland	Netherlands	Corporate	Total
Revenue:					
Product sales	44,044	40,739	-	-	84,783
Total revenue	**44,044**	**40,739**	**-**	**-**	**84,783**
Cost of sales	121,835	21,551	-	-	143,386
Gross profit (loss) before fair value adjustments	**(77,791)**	**19,188**	**-**	**-**	**(58,603)**
Unrealized gain on changes in fair value of biological assets	188,077	-	-	-	188,077
Gross profit	**110,286**	**19,188**	**-**	**-**	**129,474**
Expenses:					
Operating expenses	568,665	1,631	-	-	570,296
General and administrative	1,439,008	82,846	-	1,295,969	2,817,823
Selling, marketing and promotion	31,081	12,512	-	6,057	49,650
Research and development	118,927	6,015	-	70,446	195,388
Depreciation and amortization	121,886	10,718	-	-	132,604
Share-based compensation	-	-	-	354,730	354,730
Finance expense (income)	95,210	794	156	53,561	149,721
Other expenses (income)	(14,000)	-	-	-	(14,000)
Foreign exchange loss (gain)	2,335	(258)	-	(45,572)	(43,495)
Net loss	**(2,252,826)**	**(95,070)**	**(156)**	**(1,735,191)**	**(4,083,243)**
Assets at December 31, 2020	**4,761,157**	**115,497**	**1,001,943**	**318,302**	**6,196,899**
Liabilities at December 31, 2020	**4,115,939**	**49,545**	**160**	**2,773,635**	**6,939,279**

CAPITAL ADDITIONS

For the nine months ended September 30, 2021, the Company had capital additions of $41,840. The additions to property, plant, and equipment were categorized as follows:

- $24,527 related to Agricultural and extraction facilities which includes completed greenhouses, laboratory buildings, and construction of post-harvest amenities
- $5,739 related to the purchase of production and medical equipment
- $3,868 for computer and office equipment
- $7,706 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 nine months ended September 30, 2021. As such the Company's business activities are financed through debt and equity offerings issued by the Company.

During the nine months ended September 30, 2021, Medcolcanna incurred a net loss of $3,144,598 and used $1,024,523 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 September 30, 2021, the Company's accounts payable and accrued liabilities were valued at $3,139,008. 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 $4,535,560.

Net cash used in investing activities was $100,741 for the nine months ended September 30, 2021. This was attributed to the purchase and construction of property, plant, and equipment assets of $41,840. Medcolcanna also made cash advances towards property, plant, and equipment of $58,901.

The Company generated cash from financing activities for the nine months ended September 30, 2021 of $1,052,218. This is mainly attributed to bridge loans and advances of loan proceeds Medcolcanna received from certain officers and third party investors of the Company in the amount of $425,491, net of related costs and funds received from related parties in the amount of $550,962. Warrants were also issued as part of the bridge loan financing, for which $347,549 has been allocated to the value of the warrants, net of issuance costs.

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 nine months ended September 30, 2021, the Company closed its bridge loan financing and settled $456,725 liabilities through the issuance of shares in the Company. Subsequent to September 30, 2021, the Company settled an additional $198,223 in liabilities through an additional issuance of common shares of the Company and announced its intention to complete a non-brokered offering of up to 10,000,000 common shares in the capital of the Company a ta price of $0.05 per share.

The Company may need to seek further financing in the future to maintain its current level of activity. 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.

As the debenture units contain purchase warrants and a conversion feature, the equity and debt components of the debenture are required to be bifurcated to record the value of the debt and equity separately. The fair value of the liability was determined using a discounted cash flow model with an estimated market interest rate of equivalent debt without a conversion feature and purchase warrants of 23%. At initial recognition, the fair value of the debentures was calculated to be $1,745,199 with $205,660 allocated to the purchase warrants using the Black-Scholes pricing model valuation technique and the residual amount of $96,056 allocated to the conversion feature recorded as the equity component of the convertible debenture. Transaction costs totaled $34,425, of which $29,427 was allocated to the convertible debenture liability, $3,311 to the purchase warrants, and $1,687 to the equity component of the convertible debenture. Additionally, as the accounting base and the tax base of the convertible debenture differs, a deferred tax impact was recorded in the amount of $69,395 which was offset against the equity component of the convertible debenture. Subsequent to initial recognition, the convertible debenture liability is measured using the effective interest method, with the charge recorded as accretion expense in finance expense (income) in the consolidated statement of loss on the Financial Statements of the Company.

A summary of the Company's convertible debentures as at September 30, 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	83,689	103,553	25,472	212,714
Accretion	46,691	54,811	14,151	115,653
Balance at September 30, 2021	884,487	1,019,267	245,514	2,149,268
Current accrued interest payable included in accounts payable and accrued liabilities	-	(103,553)	(25,472)	(129,025)
Convertible debenture liability	**884,487**	**915,714**	**220,042**	**2,020,243**
Current portion of debenture liability	(884,487)	(915,714)	-	(1,800,201)
Non-current convertible debenture liability	**-**	**-**	**220,042**	**220,042**

BRIDGE LOANS

During the nine months ended September 30, 2021, Medcolcanna entered into two bridge loans with certain executive officers of the Company. Per the terms of the agreement, the lenders provided $1,040,000 for a two-year term at an annual interest rate of 7.85%, with interest payments completed quarterly. Principal payments on the bridge loan are deferred until fifteen months after the commencement of each bridge loan, unless certain financing events or positive cash flow milestones are achieved by the Company wherein repayment of the bridge loan would be accelerated. As part of the bridge loan arrangement, 14,150,000 warrants with an exercise price of $0.10 over a two-year term were issued to the lenders. The equity and debt components of the bridge loan are required to be bifurcated to record the value of the debt and equity separately. The fair value of the liability was determined using a discounted cash flow model with an estimated market interest rate of equivalent debt without an equity feature of 35%. At initial recognition, the fair value of the liability was calculated to be $686,696 with $353,304 allocated to the purchase warrants. Transaction costs totaled $14,564, of which $11,205 was allocated to the loan liability and $5,755 to the purchase warrants.

Additionally, as part of the loan arrangement, the Company can borrow up to an additional $460,000 ("Override Amount"). If the full override amount is provided to Medcolcanna, the Company must issue an additional 4,600,000 warrants with an exercise price of $0.10 over a two-year term to the lenders.

The following tables summarizes the liability portion of the bridge loans:

	Total
Balance at December 31, 2020	-
Additions	686,696
Transaction costs	(11,205)
Accrued interest	45,333
Accretion	99,073
Balance at September 30, 2021	**819,897**

EQUITY

Common shares

As at September 30, 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 September 30, 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 2021, 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 nine months ended September 30, 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 September 30, 2021, the shares have not officially been issued.

Warrants

The following tables summarizes changes in the number of warrants:

	Number of 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 on bridge loans (2)	14,150,000	353,304
Warrant issuance costs		(5,755)
Warrants expired	(21,943,400)	(1,273,715)
Balance at September 30, 2021	**24,384,575**	**549,898**

(1) During the year ended December 31, 2020 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 nine months ended September 30, 2021, Medcolcanna entered into two bridge loans with certain executive officers of the Company. Per the terms of the agreement, the lenders provided $1,040,000 for a two-year term loan at an annual interest rate of 7.85%, with interest payments completed quarterly. As part of the bridge loan arrangement, 14,150,000 warrants with an exercise price of $0.10 were issued to the lenders. The equity and debt components of the bridge loan have been bifurcated to record the value of the debt and equity separately. A total amount of $353,304 has been attributed to the value of the warrants along with $5,755 worth of issuance costs. The warrants expire two years from the date of issuance.

The following table summarizes information about the warrants outstanding as at September 30, 2021:

Exercise price ($)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.14	24,384,575	1.19	24,384,575

The purchase warrants were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following assumptions:

	Bridge loan Warrants Issued in 2021	Purchase Warrants issued in 2020
Risk-free interest rate	0.22%	0.24%
Expected dividend yield	0%	0%
Expected stock price volatility	101.3%	95.11%
Expected warrant life (years)	2	2
Fair value of warrants granted	$0.0397	$0.0202

Compensation Options

Pursuant to the reverse takeover transaction in 2019, the Company issued compensation options to agents of the subscription offering accumulating to 6% of the number of subscription units sold pursuant to the agency agreement. Each compensation option entitled 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 reverse takeover transaction.

The following tables summarizes changes in the number of compensation options as at September 30, 2021. As at September 30, 2021, all compensation options have expired:

The following tables summarizes changes in the number of compensation options as at September 30, 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 September 30, 2021	-	-

Stock options

On May 16, 2019, Medcolcanna adopted the Incentive Stock Option Plan (the “Plan”). Per the Plan, the Board will establish vesting and other terms and conditions for stock 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.

As at September 30, 2021, a total of 5,825,000 (December 31, 2020 – 7,875,000) options were issued and outstanding under the Company’s incentive stock option plan. Each option entitles the holder thereof, upon exercise, to receive one common share of the Company.

The following table summarizes information about the changes in stock options as at September 30, 2021:

	Stock options	Exercise price ($)
Balance at December 31, 2019 & 2020	7,875,000	0.40
Options issued	-	-
Options forfeited	(2,050,000)	0.40
Expired options	-	-
Balance at September 30, 2021	**5,825,000**	**0.40**

The following summarizes information about stock options outstanding as at September 30, 2021:

Exercise price ($)	Number of stock outstanding	Weighted average term to expiry (years)	Number of stock options exercisable
0.40	5,825,000	2.67	5,825,000

The stock options issued were allocated a value using the Black-Scholes option pricing model to estimate the fair value with the following assumptions:

	May 2019	July 2019
Risk-free interest rate	1.62%	1.51%
Estimated stock price	$0.28	$0.18
Forfeiture rate	10%	10%
Expected dividend yield	0%	0%
Expected stock price volatility	89.05%	87.47%
Expected option life	5 years	5 years
Fair value per stock option	$0.18	$0.09

During the three and nine months ended September 30, 2021, $2,885 and $115,566 respectively was recognized as share-based compensation expense (three and nine months ended September 30, 2020 – $55,749 and $354,730 respectively) in relation to the Company's stock options.

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 convertible debentures issued and outstanding:

Common shares	116,406,789
Shares to be issued	120,000
Stock options	5,825,000
Purchase warrants	24,384,575
Convertible debentures	10,234,575
Total	**156,970,939**

RELATED PARTY TRANSACTIONS

The following are related party transactions that occurred during the nine months ended September 30, 2021:

a) During the year ended December 31, 2020, certain executive officer of Medcolcanna provided $281,003 in loans to the Company, of which $250,000 was converted to the bridge loan during the nine months ended September 30. Additionally, during the nine months ended September 30, 2021, the Company received a further $325,962 from certain executive officers of the Company and repaid $58,214 of the loans back during the same period. The loans are zero interest bearing and are payable on demand. As at September 30, 2021, a balance of $293,018 remains outstanding on these demand loans.

b) Medcolcanna issued convertible debentures during the year ended December 31, 2020. One of the convertible debenture holders is a firm affiliated with an officer of the Company and has provided $183,500 in proceeds to Medcolcanna for the debentures and was issued 917,500 purchase warrants in conjunction with the convertible debenture offering. During the nine months ended September 30, 2021, the firm affiliated with officer of the Company was issued 9,515 common shares of the Company to satisfy interest accrued on the convertible debenture of $571. Additionally, a director of the Company also participated in the convertible debenture offering, providing $10,000 in gross proceeds, and received 50,000 purchase warrants. During the nine months ended September 30, 2021, the director was issued 7,972 common shares of the Company to satisfy interest accrued on the convertible debenture of $478.

c) During the nine months ended September 30, 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 September 30, 2021, a net liability of $2,462 existed as a result of these transactions (December 31, 2020 - $2,423).

d) During the three and nine months ended September 30, 2021, Medcolcanna incurred accounting and corporate secretarial service fees of $64,700 (September 30, 2020 - $64,981) and $215,625 (September 30, 2020 - $173,540) respectively 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.

e) During the three and nine months ended September 30, 2021, the Company began subleasing a portion of its Colombia office space to the spouse of an executive officer of the company. During the three and nine months ended September 30, 2021, a total of $3,969 (September 30, 2020 - $nil) and $9,475 (September 30, 2021 - $nil) had been received and recorded as other expenses (income) on the statement of loss and comprehensive loss.

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As of September 30, 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, bridge loans 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 and bridge loans approximate its fair value as it is the present value calculated using a market 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 September 30, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, due to related parties, convertible debentures, bridge loans 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 September 30, 2021, the Company had a working capital deficit of $4,535,560.

The following table details the contractual maturities of Medcolcanna's financial liabilities as at December 31, 2020 and September 30, 2021:

For the nine months ended September 30, 2021:	<1 Year	1 to 3 Years	3+ Years	Total
Accounts payable and accrued liabilities	3,139,008	-	-	3,139,008
Due to related parties	295,480	-	-	295,480
Lease liabilities(1)	212,392	403,640	102,788	718,820
Convertible debentures	1,800,201	220,042	-	2,020,243
Total	**5,447,081**	**623,682**	**102,788**	**6,173,551**

For the year ended December 31, 2020:	<1 Year	1 to 3 Years	3+ Years	Total
Accounts payable and accrued liabilities	2,045,390	-	-	2,045,390
Due to related parties	281,003	-	-	281,003
Lease liabilities(1)	283,182	659,598	51,992	994,772
Convertible debentures	-	1,820,901	-	1,820,901
Total	**2,609,575**	**2,480,499**	**51,992**	**5,142,066**

(1) These amounts include the notional principal and interest payments for the contractual lease term and does not consider the Company's options to extend or renew its leases or terminate them before the contractual lease ending date.

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 September 30, 2021, product sales receivables are for recent transactions owed from reputable businesses in the cannabis industry. For this reason, credit risk is considered to be low.

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 September 30, 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 September 30, 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.

	September 30 2021	December 31 2020
Convertible debentures - liability	**2,020,243**	1,820,901
Advances of loan proceeds	**225,000**	-
Bridge loans	**819,897**	-
Shareholders' equity	**(3,071,956)**	(742,380)
Cash	**114,668**	276,762
Working capital	**(4,535,560)**	(3,018,864)

LEGAL MATTERS

During the nine months ended September 30, 2021, certain vendors and former employees of the Company filed legal claims against Medcolcanna SAS for payment of outstanding invoices and salary owed to them. The total value of these claims amounts to $19,506, which has been included in accounts payable and accrued liabilities on the Company's statement of financial position.

Medcolcanna continues to evaluate the lawsuits and intends to settle the amounts claimed where appropriate and feasible for the betterment of the Company. The claims against the Company could result in further interest and damages awarded to the vendors and former employees, which would result in an increased amount owed by the Company. At this time, it is not determinable if additional interest and damages will be awarded, or, if awarded, the amount of interest and damages that Medcolcanna would have to pay.

COMMITMENTS

The Company's commitments are outlined as follows:

Commitments	2021	2022	2023	2024 and thereafter	Total
Property Lease	201,820	201,820	201,820	102,788	708,248
Office Leases	10,572	-	-	-	10,572
Total	**212,392**	**201,820**	**201,820**	**102,788**	**718,820**

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 third 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.