



Management's Discussion and Analysis

For the years ended December 31, 2021 and 2020



Management's Discussion and Analysis

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of The Flowr Corporation, (and together with its consolidated subsidiaries, collectively "Flowr" or the "Company") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition of the Company between December 31, 2021 and December 31, 2020, and results of operations for the three months and year ended December 31, 2021, ("Q4 2021" and "YTD 2021", respectively) and for the three months and year ended December 31, 2020, ("Q4 2020" and "YTD 2020", respectively). The MD&A should be read in conjunction with Flowr's audited consolidated financial statements for the years December 31, 2021 and 2020 (the "Financial Statements"). To the extent applicable, updated information contained in this MD&A supersedes older information contained in previously filed continuous disclosure documents.

This MD&A is dated as of May 20, 2022. All amounts in this MD&A are expressed in thousands of Canadian dollars ("CAD") except per share data and unless otherwise indicated.

The Financial Statements (and the financial information contained in this MD&A) were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors (the "Board of Directors" or the "Board"). The Financial Statements include the accounts of the Company and its subsidiaries as described below.

Non-IFRS Measures

This MD&A contains certain financial performance measures that are not defined by IFRS, and are used by management to assess the financial and operational performance of the Company. These include but are not limited to adjusted EBITDA and segmented gross profit (loss) before inventory impairment and fair value adjustments on biological assets (as defined below).

As there are no standardized methods of calculating non-IFRS measures, the Company's approaches may differ from those used by other companies in the industry and may not be comparable as a result. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered independently or in substitution for measures prepared in accordance with IFRS.

Additional information relating to the Company, including the Company's Annual Information Form dated April 28, 2021 (the "AIF"), is available on SEDAR at www.sedar.com.

This MD&A contains forward-looking information within the meaning of Canadian securities legislation (see "Forward-looking Information, Risks and Uncertainties" below for a full discussion on the nature of forward-looking information). Information regarding the adequacy of cash resources to carry out the Company's operations and capital projects or the need for future financing is forward-looking information. All forward-looking information, risks and uncertainties, including information not specifically identified herein, is made subject to the cautionary language at the end of this MD&A. Readers are advised to refer to the cautionary language included at the end of this MD&A under the heading "Forward-looking Information, Risks and Uncertainties" when reading any forward-looking information. This MD&A is prepared in accordance with Form 51-102F1 and has been approved by the Company's Board of Directors prior to its release.

Company Overview

Flowr is a cannabis company that strives to cultivate better people, plants and products. The Company's primary operations are located in Canada and Portugal. In Canada its operating campus is located in Kelowna, BC, which is part of the Okanagan Valley. This campus produces recreational and medicinal cannabis from a purpose-built indoor cultivation facility, an outdoor and greenhouse cultivation site, and the "Kelowna Research Station" ("KRS") a cannabis research and development facility. Internationally, Holigen Holdings Limited ("Holigen"), through its wholly owned subsidiary RPK Biopharma Unipessoal Lda ("RPK"), is licensed to cultivate medicinal cannabis in Portugal, where it operates a GMP licensed cultivation facility. Subsequent to December 31, 2021, the Company entered into separate agreements for the sale of the KRS facility and Holigen (refer to page 7 for further details.)

The Company was incorporated under the *Business Corporations Act* (Alberta) on June 1, 2016 and continued from the *Business Corporations Act* (Alberta) to the *Business Corporations Act* (Ontario) on September 25, 2018. The head office of the Company is located at 60 Adelaide Street East, Suite 1000, Toronto, Ontario, M5C 3E4. The Company's common shares ("Common Shares") are listed on the TSX Venture Exchange (the "Exchange") under the symbol "FLWR".

The following table lists Flowr's subsidiaries and percentage of holdings:

Name of Subsidiaries	Country	Holdings as at (%)		Parent Entity
		December 31, 2021	December 31, 2020	
The Flowr Canada Holdings ULC ("Flowr ULC") ⁽¹⁾	Canada	90.8	88.7	The Flowr Corporation
Holigen Holdings Limited ("Holigen")	Malta	100.0	100.0	The Flowr Corporation
The Flowr Group (Okanagan) Inc. ("Flowr Okanagan")	Canada	100.0	100.0	Flowr ULC
Holigen Limited ("HL")	Malta	100.0	100.0	Holigen
RPK Biopharma Unipessoal Lda ("RPK")	Portugal	100.0	100.0	HL
TCann Pty Ltd ("TCann") ⁽³⁾	Australia	—	100.0	GreyCan
GreyCan Pty Ltd ("GreyCan") ⁽²⁾	Australia	100.0	100.0	HL
Terrace Global Inc. ("Terrace")	Canada	100.0	100.0	The Flowr Corporation
Oransur, S.A ("Oransur") ⁽³⁾	Uruguay	—	100.0	Terrace
Terra Nova Business Holdings Inc. ("TNBH") ⁽³⁾	BVI	—	100.0	Terrace
Pharma Binoide S.L. Unipersonal ("Pharma Binoide")	Spain	100.0	100.0	Terrace
Productos Naturrais e Farmaceuticos, LDA ("Terra Nova") ⁽³⁾	Portugal	—	100.0	TNBH

(1) Flowr owns 100% of the issued and outstanding Flowr ULC common shares and two US shareholders own 100% of the issued and outstanding Flowr ULC class A preferred shares. Combined Flowr has a 90.8% ownership interest in Flowr ULC. The Flowr ULC class A preferred shares are exchangeable for Common Shares at the sole option and discretion of the holders on a one-for-one basis and at no cost to the holder.

(2) Flowr is in the process of dissolving this holding company. There are no material assets or operations held in this entity.

(3) Inactive entities that were sold in 2021.

K1 Facility

Flowr Okanagan holds the following licenses: (i) standard cultivation; (ii) standard processing; and (iii) sales licence issued under the Cannabis Act and Cannabis Regulations and operates an 85,000 square foot cultivation facility in Kelowna, British Columbia (the "**K1 Facility**"), designed to meet the International Council for Harmonisation's good manufacturing practices standards ("**GMP**"). In August 2021, Flowr Okanagan was granted a research license by Health Canada. The research license allows the Company to distribute and administer its cannabis for research purposes and to test and review its products based on taste, sight, smell and touch. The Company will utilize this research license in the research and development of novel product offerings.

The K1 facility has a total of 20 grow rooms, a purpose built irrigation system, and an automated packaging line that was commissioned in 2020. In addition, Flowr Okanagan holds a standard cultivation, outdoor and storage license for a greenhouse and outdoor cultivation site adjacent to Kelowna 1 ("**Flowr Forest**"). Flowr Forest covers approximately 190,000 square feet of greenhouse and 140,000 square feet of outdoor grow space. For a summary of the regulatory framework relating to the Company's operations, please refer to the Company's Annual Information Form dated April 28, 2021 (the "**AIF**").

The KRS facility, a partnership with The Scotts Miracle-Gro Company through its subsidiary Hawthorne Canada Limited ("**Hawthorne**"), was commissioned in the fourth quarter of 2020 and provides Flowr with a platform to develop future genetics and advanced cultivation techniques.

Portugal Facilities

Through its subsidiary RPK, Flowr operates the following facilities in Portugal to distribute to the Portuguese and EU medicinal cannabis markets.

Sintra indoor facility

Sintra is an indoor cultivation and finished product packaging facility located in Sintra, Portugal, just outside Lisbon. The Company received its EU GMP license for Sintra in 2020, placing it on a short list of cannabis companies with GMP certification and the ability to service both the domestic medical cannabis market and to export medicinal cannabis products to countries where legal cannabis frameworks exist.

Aljustrel outdoor site

Aljustrel is a large scale 7 million square foot outdoor cultivation site located in Aljustrel, Portugal focused on cultivating and producing medicinal cannabis outdoors.

Highlights and Key Developments

In thousands of CAD dollars (except where noted),

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Grams harvested - K1	1,270,027	1,195,260	4,278,407	4,336,240
Grams sold	1,406,904	311,308	6,627,052	1,405,495
Average net sale price - Flowr Canada	2.61	4.92	1.76	5.30
Gross revenue	4,292	2,066	14,877	9,441
Net revenue ⁽¹⁾ - Flowr Canada	3,679	1,533	11,636	7,446
Net revenue ⁽¹⁾ - Holigen	122	67	712	67
Cost of sales ⁽²⁾ - Flowr Canada	4,785	1,843	19,372	7,975
Cost of sales ⁽²⁾ - Holigen	477	1,061	2,692	3,493
Net loss attributable to shareholders of the Company	(61,277)	(100,454)	(85,532)	(125,621)
Adjusted EBITDA	(5,154)	(5,383)	(20,058)	(18,670)
Capital Expenditure	577	911	1,293	12,713

(1) Gross revenue net of excise tax, provision for returns and concessions.

(2) Before inventory impairment and fair value adjustments.

Financial Results (presented in \$000s)

- Consolidated gross revenue for Q4 2021 amounted to \$4,292 compared with \$2,066 in Q4 2020, while consolidated net revenue during Q4 2021 was \$3,801 compared with \$1,600 in Q4 2020. Net revenue of \$3,801 for Q4 2021 was the highest quarterly revenue recorded by the Company since Q1 2021, contributed by increases in cannabis sales in Flowr Canada. Net revenue from Flowr Canada during Q4 2021 amounted to \$3,679 compared with \$1,533 in the same period of 2020, while revenue earned by Holigen was \$122 during Q4 2021 compared with \$67 in the same period 2020. Net revenue from Flowr Canada in Q4 2021 was a new record and the third straight quarter of revenue growth, being 58%, 88%, and 4% higher than the net revenue for Q3, Q2, and Q1 2021 respectively. The increase in revenue from Flowr Canada was due to higher grams of products sold during Q4 2021, partially offset by a decrease in average prices. Sale of retail products during Q4 2021 was 276 kilograms compared with 238 kilograms in Q4 2020, contributed by the introduction of the new strain Strawnana and a new format of pre-rolls in Q4 2021. Sale of cannabis through bulk wholesale channels during Q4 2021 was 1,131 kilograms compared with 73 kilograms in Q4 2020 primarily due to higher production from the K1 facility.
- Gross revenue for the YTD 2021 amounted to \$14,877 compared with \$9,441 in the same period of 2020, while net revenue for the YTD 2021 totaled \$12,348 compared with \$7,513 in the same period of 2020. Net revenue from Flowr Canada increased to \$11,636 in the YTD 2021 from \$7,446 in the same period of 2020, as a result of higher volume of retail and bulk cannabis products sold in the current year.
- Net revenue from Holigen related to tolling service revenue earned in Portugal, which amounted to \$122 during Q4 2021 and \$712 for YTD 2021, compared with \$67 for the same respective periods in 2020.
- SG&A expenses for Q4 2021 amounted to \$3,900 compared with \$4,614 in Q4 2020, while SG&A for the YTD December 31, 2021 totaled \$16,327 compared with \$18,613 for the same period in 2020. The decrease in SG&A expenses reflects the cost reduction measures the Company implemented during 2021.
- Gross loss for Q4 2021 was \$2,976 compared with a loss of \$2,146 for Q4 2020. Gross loss for Q4 2021 increased from Q4 2020 primarily due to higher impairment of inventory. Gross loss for YTD 2021 was \$12,110 compared to a loss of \$7,472 during the same period in 2020, primarily as a result of the increase in net revenue, higher cost of sales recorded, offset by higher gains resulting from fair value adjustments on inventory sold.

- Cost of sales for Q4 2021 was \$5,262 compared with \$2,904 for Q4 2020. The increase in cost of sales resulted from a significantly higher volume of cannabis sold during the current quarter at 1,407 kilograms compared with 311 kilograms sold during Q4 2020. Cost of sales for YTD 2021 was \$22,064 compared with \$11,468 for YTD 2020 primarily due to the significantly higher volume of cannabis sold.
- The Company recorded impairment charges totaling \$57,096 in Q4 2021 compared with \$83,979 in Q4 2020. For the Flowr Canada, the Company recorded \$24,552 of impairment against goodwill, \$1,350 against intangible assets, and \$14,498 against property, plant and equipment. For Holigen, an impairment charge of \$4,661 was recorded against intangible assets and an impairment charge of \$4,289 was recorded against property, plant and equipment.
- Net loss attributable to shareholders of the Company totaled \$61,277 for Q4 2021 compared with a loss of \$100,454 for Q4 2020. Net loss attributable to shareholders of the Company for YTD 2021 totaled \$85,532 compared with \$125,621 for the same period in 2020. The change in net loss for was primarily due to higher revenue, lower SG&A expenses, lower impairment charges, reversal on share-based compensation, partially offset by higher depreciation and amortization, loss on disposal of subsidiary, higher other expenses, and lower income tax recovery.
- On May 20, 2022, the Company and its senior lenders entered into a Second Amendment to Credit Agreement (the "2022 ARCA"), which included certain amendments to financial covenants and repayment terms. Refer to ATB Credit Agreements on page 12.

Business Updates for the year 2021

- On March 16, 2021, the Company closed its previously announced bought deal short form prospectus offering (the "**Bought Deal**") for gross proceeds of \$15.9 million including the partial exercise of the over-allotment option (\$14.4 million net proceeds after fees and transaction costs). In connection with the Offering, the Company issued 31,127,453 units (the "**Unit**") at a price of \$0.51 per Unit (the "**Issue Price**"). Each Unit consists of one common share in the capital of Flowr (each a "**Common Share**") and one full Common Share purchase warrant of the Company (each whole warrant, a "**Warrant**"). Each Warrant is exercisable to acquire one Common Share at an exercise price of \$0.64 per Common Share for a period of two years from March 16, 2021 (the "**Closing Date**").
- During Q3 2021 Flowr closed two private placement financings for total gross proceeds of \$7,564,000 and issued 36,019,047 units ("**Units**") of the Company at a price of \$0.21 per Unit, with each Unit consisting of one Common Share and one Common Share purchase warrant which entitles the warrant holder thereof to acquire one Common Share at an exercise price of \$0.26 per share any time for a period of 42 months from the closing date.
- Also during Q3 2021, Flowr made an early principal repayment of \$7.5 million towards its senior amended and restated credit agreement ("**ARCA**") with a syndicate of lenders led by ATB Financial ("**ATB Financial**"). Furthermore, the ARCA was amended allowing Flowr to additional flexibility to issue equity capital and to enter into financings arrangements with respect to Holigen.
- During Q3 2021, Flowr achieved full operation in all 20 grow rooms at the K1 facility and consistently increased the THC level by an average of +3.3%.
- Flowr successfully introduced a new format of pre-rolls trademarked Dogwalkers which started delivery in Q4 2021. These 0.35g pre-rolls are packaged in an innovative tin pack of seven pre-rolls and have been listed in British Columbia, Alberta, and Ontario.
- During Q4 2021 the Company introduced its high-THC strain BC Strawnana, which was accepted for listing in Ontario, British Columbia, Alberta, and Saskatchewan.

- Over 50 new and exotic genetics have been trialed since Q2 2021. Three of these new strains have been approved for product listing in Q1 of 2022, significantly expanding the Company's product portfolio.
- In December 2021, the Company completed its first shipment of premium dried cannabis flowers from Canada to Israel, as part of the previously announced international supply agreement (the "Supply Agreement") with Focus Medical Herbs Ltd. ("Focus Medical"), a company which IM Cannabis Corp. (NASDAQ: IMCC) (CSE:IMCC) ("IMC") has an exclusive commercial agreement with in Israel. The first shipment consisted of premium cannabis across two strains for a total of \$825,000. The shipment represents the Company's debut into the Israeli market and the first significant international export.
- In December 2021, the Company successfully closed the previously announced sale of unused industrial land located in Kelowna, BC for gross sale price of \$6.3 million in cash, including \$5.3 million paid on closing and a further \$1.0 million cash receivable within six months upon satisfaction of certain conditions. Pursuant to the credit agreement with a syndicate of senior lenders led by ATB Financial (the "Credit Facility"), the Company made an early principal repayment of \$3 million towards the Credit Facility using proceeds from the land sale, reducing the principal amount outstanding to \$5.7 million by the end of 2021. In exchange for the \$3 million paydown, ATB Financial proceeded to release its security over Holigen Holdings Limited ("Holigen").
- Holigen's indoor facility in Sintra, Portugal was fully operational with all grow rooms planted and producing E.U. GMP medical cannabis during Q4 2021. The BC Black Cherry and BC Strawnana strains from Flowr have been in production with the first harvest taking place in January 2022.

Key Events Subsequent to December 31, 2021

- In February 2022 the Company entered into an agreement to sell its interest in the KRS Facility to Hawthorne Canada Limited ("Hawthorne") for an aggregate purchase price of \$16 million (the "KRS Sale"), to be paid as follows: 1) an initial cash payment of \$3.0 million; 2) full extinguishment of the principal amount outstanding under the existing loan agreement between Flowr and Hawthorne for the construction of the KRS Facility on closing at approximately \$12 million; and 3) the balance of the purchase price of approximately \$1.0 million paid in cash upon closing. The KRS Sale is expected to close in Q2 2022 and is subject to certain closing conditions.
- On April 19, 2022, the Company, through its wholly-owned subsidiary HHL, entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. (NASDAQ: AKAN) ("Akanda") and Cannhealth Limited (the "Purchaser"), a wholly-owned subsidiary of Akanda. Pursuant to the Purchase Agreement, the Purchaser will acquire from HHL (the "Holigen Sale") all of interests in HL (including HL's wholly owned subsidiary RPK) for aggregate consideration of approximately \$35 million.

Pursuant to the terms of the Purchase Agreement, the Company has agreed to sell HL to the Purchaser for total consideration payable of approximately \$35 million (the "Purchase Price") consisting of: (i) \$3,750,000 in cash; (ii) 1,900,000 common shares in the capital of Akanda (the "Consideration Shares") which closed at U.S.\$10.30 per share on April 19, 2022; (iii) the indirect assumption by Akanda of RPK's indebtedness of approximately \$5,100,000; and (iv) at least \$834,000 of interim funding to Holigen which has already been received by Flowr. If the Purchase Agreement does not close on or prior to May 31, 2022, the interim funding will be repaid to Akanda by the delivery of medical cannabis from Holigen at a price of €2.00 (\$2.72) per gram or in cash, at the discretion of Flowr. In connection with the Transaction, Holigen will pay an advisory fee equal to 7% of the Purchase Price, 50% of which is payable in cash and 50% of which is payable in Consideration Shares.

In addition, Akanda has agreed to subscribe for \$1 million of common shares in the capital of Flowr (the "Private Placement") at a price per share of \$0.07 per share, subject to the approval of the TSX Venture Exchange (the "TSXV"). The Consideration Shares are subject to a customary six-month lockup.

The Holigen Sale closed on April 29, 2022 upon receiving the necessary approvals and satisfaction of other closing conditions.

COVID-19 Pandemic and Operational Management

Since early 2020, the Company has had to adapt its business due to the COVID-19 pandemic. In general, the Company's operating facilities in Kelowna, British Columbia and Portugal, have been less impacted by the COVID-19 pandemic than what has been experienced in the most populous cities in Canada, such as Toronto. Further, each of the Company's cultivation sites has implemented robust pandemic measures, including limitations on non-essential travel, increased use of personal protective equipment, social distancing, staggering staffing at our production facilities, non-essential staff have been working from home and contract tracing. Overall, cannabis consumption during the pandemic has not been materially impacted; however, the Company has seen a slower than expected roll-out of retail stores in key urban areas, such as Toronto, due to the pandemic. The Company has also seen human resources impacts relating to the pandemic as a result of restrictions on travel within Canada and abroad. The Company is not eligible for any government financing programs; however, the Company received approximately \$3,105 in subsidies from the Canada Emergency Wage Subsidy in 2020 and \$239 in subsidies from the same program in 2021.

In the short term, the Company is seeking to mitigate these impacts through taking current conditions into account in preparing its estimates, forecasts and expectations, and through technology-mediated engagement with retailers. The Company continues to monitor developments in order to adapt and respond in order to protect the health and safety of the Company's employees, patients and consumers and the best interests of the Company.

The development and operation of the Company's business is dependent on labour inputs which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on the Company's business, measures taken by the Canadian, Ontario and BC governments, and voluntary measures undertaken by the Company with a view to the safety of the Company's employees, may adversely impact the Company's business, for instance by impeding the labour required to cultivate, process, market and distribute the Company's products and disrupting the Company's critical supply chains. The Company's Kelowna 1 facility has implemented precautionary measures to ensure the safety of the staff and product, including limiting visits to the site to essential personnel only, ensuring proper protocols around sanitation, mask usage and physical distancing, and placing potentially exposed employees in self-quarantine for the appropriate period of time.

Key Financial and Operational Results

The following table summarizes the Company's key financial and operational results:

*In thousands of CAD dollars,
(except loss per share and grams harvested)*

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Grams harvested - K1	1,270,027	1,195,260	4,278,407	4,336,240
Grams sold	1,406,904	311,308	6,627,052	1,405,495
Gross revenue	4,292	2,066	14,877	9,441
Net revenue ⁽¹⁾	3,801	1,600	12,348	7,513
Cost of sales	5,262	2,904	22,064	11,468
Impairment of inventory	1,515	842	2,394	3,517
Gross loss before fair value adjustments	(2,976)	(2,146)	(12,110)	(7,472)
Selling and marketing and G&A	3,900	4,614	16,327	18,613
Share-based compensation	631	396	(83)	3,020
Transaction costs	—	917	—	917
Restructuring costs	—	—	—	726
Impairment of assets	57,096	83,979	57,096	83,979
Loss from disposal of subsidiary	(909)	—	241	—
Net loss	(63,859)	(99,750)	(89,234)	(127,855)
Basic and diluted loss per share	(0.15)	(0.07)	(0.23)	(0.95)

Revenue and cost of sales from the Company's two segments, Flowr Canada and Holigen, are summarized below:

	Three months ended December 31, 2021			Three months ended December 31, 2020			
	Flowr Canada	Holigen	Total	Flowr Canada	Holigen	Other	Total
Revenue	3,679	122	3,801	1,533	67	-	1,600
Cost of sales							
Production costs	1,935	186	2,121	885	516	-	1,401
Salaries and benefits	1,434	-	1,434	389	-	-	389
Share-based compensation	(43)	-	(43)	49	-	-	49
Depreciation	1,459	291	1,750	520	545	-	1,065
Total cost of sales	4,785	477	5,262	1,843	1,061	-	2,904
Impairment of inventory	869	646	1,515	827	(10)	25	842
Gross loss before fair value adjustments	(1,975)	(1,001)	(2,976)	(1,137)	(984)	(25)	(2,146)
Gross (loss) profit before non-cash items and fair value adjustments ⁽¹⁾	310	(64)	246	259	(449)	-	(190)

	Year ended December 31, 2021			Year ended December 31, 2020					
	Flowr	Canada	Holigen	Total	Flowr	Canada	Holigen	Other	Total
Revenue	11,636	712		12,348	7,446		67		7,513
Cost of sales					7,975	3,493			11,468
Production costs	5,807	1,493		7,300	2,581	1,332			3,913
Salaries and benefits	7,011	-		7,011	2,682				2,682
Share-based compensation	141	-		141	259				259
Depreciation	6,413	1,199		7,612	2,453	2,161			4,614
Total cost of sales	19,372	2,692		22,064	7,975	3,493			11,468
Impairment of inventory	1,748	646		2,394	2,937	555	25		3,517
Gross loss before fair value adjustments	(9,484)	(2,626)		(12,110)	(3,466)	(3,981)	(25)		(7,472)
Gross profit (loss) before non-cash items and fair value adjustments ⁽¹⁾	(1,182)	(781)		(1,963)	2,183	(1,265)			918

(1) Gross profit before non-cash items and fair value adjustments is a non-IFRS measure and is defined as revenue less production costs and salaries and benefits. Management believes this measure provides useful information as it approximates gross margin on cash basis on revenue realized in a period.

Revenue

Consolidated net revenue for Q4 2021 was \$3,801, 138% higher when compared with \$1,600 in Q4 2020. Net revenue for YTD 2021 was \$12,348, representing a 64% increase from \$7,513 for the year of 2020.

During Q4 2021, the Company sold 276 kilograms of retail cannabis products and recorded net revenue of \$1,619, compared with 238 kilograms of retail products sold for net revenue of \$1,534 in the same period in 2020. Net revenue from retail products during Q4 2021 was slightly lower due to lower average prices, as the industry has experienced a general decline in retail prices. The Company sold 1,131 kilograms of cannabis and biomass through wholesale channels for net revenue of \$2,060 during Q4 2021, compared with 73 kilograms sold for net revenue of \$66 for the same period in 2020. The significantly higher volume of cannabis sold through wholesale channels related primarily to higher production from the K1 Facility in the second half of 2021.

For YTD 2021, Flowr sold 1,231 kilograms grams of retail cannabis products for net revenue of \$7,039 compared with 1,070 kilograms of retail products sold for \$7,191 in 2020. For YTD 2021, the Company sold 5,396 kilograms of cannabis through bulk wholesale for net revenue of \$4,597, compared to 335 kilograms sold for net revenue of \$322 in 2020. The majority of the bulk wholesale volume were sold in Q2 and Q3 2021 during which the Company sold a total of 4,131 kilograms of bulk cannabis related primarily to inventory that were produced in 2020.

	Three months ended December 31, 2021			Three months ended December 31, 2020		
	Grams	Sales (\$,000)	Avg Price (\$/g)	Grams	Sales (\$,000)	Avg Price (\$/g)
Retail cannabis products	276,226	1,619	\$ 5.79	238,279	1,534	\$ 6.44
Bulk wholesale	1,130,678	2,060	\$ 1.89	73,029	66	\$ 0.90
Total	1,406,904	3,679	\$ 2.66	311,308	1,600	\$ 5.14

	Year ended December 31, 2021			Year ended December 31, 2020		
	Grams	Sales (\$,000)	Avg Price (\$/g)	Grams	Sales (\$,000)	Avg Price (\$/g)
Retail cannabis products	1,230,883	7,039	\$ 5.50	1,070,189	7,191	\$ 6.72
Bulk wholesale	5,396,169	4,597	\$ 0.78	335,306	322	\$ 0.96
Total	6,627,052	11,636	\$ 0.31	1,405,495	7,513	\$ 5.35

Net revenue earned in Portugal through Holigen was \$122 during Q4 2021 and \$712 for YTD 2021, compared with \$67 for the same respective periods in 2020. Revenue earned in Portugal during 2021 related to tolling services provided to third party licensed producers at Holigen's facilities.

Cost of Sales

Cost of sales for Flowr Canada for Q4 2021 was \$4,785 compared with \$1,843 in Q4 2020, with the increase a direct result of the significantly higher total grams of cannabis sold. During Q4 2021 Flowr sold 1,407 kilograms of cannabis compared with 311 kilograms in the same period of 2020. Cost of sales for Flowr Canada for the YTD 2021 was \$19,372 compared with \$7,975 in the same period of 2020 due to higher total grams of cannabis sold. For the YTD 2021 Flowr Canada sold a total of 6,627 kilograms of cannabis compared with 1,094 kilograms during the same period in 2020.

Cost of sales for Holigen decreased to \$477 in Q4 2021 from \$1,061 in Q4 2020, due to lower level of operating activities in 2021. Cost of sales for Holigen for YTD 2021 was \$2,692 compared with \$3,493 for the YTD 2020. Cost of sales for Holigen relates to operating costs incurred at the facilities in Portugal.

Gross loss before fair value adjustments for Flowr Canada increased from a loss of \$1,137 in Q4 2020 to \$1,975 in Q4 2021 as a result of higher grams of cannabis sold as wholesale bulk at lower average prices and gross margin per gram compared with retail cannabis products. Gross loss before fair value adjustments for Flowr Canada for the YTD 2021 increased from a loss of \$3,466 in the YTD 2020 to \$9,484 in 2021, with the increase primarily a result of higher grams of cannabis sold through bulk wholesale at lower average prices per gram compared with retail cannabis products.

Selling and Marketing, General and Administrative ("SG&A")

SG&A expenses in Q4 2021 totaled \$3,900, an improvement of 15% compared with \$4,614 in Q4 2020. SG&A expenses for the YTD 2021 decreased by 12% to \$16,327 from \$18,614 for the year 2020. SG&A expenses have decreased by 12% since the end of 2020 as a result of the cost reduction measures undertaken by the Company that began in late 2020 and continued through 2021.

Adjusted EBITDA (Non-IFRS Measure)

Adjusted EBITDA is defined as net loss, plus (minus) income taxes (recovery), plus (minus) interest income (expense) including finance costs, plus depreciation and amortization, plus share-based compensation, plus (minus) non-cash fair value adjustments on biological assets and inventory sold, plus restructuring and transaction costs, plus (minus) loss (gain) on investments and plus (minus) unusual or non-recurring items. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash used by operations.

In thousands of CAD dollars

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Loss before taxes	(66,215)	(103,709)	(92,122)	(133,822)
Depreciation and amortization	2,710	1,848	11,764	6,431
Unrealized losses on fair value adjustments of biological assets	762	791	3,571	7,369
Fair value adjustments on inventory sold	(696)	(124)	(6,025)	(1,031)
Share-based compensation	588	445	58	3,279
Transaction costs	—	917	—	917
Severance costs	51	—	1,232	—
Restructuring costs	—	—	—	726
Loss on early conversion of convertible debentures	—	7,966	—	7,966
Realized loss on sale of investments held in shares	—	271	—	271
Unrealized (gain) loss on fair value of investments held in shares	—	(271)	—	(168)
Unrealized loss on valuation of warrant investment	—	—	—	39
Impairment of assets	57,096	83,979	57,096	83,979
Loss on disposal of asset	20	1,131	20	1,131
Loss on disposal of subsidiary	(909)	—	241	—
Gain on sublease	651	—	482	—
Finance costs	675	1,384	3,149	4,269
Interest expense	(6)	(11)	2	(26)
Other	119	—	474	—
Adjusted EBITDA	(5,154)	(5,383)	(20,058)	(18,670)

Summary of Quarterly Results

In thousands of CAD dollars

	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020	Q2-2020	Q1-2020
Gross revenue	4,292	3,564	2,406	4,615	2,066	3,403	2,960	1,012
Net revenue	3,801	2,541	2,172	3,834	1,600	2,823	2,314	776
Net loss	(63,859)	(9,189)	(7,484)	(8,702)	(99,750)	(10,174)	(5,438)	(12,492)
Net loss attributable to:								
Common and preferred shareholders	(61,277)	(8,774)	(7,204)	(8,277)	(100,454)	(9,717)	(4,886)	(10,564)
Non-controlling interest	(2,582)	(415)	(280)	(425)	704	(457)	(552)	(1,928)
Basic and diluted EPS attributable common and preferred shareholders of the Company	(0.15)	(0.02)	(0.02)	(0.02)	(0.62)	(0.07)	(0.04)	(0.09)

Q3-2019 EPS was updated to reflect the revised calculation resulting from the finalized acquisition accounting for Holigen.

Liquidity and Capital Resources

Liquidity

The main sources of liquidity are the Company's cash and cash equivalents, other working capital, debt, and equity issuances. As at December 31, 2021, cash and cash equivalents were \$4,196 compared to \$20,774 at December 31, 2020. Working deficit was \$403 compared to a working capital of \$12,794 at December 31, 2020, calculated as total current assets less total current liabilities.

As at December 31, 2021 and December 31, 2020, the Company had \$4,966 principal amount of subordinated secured convertible debentures outstanding. The debentures bear interest at 10% per annum from the closing date of April 27, 2020, calculated semi-annually in arrears on June 30 and December 31 of each year, with the last interest payment to be paid on the fourth anniversary of April 27, 2024. Subject to the Exchange's approval, interest will be paid annual in kind through the issuance of common shares based on the spot market price.

ATB Credit Agreement

The Company is party to a credit agreement (the "ATB Credit Agreement") with a syndicate of lenders led by ATB Financial. In connection with the acquisition of Terrace in December 2020, the Company entered into an ARCA whereby the original financial covenants under the ATB Credit Agreement were replaced with the following financial covenants: (i) to maintain a senior debt to tangible net worth ratio of no greater than 1.3:1; (ii) a minimum cash holding of \$3.5 million; and (iii) commencing on the fourth quarter of 2021, the Company must maintain certain quarterly minimum EBITDA balances. In addition, the ARCA allows for the Company to prepay the term facilities issued under the ARCA by \$5 million, at which point the EBITDA covenant would be deferred for an additional year and the maturity date would be extended to November 18, 2023.

Under the ARCA, the outstanding balance of the loan proceeds bear interest at prime plus 2.75 basis points. The principal repayments under the term facilities issued under the ARCA are quarterly and the remaining principal amount of all loans and all other obligations in connection with such term facilities being repayable on the maturity date being November 18, 2022, with a one-year extension at the discretion of the Company. Interest payments are made on a monthly basis.

On August 6, 2021, the Company entered into an amendment to the ARCA whereby the senior creditors agreed to certain amendments allowing Flowr additional flexibility under the ARCA to issue equity and to enter into financings arrangements with respect to Holigen. The Company also repaid \$7.5 million towards the credit facility on August 6, 2021, reducing the principal amount outstanding under the ATB Financial term and operating facilities to approximately \$9.8 million.

Flowr had the following outstanding undiscounted loan obligation as of December 31, 2021:

	up to 1 year	1 - 3 years	Total
Loan Commitments in CAD	5,705	-	5,705

Covenants and 2022 Amendments to the ARCA

As of December 31, 2021, the Company is in compliance with the senior debt to tangible net worth ratio and the minimum cash covenants. The Company was not in compliance with the minimum EBITDA covenant for the fourth quarter of 2021, the first time the covenant was tested. On May 20, 2022, the Company and the Senior Lenders entered into a Second Amendment to Credit Agreement (the "2022 ARCA"). The 2022 ARCA included the following key amendments:

- The minimum cash covenant is reduced to \$2,000 from \$3,500;
- The minimum EBITDA test is deferred to commence with the second quarter of 2022, and may be further deferred if the Company completes the Hawthorne Sale Agreement and the Holigen sale transaction before June 30, 2022;
- An immediate early repayment of \$918 towards the principal amount outstanding under the Term Facility;
- The final proceeds from the Hawthorne Sale Agreement of approximately \$1,000 will be used towards early repayment of the Term Facility upon closing of the transaction; and
- An amount of up to \$1,600 from the cash portion of the Holigen sale will be used towards early repayment of the Term Facility upon closing of the transaction.

Hawthorne Loan

On January 25, 2018, and as subsequently amended, Hawthorne and Flowr Okanagan entered into an agreement (the "R&D Agreement") to construct KRS and for Flowr Okanagan to provide certain R&D services upon completion of KRS.

Pursuant to the R&D Agreement, the Company owns the land and building comprising KRS and Hawthorne has financed all construction and development costs through a loan to the Company and in return have access to KRS over a 20 year period. The Company provides management and operational services to KRS and retains ownership facility at the end of the 20-year period. In total, Hawthorne loaned the Company \$11.5 million in principal amounts for the construction and development of KRS (the "Hawthorne Loan"). Upon the completion of the first floor of KRS in October 2020, the Hawthorne Loan began amortizing through an agreed upon payment schedule over 20 years, including an annual interest rate of 4%. If the R&D Agreement is terminated under certain circumstances, the Company could be required to pay 100% of all amounts advanced by Hawthorne and \$1,500 in liquidated damages.

As of December 31, 2021, the principal amount of the Hawthorne Loan was approximately \$11 million. The management fees paid by Hawthorne to the Company fully reimburse the Company for all principal and interest payments due pursuant to the Hawthorne Loan.

Upon the official commissioning of R&D Facility in October 2020 Hawthorne began paying the Company a monthly management fee and a monthly SR&ED service fee for overseeing the operations of KRS, which will continue through the 20-year term. In accordance with the R&D Agreement, these fees will completely offset the monthly principal repayments and interest accruals on the Hawthorne Loan over the life of the loan.

In addition to the Hawthorne Loan, on December 31, 2020 the Company entered into an amendment to the R&D Agreement whereby Hawthorne agreed to lend up to \$1,300 in additional funding to Flowr at an interest rate of 4% per annum. The funding will be used to fund approved budgeted expenses related to the development of KRS. As of December 31, 2021, total of \$1,241 was advanced under the loan.

In addition to KRS, the Company has also granted Hawthorne security over a cash collateral account to a maximum of \$2.5 million, which account is only required to be funded at such time that the appraised value of KRS is lower than the amount of the Hawthorne Loan. As at December 31, 2021 and December 31, 2020, the cash collateral account was \$nil. The effective interest rate of the loan is 3.39%.

The Company had the following outstanding loan obligations to Hawthorne as of December 31, 2021:

	up to 1 year	1 - 3 years	3 - 5 years	over 5 years	Total
Loan Commitments in CAD	11,954	-	-	-	11,954

Holigen Loans

RPK has entered into several secured term loan agreements with Caixa Central de Crédito Agrícola Mútuo ("Caixa") with respect to the purchase of property, plant, and equipment, with maturities between 2024 and 2026 (the "RPK Loans"). The RPK Loans bear interest at a variable rate of the 12-month EURIBOR rate plus 3% per annum. As at December 31, 2021, a total of €4.7 million in principal amounts has been drawn down on the RPK Loans.

One of the RPK Loans (the "RPK Equipment Loan") has the following covenants: (i) loan to RPK value ratio of less than or equal to 70%; (ii) financial autonomy ratio of 20% or more; and (iii) net debt/EBITDA ratio in RPK of equal or less than four beginning from 2020. As of December 31, 2020, RPK was in breach of the Net Debt/EBITDA ratio for which a waiver was granted to RPK on April 15, 2021 by Caixa. Under the terms of the waiver, Caixa has waived the compliance with the net debt/EBITDA ratio until December 31, 2021, extended the deadline for financial autonomy ratio of less than 20% to September 2021 and extended the loan to RPK value ratio of less 70% to September 2021. As at December 31, 2021, RPK was in breach of the net debt/ EBITDA ratio covenant for which the Company is in the process of obtaining a waiver from Caixa, as such the RPK Equipment loan has been classified as a current loan payable in the interim condensed consolidated statements of financial position.

The Company had the following loan principal amounts outstanding related to its Holigen operations as of December 31, 2021:

	up to 1 year	1 - 3 years	3 - 5 years	over 5 years	Total
Loan Commitments in EUR	722	1,914	1,268	—	3,904
Loan Commitments in CAD	1,039	2,754	1,825	—	5,618

Commitments and Contingencies

Contractual Obligations

The Company's contractual obligations for the period ended December 31, 2021 are set out below:

<i>As at December 31, 2021</i>	Total	Less than 1 year	1-3 years	3 - 5 years	over 5 years
Accounts payable and liabilities	7,613	7,613	—	—	—
Lease obligations	10,979	1,271	1,734	620	7,354
Long-term debt, excluding Hawthorne debt	11,323	6,744	2,754	1,825	—
Hawthorne debt	11,954	11,954	—	—	—
Convertible debentures	4,113	—	4,113	—	—
Total contractual obligations	45,982	27,582	8,601	2,445	7,354

⁽¹⁾ All interest and principal payments due pursuant to the Hawthorne Loan are reimbursed to the Company by Hawthorne pursuant to monthly management fee payments.

Future minimum payments as at December 31, 2021, under agreements to which the Company is a party are as follows:

<i>In thousands of CAD dollars</i>	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years	Total
Purchase obligations	138	—	—	—	138

The Company expects to meet its contractual obligations and commitments.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at December 31, 2021.

Transactions with Related Parties

The Company's related parties as defined by International Accounting Standard 24 "Related Party Disclosures" (IAS 24), include the Company's subsidiaries, executive and non-executive directors, senior officers and key management personnel. Transactions with related parties are measured at fair value, which in all cases are equivalent to the exchange amounts being the amount of consideration established and agreed upon by the related parties. All related party transactions entered into by the Company are in the normal course of business and have been approved by the Board of Directors of the Company and/or shareholders of the Company as required. Refer to Note 13 of the consolidated financial statements for the year ended December 31, 2021 for details on related party transactions.

Risk Management

The Company's exposure to financial instruments includes, but is not limited to, the following risks:

Market risk

Market risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market conditions. The Company operates in an industry regulated by Health Canada and other regulatory authorities in Portugal. Changes in legislation could have a significant impact on the Company's operations.

Interest rate risk

Interest rate risk primarily arises from floating rate borrowing, including various revolving and other lines of credit. A 10% change in the floating interest rates does not have a material impact on the consolidated statements of loss and comprehensive loss. Certain borrowings are also transacted at fixed interest rates. The Company has an agreement with ATB that requires the Company to enter into interest rate swap contracts on 25% of its outstanding loan with ATB. On December 31, 2021, the Company entered into an interest rate swap contract on a notional amount of \$3,926 with ATB whereby the Company has a fixed interest rate of 1% per annum and ATB has a floating interest rate based on benchmark bankers' acceptance. The swap contract has a three-month term and is settled monthly. The termination date of the agreement is November 18, 2022.

Foreign currency risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are, therefore, subject to currency transaction and translation risks.

The Company's main risk is associated with fluctuations in Euros, Australian and U.S. dollars. The Company holds cash in Canadian dollars, U.S. dollars and Euros. Assets and liabilities are translated based on the Company's foreign currency translation policy. The Company has determined that as at December 31, 2021, the effect of a 10% increase or decrease in Euros and U.S. dollars against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of approximately \$3,076 (December 31, 2020 – \$10,190) to net loss and \$738 (2020 – \$461) to comprehensive loss for the year ended December 31, 2021.

At December 31, 2021, the Company has not entered into any hedging agreements to mitigate currency risks, with respect to foreign exchange rates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not significantly exposed to other price risk with respect to its financial instruments, as their fair values and future cash flows are not impacted materially by fluctuations in market prices.

Credit Risk

The exposure to credit risk arises through the potential failure of a customer or another third party to meet its contractual obligations to the Company. As at December 31, 2021, the Company had amounts receivable of \$3,027 (December 31, 2020 - \$1,277). The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. The Company is not significantly exposed to credit risk as the amounts receivables are primarily due from provincial government organizations and overall amounts receivable comprise 5% (December 31, 2020 – 1.4%) of the Company's total assets. All cash is held with highly rated financial institutions and associated risks are considered nominal.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company relies on the cash flows generated from its operations, retained cash balances, available lines of credit under its loan facilities and its ability to raise debt and equity from the capital markets to fund its operating, investment, commitments and other liquidity needs. To reduce these risks, the Company: (i) prepares regular cash flow forecasts to monitor its capital requirements and available liquidity (ii) strives to maintain a prudent capital structure that is comprised primarily of equity and debt financing; and (iii) targets a minimum level of liquidity comprised of surplus cash balances to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavorable.

Refer to Commitments and Contingencies section for a summary of the maturity profile of the Company's financial liabilities based on contractual discounted payments.

Capital Risk Management

The Company considers its capital to be its equity and debt. The Company's objective for capital management is to: (i) maintain sufficient levels of liquidity to fund and support its capital projects and operating activities; and (ii) maintain a strong financial position to ensure it has ready access to debt and equity markets to supplement free cash flow being invested in its growth projects. The Company monitors its financial position and the potential impact of adverse market conditions on an ongoing basis. The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. The Company's funding strategy is to maintain a capital structure comprised primarily of cash sourced from equity and debt offerings and net earnings generated from its operations. In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company's operations during year ended December 31, 2021. The production and sale of cannabis have been recognized as essential services. The Company is continuously monitoring the impact of the COVID-19 pandemic on market conditions and will adjust its capital structure strategy accordingly.

Share Capital Information

As at the date of this MD&A, the number of Common Shares of the Company and other securities of the Company exercisable for Common Shares of the Company that are outstanding are as follows:

Securities	Common shares on exercise
Common shares	410,408,088
Flowr ULC class A preferred shares (convertible into common shares)*	41,598,000
Convertible debenture (share equivalent)	8,562,069
Warrants	108,216,743
Stock options	10,987,712
Restricted share units	2,082,772
Fully diluted share capital	581,855,384

**The Flowr ULC class A preferred shares are issued and outstanding in the Flowr ULC and convertible into Common Shares of the Company at the election of the holder and no cost to the holder.*

Disclosure Controls and Procedures

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (**NI 52-109**), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's accounting policies.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Forward-looking Information, Risks and Uncertainties

Certain statements contained in this MDA constitute “forward-looking information” within the meaning of applicable Canadian securities laws, which are based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs. Statements concerning the Company’s objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, future financial performance and condition of the Company is forward-looking information. The words “believe”, “expect”, “anticipate”, “estimate”, “intend”, “may”, “will”, “would” and similar expressions, including the negative and grammatical variations of such expressions, are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking information. In addition, this MD&A, may contain forward-looking information attributed to third-party industry sources.

By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and projections that constitute forward-looking information will not occur. Such forward-looking information in this MD&A speaks only as of the date of this MD&A. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to:

- the performance of the Company’s business and operations;
- the Company’s strategies with respect to growing premium cannabis, attaining certain International Council for Harmonisation’s good manufacturing practices standards (“GMP”) and manufacturing certifications and enforcing certain protocols;
- the Company’s capital expenditure programs;
- the future development of the Company, its growth strategy and the timing thereof;
- the acquisition strategy of the Company;
- the estimated future contractual obligations of the Company;
- the Company’s future liquidity and financial capacity including its ability to satisfy financial obligations in future periods;
- expectations regarding the Company’s ability to raise capital;
- Flowr having access to the additional financing as permitted under the ARCA;
- the supply and demand for cannabis products and services similar to the Company’s products and services;
- cost and/or pricing of the Company’s products;
- the ability to establish and market the Company’s brands within its targeted markets;
- the launch of new product offerings and that such product offerings will meet expectations of cannabis consumers;

- the ability of Flowr to produce new product offerings that will deliver a customer experience including tastes and aroma;
- the experience and skill set of Flowr's management and directors;
- the retention of key personnel of the Company;
- the Company's treatment under government regulatory and taxation regimes;
- the sale of Holigen as part of Flowr's cannabis strategy;
- licensing with respect to the Company's property and facilities;
- certification of Flowr's facilities by the applicable regulatory authorities.
- the sale of KRS and the strategy of advancing cannabis cultivation techniques and systems;
- KRS being North America's first dedicated cannabis R&D facility focused on cultivation techniques and systems including growth media, nutrient formulations, irrigation and lighting systems, plant genetics and integrated growing systems;
- the Company's ability to bring new strains to market;
- foreign exchange fluctuations;
- the Company's international focus on construction of indoor and outdoor cultivation and processing facilities; and
- the Company's net sales of all or any one of its products.
- the actual costs of savings from the Company's restructuring initiatives, including with respect to its workforce;
- the Company's automated packing line driving operating efficiencies;

With respect to the forward-looking information contained in this MD&A, the Company has made certain assumptions and such forward-looking information is subject to certain risks, including, without limitation, the following risks and assumptions:

- the ability to develop and market future products;
- timing to launch new products;
- cost to develop and/or manufacture products;
- operating cost estimates and yield trends for the Company;
- the duration and extent of the impact of COVID-19;

- inventory levels;
- pricing for the Company's products;
- future market demand/trends;
- gross profitability for products;
- the ability of the Company to comply with its contractual obligations;
- the successful sale of products to third parties on terms favorable to the Company;
- the ability of the Company to maintain key strategic alliances, and licensing and partnering arrangements, now and in the future;
- the ability of the Company to maintain its distribution networks and distribute its products effectively despite significant geographical expansion;
- the cannabis regulatory environment in which the Company operate, including the areas of taxation, environmental protection, consumer safety and health regulation;
- the timely receipt of any required regulatory approvals;
- the ability of the Company to maintain and/or acquire regulatory licenses and remain in compliance with applicable regulations;
- the general economic, financial, market and political conditions impacting the industry in which the Company operates;
- the tax treatment of the Company and its subsidiaries and the materiality of legal proceedings;
- the ability of the Company to achieve or increase profitability, fund its operations with existing capital, and/or raise additional capital to fund future acquisitions and/or development, including construction and licensing of the facilities of the Company;
- the ability of the Company to acquire any necessary technology, products or businesses and effectively integrate such acquisitions;
- reliance on third-party suppliers to supply the Company with products required for their respective businesses on favourable terms;
- the ability of the Company to generate sufficient cash flow from operations;
- the availability of raw materials and finished products necessary for the Company's products;
- the impact of increasing competition;

- the ability of the Company to obtain and retain qualified staff, equipment and services in a timely and efficient manner;
- the ability of the Company to maintain and enforce the protection afforded by trade secrets or other intellectual property rights;
- the ability of the Company to conduct operations in a safe, efficient and effective manner;
- the ability of the Company to achieve lender financial covenants;
- the results of continuing and future safety and efficacy studies by industry and government agencies related to the Company's products; and
- the ability of the Company to successfully market its products and services.
- Flowr's focus on research and development to breed specific cannabis varieties to identify unique characteristics not improving and differentiating Flowr's final products;
- the actual costs of savings from the Company's restructuring initiatives, including with respect to its workforce, not materializing and thus putting further strain on the Company's financial resources;
- the tax treatment of the Company and the materiality of legal proceedings;
- the commercial and production impact of COVID-19 or any future pandemics;

Forward-looking information contained in this MD&A is based on the key assumptions described herein. Readers are cautioned that such assumptions, although considered reasonable by the Company, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided in this MD&A as a result of numerous known and unknown risks and uncertainties and other factors. The Company cannot guarantee future results.

Risks related to forward-looking information include those risks referenced herein and in the Company's other filings with the Canadian Securities Regulators. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to, the risk factors described above and included under the heading "*Risk Factors*" in the AIF.

Forward-looking information contained in this MD&A is based on the Company's current plans, expectations, estimates, projections, beliefs and opinions and the assumptions relating to those plans, expectations, estimates, projections, beliefs and opinions may change. Management has included the summary of assumptions and risks related to forward-looking information included in this MD&A for the purpose of assisting the reader in understanding management's current views regarding those future outcomes. **Readers are cautioned that this information may not be appropriate for other purposes. Readers are cautioned that the lists of assumptions and risk factors contained herein are not exhaustive. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of the forward-looking information contained herein.**

Such forward-looking information is made as of the date of this MD&A and the Company disclaims any intention or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

All of the forward-looking information made in this MD&A are expressly qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, any forward-looking information in this MD&A, and, accordingly, investors should not place undue reliance on any such forward-looking information. New factors emerge from time to time and the importance of current factors may change from time to time and it is not possible for the Company's management to predict all of such factors, or changes in such factors, or to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information contained in this MD&A.

Other Disclosures

Trademarks

This MD&A includes trademarks that are protected under applicable intellectual property laws and are the property of the Company or its affiliates or licensors. Solely for convenience, the trademarks of the Company or its affiliates and/or licensors referred to in this MD&A may appear with or without the ® or ™ symbol, but such references or the absence thereof are not intended to indicate, in any way, that the Company or its affiliates or licensors will not assert, to the fullest extent under applicable law, their respective rights to these trademarks. Any other trademarks used in this MD&A are the property of their respective owners.

Market Data

This MD&A contains certain statistical data, market research and industry forecasts that were obtained, unless otherwise indicated, from independent industry and government publications and reports or are based on estimates derived from such publications and reports and management's knowledge of, and experience in, the markets in which the Company operates. Industry and government publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While the Company believes this data to be reliable, market and industry data is subject to variation and cannot be verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified the accuracy or completeness of such information contained herein. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those risk factors described above and in the AIF.