Harvest One Cannabis Inc.

Management's Discussion and Analysis

For the year ended June 30, 2021

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and related notes thereto of Harvest One Cannabis Inc. ("Harvest One" or "us" or "we" or "our" or the "Company") for the year ended June 30, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in thousands of Canadian dollars, except for share and per share amounts, unless otherwise stated. This MD&A has been prepared as of October 28, 2021 and includes certain statements that may be deemed "forward-looking statements". Additional information relating to the Company, is available under the Company's profile at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, "Forward-Looking Statements") and the Company cautions investors about important factors that could cause the Company's actual results to differ materially from those expressed, implied or projected in any Forward-Looking Statements included in this MD&A. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "expects", "will continue", "is anticipated", "anticipates", "may", "could", "believes", "estimates", "intends", "plans", "forecast", "projection" and "outlook") are not historical facts and may be Forward-Looking Statements that involve projections, estimates, assumptions, known and unknown risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such Forward-Looking Statements or otherwise be materially inaccurate. No assurance can be given that these expectations or assumptions will prove to be correct and such Forward-Looking Statements included in this MD&A should not be unduly relied upon. These Forward-Looking Statements speak only to management's beliefs and expectations as of the date of this MD&A and will be updated only as required by applicable securities laws. Accordingly, any such statements are qualified in their entirety by reference to the information discussed throughout this MD&A.

Certain of the Forward-Looking Statements relating to the recreational and medical cannabis industry contained within this MD&A are based on third-party information from publicly available government sources, market research and industry analysis. While the Company is not aware of any misstatement regarding any industry or government data presented herein, we have not independently verified any such third-party information.

The recreational and medical cannabis industry involves risks and uncertainties that may change based on various factors. The Company's Forward-Looking Statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under the heading "Business Overview", as well as statements regarding the Company's objectives, plans, goals, future operating results, and economic performance may make reference to or involve Forward-Looking Statements. See the discussion under the heading "Risks and Uncertainties" for further details.

The Company cautions that the list and description of the Forward-Looking Statements, risks, assumptions and uncertainties set out above is not exhaustive.

OUR GLOBAL FOOTPRINT

BUSINESS OVERVIEW

Harvest One Company has transitioned into a leading global health and wellness company that is uniquely positioned in the rapidly growing cannabis space. Harvest One has positioned itself to provide products that help with pain, sleep, anxiety, and performance through its acquired brands LivRelief™ and Dream Water™. The Company has significant global penetration in both the regulated cannabis markets as well as the over -the -counter ("OTC") markets. The Company is based in British Columbia, Canada and its common shares (the "Common Shares") are listed on the TSX Venture Exchange ("TSX-V") under the symbol "HVT" and on the OTCQX® Best Market operated by OTC Market Group under the symbol "HRVOF".

Harvest One operates a portfolio of brands under its Consumer Division consisting of Dream Products Inc. and its associated subsidiaries, and Delivra Corp (LivRelief™) and its associated subsidiaries (collectively, "Delivra"). A strategic component of Harvest One's business model is to acquire established health and wellness , OTC brands such as Dream Water™ and LivRelief™, aggressively expand distribution, innovate with intellectual properties, and provide products that are infused with cannabis in regulated markets, capturing more consumers in both the OTC market as well as the cannabis market. Harvest One leverages its established distribution network to further grow its business and uses its product development capabilities to create expanded infused versions of the established OTC brands. Dream Water™ and LivRelief™ can be found in major retailers such as Shoppers Drug Mart, Walmart, Loblaws, Sobeys, Rexall, Publix, Circle K, Amazon, amongst others. Harvest One cannabis -infused products under the LivRelief™ brand can be found in the regulated Canadian market at provincial dispensaries in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick.

On March 10, 2021, Harvest One completed the sale of all the issued and outstanding shares of its wholly-owned subsidiaries Satipharm Limited, Satipharm AG, and PhytoTech Therapeutics Ltd. (collectively, "Satipharm") to Cann Group Limited ("Cann Group"), a diversified medical cannabis company headquartered in Melbourne, Australia (the "Satipharm Transaction"). The Satipharm Transaction is consistent with Harvest One's defined strategy to divest its non-core assets, streamline its operations and utilize strategic manufacturing partners to create efficiencies to support the Company's CPG business model.

Following the completion of the Satipharm Transaction, the Company has fully transitioned to become a cannabis-focused CPG company, with a differentiated corporate strategy to develop, commercialize, market and sell both infused and non-infused consumer products.

Our Brands

Dream Water™

Dream Water™ is a consumer goods company with a specific focus on sleep aids in a variety of formats and formulations. Dream Water™ currently produces convenient, travel-friendly, single serving 2.5oz liquid sleep shots, newly launched gummies and sleep powder packets that consumers can take with or without water. Dream Water™ contains a proprietary blend of sleep ingredients widely known to promote effective sleep, among many other benefits. Dream Water™ is currently available in three easy to use formats: 74ml liquid sleep shots, 60 count gummies and 3g sleep powders.

The trademarked Dream Water™ SleepStat™ blend ("SleepStat™ Blend") was first developed in response to the need for an effective alternative to traditional antihistamine based OTC and prescription sleep-aids, and is a combination of three active

ingredients: melatonin, gamma-aminobutyric acid, and 5-hydroxytryptophan.

Dream Water™ currently has one distinct product line, with three different delivery methods: liquid, gummies and powder. The SleepStat™ Blend offers consumers a unique formula ratio of sleep to relaxation ingredients. Dream Water™ first shot line extension is a beauty formulation which contains SleepStat™ Blend and the beauty ingredient, Biotin Dream Water™ is also National Sanitation Foundation (NSF) certified for sport programs which allows the Company to sell products to professional sports teams and athletes who undertake drug testing ensuring the ingredients and process is of the highest standards.

Delivra

Delivra is a specialty biotechnology company having a proprietary transdermal delivery system platform that can shuttle pharmaceutical and natural molecules through the skin, in a targeted manner. Delivra manufactures and sells a growing line of topical creams with the proprietary transdermal delivery system platform under the LivRelief™ brand, for conditions such as joint and muscle pain, nerve pain, varicose veins, wound healing creams and sports performance. In parallel with its consumer products business, Delivra also has a mandate to license its patent-pending, proprietary transdermal delivery technology platform to pharmaceutical companies globally, for the repurposing of pharmaceutical molecules transdermally to treat a broad range of conditions, along with licensing its OTC products globally.

In March 2020, LivRelief™ launched CBD and THC-infused topical formulations under the new Cannabis 2.0 regulations. LivRelief™ Infused topical products were one of the first topicals to enter the Canadian market under the new Cannabis 2.0 legislation and have already firmly established themselves as key products in the category. The topical creams are available in: (1) a CBD formulation containing 250mg of CBD (2) a balanced 1:1 formulation containing 125mg of CBD and 125mg of THC and (3) an Extra Strength 750mg CBD formulation.

Global Distribution

KEY FINANCIAL RESULTS

Select Financial Information	For the year ended June 30 2021 $	2020 $	2019 $
Net revenue	**7,956**	7,782	5,747
Gross profit	**1,919**	724	2,062
Expenses	**23,878**	57,956	25,428
Loss from operations	**(21,959)**	(57,232)	(23,366)
Net loss attributable to common shareholders	**(28,538)**	(81,393)	(23,306)
Net loss per share – basic and diluted	**(0.13)**	(0.37)	(0.15)
Weighted average number of Common Shares	**225,961,186**	214,642,221	179,774,376
Adjusted EBITDA[(1)]	**(6,065)**	(9,067)	(18,303)
Total assets	**19,063**	57,844	102,323
Total non-current liabilities	**1,850**	2,080	786

(1) Defined as loss from operations before interest, taxes, depreciation and amortization and adjusted for share-based compensation, common shares issued for services, asset impairment and write-downs, discontinued operations and other non-cash items, and is a non-IFRS measure discussed in the "Adjusted EBITDA" section.

Select Statements of Financial Position Information	June 30 2021 $	June 30 2020 $
Cash	**4,431**	1,406
Current assets	**9,835**	28,413
Non-current assets	**9,228**	29,431
Current liabilities	**7,236**	19,194
Non-current liabilities	**1,850**	2,080
Equity	**9,977**	36,570

SIGNIFICANT AND RECENT DEVELOPMENTS

Corporate

a) Leadership Changes

On October 9, 2020, Andy Bayfield resigned as Interim Chief Executive Officer and Mr. Bayfield was appointed as a member of the board of directors of the Company (the "Board"). Gord Davey was appointed as President and Interim Chief Executive Officer of the Company. Mr. Davey was also appointed as a member of the Board. In addition, the Company announced that Peter Wall, Chairman of MMJ Group Holdings Limited ("MMJ"), Harvest One's largest shareholder, would resign from the Board effective October 31, 2020. MMJ changed its policy to remove its officers from investee company boards and was granted Observer status. Mr. Wall will continue to serve as the Non-Executive Chairman of Harvest One's largest shareholder. The Company also announced the resignation of Deb Milimaka Miles from her role as Chief Administration Officer and Chief People Officer.

On December 1, 2020, Mr. Marc Tran stepped down as Interim Chief Financial Officer and Mr. Jack Tasse was appointed as Interim Chief Financial Officer.

On February 8, 2021, Gord Davey was appointed as the permanent President and Chief Executive Officer of the Company and Jack Tasse was appointed as the permanent Chief Financial Officer of the Company.

b) Sale of Satipharm

On February 12, 2020, the Board initiated a process to evaluate a range of strategic alternatives available to the Company (the "Strategic Review"). AltaCorp Capital Inc. and Mackie Research Capital Corporation were appointed to act as exclusive financial advisors to the Company with respect to the Strategic Review. The Board appointed a special committee of independent directors to oversee the Strategic Review.

As part of the Strategic Review, during the year ended June 30, 2021, on March 10, 2021, the Company completed the sale of all the issued and outstanding shares of its wholly-owned subsidiaries, Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. to the Cann Group for ordinary shares of the Cann Group representing total aggregate consideration of

approximately $3,231 compared to $4,000 originally disclosed as a result of Satipharm not meeting its earn-out milestones. As at June 30, 2021, Harvest One has received $2,500 of Cann Group shares, with the remaining $731 to be received based on the following estimated milestones:

(a) $725, valued at fair market value, to be received upon delivery of certain machinery, equipment and accessories to be manufactured or produced and delivered by Gelpell AG to Cann Group,
(b) $6, valued at fair market value, to be received as three earn-out payments upon meeting certain financial conditions during the January 1, 2021 to June 30, 2021 period as follows:
    i. lower of: (a) 0.20 multiplied by the net revenue and (b) $250 and the estimated net value of this milestone is $6
    ii. lower of (a) 1.14 multiplied by the gross profit and (b) $250 and the estimated value of this milestone is $nil
    iii. lower of: (a) $250 and (b) $250 reduced by one dollar for each dollar the EBITDA loss is greater than the assumed EBITDA loss of $887 and the estimated value of this milestone is $nil

The completion of the Satipharm Transaction was a key milestone for Harvest One in the successful completion of its Strategic Review. The divestiture of Satipharm will provide additional cash proceeds to support the expansion of the Company's core business lines and continuing operations. In September 2021, the Company received payment in shares for all amounts due from the Cann Group in relation to the Satipharm Transaction.

c) Completion of Strategic Review

On March 29, 2021, the Company announced the conclusion of its Strategic Review. Key achievements of the Strategic Review include:

- Asset light and streamlined business model - repositioned the Company from cultivation and processing to a lean, non-capital-intensive cannabis-infused and non-infused CPG operation focusing on innovation, sales, marketing and distribution channels. Management is keenly focused on its core competencies, as well as market trends and consumer needs, while utilizing strategic manufacturing partners to advance the Company's CPG business model.
- Improved financial position and liquidity - completed the strategic divestiture of five non-core assets, materially improving the Company's balance sheet and liquidity with non-dilutive capital reducing both short and long-term liabilities. The recent closing of an upsized bought-deal financing significantly improved the working capital position of the Company and its ability to invest in branding and marketing activities.
- Improved cost structure - a significant reduction in operating and overhead costs, creating a leaner, more efficient organization, as shown in the Company's most recent financial results for the year ended June 30, 2021.
- Corporate Structure – significant changes with the Company's management team and leadership model, thereby creating a flatter corporate structure with a strong CPG-focused management team. This corporate structure was stress tested over the last 12 months resulting in the ability of the Company to navigate the capital markets and close of an upsized bought-deal financing.

d) Equity Financing

On March 17, 2021, the Company closed a $5,750 bought-deal public offering with Mackie Research Capital Corporation, as sole bookrunner, and ATB Capital Markets Inc., as the co-lead underwriters (together, the "Underwriters"), pursuant to which the Company issued 37,096,700 units of the Company (the "Units") at a price of $0.155 per Unit for gross proceeds to the Company of approximately $5.75 million (the "Offering"), including the full exercise of an over-allotment option.

Each Unit consists of one Common Share and one Common Share purchase warrant (each, a "Bought Deal Warrant"). Each Bought Deal Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.195 at any time until March 17, 2024.

In connection with the Offering, the Company paid the Underwriters a cash fee equal to 7.0% of the gross proceeds of the Offering (the "Underwriters Fee"). In addition, The Company granted the Underwriters non-transferable compensation options (the "Bought Deal Compensation Options") equal to 7.0% of the number of Units issued pursuant to the Offering. Each Bought

Deal Compensation Option will entitle the holder to acquire one Unit of the Company at a price of $0.155 per Unit at any time until March 17, 2024.

The net proceeds from the Offering are being used by the Company to expand its existing product lines and distribution channels, and for working capital and general corporate purposes. See “Financial Review – Update on Use of Proceeds”.

e) Stock Option Grants

On April 8, 2021, the Company granted an aggregate of 5,995,000 incentive stock options under the Company’s stock option plan to certain directors, officers, and employees of the Company. The options are exercisable at a price of $0.12 per share and have a term of five years from the date of issuance.

f) Consulting Agreement

On July 26, 2021, the Company announced that it had engaged an arm's length service provider, Jonathan Carroll (the "Consultant") to provide strategic advisory and consulting services to the Company (the "Consulting Services") for a 24-month period, subject to extension or termination in accordance with the provisions of the consulting agreement entered into relating to the Consulting Services. As partial consideration for the Consulting Services, the Company will grant an aggregate of 1,500,000 warrants (the "Consultant Warrants") to purchase Common Shares to the Consultant as follows: (i) 300,000 Consultant Warrants following the second month of the term of the Consulting Services (the "Consulting Term"); (ii) 300,000 Consultant Warrants following the sixth month of the Consulting Term; (iii) 400,000 Consultant Warrants following the 12th month of the Consulting Term; and (iv) 500,000 Consultant Warrants upon the Company reaching certain sales targets for fiscal 2022. On September 27, 2021, the Company issued 300,000 Warrants of the total grant of 1,500,000 Warrants.

Each Consultant Warrant will entitle the Consultant to one Common Share, at an exercise price equal to the greater of the: (i) market price of the Common Shares on the day immediately prior to the date of issuance of the Consultant Warrants; and (ii) volume weighted average trading price of the Common Shares during the 30 full trading days immediately prior to the date of issuance of the Consultant Warrants; and will expire 24 months from the date of issuance.

Product Development and Licensing

a) Launch of LivRelief™ Extra Strength Transdermal CBD Cream

On May 13, 2021, the Company announced its new LivRelief™ product SKU, Extra Strength Transdermal CBD Cream, which launched on the Medical Cannabis by Shoppers™ platform in June 2021 as part of its strategic growth and brand expansion initiatives. The new LivRelief™ Extra Strength Transdermal CBD Cream contains 750mgs of CBD and offers consumers three times the amount of cannabinoids found in the LivRelief™ CBD Cream.

The launch of this new SKU is part of the Company’s plans as disclosed in the short form prospectus of the Company dated March 10, 2021, relating to the Offering (the “Prospectus”).

b) *Licence Agreement with The Valens Company*

On July 28, 2021, the Company announced that Delivra had granted Valens Agritech Ltd. (“Valens”), a wholly-owned subsidiary of The Valens Company, a leading manufacturer of cannabis products, an exclusive two-year licence to manufacture, distribute and sell infused LivRelief™ branded topicals in Canada. The partnership with The Valens Company is expected to accelerate national and global growth opportunities, and advance the manufacturing of LivRelief™ branded topicals and its future extensions.

c) *Launch of Dream Water™ Sleep Gummies*

On August 25, 2021, the Company announced that its Dream Water™ brand launched a new line for sleep gummies in the American market. The launch of Dream Water™ Sleep Gummies is expected to increase growth in the Company's traditional distribution and retail channels, and improve overall channel penetration by leveraging the Company's expertise in branding, marketing, and distribution. The Company will ship the Dream Water™ Sleep Gummies to grocery, drug, and mass retailers and also make them available on ecommerce websites, such as Amazon. This extension into a new functional format will allow the brand to satisfy more consumer occasions and appeal to a broader array of consumers across North America. The gummy format also provides a strong platform for future line extensions and cannabis infusions.

Expanded Distribution and Supply Agreements

a) International Expansion for Dream Water™ Products

On June 10, 2021, the Company further announced that agreements were reached with five major national key account partners in Virginia, Arizona, Massachusetts, North Carolina and Montana for expansion in the U.S. market, further contributing to Harvest One's growth and brand expansion initiatives strategy for 2021. These partnerships will make Dream Water™ available in an additional 11,000 retain locations within the U.S. market. Each of these partnerships provides unique product placements that will focus on brand awareness and product trial. Entrance into new and emerging channels has been

a key priority and the Company continues to execute on this strategy. This expanded channel strategy will allow for growth of the Company's existing CPG brands and set them up for future success and expanded line extensions.

b) Distribution in the Caribbean, Central America and Cruise/Travel Retail

On July 20, 2021, the Company announced that it had signed a three-year renewable marketing and distribution agreement for international market expansion with WB Canna Co. & Wellness ("WB Canna"), a leading CBD and wellness products distributor in the Caribbean, Central America, and travel retail/cruise channel. This partnership aligns the Company's growth strategies for its core brands, and further contributes to the Company's growth and brand expansion initiatives for 2022. WB Canna has exclusive distribution and marketing rights across 33 countries throughout the Caribbean and Central America inclusive of Mexico, Puerto Rico, and Colombia. Such distribution includes channels of duty free, cruise and travel retail. Products will be priced at wholesale prices, subject to annual price increases. WB Canna will provide expert guidance and forward thinking, logistical and regional expertise, as well as local category training to support the CPG brand strategies of Harvest One across these regions.

Impact of the COVID-19 Pandemic

At the time of this MD&A, the World Health Organization (the "WHO") has declared a pandemic stemming from COVID-19. The pandemic has had far-reaching impacts on every business and every individual globally. For the time being and until economies stabilize, Harvest One has shifted its strategic approach in the manner in which it operates its business, provides affordable and high-quality products to its customers, and ensures that its workplaces have appropriate measures put in place to limit social interactions and enforce social distancing measures. At the same time, the Company has also taken steps to alter its marketing methods, conserve cash, and maintain an overall strategic direction to improve the quality of life of its consumers.

The Company has defined its strategic approach with its business continuity plan during this global crisis as follows:

- prioritizing the physical and mental health of its employees;
- prudent cash management by limiting expansion and altering marketing efforts to focus on the already established markets of the Company;
- ensuring the safety and cleanliness of all of its products and workplaces;
- ensuring continuity of health services and treatment for consumers, following appropriate safety guidelines;
- maintaining continuity of production operations and the ensuing supply chain; and
- building a strong strategic position and ensuring sales growth in the Cannabis 2.0 market.

The production and sale of cannabis and cannabis-related products were deemed an essential service in Canada and Europe, allowing for the continued operations of the cultivation and medical and nutraceutical segments, respectively. Furthermore, pharmacies, grocery stores, and convenience stores where Dream Water™ and LivRelief™ products are sold are considered essential retail in North America. The Company implemented a strategic plan to refocus on the Company's core strengths of product development, brands and distribution, while also committing to cost reductions prior to the pandemic in the second quarter of fiscal 2020. This strategic plan remained in place and the Company was successful in reducing operating expenses during the calendar 2020, including the financial year ended June 30, 2021.

The Company has taken precautionary measures to safeguard the health of its employees during this unprecedented time. This includes, but is not limited to, the following:

- movement to work-from-home programs, where possible,
- suspension of all business-related travel, and
- health screening measures for employees returning from travel

Ensuring that consumers continue to have safe and uninterrupted access to the Company's products, as well as maintaining high quality production, manufacturing and distribution capabilities, will be critical to the Company's success. Cost reductions in salaries, marketing and other administrative functions have been implemented. Capital expenditure programs have been postponed, where possible.

To date, the Company has not experienced a significant downturn in demand for its products in connection with the pandemic, nor has it experienced any failure to secure critical supplies or services. However, travel restrictions have impacted the overall performance of the Company, specifically in certain busy hubs and channels that the Company's products are available in. Due to the ongoing uncertainty around the pandemic, the Company cannot provide assurance that there will not be disruptions to its operations in the future. The COVID-19 pandemic presents several unpredictable variables on the economy and the markets within which the Company operates, making it difficult to accurately forecast upcoming results. In spite of this, the Company's core focus

will be monitoring the development of COVID-19 to focus its resources on navigating and adapting to the situation as it unfolds. Refer to the “Risks and Uncertainties” section below for further discussion on the potential impacts of COVID-19.

OUTLOOK

Management anticipates sales volumes, net revenues, and adjusted EBITDA to improve throughout the next fiscal year due to a full year of new Cannabis 2.0 derivative products sold to the Canadian market, improvements in gross margin, and a continued focus on reducing overhead costs.

Cannabis 2.0

Harvest One’s initial Cannabis 2.0 product offering includes a selection of pain relief topical creams. The cannabis-infused topical creams utilize Delivra’s transdermal technology designed to penetrate the skin, enabling effective, fast absorption, and controlled release of active ingredients directly to the target area. The topical creams are currently available in three formats – a CBD-only formulation containing 250mg of CBD, a 1:1 format formulation with 125mg of THC and 125mg of CBD, and a CBD-only formulation containing 750mg of CBD. Additionally, the Company plans on selling its LivRelief™ cannabis-infused topical creams in the US marketplace when regulations permit.

Consumer

Dream Water™ continues to be forward-thinking with respect to international compliant formulas and line extensions in both the sleep-aids and CBD markets, including lines of products with multiple delivery formats for both categories. Formulation of CBD-infused Dream Water™ continues to advance and will enter the market when regulations allow in the US. The Company continues to build out a pipeline of innovation that addresses consumers’ growing demand for effective sleep aids, in both OTC and cannabinoid-infused formats.

CANNABIS REGULATIONS

Harvest One has divested United Greeneries Ltd. and now outsources regulated cannabis activities to its suppliers. However the Canadian cannabis regulatory regime remains indirectly and materially relevant to Harvest One given its implications for the production, marketing and distribution of Harvest One’s cannabis-infused products.

History

History Prior to 1999, the *Controlled Drugs and Substances Act* (Canada), as amended ("CDSA") effectively imposed a blanket prohibition on all cannabis in Canada. In 1999, legal access to dried marijuana for medical purposes was first introduced as an exception under the CDSA. The legalization of medical marijuana in Canada has since been driven primarily by decisions of the Ontario Court of Appeal, the Federal Court of Canada and the Supreme Court of Canada, where the courts ruled that access to cannabis as a medicine is a constitutional right and compelled the federal government to implement a regulatory framework for the production and supply of medicinal cannabis products to patients across the country.

Cannabis for medical purposes was and continues to be regulated by a single united federal legislative system, which applies equally across all provinces and territories in Canada, subject only to exceptions. The two main exceptions for cannabis were found under the *Narcotic Control Regulations* (the “NCR”) and the *Access to Cannabis for Medical Purposes Regulations* (the "ACMPR").

The NCR provided “licensed dealers,” such as testing laboratories, with legal exemptions from the CDSA, permitting them to possess, produce, sell, import, export, transport and deliver cannabis. The ACMPR provided individuals, licensed cannabis producers and “designated persons” with legal exemptions from the CDSA prohibitions, such that licensed cannabis producers could grow and sell, and medical patients were able to purchase, possess and consume, medical marijuana each without risk of criminal prosecution.

Federal Regulation

On October 17, 2018, the *Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the "Cannabis Act") and the regulations thereunder (the "Cannabis Regulations") came into force, at which time, licences that were issued under the NCR or the former ACMPR were automatically deemed to be licences issued under the *Cannabis Act*. The enactment of the *Cannabis Act* permitted Canadian adults to possess up to 30 grams of dried cannabis (or equivalent) per person in public and to (subject to provincial restrictions) cultivate up to four cannabis plants per dwelling.

The Cannabis Act and the Cannabis Regulations thereunder prescribe criminal prohibitions relating to cannabis and create a licensing regime for industry participants including rules relating to good production practices, product composition, physical security, very strict packaging, labelling and promotion rules, cannabis tracking through its lifecycle, among other areas. Licensed

producers of cannabis face the challenge of navigating a regulatory regime that is characterized by broadly drafted legislative prohibitions in an environment currently lacking in interpretive regulatory guidance or case law.

Cannabis regulated under the Cannabis Act includes any phytocannabinoids contained in the plant (whether originating in the plant or produced synthetically), such as THC or CBD, whether together or alone.

Upon enactment of the Cannabis Act, the ACMPR was formally repealed but substantively replicated as Part 14 of the Cannabis Regulations. Under Part 14 individuals with a qualifying "medical document" can lawfully possess up to 30 times their daily prescribed amount of medical cannabis for their own medical purposes, to a maximum of 150 grams of dried cannabis. Individuals can also register under the Cannabis Act for authorization to produce cannabis for their own medical purposes. This authorization can be exercised personally or can be delegated to a "designated person" who acts on their behalf.

Commercial production of cannabis is the purview of businesses licensed by Health Canada under the Cannabis Act. The Cannabis Act provides for six classes of cannabis licence: (i) cultivation; (ii) processing; (iii) analytical testing; (iv) research; (v) sale for medical purposes; and (vi) cannabis drugs. Each class of licence has different licensing requirements and permits different activities. Of particular importance are the cultivation and processing licence classes, each of which have "standard" and "micro" licence subclasses.

Cultivation licences authorize the growing and harvesting of cannabis, and ancillary activities such as trimming and milling. The regulations permit various methods of growth, including aeroponics, hydroponics, traditional soil, aquaponic, vertical and stacked vertical, but all finished product must pass analytical testing for chemical residues (including pesticides) and microbial contaminants. Regardless of the cultivation method, compliance with Good Production Practices, as set out in the regulations, is mandatory.

A processing licence is required for the production of cannabis products, other than by means of cultivation. On October 17, 2019 – one year following legalization of recreational cannabis - three new product forms (i.e., edibles, topicals and extracts) were legalized in addition to the initial five permitted forms: dried flower; fresh flower; oil; plants; and seeds. A processing licence (standard or micro) is required in order to manufacture these three new classes.

Both cultivation and processing licences allow for the bulk sale of cannabis to other industry participants if applicable requirements are met and, once all licence conditions have been removed, the sale of retail-packaged recreational cannabis products to provincial wholesale agents (discussed further below).

As under the ACMPR, cultivation and processing licence holders can still sell directly to medical patients if they also hold a licence for medical sale. Analytical testing licences do not allow for any sale activities, while research licence holders are permitted limited bulk sale activities.

Becoming a licence holder under the Cannabis Act is a lengthy process with significant initial and continuing regulatory obligations. For example, all licence holders must be ordinarily resident in Canada, have a head office, or operate a branch office in Canada. Multiple individuals involved in the licensed business (including directors and officers, or partners, and others serving key functions or having control rights) must pass rigorous Health Canada security checks. And licence applicants must have a fully-built production facility that complies with various building and security requirements.

Once a licence is issued, licence holders must comply with a complex set of regulations under the Cannabis Act to maintain their licence, including production, testing, shipping, labelling, storage, destruction of product, inspection and record keeping requirements. Licences issued pursuant to the Cannabis Regulations must be renewed at least every five years.

Provincial Regulation

The Cannabis Act delegates authority to the provinces to regulate the distribution and sale of recreational cannabis within each province. As discussed above, companies holding a federal licence for medical sale can sell cannabis for medical purposes directly to individuals registered as medical users with Health Canada.

Six provinces/territories, including Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Northwest Territories and Nunavut, have government-only retail distribution – for both physical and online retail. Five jurisdictions, including Alberta, British Columbia, Newfoundland & Labrador, Ontario and Yukon, have implemented a hybrid system in which the government alone is authorized to make online sales of recreational cannabis products and privately-owned retailers are licensed (by the applicable provincial regulatory agency) to sell recreational cannabis from bricks-and-mortar locations. Manitoba and Saskatchewan are the

only two provinces that have stayed out of retail sale entirely and instead elected to allow private licensed retailers to operate both online and physical sale of cannabis to recreational users in the province.

Licensed producers seeking to distribute cannabis for recreational purposes can only sell retail-packaged cannabis products to provincially-authorized wholesale purchasers (either crown corporations or privately licensed wholesalers) for distribution to the applicable province's government-operated or licensed retail stores.

The NHP Industry

The regulation of the entire food industry in the United States is covered by three federal agencies with unique jurisdictions and various state and local governments. The U.S. Department of Agriculture (the "USDA"), U.S. Food and Drug Administration, and the Federal Trade Commission (the "FTC") have ultimate regulatory authority over interstate commerce. At the federal level, the USDA is responsible for labels on meat, poultry, and processed eggs; the U.S. FDA Center for Food Safety is responsible for labels on all other conventional foods, beverages, and dietary supplements (aggregating to ~80% of the nation's food supply); and the FTC is responsible for food advertising.

The Food and Drugs Act ("FDA") and the *Natural Health Products Regulations* (the "NHPR") govern the manufacture, formulation, packaging, labelling, advertisement and sale of natural health products ("NHPs") in Canada. In addition, drugs and NHPs are regulated under the federal CDSA if the product is considered a "controlled substance" or a "precursor," as defined in that statute or in related regulatory provisions. The deceptive marketing practices provisions of the Competition Act also apply to the labelling and advertisement of marketed health products.

Each NHP must obtain a product licence or a Homeopathic Medicine Number ("DIN-HM") issued by Health Canada, the regulator responsible for administering the FDA and NHPR, before it can be sold in Canada. Health Canada assigns a natural health product number ("NPN") to each NHP once Health Canada issues the licence for that NHP. The FDA, NHPR and related Health Canada guidance documents and policies require that all drugs and NHPs be manufactured, packaged, labeled, imported, distributed and stored under Canadian Good Manufacturing Practice ("GMP") or the equivalent thereto, and that all premises used for manufacturing, packaging, labeling and importing drugs and NHPs have a site licence or establishment licence, which requires GMP compliance.

Ad Standards, the Canadian advertising industry's self-regulating body, Health Canada and the Competition Bureau publish policies and guidance applicable to what may be represented on labels and in promotional materials regarding the claimed properties of NHPs in Canada. NHPs and drugs sold in Canada are also required to affix a label showing specified information, such as the proper and common name of the medicinal and non- medicinal ingredients and their source, the name and address of the manufacturer/product licence holder, its lot number, adequate directions for use, a quantitative list of its medical ingredients and its expiration date. In addition, the FDA, NHPR and related Health Canada guidance documents and policies require labeling to bear evidence of the marketing authorization as evidenced by the designation drug identification number, DIN-HM or NPN, followed by an eight-digit number assigned to the product and issued by Health Canada.

The Sleep Aid Industry

The current global sleep aid market is showing significant growth due to a number of factors. Obesity rates are increasing, and an aging population means more people with sleep disorders, such as sleep apnea, restless leg syndrome, and others. The Company believes that there is ample room for future growth of sleep lab and home test devices, continuous positive airway pressure devices, premium mattresses and pillows, OTC and prescription medications, apps and other services, which make up the growing sleep aid market. Research has shown that those suffering from sleep deprivation have a higher chance of obesity, Type 2 diabetes, cardiovascular disease, injuries, death from all causes, depression, irritability and reduced well-being. Given the widespread need for improved sleep, consumers are turning to a variety of goods and services which is growing the sleep aid category.

The Pain Relief Industry

The growth of the topical pain relief market is majorly driven by increase in prevalence of arthritis and other bone related conditions, diabetic neuropathy, leading to pain. Other factors that boost the market growth include rise in adoption of topical pain relief products as they cause lesser side effects as compared to oral pain relief, upsurge in geriatric population across and increase in demand for topical pain relief by sports players.

FINANCIAL REVIEW

The table below outlines gross profit and gross margin for the years ended June 30, 2021 and 2020, respectively:

Net revenue

Net revenue for the year ended June 30, 2021 is comprised of sales of:

(1) $4,918 for the Dream Water™ brand (2020 – $4,828);

(2) $1,051 for the Delivra LivRelief™ brand (2020 – $1,587); and

(3) $1,987 for the LivRelief™ cannabis-infused topical creams in Canada (2020 – $1,367).

For the year ended June 30, 2021, net revenue was $7,956, compared to $7,782 in prior year. The $174 increase in net revenue was mainly due to the release of Cannabis 2.0 products in Q4 of the prior fiscal year.

Cost of sales

For the year ended June 30, 2021, cost of sales was $5,048, compared to $6,258 in the same period in the prior year. The $1,210 decrease in cost of sales were primarily due to non-recurring non-cash fair value charges on inventory related to the acquisition of Delivra in the prior fiscal year. Included in cost of sales for the year ended June 30, 2020 was a $407 and $1,176 non-cash fair value charge on inventory related to the acquisition of Delivra. During the year ended June 30, 2021, the Company recognized a write-down total of $989 (2020 - $800) of cannabis inventory, packaging and supplies to reduce the carrying amount to its estimated net realizable value.

Gross margin

The table below outlines gross profit (loss) and gross margin for the years ended June 30, 2021 and 2020, respectively.

	For the year ended June 30	
	2021	**2020**
	$	**$**
Net revenue	**7,956**	7,782
Cost of sales	**5,048**	6,258
Inventory write-down	**989**	800
Gross profit	**1,919**	724
Gross margin	**24%**	9%

Gross margin for the years ended June 30, 2021 was 24%, compared to 9% in the same period in the prior year. The increase was primarily attributable to the non-cash fair value charge on inventory related to the acquisition of Delivra as described above in addition to operational improvements.

Expenses

	For the three months ended June 30		For the year ended June 30	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
General and administration	**2,155**	2,672	**7,308**	10,396
Sales and marketing	**454**	152	**1,006**	1,479
Acquisition costs	**—**	(10)	**—**	23
Research and development	**72**	(43)	**72**	179
Depreciation and amortization	**551**	755	**2,216**	2,340
Share-based compensation	**338**	(406)	**577**	2,022
Severance and reorganization costs	**424**	49	**587**	394
Asset impairment and write-downs	**3,412**	5,758	**12,112**	41,123
	7,406	**8,926**	**23,878**	57,956

Total expenses decreased by $1,520 and $34,078 for the three months and year ended June 30, 2021 compared to the same periods in the prior year, primarily due to: (1) decrease in general and administration expenses from operational changes and cost reductions since its announcement of the Strategic Review in February 2020, (2) decrease in share-based compensation upon the forfeiture of unvested stock options, and (3) decrease in asset impairment and write-downs as goodwill was deemed to be impaired in the prior year periods. The changes in expenses are detailed as follows:

General and administration

General and administration expenses decreased by $517 and $3,088 for the three months ended June 30, 2021, and year ended June 30, 2021, respectively, compared to the same periods in the prior year, due to the Company's continued focus on operational changes and cost reductions since its announcement of the Strategic Review. As a result of these cost reductions, the Company has incurred lower salaries, bonus, and benefits; office and general; and travel expenses in the current period.

Sales and marketing

Sales and marketing expenses increased by $302 for the three months ended June 30, 2021, compared to the same period in the prior year. The increase is primarily due to planned increased limits on expanding distribution network, product launches and brand awareness. Sales and marketing expenses decreased by $473, compared to the same period in the prior year. The decrease is due to year -over -year cost reductions.

Research and development

Research and development (R&D) expenses increased by $115 for the three months ended June 30, 2021 due to the expensing of previously capitalized R&D expenses**.** Research and development expenses decreased by $107 for the year ended June 30, 2021, compared to the same period in the prior year, due to the timing of research and development of new cannabis-infused products for Cannabis 2.0, including cannabis infused topical creams, which was mostly incurred in the first and second quarters of the prior fiscal year.

Depreciation and amortization

Depreciation and amortization decreased by $204 and $124 for the three months ended June 30, 2021 and year ended June 30, 2021, respectively, compared to the same periods in the prior year, due to the amortization of intangible assets which were previously recognized as indefinite-life assets in the same period from the prior year.

Share-based compensation

Share-based compensation increased by $744 for the three months June 30, 2021, compared to the same period in the prior year. The increase is attributable to the issuance of stock options to existing employee during the year. Share-based compensation decreased by $1,445 for the year ended June 30, 2021. The decrease is attributable to the reversal of share-based compensation expense upon the forfeiture of unvested stock options.

Severance and reorganization costs

Severance and reorganization costs increased by $375 and $193 for the three months ended June 30, 2021 and year ended June 30, 2021, respectively compared to the same periods in the prior year, due to the timing of corporate reorganizations which occurred during the second quarter of the prior fiscal year. The increase is primarily due to $150 paid to Andrew Kain, the former Chief Operating Officer and General Counsel, and $300 paid to Deb Milimaka Miles, the former Chief Administrative Officer and Chief People Officer, in accordance with the terms of mutual separation agreements.

Asset impairment and write-downs

Asset impairment and write-downs decreased by $2,346 and $29,011 for the three months ended June 30, 2021 and year ended June 30, 2021, respectively, compared to the same periods in the prior year, primarily due to a goodwill impairment $41,123 in the consumer segment in the year ended June 30, 2020, offset by a $12,112 write-down of capitalized costs in construction in progress during the year ended June 30, 2021.

Discontinued operations

Following the Strategic Review announced on February 12, 2020, management committed to a plan to sell certain components of its cultivation segment. On August 26, 2020, the Company completed the sale of the United Greeneries Ltd. licensed cannabis cultivation and processing businesses located in Duncan, British Columbia to Costa Canna Production Limited Liability Partnership ("Costa LLP") and 626875 B.C. Ltd. for total cash consideration of $8,200 (the "Duncan Transaction"). In addition, the Company completed its divestiture of its 50.1% interest in Greenbelt Greenhouse Ltd. (the "Greenbelt Transaction") and Satipharm Transaction on October 15, 2020 and March 10, 2021, respectively.

Results from all discontinued operations

	For the year ended June 30	
	2021	**2020**
	$	**$**
Net revenue	**1,400**	4,007
Cost of sales	**1,090**	4,425
Inventory write-down	**1,963**	6,577
Gross loss	**(2,237)**	(6,027)
Expenses	**1,577**	5,824
Loss from discontinued operations	**(5,866)**	(22,657)

Other (expense) income

Other expense decreased by $790 for the year ended June 30, 2021, compared to the same periods in the prior year. The decrease is primarily attributable to: (1) the sale of Burb Cannabis Corp. ("Burb") and (2) interest paid on the secured loan (the "MMJ Loan") payable to MMJ Group Holdings Limited ("MMJ"), offset by the unrealized loss recognized on the fair valuation of shares in the Cann Group in the current year.

	For the year ended June 30	
	2021	**2020**
	$	**$**
Loss on disposal of assets	**(243)**	(488)
Interest and finance costs	**41**	(799)
Gain from extinguishment/forgiveness of debt	**89**	—
Earnings (loss) on investment in associate	**—**	(195)
Unrealized loss/gain	**(603)**	—
Foreign exchange loss	**3**	(21)
	(713)	(1,503)

Loss on disposal of assets

Loss on disposal of assets decreased by $245 for the year ended June 30, 2021, compared to the same period in the prior year, primarily attributable to the prior year sale of the Company's 19.99% equity investment in Burb for $1,513, resulting in a loss of $413.

Interest and finance costs

Interest and finance costs decreased by $840 for the year ended June 30, 2021, compared to the same period prior year, given the cost of non-cash financing fees incurred last year related to the issuance of warrants of $481 and interest paid on the MMJ Loan of $2,000, which was fully repaid during the first quarter of the current fiscal year upon the closing of the Duncan Transaction in addition to the repayment of the bridge financing facility of $1,500 Costa LLP and all general security agreements were discharged.

Gain from extinguishment/forgiveness of debt

Gain from extinguishment/forgiveness of debt increased by $89 for the year ended June 30, 2021, attributed to a loan forgiveness program that was provided to the Company.

Earnings/(loss) on investment in associate

Earnings/(loss) on investment in associate increased by $195 for the year ended June 30, 2021, compared to the same period in the prior year that was the result of the sale of the Company's investment in Burb as described above, resulting in no further recognition of losses on investment in associate.

Unrealized loss/gain

Unrealized loss/gain increased by $603 compared to same period last year as a result of the fair market value adjustment related to the Company's short-term investment.

Adjusted EBITDA (non-IFRS measure)

Adjusted EBITDA is a metric used by management which is the loss from operations, as reported, before interest, taxes, depreciation and amortization and adjusted for share-based compensation, Common Shares issued for services, the fair value

effects of accounting for biological assets and inventories, asset impairment and write-downs, discontinued operations and other non-cash items.

	For the year ended June 30	
	2021	**2020**
	$	**$**
Loss from operations	**(21,959)**	(57,232)
Inventory write-down	**989**	800
	(20,970)	(56,432)
Asset impairment and write-downs	**12,112**	41,123
Fair value adjustment in cost of sales	**—**	1,409
Depreciation and amortization	**2,216**	2,340
Share-based compensation	**577**	2,022
Issuance of common shares for services	**—**	471
	14,905	47,365
Adjusted EBITDA	**(6,065)**	(9,067)

For the year ended June 30, 2021, adjusted EBITDA increased by $3,002 compared to the same period in the prior year. The increase for the year ended June 30, 2021 was primarily due to higher revenue and gross margin, as well as an overall decrease in expenses as described above.

Update on Use of Proceeds

The Company has committed the following use of proceeds from the Offering to meet its planned growth, expand its existing product lines and distribution channels, and for working capital and general corporate purposes. As of the date of this MD&A, there have not been, and the Company does not anticipate, any changes to its previously made disclosure about the Company's intended use of proceeds from the Offering.

The below table describes the Company's anticipated use of proceeds from the Offering, as disclosed in the Prospectus, and the Company's actual use of working capital, as at the date of this MD&A.

		A	***B***	***C***	***D = B + C***
Principal Use of Proceeds	**Breakdown of Use of Proceeds**	**Previous Disclosure Regarding Use of Proceeds in Prospectus**	**Actual Use of Proceeds as at October 28, 2021**	**Additional Use of Proceeds as at October 28, 2021**	**Use of Proceeds as at October 28, 2021**
Expand distribution network	New distribution partners	$200	$71	$129	$200
	New customer listing fees	$300	Nil	$300	$300
	Trade show activity	$100	Nil	$100	$100
	Advertising/trade support	$200	$25	$175	$200
	E-commerce distribution	$350	Nil	$350	$350
Product launch initiatives	Packaging	$250	Nil	$250	$250
	Production costs	$350	$170	$180	$350
	Listing costs and fees	$300	Nil	$300	$300
	Launch of new Dream Water and LivRelief™ products	$267	Nil	$267	$267
	Paid media	$350	$244	$106	$350

		A	*B*	*C*	*D = B + C*
Principal Use of Proceeds	**Breakdown of Use of Proceeds**	**Previous Disclosure Regarding Use of Proceeds in Prospectus**	**Actual Use of Proceeds as at October 28, 2021**	**Additional Use of Proceeds as at October 28, 2021**	**Use of Proceeds as at October 28, 2021**
Expand brand awareness	Sampling	$250	$7	$243	$250
	Partnerships	$275	$56	$219	$275
	E-commerce	$250	Nil	$250	$250
	Public Relations	$150	$28	$121	$150
	Radio	$200	Nil	$200	$200
	Alternative brand driving tactics	$175	$175	Nil	$175
Create innovative line extensions	Research and development costs	$300	$17	$284	$300
	Consumer insights	$100	Nil	$100	$100
Working capital and general corporate purposes		$670	$500	$170	$670
Underwriters Fee		$53	$53	Nil	$53
Total		**$5,090**	**$1,346**	**$3,744**	**$5,090**

The Company has negative cash flow from operating activities and has historically incurred net losses. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company will be required to raise additional funds through the issuance of additional equity securities, through loan financing, or other means, such as through partnerships with other companies. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained.

The expected use of net proceeds from the Offering represents the Company's current intentions based upon its present plans and business condition, which could change in the future as its plans and business conditions evolve. The amounts and timing of the actual use of the net proceeds will depend on multiple factors and there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives. The Company may also require additional funds in order to fulfill its expenditure requirements to meet existing and any new business objectives, and the Company expects to either issue additional securities or incur debt to do so.

Certain COVID-19 related risks could delay or slow the implementation of the planned objectives resulting in additional costs for the Company to achieve its business objectives. The extent to which COVID-19 may impact the Company business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, the United States, and other countries to contain and treat the disease. As these events are highly uncertain and the Company cannot determine their potential impact on operations at this time. The COVID-19 pandemic may negatively impact the Company's business, which would influence the amount and timing of planned expenditures. For example, prolonged disruptions in the supply of goods and services relied on by the Company to develop its products or restrictions resulting from government regulations that impact the Company's ability to operate, may adversely impact the Company's business.

LIQUIDITY AND CAPITAL RESOURCES

Management of the Company is consistently working to monitor and manage the Company's capital resources to assess if it has access to adequate liquidity to fund its operations. Management's objectives with respect to liquidity and capital structure are to generate sufficient cash to fund the Company's existing operations and growth strategy.

Cash used in operating activities was $9,647 for the year ended June 30, 2021, compared to $18,359 for the same period in the prior year. The $8,712 decrease in cash used is primarily due to a decrease in operational spending from the implementation of the Strategic Review in the second quarter of the prior fiscal year.

	For the year ended June 30	
	2021	2020
	$	$
Cash used in operating activities	**(9,647)**	(18,359)
Cash provided by (used in) investing activities	**12,269**	(3,636)
Cash provided by financing activities	**446**	3,166
Effect of foreign exchange on cash	**(43)**	(66)
Change in cash during the period	**3,025**	(18,895)

Cash provided by investing activities was $12,269 for the year ended June 30, 2021, compared to $(3,636) for the same period in the prior year. The $15,905 increase in cash provided is mainly attributable to: (1) $8,200 cash received upon the closing of the Duncan Transaction; (2) $3,050 cash received upon closing of the Greenbelt Transaction; (3) $1,027 cash received from the sale of Cann Group shares; and (4) $7 used for acquisition of property, plant and equipment.

Cash provided by financing activities was $446 for the year ended June 30, 2021, compared to cash provided by financing activities of $3,166 for the same period in the prior year. The $2,720 decrease in cash used is due to $4,527 received from Offering closed on March 17, 2021, net of issuance costs, less (1) $1,500 repayment of the bridge facility from Costa LLP and (2) $2,190 secured MMJ Loan, payment of lease liabilities in the amount of $238 and payment of ACOA.

The nature of the Company's current business and the source of revenue from operations is the production and sale of Dream Water's sleep aid products and Delivra's pain relief consumer packaged goods. However, the Company's ability to continue in the normal course of operations is dependent on actions by management achieving profitable operations and raising additional capital. Management believes it will be able to raise capital as required in the long-term, but recognizes the risks attached thereto including without limitation, risks due to changing market conditions. Historically, the capital requirements of the Company have been met by offering securities of the Company and completing debt financings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in the dilution to the value of such interests. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable to the Company. If adequate financing is not available when required, the Company may be required to delay, scale back, or eliminate various projects and programs, and may be unable to continue in operation. If the Company is unable to achieve profitable operations or raise additional funds it may require, it could have a material adverse effect on the Company's financial condition and future profitability.

The Company incurred consolidated net losses of $28,538 and $81,393 for the years ended June 30, 2021 and June 30, 2020, respectively. The Company had a negative operating cash flow of $9,647 for the year ended June 30 2021 and an accumulated deficit of $162,845 as at June 30, 2021. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the unaudited condensed consolidated interim financial statements. Management acknowledges that in the absence of securing additional capital there is uncertainty over the Company's ability to meet its funding requirements as they fall due.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Net revenue $	Gross (loss) profit $	Net loss $	Basic and diluted loss per share $
June 30, 2021	2,171	(274)	(8,782)	(0.04)
March 31, 2021	2,027	745	(1,716)	(0.01)
December 31, 2020	1,936	1,003	(14,286)	(0.06)
September 30, 2020	1,822	445	(3,754)	(0.02)
June 30, 2020	2,263	(403)	(24,398)	(0.11)
March 31, 2020	1,880	451	(35,410)	(0.16)
December 31, 2019	1,911	338	(16,155)	(0.07)
September 30, 2019	1,728	337	(5,430)	(0.02)

Net revenue for the fourth quarter of fiscal 2021 decreased $92 compared to the fourth quarter of fiscal 2020 due to the launch of LivRelief™ cannabis-infused topical creams in the fourth quarter of fiscal 2020. Gross profit for the fourth quarter of fiscal 2021 increased by $129 compared to the fourth quarter of fiscal 2020 primarily due to write down of inventory to fair market value at year end of fiscal 2020. Net loss for the fourth quarter of fiscal 2021 decreased $15,616 compared to the fourth quarter of fiscal 2020 primarily due to the prior quarter impairment costs and losses from discontinued operations.

SHARE CAPITAL

The Company has an unlimited number of Common Shares authorized and the following securities outstanding:

	June 30 2021	As at the date of this MD&A
Common Shares	252,617,854	252,617,854
Secondary warrants	100,002	100,002
MMJ warrants	17,083,333	17,083,333
Bought Deal Warrants	37,096,700	37,096,700
Stock options	18,479,112	18,386,143
Bought Deal Compensation Options	2,596,769	2,596,769
Consultant Warrants	—	300,000

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

The following expenses were paid to key management personnel of the Company:

	For the year ended June 30	
	2021 $	2020 $
Salaries and benefits	**1,018**	1,906
Severance costs	**450**	73
Consulting fees	**—**	—
Directors' fees	**227**	150
Share-based compensation	**427**	1,381
Total	**2,122**	3,510

a) *Payments to related parties*

As at June 30, 2021, there were $120 in directors' fees included in accounts payable and accrued liabilities, payable as follows: $30 to Andrew Bayfield, $30 to Jason Bednar, and $60 to Frank Holler (June 30, 2020 – $117 payable as follows: $27 to Peter Wall, $27 to Jason Bednar, and $63 to Frank Holler).

In addition, there were $nil in bonus payments payable as at June 30, 2021, (June 30, 2020 – $643 payable as follows: $233 to Grant Froese, $255 to Andrew Kain, $65 to Deb Milimaka Miles, $45 to Aaron Wong, and $45 to Andrew Bayfield) included in accounts payable and accrued liabilities.

b) *Severance payments*

During the year ended June 30, 2021, the Company paid $150 in severance costs to Andrew Kain, the former Chief Operating Officer and General Counsel of the Company and agreed to pay $300 to Deb Milimaka Miles, the former Chief Administrative Officer and Chief People Officer, of which $80 was in accounts payable as of June 30, 2021, in accordance with the terms of a mutual separation agreement.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

During the year ended June 30, 2020, United Greeneries Operations Ltd. ("United Greeneries Operations"), a subsidiary of the Company, was named as the defendant in a civil claim (the "Claim") filed in the Supreme Court of British Columbia in respect of the termination of the lease agreement for land and property in Aldergrove, British Columbia in August 2018. The plaintiff filed a summary trial motion in March 2020 in which it seeks an order for damages for breach of the lease agreement plus court costs and statutory pre-judgment interest. In June 2020, United Greeneries Operations filed a response in defense of the Claim and filed its own summary trial motion. On December 14, 2020, the defendant and plaintiff attended a summary judgement hearing in the BC Supreme Court, at which time the plaintiff advised of its intention to amend their pleadings and, as a result, the parties agreed to adjourn the then summary judgment hearing until such time as the plaintiff issued their amended pleadings and the hearing can be rescheduled. Management's assessment, based on its interpretation of the agreement and independent legal advice, is that the plaintiff may be partly successful with the Claim up to $250 , subject to a set-off claim by United Greeneries Operations against the plaintiff seeking the return of a $70 deposit paid in accordance with the terms of the lease and possession of certain security and electronic equipment held by the plaintiff, and it is possible that there will be a future cash outflow made by United Greeneries Operations. The Company has accrued $250 as at June 30, 2021.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, interest rate risk, and liquidity risk.Where material, these risks are reviewed and monitored by the Board of Directors.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at June 30, 2021, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD") and Australian Dollars ("AUD"). A 10% appreciation (depreciation) of USD or AUD against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at June 30, 2021, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at June 30, 2021, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company had current assets of $9,835 (June 30, 2020 - $28,413) and current liabilities of $7,236 (June 30, 2020 - $19,194) as at June 30, 2021. The Company has addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures, Common Shares and the sale of non-core assets as part of the Strategic Review, such as Satipharm. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Further, the Company's ability to fund operations, to execute its growth strategy and to meet scheduled financial commitments depends on the Company's future operating performance and cash flows as well as capital raising, all of which are

subject to prevailing economic conditions and financial, business and other factors, some of which are beyond the Company's control. See also "Liquidity and Capital Resources".

Fair value hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

During the year ended June 30, 2021, there were no transfers of amounts between fair value levels.

Cash and short-term investments are classified as a Level 1 financial instrument. The Company's other financial instruments, including accounts receivable, current portion of lease receivable, promissory note and accounts payable and accrued liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments. The carrying value of the Company's non-current portion of lease receivable, loans and borrowings approximate fair value as they bear a market rate of interest.

NON-IFRS MEASURES

Adjusted EBITDA is a non-IFRS measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines adjusted EBITDA as the loss from operations, as reported, before interest, taxes, depreciation and amortization and adjusted for share-based compensation, Common Shares issued for services, the fair value effects of accounting for biological assets and inventories, asset impairment and write-downs, discontinued operations and other non-cash items.

There are no comparable IFRS financial measures presented in the audited annual consolidated financial statements for the year ended June 30, 2021. Reconciliations of the non-IFRS financial measure is presented in this MD&A. The Company provides the non-IFRS financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The supplemental non-IFRS financial measure is presented because management believes such measures provide information which is useful to shareholders and investors in understanding its performance and which may assist in the evaluation of the Company's business relative to that of its peers. Management believes the non-IFRS measure is a useful financial metric to assess the Company's operating performance on a cash basis before the impact of non-cash items, and on an adjusted basis as described above. However, such non-IFRS measure should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable IFRS financial measures.

RISKS AND UNCERTAINTIES

This section discusses factors relating to the business of Harvest One that should be considered by both existing and prospective investors. The information in this section is intended to serve as an overview and should not be considered comprehensive, and Harvest One may face additional risks and uncertainties not discussed in this section, or not currently known to the Company, or that the Company deems to be immaterial. All risks to Harvest One's business have the potential to influence its operations in a materially adverse manner.

Additional Financing

There is no guarantee that the Company will be able to execute on its planned strategy. The continued development of the Company requires additional financing and failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

New well-capitalized entrants may develop large-scale operations

Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk exists that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could make strategic acquisitions. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources, and be larger and better capitalized. Larger

competitors could establish price setting and cost controls which would effectively “price out” many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While the approach of most laws and regulations seemingly deters this type of takeover, this industry remains nascent and as indicated above this trend is being observed, so what the landscape will be in the future remains largely unknown.

The Company’s proposed business plan is subject to all business risks associated with new business enterprises, including the absence of any significant operating history upon which to evaluate an investment. The likelihood of the Company’s success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation of a new business, the development of new strategy and the competitive environment in which the Company operates. It is possible that the Company will incur losses in the future. There is no guarantee that the Company will be profitable.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC) and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Company's securities should not place undue reliance on such articles and reports. Future research studies may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions relating to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces the inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a manufacturer and distributor of adult-use and medical cannabis products, or in its role as a service provider to, an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis products, the Company may be subject to various product liability claims, including, among other things, that the cannabis product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to 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 maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

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 labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company 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 one of the Company's products were subject to recall, the reputations of that product and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Risks Related to the COVID-19 Pandemic

Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19, may adversely affect the Company. The Company’s business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, COVID-19 was reported to have surfaced in Wuhan, China. On January 30, 2020, the WHO declared the outbreak a global health emergency. On March 11, 2020, the WHO expanded its classification of COVID-19 to a worldwide pandemic. Federal, state, provincial and municipal governments globally enacted measures to combat the spread of COVID-19. During March and April 2020, many governments ordered all but certain essential businesses closed and imposed significant limitations on the circulation of the populace. Furthermore, certain illnesses may be transmitted through human or surface contact, and the risk of contracting such illnesses could cause employees and customers to avoid gathering in public places, as was the case in many places from February to April 2020 due to concerns about COVID-19.

The Company expects to experience some short to medium term negative impacts from COVID-19; however, the extent of such impacts is currently unquantifiable, but may be significant. Such impacts include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, increased government regulation, public health emergency and similar declarations and could include other increased government regulations, reduced sales, and potential supply and staff shortages, all of which are expected to negatively impact the business, financial condition and results of operations of the Company and thus may impact the ability of the Company to comply with financial covenants, satisfy its obligations to its lenders and other parties, which may in turn may adversely impact, among other things, the ability the Company to access debt or equity capital on acceptable terms or at all.

The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Company's facilities. Should an employee or visitor in any of the Company's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk. The 2020 outbreak of COVID-19 is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines and applicable healthy authority recommendations.

Such public health crises can result in volatility and disruptions in supply and demand, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk, inflation and, as a result, demand for our end customers' products and our operating results.

Disruption of Supply Chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's, and other industry participant's, supply chains, interrupt operations, increase operating expenses, and thereby result in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Risks Related to the COVID-19 Pandemic"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road. The extent to which COVID-19 or any other contagious disease impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of this or any other outbreak and the actions to contain those outbreaks or treat its impact, among others.

Global Economic Conditions

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult, and in general, negatively impacts overall share prices and market conditions. Global equity markets have experienced significant volatility and weakness as a result of COVID-19. Such volatility and weakness in the global economy and equity markets more specifically may adversely affect the Company's ability to raise necessary capital.

In addition to the above, the Company is also subject to the following risks and uncertainties that can significantly affect its financial condition and future operations. The following risk factors are described in greater detail under the heading "Risks and Uncertainties" in the Company's Annual Information Form dated March 2, 2021, for the year ended June 30, 2020, available under the Company's profile at www.sedar.com, and such risk factors are hereby incorporated by reference into this document and should be reviewed in detail by all readers:

- industry competition;
- COVID-19;
- additional financing;
- access to capital;
- history of net losses;
- credit, liquidity, interest, currency and commodity price risk;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- requirement to generate cash flow for financial obligations;
- profitability of the Company;
- ongoing costs and obligations;
- general business risk and liability;

- new well-capitalized entrants may develop large-scale operations;
- share price volatility;
- reliance on key inputs;
- reliance on facilities;
- results of future clinical research;
- holding company status;
- limited operating history;
- unfavourable publicity on consumer perception;
- product liability;
- product recalls;
- third -party transportation;
- management of growth;
- acquisition strategy risks;
- reliance on management;
- conflicts of interest;
- principal security holder;
- dividends;
- limited market for securities;
- litigation;
- perceived reputational risk for third parties;
- intellectual property;
- political and economic instability;
- ability to establish and maintain bank accounts;
- global economy risk;
- research and development;
- shelf life of inventory;
- maintenance of effective quality control system;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- logistical disruptions;
- client risks;
- no minimum orders;
- distribution risks;
- lack of long-term client commitment risk;
- risk as a result of international expansions;
- operations in foreign jurisdictions;
- political, social and other risks in the countries in which the Company operates;
- reliance upon international advisors and consultants;
- significant sales of common shares;
- analyst coverage;
- tax risks;
- reliance on partner licences;

- general regulatory risks;
- packaging and labelling;
- advertising;
- restrictions on marketing;
- breaches of security;
- foreign jurisdiction risks;
- competition;
- product liability;
- product recalls;
- operating risk and insurance coverage;
- results of future clinical research;
- dependence on suppliers, manufacturers and contractors;
- co-investment risk;
- difficulty to forecast and reliability of data;
- competition from synthetic production and technological advances; and
- fraudulent or illegal activity by employees, contractors and consultants.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reporting amounts of assets and liabilities at the date of the consolidated financial statements and reporting amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the annual audited consolidated financial statements for the year ended June 30, 2021.

Areas that often require significant management estimates and judgement include biological assets and inventory, the estimated Areas that often require significant management estimates and judgement include biological assets and inventory, the estimated useful lives and depreciation of property, plant and equipment, the estimated useful lives and amortization of intangible assets, goodwill, share-based compensation, warrants, accruals, provisions and the determination of the functional currency. The following is an outline of the estimates that the Company considers as critical in the preparation of its consolidated financial statements:

- The Company has recorded depreciation and amortization which requires estimates of the useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of the assets.
- The Company has recorded certain warrants using the Black-Scholes Pricing Model, which requires key estimates such as the expected life of the warrants, the volatility of the Company's share price, and the risk-free interest rate.
- Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 – Business Combinations, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which entity is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.
- The Company performs an annual impairment test for goodwill and indefinite life intangible assets in the fourth quarter of its fiscal year by comparing the carrying value of each cash-generating unit ("CGU") containing the assets to its recoverable amount. At the end of each reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use. Determining whether an impairment has occurred requires valuation of the respective CGU, which management estimates using a discounted cash flow method. The discounted cash flow method uses

estimates and assumptions, including actual operating results, future business plans, economic projections and market data.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Definition of A Business (Amendments to IFRS 3)

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3 Business Combination) which: (a) clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) narrows the definition of a business and of outputs by focusing on goods and services provided to customers; and (c) removes certain assessments and adds guidance and illustrative examples. The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Company adopted the standard effective July 1, 2020 with no impact on the preparation of the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company has established processes to provide them 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 years 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 years presented. There have been no significant changes in the Company's disclosure controls and procedures during the year ended June 30, 2021.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.