Delivra Health Brands Inc.

(Formerly, Harvest One Cannabis Inc.)

Management's Discussion and Analysis

For the year ended June 30, 2022

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 Delivra Health Brands Inc. ("**Delivra Health**" or "**us**" or "**we**" or "**our**" or the "**Company**") for the year ended June 30, 2022, 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, 2022 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 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 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

Delivra Health is a leading global health and wellness company that is uniquely positioned in the cannabis space. Delivra Health 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 ("**TSXV**") under the symbol "DHB" and on the OTCQX® Best Market operated by OTC Market Group under the symbol "DHBUF".

Delivra Health 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 Delivra Health's business model is to acquire established health and wellness OTC brands such as Dream Water™ and LivRelief™, 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. Delivra Health 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. Delivra Health 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.

Following the completion of the sale of all of the issued and outstanding shares of its wholly-owned subsidiaries (the "**Satipharm Transaction**"), Satipharm Limited, Satipharm AG, and PhytoTech Therapeutics Ltd. (collectively, "**Satipharm**") to Cann Group Limited ("**Cann Group**"), the Company has fully transitioned to become a **health and wellness** 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. The 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 are 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 through licensing agreements 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	2022 $	2021 $	For the year ended June 30 2020 $
Net revenue	**8,139**	7,956	7,782
Gross profit	**2,604**	1,919	724
Expenses	**9,014**	23,878	57,956
Loss from operations	**(6,410)**	(21,959)	(57,232)
Net loss attributable to common shareholders	**(7,009)**	(28,538)	(81,393)
Net loss per share – basic and diluted	**(0.03)**	(0.13)	(0.37)
Weighted average number of Common Shares	**252,617,854**	225,961,186	214,642,221
Adjusted EBITDA[(1)]	**(2,765)**	(6,065)	(9,067)
Current assets	**7,485**	9,835	28,413
Current liabilities	**6,541**	7,236	19,194

(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 2022 $	June 30 2021 $
Cash	**1,084**	4,431
Non-current assets	**4,100**	9,228
Total assets	**11,585**	19,063
Non-current liabilities	**1,671**	1,850
Equity	**3,373**	9,977

SIGNIFICANT AND RECENT DEVELOPMENTS

Product Development and Licensing

a) Licence Agreement with The Valens Company

On July 28, 2021, the Company announced that Delivra 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.

b) 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

c) Marketing and distribution agreement

On July 19, 2021, the Company signed a three-year renewable marketing and distribution agreement (the "**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.

Partnering with WB Canna aligns with the Company's growth strategies for its core brands, and further contributes to the Company's growth and brand expansion initiatives for fiscal 2022. Under the Marketing and Distribution Agreement, the Company granted WB Canna 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 Delivra Health across these regions.

d) Listing of "Extra Strength" Transdermal CBD Cream at the Ontario Cannabis Store

On February 3, 2022, the Company launched its new LivRelief™ Infused product SKU, Extra Strength Transdermal CBD Cream. This new SKU will be available at the Ontario Cannabis Store as part of the Company's brand expansion within the topicals market distribution channels.

e) Sales and Distribution Agreement for Dream Water™ and LivRelief™ Products in Africa

On March 10, 2022, the Company announced that its subsidiaries Dream Water™ and LivRelief™ have signed a sales and distribution agreement (the "**Pharmtick Agreement**") with leading distributor Pharmtick Limited ("**Pharmtick**"), based in Nigeria, Africa, to further expand their international distribution networks. Under the Pharmtick Agreement, Pharmtick will sell and distribute Dream Water™ and LivRelief™ products throughout Africa, for a term of three years.

f) Sales Distribution Agreement with E-Commerce Leader, Flat River Group, to Increase E-Commerce Distribution in the United States

On March 16, 2022, the Company announced that it has further expanded its presence in the United States with the signing of a sales distribution agreement (the "**FRG Agreement**") with Flat River Group, a leading North American e-commerce distributor. The online sales in North America have grown substantially and the FRG Agreement will help to further accelerate distribution and increase online revenues and margins.

g) Supply Arrangement with Canopy Growth's Spectrum Therapeutics' Online Medical Store

On May 13, 2022, the Company announced that it had entered into a supply arrangement with Canopy Growth Corporation ("**Canopy**"), whereby the Company will sell its LivRelief Infused™ topical creams on Canopy's Spectrum Therapeutics' online medical store through an extension of its licensing agreement with Valens, a wholly-owned subsidiary of The Valens Company. Under the arrangement, Valens will supply Spectrum Therapeutics with licensed LivRelief Infused™ products to make them available to patients through Spectrum Therapeutics' online medical store.

Corporate

h) Consulting Agreement and Related Litigation

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 (the "**Carroll Agreement**") between the Company and the Consultant. As partial consideration for the Consulting Services, the Company agreed to issue 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 Consultant Warrants following the second month of the Consulting Term. Each Consultant Warrant will entitle the Consultant to purchase one Common Share at an exercise price of $0.09 per share for a period of 24 months from the date of issuance.

On July 19, 2022, the Consultant issued a statement of claim against the Company claiming, among other things, damages for breach of contract of $134 and an order for the delivery of the balance of the unissued Consultant Warrants. On September 14, 2022, the Company issued a statement of defence and counterclaim against the Consultant claiming, among other things, damages for negligent misrepresentation, breach of contract and breach of its duty of good faith and honest performance of

its contractual obligations. On October 21, 2022, the Consultant issued a reply and defence to the counter-claim. The Company believes the claim made by the Consultant against the Company lacks merit and intends to vigorously defend this matter.

i) Company name change

On June 7, 2022, the Company announced a name change from “Harvest One Cannabis Inc.” to “Delivra Health Brands Inc.” subject to regulatory approval, including that of TSXV (the “**Name Change**”). Upon receipt of final TSXV approval, the Name Change became effective on September 8, 2022. In connection with the Name Change, the Common Shares commenced trading under the symbol "DHB" on the TSXV and under the symbol “DHBUF” on the OTCQX® Best Market. In addition, warrants issued under a warrant indenture dated March 17, 2021 commenced trading under the symbol "DHB.WT" on the TSXV.

COVID-19 Pandemic and Macroeconomic Factors

In March 2020, the World Health Organization 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, Delivra Health 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 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

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 combined effects of general economic weakness, increasing inflation resulting directly or indirectly from the COVID-19 pandemic and the invasion of Ukraine, as well as higher interest rates implemented in response to inflation, may negatively impact consumer demand for health and wellness products and may contribute to reduced spending, which in turn may adversely affect the Company’s revenue and profit. The Company does not believe that inflation had a material effect on its business, results of operations and financial condition in year ending June 30, 2022.

OUTLOOK

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

Cannabis 2.0

Delivra Health’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 internationally 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.

FINANCIAL REVIEW

Net revenue

Net revenue is comprised the following sales: (1) Dream Water™ brand sales in both US and Canada; (2) Delivra LivRelief™ brand sales in the US and Canada; and (3) LivRelief™ cannabis-infused topical cream sales in Canada.

For the year ended June 30, 2022, net revenue was $8,139, compared to $7,956 in prior year. The $183 or 2.3% increase in net revenue was mainly due to higher sales in the US business compared to the prior year and relatively stable sales in the Company's Canadian business.

Cost of sales

For the year ended June 30, 2022, cost of sales was $4,759, compared to $5,048 in the prior year. The $289 decrease in cost of sales was due to less inventory write-downs compared to the prior year and lower cost of sales as a percentage of net sales. In fiscal 2022, cost of sales of $4,759 or 58.5% as a percentage of net sales compared to $5,048 or 63.4% in fiscal 2021 indicates lower cost of sales in fiscal 2022 as a result of cost management driven by selecting suppliers with higher cost savings. During the year ended June 30, 2022, the Company recognized a write-down total of $776 (2021 - $989) of infused 2.0 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, 2022 and 2021, respectively.

	For the year ended June 30	
	2022	2021
	$	$
Net revenue	**8,139**	7,956
Cost of sales	**4,759**	5,048
Inventory write-down	**776**	989
Gross profit	**2,604**	1,919
Gross margin	**32%**	24%

Gross margin for the year ended June 30, 2022 was 32%, compared to 24% in the prior year. The increase was primarily attributable to lower inventory write-downs compared with last year and lower cost of sales driven by selecting suppliers with lower cost offerings.

Expenses

	For the three months ended June 30		For the year ended June 30	
	2022	2021	**2022**	2021
	$	$	**$**	$
General and administration	**1,071**	2,155	**4,542**	7,308
Sales and marketing	**285**	454	**1,603**	1,006
Research and development	**-**	72	**-**	72
Depreciation and amortization	**524**	551	**2,119**	2,216
Share-based compensation	**59**	338	**352**	577
Severance and reorganization costs	**-**	424	**-**	587
Asset impairment and write-downs	**-**	3,412	**398**	12,112
	1,939	7,406	**9,014**	23,878

Total expenses decreased by $5,467 and $14,864 for the three months ended June 30, 2022 and the year ended June 30, 2022, respectively, compared to the same periods in the prior year , primarily due to: (1) a decrease in general & administration expenses due to operational changes and cost reductions since the announcement of the Company's strategic review on February 12, 2020 (the "**Strategic Review**"); (2) a decrease in share-based compensation upon the forfeiture of unvested stock options; and (3) a 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 $1,084 and $2,766 for the three months ended June 30, 2022 and the year ended June 30, 2022, respectively, compared to the same periods in the prior year due to the Company's continued focus on operational efficiencies and cost reductions since its announcement of the Strategic Review. As a result of these cost reductions, the Company has incurred lower salaries, bonuses, and benefits; office and general; and travel expenses in the current period.

Sales and marketing

Sales and marketing expenses decreased by $169 and increased by $597 for the three months ended June 30, 2022 and year ended June 30, 2022, respectively, compared to the same periods in the prior year. The decrease came from the completion of the planned spending on expanding distribution network, product launches and brand awareness. The yearly increase is primarily due to the expenditures on the marketing expansion plans related to media, advertising and branding expenses.

Depreciation and amortization

Depreciation and amortization decreased by $27 and $97 for the three months ended June 30, 2022 and the year ended June 30, 2022, respectively, compared to the same periods in the prior year due to certain assets having been fully depreciated in the middle of the year.

Share-based compensation

Share-based compensation decreased by $279 and $225 for the three months ended June 30, 2022 and the year ended June 30, 2022, respectively, compared to the same periods in the prior year. The reduction is driven by stock options that fully vested in the middle of the year.

Severance and reorganization costs

Severance and reorganization costs were nil for the three months ended June 30, 2022 and the year ended June 30, 2022 compared to $424 and $587 in the same periods of prior year due to payments made to certain departed executives in accordance with the terms of mutual separation agreements with the Company.

Asset impairment and write-downs

Asset impairment and write-downs decreased by $3,412 and $11,714 for the three months ended June 30, 2022 and the year ended June 30, 2022, respectively, compared the same periods in the prior year primarily due to 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, 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. There was no discontinued operations in the year ended June 30, 2022.

Results from all discontinued operations

		For the year ended June 30
	2022 $	2021 $
Net revenue	-	1,400
Cost of sales	-	1,090
Inventory write-down	-	1,963
Gross loss	-	(2,237)
Expenses	-	1,577
Loss from discontinued operations	-	(5,866)

Other (expense) income

Other expense decreased by $114 for the year ended June 30, 2022 compared to the prior year. The decrease is primarily attributable to the gain on the loan forgiveness and legacy accounts settlement offset by the increase in interest from the legacy accounts payable.

	2022 $	For the year ended June 30 2021 $
Loss on disposal of assets	**(692)**	(243)
Interest and finance costs	**(635)**	41
Gain from extinguishment/forgiveness of debt	**230**	89
Unrealized loss/gain	**486**	(603)
Foreign exchange loss	**12**	3
	(599)	(713)

Loss on disposal of assets

Loss on disposal of assets increased by $449 for the year ended June 30, 2022 compared to the prior year primarily due to the disposal of shares of Cann Group.

Interest and finance costs

Interest and finance costs increased by $676 for the year ended June 30, 2022 compared to the prior year. The increase was primarily attributable to the interest payable on the ACOA loans and interest on legacy accounts payable.

Gain from extinguishment/forgiveness of debt

Gain from extinguishment/forgiveness of debt increased by $141 for the year ended June 30, 2022 compared to the prior year primarily due to a loan forgiveness program that was provided to the Company and legacy accounts settlements/reversals.

Unrealized loss/gain

Unrealized loss/gain increased by $1,089 compared to same period last year as a result of the unrealized loss of the Cann Group shares' fair market value adjustment reclassified to loss on disposal of assets due to the sale of the shares.

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.

	2022 $	For the year ended June 30 2021 $
Loss from operations	**(6,410)**	(21,959)
Inventory write-down	**776**	989
	(5,634)	(20,970)
Asset impairment and write-downs	**398**	12,112
Depreciation and amortization	**2,119**	2,216
Share-based compensation	**352**	577
	2,869	14,905
Adjusted EBITDA	**(2,765)**	(6,065)

For the year ended June 30, 2022, adjusted EBITDA increased by $3,300 compared to the prior year. The increase in adjusted EBITDA was primarily due to higher revenue and gross margin, as well as an overall reduction in expenses as described above.

Update on Use of Proceeds

On March 17, 2021, the Company closed a bought-deal public offering with Research Capital Corporation, as sole bookrunner, and ATB Capital Markets Inc., as the co-lead 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 $5,750 (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.

The Company has committed the 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. The below table describes the Company's anticipated use of proceeds from the Offering, as disclosed in the short form prospectus of the Company dated March 10, 2021 relating to the Offering (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, 2022**	**Additional Use of Proceeds as at October 28, 2022**	**Use of Proceeds as at October 28, 2022**
Expand distribution network	New distribution partners	$200	$71	$29	$100
	New customer listing fees	$300	Nil	$100	$100
	Trade show activity	$100	Nil	$70	$70
	Advertising/trade support	$200	$126	$74	$200
	E-commerce distribution	$350	$291	$209	$500
Product launch initiatives	Packaging	$250	Nil	Nil	Nil
	Production costs	$350	$509	$191	$700
	Listing costs and fees	$300	Nil	$100	$100
	Launch of new Dream Water™ and LivRelief™ products	$267	Nil	$267	$267
Expand brand awareness	Paid media	$350	$726	$224	$950
	Sampling	$250	$34	$116	$150
	Partnerships	$275	$117	$108	$225
	E-commerce	$250	$88	$162	$250
	Public Relations	$150	$211	$89	$300
	Radio	$200	$2	Nil	$2
	Alternative brand driving tactics	$175	$263	Nil	$263
Create innovative line extensions	Research and development costs	$300	$45	$45	$90
	Consumer insights	$100	Nil	Nil	Nil
Working capital and general corporate purposes		$670	$770	Nil	$770
Underwriters Fee		$53	$53	Nil	$53
Total		**$5,090**	**$3,306**	**$1,784**	**$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.

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.

	2022 $	June 30 2021 $
Cash used in operating activities	**(4,441)**	(9,647)
Cash provided by (used in) investing activities	**1,350**	12,269
Cash provided by (used in) financing activities	**(309)**	446
Effect of foreign exchange on cash	**53**	(43)
Change in cash during the period	**(3,347)**	3,025

Cash used in operating activities was $4,441 for the year ended June 30, 2022 compared to $9,647 in the prior year. The $5,206 decrease in cash used is primarily due to a decrease in operational spending from the implementation of the Strategic Review.

Cash provided by investing activities was $1,350 for the year ended June 30, 2022, compared to $12,269 in the prior year. The $10,919 decrease in cash provided is mainly attributable to: (1) $8,200 cash received upon the closing of the Duncan Transaction; and (2) $3,050 cash received upon closing of the Greenbelt Transaction in the prior year.

Cash used in financing activities was $309 for the year ended June 30, 2022 compared to cash provided by financing activities of $446 for the same period in the prior year. The $755 decrease in cash used is due to $4,527 received on completion of the Offering, net of issuance costs, less (1) $1,500 repayment of the bridge facility from Costa LLP; and (2) $2,190 secured loan repaid to Hygrovest Limited (formerly, MMJ Group Holdings Limited), payment of lease liabilities in the amount of $238 and payment of ACOA in the same period last year.

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 $7,009 and $28,538 for the years ended June 30, 2022 and June 30, 2021, respectively. The Company had a negative operating cash flow of $4,441 for the year ended June 30, 2022 and an accumulated deficit of $169,854 as at June 30, 2022. The Company had a working capital surplus of $944 as of June 30, 2022 and the Company is expecting to improve working capital by selling certain non-operational assets. 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 consolidated 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, 2022	1,923	335	(2,251)	(0.01)
March 31, 2022	2,339	914	(1,677)	(0.01)
December 31, 2021	1,746	644	(1,630)	(0.01)
September 30, 2021	2,130	709	(1,454)	(0.01)
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)

Net revenue for the fourth quarter of fiscal 2022 decreased $248 compared to the fourth quarter of fiscal 2021 due to lower sales in the US which were offset by higher sales in Canada in the fourth quarter of fiscal 2021. Gross profit for the fourth quarter of fiscal 2022 increased by $609 compared to the fourth quarter of fiscal 2021 primarily due to write down of inventory to fair market value at the end of fiscal 2021. Net loss for the fourth quarter of fiscal 2022 decreased $6,531 compared to the fourth quarter of fiscal 2021 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 2022	As at the date of this MD&A
Common Shares	252,617,854	252,617,854
Bought Deal Warrants	37,096,700	37,096,700
Stock options	15,203,141	15,178,141
Bought Deal Compensation Options	2,596,769	2,596,769
Consultant Warrants	300,000	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	
	2022 $	2021 $
Salaries and benefits	**644**	1,018
Severance costs	**-**	450
Directors' fees	**240**	227
Share-based compensation	**229**	427
Total	**1,113**	2,122

a) *Payments to related parties*
As at June 30, 2022, there was $220 in directors' fees as follows: $55 to Andrew Bayfield, $55 to Jason Bednar, and $110 to Frank Holler (June 30, 2021 – $120 as follows: $30 to Andrew Bayfield, $30 to Jason Bednar, and $60 to Frank Holler) included in accounts payable and accrued liabilities.

b) *Severance payments*
During the year ended June 30, 2022, severance payments were nil. During the year ended June 30, 2021, the Company paid $450 to the former Chief Operating Officer and General Counsel and to the former Chief Administration Officer and Chief People Officer in accordance with the terms of a mutual separation agreement, which is included in severance and reorganization costs.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

During the year ended June 30, 2020, 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. Management's assessment as of June 30, 2021, based on its interpretation of the agreement and independent legal advice, was 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. The Company has accrued $250 as at June 30, 2021. In November 2021, the two parties reached an agreement to settle the entire claim in the amount of $35, which resulted in a $215 gain as a reduction in the Company's liabilities.

On March 19, 2022, Kadco Electric Inc. (the "Contractor"), a contractor of the Company's previous cannabis business of United Greeneries Operations LTD & United Greeneries Holdings LTD. issued a statement of claim against the Company claiming, among other things, breach of trust and unjust enrichment related to unpaid debt of $163. On July 25, 2022, the Company issued a statement of defense and counterclaim of $161 against the Contractor claiming, among other things, the Company had overpaid based for services rendered based on the life to date percentage of completion of the project conducted by the Contractor. The Company believes the claim made by the Contractor against the Company lacks merit and intends to vigorously defend this matter.

On July 19, 2022, the Consultant issued a statement of claim against the Company claiming, among other things, damages for breach of contract of $134 and an order for the delivery of the balance of the unissued Consultant Warrants. On September 14, 2022, the Company issued a statement of defence and counterclaim against the Consultant claiming, among other things, damages for negligent misrepresentation, breach of contract and breach of its duty of good faith and honest performance of its contractual obligations. On October 21, 2022, the Consultant issued a reply and defence to the counter-claim. The Company believes the claim made by the Consultant against the Company lacks merit and intends to vigorously defend this matter.

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 Company's board of directors (the "**Board**").

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, 2022, 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, 2022, 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, 2022, 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 $7,485 (June 30, 2021 - $9,835) and current liabilities of $6,541 (June 30, 2021 - $7,236) as at June 30, 2022. The Company has addressed 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, 2022, 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

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS. The non-IFRS measures presented may not be comparable to similar measures presented by other issuers.

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, 2022. 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 Delivra Health 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 Delivra Health 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 Delivra Health's business have the potential to influence its operations in a materially adverse manner.

Inflation Risk

General inflationary pressures may affect labour and other operating costs, which could have a material adverse effect on the Company's financial condition, results of operations and the capital expenditures required to advance the Company's business plans. There can be no assurance that any governmental action will be taken to control inflationary or deflationary cycles, that any governmental action taken will be effective or whether any governmental action may contribute to economic uncertainty. Governmental action to address inflation or deflation may also affect currency values. Accordingly, inflation and any governmental response thereto may have a material adverse effect on the Company's business, results of operations, cash flow, financial condition and the price of the Common Shares.

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. 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.

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 (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 any 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, 2022.

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:

- Inventory is valued at the lower of cost and net realizable value. Determining net realizable value requires the Company to make assumptions about estimated selling prices in the ordinary course of business and the estimated variable costs to sell. Determining cost requires the Company to make estimates surrounding capacity and to allocate both direct and indirect costs on a systematic basis.
- The assessment of any impairment on property, plant and equipment, right-of-use asset and intangible assets is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less costs of disposal and value in use, management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset specific risks.
- Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment. The

assessment of the useful lives and when the asset is available for use is dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

- In calculating share-based compensation expense, the Company includes key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's share price, and the risk-free interest rate.

- Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depends on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has adopted the following new or amended IFRS standards for the period beginning July 1, 2021.

Amendment to IAS 1: Classification of Liabilities as Current or Non-Current

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option.

The amendments state that:

- settlement of a liability includes transferring a company's own equity instruments to the counterparty, and;
- when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

The Company adopted the standard effective July 1, 2021 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, 2022.

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.