Harvest One Cannabis Inc.

Management's Discussion and Analysis

For the three and six months ended December 31, 2020

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes thereto of Harvest One Cannabis Inc. ("Harvest One" or "us" or "we" or "our" or the "Group" or the "Company") for the three months and six months ended December 31, 2020 and the audited annual consolidated financial statements for the year ended June 30, 2020, 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 March 1, 2021 and includes certain statements that may be deemed "forward-looking statements". Additional information relating to the Company, including the Company's Annual Information Form to be filed within the month of March 2021, 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", statements with respect to the Strategic Review (as defined herein), statements with respect to the completion of the Satipharm Transaction (as defined herein), statements with respect to the Offering (as defined herein) as well as statements regarding the Company's objectives, plans, goals, future operating results, economic performance and patient acquisition efforts 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

Expanded Broker Network

International Distribution Agreements

BUSINESS OVERVIEW

Harvest One is a global consumer packaged goods ("CPG") company that develops and distributes premium health, wellness, and self-care products with a market focus on sleep, pain, and anxiety. Harvest One is a uniquely positioned company in the cannabis space with a focus on cannabis infused and non-infused CPG. The Company is based in British Columbia ("BC"), 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 two distinct divisions; its Consumer Division consisting of Dream Products Inc. and its associated subsidiaries (collectively, "Dream Water Canada") and Delivra Corp. ("Delivra"), and its Medical and Nutraceutical Division consisting of Satipharm Limited and Satipharm AG and its associated subsidiaries (collectively, "Satipharm") and Phytotech Therapeutics Ltd. ("PhytoTech"). A core part of Harvest One's business model is to acquire established over-the-counter ("OTC") brands such as Dream Water and LivRelief™ that can be infused, capturing more consumers in the cannabis market. Harvest One then leverages its established distribution network to further grow its business, and uses its product development capabilities to create infused versions of the established over-the-counter brands.

On October 15, 2020, Harvest One completed the divestiture its 50.1% interest in Greenbelt Greenhouse Ltd. ("Greenbelt") as part of its broader strategy to focus on the higher margin segments of the cannabis value chain and its CPG brands (the "Greenbelt Transaction"). On February 16, 2021, the Company announced that it has entered into a definitive sale agreement (the "Satipharm Agreement") to sell all of the issued and outstanding shares of its wholly-owned subsidiaries Satipharm Limited, Satipharm AG, and PhytoTech to Cann Group Limited ("Cann Group" or the "Buyer"), 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 completion of the Satipharm Transaction, the Company will have 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. Further, the Company will cease to generate revenue from its medical and nutraceutical reporting segment, namely Satipharm and PhytoTech. Cash proceeds from the Satipharm Transaction will be used to reduce the current liabilities of Harvest One and fund its operations.

Consumer Division

Dream Water

Dream Water Canada is a consumer goods company with a specific focus on sleep aids in a variety of formats and formulations. Dream Water Canada currently produces convenient, travel-friendly, single serving 2.5oz liquid sleep shots 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 two easy to use formats: 74ml liquid sleep shots and 3g sleep powders.

The trademarked Dream Water SleepStat™ natural blend ("**SleepStat™ Natural 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 two different delivery methods: liquid and powder. The SleepStat™ Natural Blend offers consumers a unique formula driven around a 2:1 ratio of sleep to relaxation ingredients. Dream Water Company's first line extension is a beauty formulation which contains SleepStat™ Natural Blend and the beauty ingredients, biotin and collagen. Dream Water is also National Sanitation Foundation (NSF) certified for sport programs which allows the Company to sell products to professional sport teams and athletes who undertake drug testing.

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 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 two 50mg SKUs: (1) a CBD formulation containing 250mg of CBD and (2) a balanced 1:1 formulation containing 125mg of CBD and 125mg of THC.

Medical and Nutraceutical Division

Satipharm

Satipharm specializes in the development and manufacturing of cannabis-based medical and nutraceutical products and is Harvest One's medical and health brand. Satipharm's goal is to develop cutting-edge technology and pharmaceutical-grade cannabis products for the medical and health-based and wellness cannabis markets. Satipharm is an international medical cannabis brand with focus on oral delivery technologies for strategic entry into emerging medical cannabis markets and the existing CBD and medical cannabis markets in Europe, Canada, Australia, and Argentina, and expanding elsewhere around the globe when and where legal. Satipharm holds the exclusive global the marketing and distribution rights to Gelpell AG's ("Gelpell") Gelpell® Microgel technology for all cannabinoids. This includes the exclusive worldwide rights, subject to minimum purchase requirements, for the delivery of CBD, THC and/or other cannabinoid ingredients using the Gelpell® formulation and manufacturing know-how that is owned by Gelpell.

The Gelpell® Microgel process produces gelatin beads which are approximately 2 mm in diameter and contain a payload of concentrated cannabinoids. The cannabinoids are bound and protected by a three-dimensional natural gelatin matrix. Phase 1 clinical trial results demonstrated that when ingested, the gelatin beads create a micro-emulsion which substantially enhances the oral bioavailability of the cannabinoids and helps ensure accurate and consistent doses. These beads are formulated, encapsulated and packaged under Good Manufacturing Practices ("GMP") protocols into 10 milligram and 50 milligram capsules. Satipharm's current products are CBD only formulations, sold as CBD Gelpell® microsphere capsules (the "CBD Capsules"). The CBD Capsules utilize cannabis extracts sourced and processed in the European Union and manufactured in Switzerland-based GMP-certified production facilities. The CBD Capsules are contract manufactured by GelPell, located in Gähwil, Switzerland. GelPell is a contract manufacturer of food supplements and is licensed and GMP-certified by SwissMedic, the applicable Swiss regulatory authority.

On February 16, 2021, Harvest One announced that it had entered into the Satipharm Agreement to sell all of the issued and outstanding shares of Satipharm to the Cann Group as part of the Satipharm Transaction.

Phytotech

PhytoTech previously developed cannabinoid-based drug products for a variety of clinical trials to service the medical market and currently holds certain intellectual property associated with Satipharm products. Satipharm originally sublicensed the pharmaceutical application of the Gelpell® Microgel process to PhytoTech, an Israel-based company responsible for Satipharm's clinical development activities. PhytoTech was responsible for administrating the successful clinical trials using Satipharm's proprietary CBD Capsules. Following the acquisition of PhytoTech in November 2018, Satipharm now holds and manages the licences for the pharmaceutical application of the Gelpell® Microgel process as part of Satipharm's clinical development activities.

On February 16, 2021, Harvest One announced that it had entered into the Satipharm Agreement to sell all of the issued and outstanding shares of Phytotech to the Cann Group as part of the Satipharm Transaction.

Our Brands

Global Distribution

KEY FINANCIAL RESULTS

Select Financial Information	For the three months ended December 31 2020 $	2019 $	For the six months ended December 31 2020 $	2019 $
Net revenue	**1,936**	1,911	**3,758**	3,639
Gross profit	**1,003**	338	**1,448**	675
Expenses	**11,938**	12,494	**15,029**	17,349
Loss from operations	**(10,935)**	(12,156)	**(13,581)**	(16,674)
Loss from discontinued operations	**(3,260)**	(3,838)	**(4,214)**	(4,534)
Net loss attributable to common shareholders	**(14,286)**	(15,991)	**(18,040)**	(21,252)
Net loss per share – basic and diluted	**(0.06)**	(0.07)	**(0.08)**	(0.10)
Weighted average number of Common Shares	**215,079,486**	214,753,945	**215,079,486**	214,207,173
Adjusted EBITDA[(1)]	**(1,275)**	(2,057)	**(2,668)**	(5,277)

(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-GAAP measure discussed in the "Adjusted EBITDA" section.

Select Statements of Financial Position Information	December 31 2020 $	June 30 2020 $
Cash	**1,443**	1,406
Current assets	**13,810**	28,413
Non-current assets	**13,883**	29,431
Current liabilities	**9,811**	19,194
Non-current liabilities	**2,147**	2,080
Equity	**15,735**	36,570

SIGNIFICANT AND RECENT DEVELOPMENTS

Corporate

a) Review of Strategic Alternatives

On February 12, 2020, the Company's Board of Directors 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 of Directors appointed a special committee of independent directors (the "Special Committee") to oversee the Strategic Review.

As part of the Strategic Review during the three and six months ended December 31, 2020, the Company completed the Greenbelt Transaction on October 15, 2020, resulting in the sale of its 50.1% majority interest in Greenbelt for cash proceeds of approximately $2,850. The divestiture of Greenbelt will provide additional cash proceeds to support the expansion of the Company's core business lines and continuing operations.

On February 16, 2021, the Company also announced that it has entered into the Satipharm Agreement to sell all of the issued and outstanding shares of its wholly-owned subsidiaries Satipharm Limited, Satipharm AG and PhytoTech to the Cann Group. Pursuant to the terms of the Satipharm Transaction, the Buyer will issue ordinary shares of Cann Group representing total aggregate consideration of approximately $4,000, subject to certain adjustments pursuant to the provisions of the Satipharm Agreement.

b) Completion of Strategic Review

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. The Satipharm Transaction is subject to the satisfaction or waiver of a number of conditions under the Satipharm Agreement, including the receipt of any applicable regulatory approvals. The Satipharm Transaction is anticipated to close before the end of the first calendar quarter of 2021. Following completion of the Satipharm Transaction, the Company will have 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. Further, the Company will cease to generate revenue from its medical and nutraceutical reporting segment, namely Satipharm and PhytoTech. The Satipharm Transaction is a key milestone for Harvest One in the successful completion of the Company's previously-announced Strategic Review process.

c) 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. 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 of Directors. 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 of Directors 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.

d) Equity Financing

On February 24, 2021 and February 25, 2021, the Company announced that it had entered into an agreement with Mackie Research Capital Corporation and ATB Capital Markets Inc., as the co-lead underwriters (together, the "Underwriters"), pursuant to which the Underwriters have agreed to purchase, on a bought-deal basis, 32,258,000 units of the Company (the "Units") at a price of C$0.155 per Unit (the "Issue Price") for gross proceeds to the Company of approximately $5,000 (the "Offering").

Each Unit will consist of one Common Share and one Common Share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of $0.195 (the "Exercise Price") at any time up to 36 months following closing date of the Offering (the "Closing Date").

The Company has granted the Underwriters an option (the "Over-Allotment Option"), exercisable in part or in whole at the Underwriters' discretion, at any time until thirty (30) days following the Closing Date, to purchase up to the number of additional Units, and/or the components thereof, equal to 15% of the aggregate number of Units sold in the Offering to cover over-allotments, if any, and for market stabilization purposes.

In connection with the Offering, the Company will pay the Underwriters a cash fee equal to 7.0% of the gross proceeds of the Offering, including proceeds raised from the exercise of the Over-Allotment Option. In addition, The Company will grant the Underwriters non-transferable compensation options (the "Compensation Options") equal to 7.0% of the number of Units issued pursuant to the Offering, including those issued in connection of the Over-Allotment Option. Each Compensation Option will entitle the holder to acquire one Unit of the Company at a price of $0.155 per Unit at any time prior to the date which is 36 months following the Closing Date.

The closing of the Offering is subject to certain conditions including, but not limited to, the Company receiving all necessary regulatory approvals, including the approval of the TSXV, and the securities regulatory authorities, and the satisfaction of other customary closing conditions.

Product Development and Licensing

a) US Patent Covering Gelpell® Technology

On November 12, 2020, the Company announced that the United States Patent and Trademark Office has granted Satipharm US Pat No. 10,555,906 covering Satipharm's proprietary Gelpell® technology. This issued patent, titled "Oral solid cannabinoid formulations, methods for producing and use thereof", protects Satipharm's licenced Gelpell® technology in the United States with respect to diverse cannabinoid formulations, including pure CBD products and combinations of cannabinoids such as full spectrum products. The patent covers compositions including oral solid dosage forms and also covers therapeutic applications for the treatment of various disorders and conditions.

Expanded Distribution and Supply Agreements

a) Cannabis New Brunswick Supply Agreement

On December 8, 2020, the Company announced its new provincial agreement with Cannabis New Brunswick, expanding its distribution of LivRelief infused topicals across Canada. LivRelief infused products are available nationally through Medical Cannabis by Shoppers™ as well as in six provinces, including Ontario, British Columbia, Alberta, Saskatchewan, Manitoba and now in the growing New Brunswick market.

b) Dream Water Expanded Distribution in the United States and Internationally

On December 15, 2020, the Company announced that it expanded the distribution network for its Dream Water branded products via increased brokerage coverage throughout the United States as well as additional international distribution agreements. The Company has recently added three prominent brokers for its Dream Water brand – Seidman Food Brokerage, Carlin Group and The Bureau of Brand Management – in order to increase brand coverage nationally and develop new channels for additional growth. The expanded broker network will focus on new emerging channels for Dream Water

products including natural health food, as well as further developing existing channels of grocery, mass, convenience and drug. Additionally, there will be an increased focus on the Company's Direct Store Delivery distribution model which will significantly increase market coverage of independent retailers across the United States.

On February 10, 2021, the Company announced that it has further expanded its international presence with the signing of a distribution agreement (the "Distribution Agreement") with leading distributor Golden River Services Ltd. ("Golden River"), based in China. Under the Distribution Agreement, Golden River will sell and distribute Dream Water products throughout China and other Asian countries, including Hong Kong, Macao and Taiwan.

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 three and six months ended December 31, 2020.

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 growth, cultivation, 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 on completing the Strategic Review and closely monitoring the development of COVID-19 to focus its resources on navigating and adapting to the situation as it unfolds. The Company remains optimistic regarding its Strategic Review to refocus on its core strengths as described above. 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 two formats – a CBD-only formulation containing 250mgs of CBD and a 1:1 format formulation with 125mgs of THC and 125mgs of CBD. 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.

FINANCIAL REVIEW

The table below outlines gross profit and gross margin for the three and six months ended December 31, 2020 and 2019, respectively:

	For the three months ended December 31		For the six months ended December 31	
	2020 $	2019 $	2020 $	2019 $
Net revenue	**1,936**	1,911	**3,758**	3,639
Cost of sales	**1,218**	1,573	**2,288**	2,964
Inventory write-down/(reversal)	**(285)**	—	**22**	—
Gross profit	**1,003**	338	**1,448**	675
Gross margin	**52%**	18%	**39%**	19%

Net revenue

Net revenue for the three and six months ended December 31, 2020 is comprised of sales of: (1) $1,236 and $2,220 for the Dream Water brand (2019 – $1,293 and $2,546); (2) $379 and $551 for the Delivra LivRelief brand (2019 – $618 and $1,093); and (3) $321 and $987 for the LivRelief™ cannabis-infused topical creams in Canada (2019 – $nil and $nil).

For the three and six months ended December 31, 2020, net revenue was $1,936 and $3,758, compared to $1,911 and $3,639 in the same periods in the prior year. The $25 increase and $119 increase in net revenue were due to organic growth in the Consumer segment, in addition to Cannabis 2.0 products that rolled out in Q4 of the prior fiscal year.

Cost of sales

For the three and six months ended December 31, 2020, cost of sales was $1,218 and $2,288, compared to $1,573 and $2,964 in the same periods in the prior year. The $355 and $676 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 three and six months ended December 31, 2019 was a $412 and $769 non-cash fair value charge on inventory related to the acquisition of Delivra.

Inventory write-down/(reversal)

For the three and six months ended December 31, 2020, inventory write-down/(reversal) was $(285) and $22, compared to $nil and $nil in the same periods in the prior year. The Company regularly assesses the net realizable value of its inventory and, in the first quarter of the current fiscal year, recognized a write-down of $307 to reduce the carrying amount of its raw materials inventory. In the current quarter, the raw materials inventory was deemed to be utilizable and the write-down was subsequently reversed.

Gross margin

Gross margin for the three and six months ended December 31, 2020 was 52% and 39%, compared to 18% and 19% in the same periods in the prior year. The increase was attributable to: (1) the non-cash fair value charge on inventory related to the acquisition of Delivra, and (2) the reversal of the inventory write-down recognized in the first quarter of the current fiscal year, both as described above.

Expenses

	For the three months ended December 31		For the six months ended December 31	
	2020 $	2019 $	2020 $	2019 $
General and administration	**1,826**	2,622	**3,625**	5,656
Sales and marketing	**167**	471	**350**	960
Acquisition costs	**—**	33	**—**	33
Research and development	**—**	86	**—**	198
Depreciation and amortization	**560**	528	**1,114**	1,051
Share-based compensation	**200**	509	**592**	1,206
Severance and reorganization costs	**—**	345	**163**	345
Asset impairment and write-downs	**9,185**	7,900	**9,185**	7,900
	11,938	12,494	**15,029**	17,349

Total expenses decreased by $556 and $2,320 for the three and six months ended December 31, 2020 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 sales and marketing expenses from cost reductions, and (3) decrease in share-based compensation, severance and reorganization costs as the Strategic Review drew to a conclusion. This decrease is offset by an increase in asset impairment charges. The changes in expenses are detailed as follows:

General and administration

General and administration expenses decreased by $796 and $2,031 for the three and six months ended December 31, 2020, 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 in February 2020. 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 decreased by $304 and $610 for the three and six months ended December 31, 2020, compared to the same periods in the prior year, primarily due to cost reductions.

Research and development

Research and development expenses decreased by $86 and $198 for the three and six months ended December 31, 2020, compared to the same periods 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 increased by $32 and $63 for the three and six months ended December 31, 2020, compared to the same periods in the prior year, due to the amortization of intangible assets which were previously recognized as indefinite-life assets.

Share-based compensation

Share-based compensation decreased by $309 and $614 for the three and six months ended December 31, 2020, compared to the same periods in the prior year. The decrease is attributable to certain tranches of options having become fully vested, resulting in a lower overall share-based compensation expense during the period ended December 31, 2020.

Severance and reorganization costs

Severance and reorganization costs decreased by $345 and $182 for the three and six months ended December 31, 2020, 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. No severance and reorganization costs were incurred for the three months ended December 31, 2020. Severance and reorganization costs of $163 were incurred during the first quarter of the current fiscal year, primarily due to $150 paid to the former Chief Operating Officer and General Counsel in accordance with the terms of a mutual separation agreement.

Asset impairment and write-downs

Asset impairment and write-downs increased by $1,285 and $1,285 for the three and six months ended December 31, 2020, compared to the same periods in the prior year, due to the write-off of capitalized costs in construction in progress.

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. ("United Greeneries") 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"). On October 15, 2020, the Company completed the Greenbelt Transaction.

On February 16, 2021, the Company announced it had entered into the Satipharm Agreement with respect to the completion of the Satipharm Transaction. For the three and six months ended December 31, 2020, net revenue from Satipharm was $224 and $309 (2019 – $107 and $406), gross profit was $119 and $218 (2019 – $24 and $76), and expenses were $621 and $1,065 (2019 – $726 and $1,495). It is expected that upon completion of the Satipharm Transaction, net revenue of the Company will decrease, though such decrease will be offset by a greater decrease in the Company's expenses, resulting in an overall higher gross profit.

Results from all discontinued operations

	For the three months ended December 31		For the six months ended December 31	
	2020 $	2019 $	2020 $	2019 $
Net revenue	**225**	(143)	**968**	2,193
Gross loss	**(1,253)**	(272)	**(1,616)**	656
Expenses	**703**	3,520	**1,454**	5,121
Loss from discontinued operations	**(3,260)**	(3,838)	**(4,214)**	(4,534)

Other (expense) income

	For the three months ended December 31		For the six months ended December 31	
	2020 $	2019 $	2020 $	2019 $
Interest and finance costs	**(96)**	(87)	**(245)**	(149)
Loss on investment in associate	**—**	(72)	**—**	(223)
Foreign exchange gain	**5**	(2)	**—**	(5)
	(91)	(161)	**(245)**	(377)

Other expense decreased by $70 and $132 for the three months and six months ended December 31, 2020, compared to the same periods in the prior year. The decrease is primarily attributable to the sale of Burb Cannabis Corp. ("Burb") recognized during the current calendar year.

Interest and finance costs

Interest and finance costs increased by $9 and $96 for the three and six months ended December 31, 2020, compared to the same periods in the prior year, due to interest paid on the loan payable to MMJ, which was fully repaid during the first quarter of the current fiscal year upon the closing of the Duncan Transaction.

Loss on investment in associate

Loss on investment in associate decreased by $72 and $223 for the three and six months ended December 31, 2020, compared to the same period in the prior year, due to the sale of the Company's 19.99% equity investment in Burb on February 25, 2020, resulting in no further recognition of losses on investment in associate.

Adjusted EBITDA (non-GAAP measure)

	For the three months ended December 31		For the six months ended December 31	
	2020 $	2019 $	2020 $	2019 $
Loss from operations	**(10,935)**	(12,156)	**(13,581)**	(16,674)
Inventory write-down/(reversal)	**(285)**	—	**22**	—
	(11,220)	(12,156)	**(13,559)**	(16,674)
Asset impairment and write-downs	**9,185**	7,900	**9,185**	7,900
Fair value adjustment in cost of sales	**—**	412	**—**	769
Depreciation and amortization	**560**	528	**1,114**	1,051
Share-based compensation	**200**	509	**592**	1,206
Issuance of common shares for services	**—**	750	**—**	471
	9,945	10,099	**10,891**	11,397
Adjusted EBITDA	**(1,275)**	(2,057)	**(2,668)**	(5,277)

For the three and six months ended December 31, 2020, adjusted EBITDA increased by $782 and $2,609, compared to the same periods in the prior year, primarily due to higher revenue, higher gross margin, and an overall decrease in expenses as described above.

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.

	For the six months ended December 31	
	2020 $	2019 $
Cash used in operating activities	**(7,136)**	(14,608)
Cash provided by (used in) investing activities	**11,366**	(4,649)
Cash used in financing activities	**(3,791)**	(201)
Effect of foreign exchange on cash	**(402)**	(63)
Change in cash during the period	**37**	(19,521)

Cash used in operating activities was $7,136 for the six months ended December 31, 2020, compared to $14,608 for the same period in the prior year. The $7,472 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.

Cash provided by investing activities was $11,366 for the six months ended December 31, 2020, compared to cash used of $4,649 for the same period in the prior year. The $16,015 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; and (3) $26 purchases of property, plant and equipment during the current quarter due to the suspension of the Lucky Lake project in calendar 2020.

Cash used in financing activities was $3,791 for the six months ended December 31, 2020, compared to cash used in financing activities of $201 for the same period in the prior year. The overall increase in cash used is attributable to the repayment of: (i) $1,500 bridge facility from Costa LLP, including the $25 commitment fee under the facility; and (ii) secured loan from MMJ, including interest and legal fees, totaling $2,206; from Costa LLP with proceeds received upon the closing of the Duncan Transaction.

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 equity and debt subscriptions for securities of the Company. 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 a consolidated net loss of $14,286 and $18,040 for the three and six months ended December 31, 2020 and negative operating cash flows of $7,136 for the six months ended December 31, 2020 and an accumulated deficit of $152,347 as at December 31, 2020. 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 $
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	452	(35,410)	(0.16)
December 31, 2019	1,911	338	(16,155)	(0.07)
September 30, 2019	1,728	337	(5,430)	(0.02)
June 30, 2019	1,854	964	(13,707)	(0.07)
March 31, 2019	1,083	483	(5,131)	(0.03)

Net revenue for the second quarter of fiscal 2021 increased compared to the first quarter of fiscal 2021 due to organic revenue growth in both Dream Water and Delivra. Gross profit for the second quarter of fiscal 2021 increased compared to the first quarter of fiscal 2021 primarily due to $307 of inventory write-downs to net realizable value. In the second quarter, the raw materials inventory was sold and the write-down was subsequently reversed. Net loss for the second quarter of fiscal 2021 increased compared to the first quarter of fiscal 2021 primarily due to the write-off of capitalized costs in construction in progress and inventory from discontinued operations.

SHARE CAPITAL

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

	December 31 2020	As at the date of this MD&A
Common stock	215,079,486	215,454,487
Secondary warrants	100,002	100,002
Dream Water warrants	517,000	517,000
MMJ warrants	17,083,333	17,083,333
Stock options	17,442,239	15,312,861

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 three months ended December 31		For the six months ended December 31	
	2020 $	2019 $	2020 $	2019 $
Salaries and benefits	**243**	369	**473**	920
Severance costs	**—**	73	**150**	73
Directors' fees	**62**	33	**110**	66
Share-based compensation	**78**	416	**261**	847
Total	**383**	891	**994**	1,906

a) *Payments to related parties*

As at December 31, 2020, there were $98 in directors' fees included in accounts payable and accrued liabilities, payable as follows: $14 Andrew Bayfield, $24 Jason Bednar, and $60 Frank Holler (June 30, 2020 – $117 payable as follows: $27 Peter Wall, $27 Jason Bednar, and $63 Frank Holler).

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

b) *Severance payments*

During the three and six months ended December 31, 2020, the Company paid $nil and $150 in severance costs. In the first quarter of the current fiscal year, $150 in severance payments were made to Andrew Kain, the former Chief Operating Officer and General Counsel of the Company, in accordance with the terms of a mutual separation agreement.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company and its subsidiaries enter into contractual agreements from time to time relating to on-going business activities. As at December 31, 2020, the Company has the following total commitments:

	Less than 1 year $	Total $
Capital commitments	594	594
	594	**594**

a) *Capital commitments*

Capital commitments include amounts committed for Gelpell® production equipment.

b) *Litigation*

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. As of the date of this MD&A, the summary judgement hearing has not been 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 $415, 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.

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 of Directors 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 December 31, 2020, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD"), Euros ("Euros"), British Pounds ("GBP"), Swiss Francs ('CHF"), Australian Dollars ("AUD"), and Israeli New Shekel ("ILS"). A 10% appreciation (depreciation) of USD, Euros, GBP, CHF, AUD, or ILS 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 December 31, 2020, the Company is not exposed to any significant credit risk.

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 December 31, 2020, 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 $13,810 (June 30, 2020 - $28,413) and current liabilities of $9,811 (June 30, 2020 - $19,194) as at December 31, 2020. The Company 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 Transaction. 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 three months ended December 31, 2020, there were no transfers of amounts between fair value levels.

Cash is 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-GAAP MEASURES

Adjusted EBITDA and gross margin before fair value adjustments are non-GAAP measures used by management that do 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. Management defines gross margin before fair value adjustments as a percentage of gross profit (loss) before fair value adjustments of accounting for biological assets and inventory over net revenue. Management believes both measures are useful financial metrics 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.

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 in North America and Australia have now begun enacting 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 Management’s Discussion and Analysis dated October 28, 2020, 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:

- The Company can provide no assurance that it will be able to generate sufficient free cash flow or obtain financing to meet its growth needs;
- Harvest One may not be able to achieve or maintain profitability and may continue to incur significant losses in the future;
- Harvest One does not use derivative instruments or hedges to manage risks because Harvest One’s exposure to credit risk, interest rate risk and currency risk is small;
- The Company is subject to liquidity risks which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond the Company’s control;
- Harvest One is exposed to foreign currency risk related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in a foreign currency;
- The Company may be subject to claims or complaints from investors in the ordinary course of business;
- The market price for Harvest One’s Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Harvest One's control;
- The Lucky Lake Facility is currently not licensed by Health Canada under the Cannabis Regulations as a facility where the cultivation of cannabis is permitted;
- The construction of the Lucky Lake Facility is subject to various potential problems and uncertainties and such construction and expansion may be delayed or adversely affected by a number of factors beyond Harvest One's control;
- Harvest One is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries;
- The success of cannabis 2.0 products may be significantly influenced by the public's perception of cannabis' medicinal and recreational applications;
- Harvest One relies on third party transportation services to deliver its products to its customers;
- Harvest One may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;
- The Company may have or has integration risks associated with all of its acquisitions;
- The anticipated benefits of new partnerships the Company is pursuing may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its future prospect for acquisitions or partnerships;
- The success of Harvest One is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key employees;
- Certain of Harvest One’s directors and officers are also directors and operators of other companies;
- MMJ is Harvest One's largest shareholder and will have a significant influence on determining the outcome of any corporate transaction or other matter submitted to shareholders for approval;
- Harvest One has not paid dividends in the past and does not anticipate paying dividends in the near future;
- There can be no assurance that an active and liquid market for Common Shares will be maintained and an investor may find it difficult to resell any securities of Harvest One;
- Harvest One may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company’s lawful cannabis business activities;
- The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success;
- Harvest One may be affected by possible political or economic instability;
- An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult;
- There is a risk that banking institutions in countries where the Company operates or intends to operate in the future will not accept payments related to the cannabis industry;
- The introduction of new products embodying new technologies and regulatory developments may render the Company’s equipment obsolete and its products and services less competitive or less marketable;

- The Company holds finished goods in inventory and its inventory has a shelf life;
- The Company may not be able to maintain an effective quality control system;
- The Company's manufacturing processes are dependent upon third party contract manufacturers who own certain critical pieces of equipment which, on occasion, will be out of service due to routine scheduled maintenance or as a result of equipment failures;
- The Company is subject to credit risk of its customers, and its profitability and cash flow are dependent on receipt of timely payments from customers;
- Sales of the Company's products may be made pursuant to individual purchase orders or contracts and not under long-term commitment;
- The Company may in the future expand into other geographic areas, which could increase its operational, regulatory, compliance, reputational and foreign exchange rate risks;
- The Company's operations at various times may be exposed to political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction;
- The legal and regulatory requirements and local business culture and practices in the foreign countries in which the Company may expand are different from those in which it currently operates;
- The trading market for the Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Company or its business;
- The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions;
- There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor;
- Harvest One, and its subsidiaries, operate in a new industry which is highly regulated, highly competitive and evolving rapidly, and as such management may not be able to predict all such risks or be able to predict how such risks may result in actual results;
- Harvest One will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters;
- Harvest One's operations are subject to a variety of laws, regulations and guidelines relating to the processing, management, transportation, storage, sale and disposal of medical and recreational cannabis infused products, but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment;
- The impact of changes in the regulatory enforcement by Health Canada under the Cannabis Act and the Cannabis Regulations, particularly in respect of product packaging, labelling, marketing, and advertising and promotions and product approvals and its impact on Harvest One's business are currently unknown;
- The evolving legal regime presents a risk to Harvest One in that legislators or the court may adopt changes that would have a negative impact on the business, financial condition or results of operations of the Company;
- Restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental, quasi-governmental bodies or voluntary industry associations may adversely affect Harvest One's ability to conduct sales and marketing activities and could have a material adverse effect on Harvest One's respective businesses, operating results and financial conditions;
- The Company has operations in international markets and may have operations in emerging markets in the future, which may expose the Company to the socioeconomic conditions as well as the laws governing the cannabis industry in such countries;
- The price of processing, sale and distribution of cannabis infused products will fluctuate widely due to how young the cannabis industry is and is affected by numerous factors beyond Harvest One's control;
- Harvest One faces the inherent risk of product liability claims, regulatory actions and litigation if its products are alleged to have caused loss or injury;
- If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall;
- While Harvest One believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for all the risks and hazards to which Harvest One is exposed;
- Although Harvest One believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis;

- The ability of Harvest One to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components;
- Harvest One may decide to invest with certain strategic investors and/or other third parties through joint ventures or other entities, and these parties may have different interests or superior rights to those of Harvest One;
- Harvest One must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry; and
- The Company is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity.

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, 2020.

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 fair values its biological assets and inventory which requires estimates and assumptions on the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, average selling price, wastage and expected yields for the cannabis plants.
- 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.

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 three months ended December 31, 2020.

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.