Harvest One Cannabis Inc.

Management's Discussion and Analysis

For the three and six months ended December 31, 2021

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 "Company") for the three and six months ended December 31, 2021, and the audited annual consolidated financial statements for the year ended June 30, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in thousands of Canadian dollars, except for share and per share amounts, unless otherwise stated. This MD&A has been prepared as of March 1, 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 relating to the recreational and medical cannabis industry contained within this MD&A are based on third-party information from publicly available government sources, market research and industry analysis. While the Company is not aware of any misstatement regarding any industry or government data presented herein, we have not independently verified any such third-party information.

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

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

OUR GLOBAL FOOTPRINT

BUSINESS OVERVIEW

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

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

Following the completion of the sale of all of the issued and outstanding shares of its wholly-owned subsidiaries, Satipharm Limited, Satipharm AG, and PhytoTech Therapeutics Ltd. (collectively, "Satipharm") to Cann Group Limited ("Cann Group"), the Company has fully transitioned to become a cannabis-focused CPG company, with a differentiated corporate strategy to develop, commercialize, market and sell both infused and non-infused consumer products.

Our Brands

Dream Water™

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

The trademarked Dream Water™ SleepStat™ blend ("SleepStat™ Blend") was first developed in response to the need for an effective alternative to traditional antihistamine based OTC and prescription sleep-aids, and is a combination of three active ingredients: melatonin, gamma-aminobutyric acid, and 5-hydroxytryptophan.

Dream Water™ currently has one distinct product line, with three different delivery methods: liquid, gummies and powder. The SleepStat™ Blend offers consumers a unique formula ratio of sleep to relaxation ingredients. 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 agreementsunder the new Cannabis 2.0 regulations. LivRelief™ infused topical products were one of the first topicals to enter the Canadian market under the new Cannabis 2.0 legislation and have already firmly established themselves as key products in the category. The topical creams are available in: (1) a CBD formulation containing 250mg of CBD; (2) a balanced 1:1 formulation containing 125mg of CBD and 125mg of THC; and (3) an Extra Strength 750mg CBD formulation.

Global Distribution

KEY FINANCIAL RESULTS

Select Financial Information	For the three months ended December 31 2021 $	2020 $	For the six months ended December 31 2021 $	2020 $
Net revenue	**1,746**	1,936	**3,876**	3,758
Gross profit	**644**	1,003	**1,353**	1,448
Expenses	**2,373**	11,938	**4,546**	15,029
Loss from operations	**(1,729)**	(10,935)	**(3,193)**	(13,581)
Loss from discontinued operations	**-**	(3,260)	**-**	(4,214)
Net loss attributable to common shareholders	**(1,630)**	(14,286)	**(3,083)**	(18,040)
Net loss per share – basic and diluted	**(0.01)**	(0.06)	**(0.01)**	(0.08)
Weighted average number of Common Shares	**252,617,854**	215,079,486	**252,617,854**	215,079,486
Adjusted EBITDA[(1)]	**(954)**	(1,275)	**(1,732)**	(2,668)

(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	December 31 2021 $	June 30 2021 $
Cash	**2,230**	4,431
Current assets	**7,131**	9,835
Non-current assets	**7,957**	9,228
Current liabilities	**6,300**	7,236
Non-current liabilities	**1,648**	1,850
Equity	**7,140**	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., 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 Harvest One 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.

Corporate

e) Consulting Agreement

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

On September 27, 2021, the Company issued 300,000 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 equal to the greater of the: (i) market price of the Common Shares on the day immediately prior to the date of issuance of the Consultant Warrants; and (ii) volume weighted average trading price of the Common Shares during the 30 full trading days immediately prior to the date of issuance of the Consultant Warrants; and will expire 24 months from the date of issuance.

Impact of the COVID-19 Pandemic

In March 2020, 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 since its implementation.

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

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

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

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

OUTLOOK

Management anticipates sales volumes, net revenues, and adjusted EBITDA to improve throughout the next fiscal year due to a full year of new 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

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

Consumer

Dream Water™ continues to be forward-thinking with respect to 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

The table below outlines gross profit and gross margin for the three and six months ended December 31, 2021 and 2020, respectively:

	For the three months ended December 31		For the six months ended December 31	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Net revenue	**1,746**	1,936	**3,876**	3,758
Cost of sales	**941**	1,218	**2,362**	2,288
Inventory write-down/(reversal)	**161**	(285)	**161**	22
Gross profit	**644**	1,003	**1,353**	1,448
Gross margin	**37%**	52%	**35%**	39%

Net revenue

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

For the three and six months ended December 31, 2021, net revenue was $1,746 and $3,876, compared to $1,936 and $3,758 in the same periods in the prior year. For the three months ended December 31, 2021, the $190 decrease is attributed to the decrease in US Dream Water ™ sales and a decrease in LivRelief™ sales in Canada as a result of supply chain disruptions and labour shortages stemming from Omicron wave of the COVID-19 pandemic in fiscal Q2 2022. For the six months ended December 31, 2021, the $237 increase in net revenue was mainly due to the increase in Dream Water ™ sales in the US, which was offset by a reduction in sales in Canada.

Cost of sales

For the three and six months ended December 31, 2021, cost of sales was $941 and $2,362, compared to $1,218 and $2,288 in the same period in the prior year. The $277 decrease and $74 increase in cost of sales were primarily due to decreased and increased sales volumes in the respective periods. During the three and six months ended December 31, 2021, the inventory write-down was $161 (2021 - write-down/reversal ($285) and $22).

Gross margin

Gross margin for the three and six months ended December 31, 2021 was 37% and 35%, compared to 52% and 39% in the same period in the prior year. The decrease was primarily attributable to the timing of inventory write-downs.

Expenses

	For the three months ended December 31		For the six months ended December 31	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
General and administration	**1,157**	1,826	**2,232**	3,625
Sales and marketing	**602**	167	**1,014**	350
Depreciation and amortization	**527**	560	**1,064**	1,114
Share-based compensation	**87**	200	**236**	592
Severance and reorganization costs	**-**	-	**-**	163
Asset impairment and write-downs	**-**	9,185	**-**	9,185
	2,373	11,938	**4,546**	15,029

Total expenses decreased by $9,565 and $10,483 for the three and six months ended December 31, 2021 compared to the same periods in the prior year. The decrease is primarily due to lower general and administration expenses and no asset impairment and write-downs as described below.

General and administration

General and administration expenses decreased by $669 and $1,393 for the three and six months ended December 31, 2021 compared to the same period in the prior year due to the Company's continued focus on operational improvements leading to cost reductions since the announcement of a strategic review on February 12, 2020 (the "Strategic Review"), which was ultimately completed on March 29, 2021. 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 increased by $435 and $664 for the three and six months ended December 31, 2021 compared to the same period in the prior year. The increase is primarily due to planned increased limits on expanding the Company's distribution network, product launches and brand awareness.

Share-based compensation

Share-based compensation decreased by $113 and $356 for the three and six months ended December 31, 2021 compared to the same period in the prior year. The decrease is mainly 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, 2021.

Severance and reorganization costs

There was no severance and reorganization costs for three and six months ended December 31, 2021 due to the completion of the Strategic Review during the year ended June 30, 2021. Such costs were nil and $163 during the same period in the prior year as the Strategic Review had not yet commenced.

Asset impairment and write-downs

There were no asset impairment and write-downs for three and six months ended December 31, 2021. During the three and six months ended December 31, 2020, there were $9,185 and $9,185, respectively, in asset impairment and write-downs resulting from capitalized construction costs at the Company's Lucky Lake facility.

Other (expense) income

Other expense decreased by $190 and $355 for the three and six months ended December 31, 2021 compared to the same period in the prior year. The decrease is primarily attributable to the settlement of accounts payable and debt in addition to loan forgiveness, offset by the unrealized loss recognized on the fair valuation of shares in the Cann Group.

	For the three months ended December 31		For the six months ended December 31	
	2021 $	2020 $	2021 $	2020 $
Interest and finance costs	(79)	(96)	(87)	(245)
Loss on assets disposal	-	-	(67)	-
Gain from debt/accounts payable settlement/forgiveness and other refunds	150	-	393	-
Unrealized (loss)/gain on short term investment	34	-	(110)	-
Foreign exchange loss/(gain)	(6)	5	(19)	-
	99	(91)	110	(245)

Interest and finance costs

Interest and finance costs decreased by $17 and $158 for the three and six months ended December 31, 2021 compared to the same period in the prior year, given the interest paid on the secured loan of $2,000 (the "MMJ Loan") payable to MMJ Group Holdings Limited, which loan was fully repaid during the first quarter of the previous fiscal year upon the completion of 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").

Loss on disposal of assets

Loss on disposal of assets increased by nil and $67 for three and six ended December 31, 2021, compared to the same periods in the prior year, primarily due to the Lucky Lake construction-in-progress disposal loss of $55.

Gain from contingency debt settlement and other refunds

Gain from the contingency debt settlement and other refunds increased by $150 and $393 for the three and six ended December 31, 2021 as a result of the reduction of the contingent liability related to the settlement of the civil claim against the United Greeneries Operations, loan forgiveness and accounts payable settlements.

Unrealized (loss)/gain

Unrealized loss decreased by $34 and increased by $110 for the three and six months ended December 31, 2021 compared to same period in the prior year as a result of the fair market value adjustment related to the Company's short-term investment in the shares of Cann Group.

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 inventories, asset impairment and write-downs, discontinued operations and other non-cash items.

Adjusted EBITDA, as calculated by the Company, may not be comparable to similar measures presented by other issuers – see "Non-IFRS Measures".

	For the three months ended December 31		For the six months ended December 31	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Loss from operations	**(1,729)**	(10,935)	**(3,193)**	(13,581)
Inventory write-down/(reversal)	**161**	(285)	**161**	22
	(1,568)	(11,220)	**(3,032)**	(13,559)
Asset impairment and write-downs	**-**	9,185	**-**	9,185
Depreciation and amortization	**527**	560	**1,064**	1,114
Share-based compensation	**87**	200	**236**	592
	614	9,945	**1,300**	10,891
Adjusted EBITDA	**(954)**	(1,275)	**(1,732)**	(2,668)

For the three and six months ended December 31, 2021, adjusted EBITDA was ($954) and ($1,732) compared to ($1,275) and ($2,668) in the same period in the prior year. The $321 and $936 increase in adjusted EBITDA was primarily due to a decrease in expenses resulting in a lower loss from operations, in addition to the recapture of non-cash expenses as described under the headings "Gross Margin" and "Expenses" above.

Update on Use of Proceeds

On March 17, 2021, the Company closed a bought-deal public offering with Mackie 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. As of the date of this MD&A, there have not been, and the Company does not anticipate, any changes to its previously made disclosure about the Company's intended use of proceeds from the Offering.

The below table describes the Company's anticipated use of proceeds from the Offering, as disclosed in the 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 February 28, 2022**	**Additional Use of Proceeds as at February 28, 2022**	**Use of Proceeds as at February 28, 2022**
Expand distribution network	New distribution partners	$200	$71	$129	$200
	New customer listing fees	$300	Nil	$200	$200
	Trade show activity	$100	Nil	$100	$100
	Advertising/trade support	$200	$56	$144	$200
	E-commerce distribution	$350	Nil	$150	$150
Product launch initiatives	Packaging	$250	Nil	$250	$250
	Production costs	$350	$208	$142	$350
	Listing costs and fees	$300	Nil	$300	$300

		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 February 28, 2022**	**Additional Use of Proceeds as at February 28, 2022**	**Use of Proceeds as at February 28, 2022**
	Launch of new Dream Water and LivRelief™ products	$267	Nil	$267	$267
Expand brand awareness	Paid media	$350	$609	$141	$750
	Sampling	$250	$7	$243	$250
	Partnerships	$275	$97	$178	$275
	E-commerce	$250	$67	$183	$250
	Public Relations	$150	$124	$26	$150
	Radio	$200	$1	$9	$10
	Alternative brand driving tactics	$175	$263	$62	$325
Create innovative line extensions	Research and development costs	$300	$38	$102	$140
	Consumer insights	$100	Nil	$100	$100
Working capital and general corporate purposes		$670	$650	$120	$770
Underwriters Fee		$53	$53	Nil	$53
Total		**$5,090**	**$2,244**	**$2,846**	**$5,090**

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

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

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

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	
	2021	**2020**
	$	**$**
Cash used in operating activities	**(2,884)**	(7,136)
Cash provided by (used in) investing activities	**805**	11,366
Cash provided by financing activities	**(132)**	(3,791)
Effect of foreign exchange on cash	**10**	(402)
Change in cash during the period	**(2,201)**	37

Cash used in operating activities was $2,884 for the six months ended December 31, 2021 compared to $7,136 for the same period in the prior year. The $4,252 decrease is due to a reduction in operational spending from the implementation of the Strategic Review in the second quarter of fiscal 2021.

Cash provided by investing activities was $805 for the six months ended December 31, 2021 compared to $11,366 for the same period in the prior year. The $10,561 decrease in cash provided is mainly attributable to the completion of the Duncan Transaction and the sale of the Company's interest in Greenbelt Greenhouse Ltd.

Cash used in financing activities was $132 for the six months ended December 31, 2021 compared to $3,791 for the same period in the prior year. The $3,659 decrease in cash used is attributable to the repayment the MMJ Loan and a bridge facility from Costa LLP with proceeds received upon the closing of the Duncan Transaction 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 had a consolidated net loss of $1,630 and $3,083 for the three and six months ended December 31, 2021 and negative operating cash flows of $2,884 for the six months ended December 31, 2021 and an accumulated deficit of $165,928 as at December 31, 2021. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated 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, 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)
June 30, 2020	2,263	(403)	(24,398)	(0.11)
March 31, 2020	1,880	451	(35,410)	(0.16)

Net revenue for the second quarter of fiscal 2022 decreased by $384 compared to the first quarter of fiscal 2022 due to the lower sales of Dream Water™ products in the US in the second quarter of fiscal 2022. Gross profit for the second quarter of fiscal 2022 decreased by $65 compared to the first quarter of fiscal 2022 primarily due to lower cost of goods sold offset by inventory write-downs. Net loss for the second quarter of fiscal 2022 increased by $176 compared to the first quarter of fiscal 2022 primarily due to increased sales and marketing expenses in connection with expanding the Company's distribution network, product launches and brand awareness in second quarter of fiscal 2022.

SHARE CAPITAL

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

	December 31 2021	As at the date of this MD&A
Common Shares	252,617,854	252,617,854
Secondary warrants	100,002	100,002
MMJ warrants	17,083,333	17,083,333
Bought Deal Warrants	37,096,700	37,096,700
Stock options	16,771,317	16,771,317
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 three months ended December 31		For the six months ended December 31	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Salaries and benefits	**161**	243	**322**	473
Severance costs	**-**	-	**-**	150
Directors' fees	**60**	62	**120**	110
Share-based compensation	**58**	78	**158**	261
Total	**279**	383	**600**	994

a) Payments to related parties

As at December 31, 2021, there was $120 directors' fees (June 30, 2021 – $120) and no bonus payments (June 30, 2021 – Nil) included in accounts payable and accrued liabilities. *Severance payments*

During the three and months ended December 31, 2021, severance costs were nil (2020: nil and $150).

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 reduction in Company's liabilities.

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.

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 December 31, 2021, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD") and Australian Dollars ("AUD"). A 10% appreciation (depreciation) of USD or AUD against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at December 31, 2021, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2021, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. As at December 31, 2021, the Company had current assets of $7,131(June 30, 2021 - $9,835) and current liabilities of $6,300 (June 30, 2021 - $7,236). The Company has addressed its liquidity through debt or equity financings 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 three and six months ended December, 2021, there were no transfers of amounts between fair value levels.

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

NON-IFRS MEASURES

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 unaudited condensed consolidated interim financial statements for the three and six months ended December 31, 2021. Reconciliations of the non-IFRS financial measure is presented in this MD&A. The Company provides the non-IFRS financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The supplemental non-IFRS financial measure is presented because management believes such measures provide information which is useful to shareholders and investors in understanding its performance and which may assist in the evaluation of the Company's business relative to that of its peers. Management believes the non-IFRS measure is a useful financial metric to assess the Company's operating performance on a cash basis before the impact of non-cash items, and on an adjusted basis as described above. However, such non-IFRS measure should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable IFRS financial measures.

RISKS AND UNCERTAINTIES

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

Additional Financing

There is no guarantee that the Company will be able to execute on its planned strategy. The continued development of the Company requires additional financing and failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies.

These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

New well-capitalized entrants may develop large-scale operations

Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk exists that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could make strategic acquisitions. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources, and be larger and better capitalized. Larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While the approach of most laws and regulations seemingly deters this type of takeover, this industry remains nascent and as indicated above this trend is being observed, so what the landscape will be in the future remains largely unknown.

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

Results of Future Clinical Research

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

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces the inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a manufacturer and distributor of adult-use and medical cannabis products, or in its role as a service provider to, an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis products, the Company may be subject to various product liability claims, including, among other things, that the cannabis product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the reputations of that product and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of

operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Risks Related to the COVID-19 Pandemic

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

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

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

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

Disruption of Supply Chain

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

Global Economic Conditions

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

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

- industry competition;
- COVID-19;

- additional financing;
- access to capital;
- history of net losses;
- credit, liquidity, interest, currency and commodity price risk;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- requirement to generate cash flow for financial obligations;
- profitability of the Company;
- ongoing costs and obligations;
- general business risk and liability;
- new well-capitalized entrants may develop large-scale operations;
- share price volatility;
- reliance on key inputs;
- reliance on facilities;
- results of future clinical research;
- holding company status;
- limited operating history;
- unfavourable publicity on consumer perception;
- product liability;
- product recalls;
- third -party transportation;
- management of growth;
- acquisition strategy risks;
- reliance on management;
- conflicts of interest;
- principal security holder;
- dividends;
- limited market for securities;
- litigation;
- perceived reputational risk for third parties;
- intellectual property;
- political and economic instability;
- ability to establish and maintain bank accounts;
- global economy risk;
- research and development;
- shelf life of inventory;
- maintenance of effective quality control system;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- logistical disruptions;
- client risks;
- no minimum orders;
- distribution risks;

- lack of long-term client commitment risk;
- risk as a result of international expansions;
- operations in foreign jurisdictions;
- political, social and other risks in the countries in which the Company operates;
- reliance upon international advisors and consultants;
- significant sales of common shares;
- analyst coverage;
- tax risks;
- reliance on partner licences;
- general regulatory risks;
- packaging and labelling;
- advertising;
- restrictions on marketing;
- breaches of security;
- foreign jurisdiction risks;
- competition;
- product liability;
- product recalls;
- operating risk and insurance coverage including but not limited to director and officer liability insurance.
- results of future clinical research;
- dependence on suppliers, manufacturers and contractors;
- co-investment risk;
- difficulty to forecast and reliability of data;
- competition from synthetic production and technological advances; and
- fraudulent or illegal activity by employees, contractors and consultants

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

- The Company has recorded depreciation and amortization which requires estimates of the useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of the assets.
- The Company has recorded certain warrants using the Black-Scholes Pricing Model, which requires key estimates such as the expected life of the warrants, the volatility of the Company's share price, and the risk-free interest rate.
- Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 – Business

Combinations, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which entity is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.

- The Company performs an annual impairment test for goodwill and indefinite life intangible assets in the fourth quarter of its fiscal year by comparing the carrying value of each cash-generating unit ("CGU") containing the assets to its recoverable amount. At the end of each reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use. Determining whether an impairment has occurred requires valuation of the respective CGU, which management estimates using a discounted cash flow method. The discounted cash flow method uses estimates and assumptions, including actual operating results, future business plans, economic projections and market data.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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 condensed consolidated interim 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 three and six months ended December 31, 2021.

LIMITATIONS OF CONTROLS AND PROCEDURES

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