Harvest One Cannabis Inc.

Management Discussion and Analysis

For the year ended June 30, 2017

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited combined consolidated financial statements and related notes thereto of Harvest One Cannabis Inc. ("Harvest One" or "us" or "we" or "our" or the "Company") for the year ended June 30, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A has been prepared as of September 28, 2017, and includes certain statements that may be deemed "forward-looking statements". Investors are directed to the section "Risks and Uncertainties" and to page 15 for a statement on forward-looking information included within this MD&A.

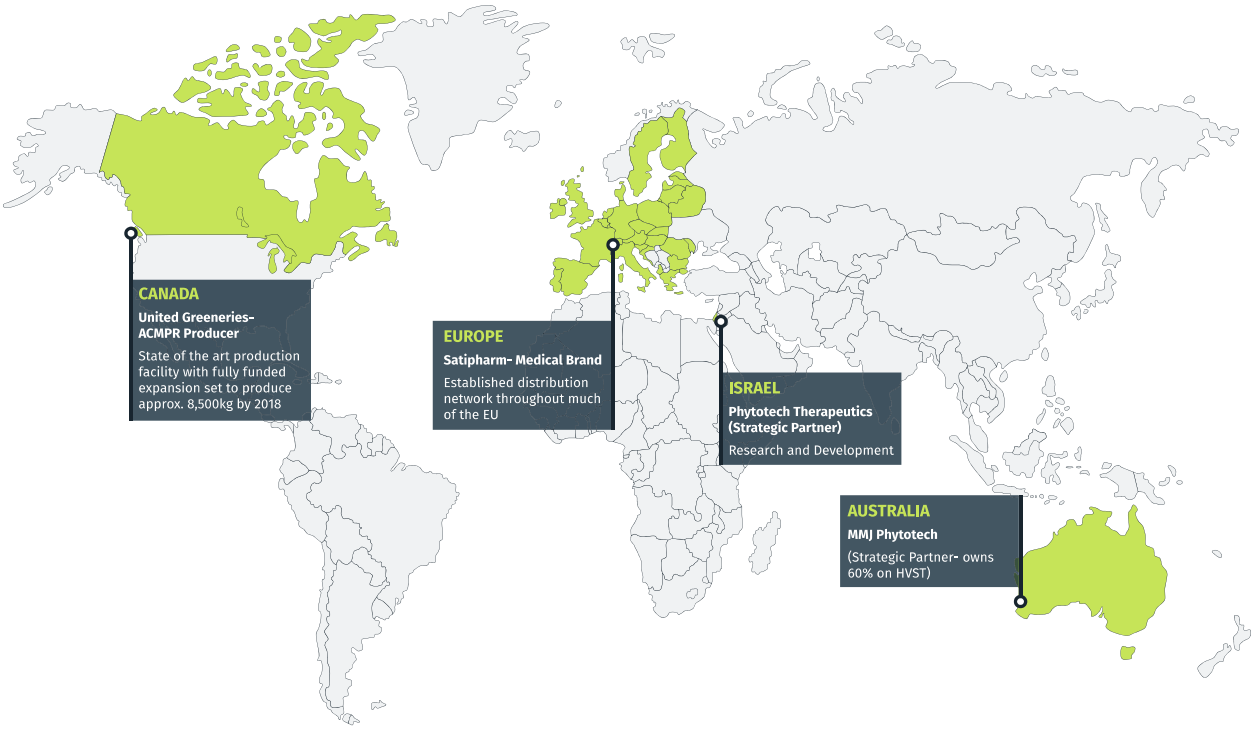
BUSINESS OVERVIEW

Harvest One is an early-entry global cannabis company servicing the medical and preparing to serve the new Canadian recreational cannabis markets, in Canada and internationally. The Company is based in British Columbia, Canada and the Company's common shares are listed under the symbol "HVST" on the Toronto Stock Venture Exchange ("TSX-V"). Harvest One serves as the umbrella company over its two wholly owned subsidiaries United Greeneries Holdings Ltd. ("United Greeneries") and Satipharm AG ("Satipharm").

United Greeneries is licensed to produce medical marijuana under the provisions of the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). United Greeneries received its license(the "License") to cultivate marijuana on June 28th, 2016, and completed it's inspection for a License to sell Medical marijuana. United Greeneries' primary operations are based in Duncan, BC (the "Duncan Facility").

Satipharm is an international medical cannabis brand with focus on oral delivery technologies currently servicing the European and Australian markets. Satipharm holds the exclusive global marketing and distribution rights to a Gelpell® Microgel technology for all cannabis related products.

MMJ PhytoTech Limited ("MMJ") is the majority shareholder in in the Company with a 60% ownership. MMJ is invested in operations across the entire medicinal cannabis value chain through its interest in Harvest One and its 100% interest in Israeli research and development subsidiary, PhytoTech Therapeutics Limited ("PTL"). PTL through sub-agreements are contracted to perform its clinical development activities for Satipharm's cannabis products. (*See Description of Business – Satipharm's Medical Testing)*



HIGHLIGHTS

- In February 2017, the Company completed an oversubscribed private placement resulting in the sale of 33,334,000 Subscription Receipts for aggregate gross proceeds of $25,000,500 (*See Description of Business – Harvest One Reverse Takeover; Conversion of Subscription Receipts*).
- On April 26, 2017, the Company completed the reverse take-over of United Greeneries and Satipharm (*See Description of Business – Harvest One Reverse Takeover; RTO*).
- On April 28, 2017, the Company obtained final approval to list its common shares on the TSXV as a Tier 1 Industrial or Life Sciences Issuer and common shares began trading on the TSXV under the symbol "HVST"(*See Description of Business – Harvest One Reverse Takeover; Listing*).
- On June 27, 2017, the Company, through United Greeneries, received a renewal of its *ACMPR* cultivation License for a three-year period (*See Recent Developments*).
- On September 14, 2017, the Company completed, through United Greeneries Operations the required inspection for a ACMPR License to Sell. License approval is pending.
- In February 2017, two separate phase 2 clinical trials commenced using Satipharm's CBD capsules. Results are expected in Q4 2018 of the calendar year (*See Description of Business – Satipharm's Medical Testing).*

DESCRIPTION OF BUSINESS

Harvest One Reverse Takeover

On April 26, 2017, the Company acquired 100% of the issued and outstanding shares (the "Purchased Shares") of United Greeneries and Satipharm (the "Acquisition").

In connection with the Acquisition, the Company completed a $25 million private placement (the "Offering") of subscription receipts ("Subscription Receipts"). Immediately prior to the closing of the Acquisition, the Company completed a consolidation (the "Consolidation") on the basis of 1.79 pre-Consolidation common shares to one (1) post-Consolidation common share (each post-Consolidation common share, a "Common Share"), and changed its name from "Harvest One Capital Inc." to "Harvest One Cannabis Inc.". The Acquisition constituted the Company's "Qualifying Transaction" within the meaning of TSXV policies.

Acquisition

Pursuant to a share exchange agreement dated December 7, 2016, as amended, the Company acquired from PhytoTechMedical (UK) Pty Ltd. ("Phyto UK"), a wholly owned-subsidiary of MMJ, all of the Purchased Shares. In consideration for the Purchased Shares, Phyto UK received $33,180,997 payable by way of a combination of $2,000,000 in cash and the issuance of 41,574,662 Common Shares at $0.75 per Common Share. In consideration for the transfer to Harvest One and extinguishment of certain intercorporate debts of United Greeneries and Satipharm owed to MMJ, MMJ received $8,819,003 payable to MMJ by way of the issuance of 11,758,671 Common Shares.

Following the closing of the Acquisition, the board of directors of the Company consisted of Andreas Gedeon, Peter Wall, Jason Bednar and Anne Chopra. On May 23, 2017, Ms. Chopra resigned from the board of directors, and Will Stewart was appointed to fill Ms. Chopra's vacancy.

Conversion of Subscription Receipts

Pursuant to an agency agreement dated February 22, 2017 (the "Agency Agreement"), among MMJ, the Company, and a syndicate of agents led by Mackie Research Capital Corporation (the "Lead Agent") and including Canaccord Genuity Corp., Eight Capital and GMP Securities L.P. (collectively the "Agents"), the Agents agreed to act as exclusive agents to the Company to arrange for the sale of up to 29,334,000 Subscription Receipts for aggregate gross proceeds of up to $22,000,500 on a "best efforts" private placement basis. The Agency Agreement also provided the Agents with an option to purchase up to an additional 4,000,000 Subscription Receipts for additional gross proceeds of $3,000,000 (the "Agents' Option"). The Agents exercised the Agents' Option in full, resulting in the sale of 33,334,000 Subscription Receipts for aggregate gross proceeds of $25,000,500 under the offering.

In connection with the completion of the Acquisition, each Subscription Receipt was automatically exchanged for one unit (a "Unit") of the Company. Each Unit consisted of one Common Share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share (a "Warrant Share") for an exercise price of $1.00 per Warrant Share for a period of 36 months from the issuance of such Warrant.

Following the satisfaction of certain conditions precedent, proceeds of the Offering, less the Agents' 6% commission and certain expenses, were delivered to the Company pursuant to a subscription receipt agreement among the Company, Computershare Trust Company of Canada, the Lead Agent, and MMJ dated February 22, 2017.

The Agents also received the Compensation Warrants that entitle the Agents to acquire that number of Units equal to 6.0% of the number of Subscription Receipts issued pursuant to the Offering, including the Agents' Warrants, at an exercise price of $0.75 per Unit at any time on or prior to the date that is 36 months from the closing date.

Listing

In connection with the completion of its Qualifying Transaction, the Company obtained final approval to list its common shares on the TSXV as a Tier 1 Industrial or Life Sciences Issuer. The common shares began trading on the TSXV on April 28, 2017 under the symbol "HVST".

Reverse Take-over

The transaction has been accounted for as a reverse take-over ("RTO") that does not constitute a business combination for accounting purposes. The Company's legal subsidiaries, United Greeneries and Satipharm, have been treated as the accounting acquirer and Harvest One, the legal parent, has been treated as the accounting acquiree.

Consideration transferred:		
Fair value of 2,286,659 post-consolidated Harvest One shares	**$**	1,143,328
Fair value of 223,464 post-consolidation Harvest One options		148,225
		1,291,553
Net assets acquired:		
Cash and cash equivalents		200,615
Accounts payable and accrued liabilities		(218,668)
		(18,053)
Excess attributed to cost of listing	**$**	**1,273,500**
Listing costs:		
Legal		497,367
Professional, consulting and other fees		326,642
		2,097,509

United Greeneries

United Greeneries is licensed to produce medical marijuana under the provisions of the ACMPR. United Greeneries has two main facilities, the Duncan Facility and the Lucky Lake Facility (the "Lucky Lake Facility"). The Duncan Facility is licensed to cultivate medical marijuana by Health Canada pursuant to its ACMPR License. Management of United Greeneries anticipates that the Duncan Facility will be issued a full ACMPR distribution license in the third quarter of 2017. The Lucky Lake Facility is currently at the ACMPR security clearance stage of review.

The Company is focused on producing and selling medical marijuana and its derivatives through a two-pronged growth strategy, including both retail sales and wholesale channels. United Greeneries currently has an agreement to sell Wholesale to another ACMPR Licensed Producer.

Duncan Facility

The Duncan Facility is situated on a 1.2 acre property that was previously the cold storage building for a large commercial greenhouse growing operation located directly adjacent to a 40 acre land package located on Vancouver Island, British Columbia.

On June 28, 2016, Health Canada approved United Greeneries as an authorized Licensed Producer at the Duncan Facility. The Duncan Facility has approximately 10,000 square feet of cultivation area and high compliance items such as a Level 8 Narcotics Vault and an in-house biochemical and analytical laboratory. The Duncan Facility currently has 3 separate cultivation rooms with a production capacity of approximately 1,000 kg of cannabis per annum however there is an expansion plan in place with $9m of capital allocated to significantly increase production capacity and construction is expected to be complete in the second half of 2018 calendar year.

Lucky Lake Facility

The Lucky Lake Facility, located in Lucky Lake, Saskatchewan, is a 62,000 square foot concrete agricultural facility located on over 18 acres of land which is wholly-owned by United Greeneries. The Lucky Lake Facility's application to become a Licensed Producer was submitted in March 2015 and is currently in the "security clearance stage" of the licensing process. If licensed, Lucky Lake Facility's cannabis cultivation capacity is estimated to be up to 11,700 kg of cannabis per annum, subject to regulatory approval, market demand and other variables.

In the year ended June 30, 2018, United Greeneries plans to continue to ramp up its cultivation operations to achieve maximum production in the Duncan Facility. United Greeneries will also continue to advance its aggressive expansion plans to significantly increase production capacity to serve both the medical and anticipated recreational markets in Canada.

Satipharm

Satipharm is a based in Cham, Switzerland and specializes in the development and manufacturing of cannabis-based medical products and is Harvest One's medical and health brand. Satipharm is an international medical cannabis brand with focus on oral delivery technologies for strategic entry in emerging medical cannabis markets and the existing medical cannabis market in Canada and Australia.

Satipharm's goal is to develop cutting-edge technology and pharmaceutical-grade cannabis products for the medical and health-based cannabis markets. Satipharm holds the exclusive global marketing and distribution rights to the Gelpell® Microgel technology for all cannabis related products.

Gelpell® Microgel Process

The Gelpell® Microgel process produces gelatin beads which are approximately 2 mm in length and contain a payload of concentrated cannabinoids. The cannabinoids are bound and protected by a three-dimensional natural gelatin matrix. 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 encapsulated and packaged under Good Manufacturing Practices ("GMP") protocols into 10 mg, 50 mg and 100 mg presentations.

Satipharm's first product is a CBD only product, sold as CBD Gelpell® Microgel Capsules. Satipharm's CBD capsules utilize cannabis extract acquired from a pharmaceutical compound manufacturer based in St. Gallen, Switzerland that is a GMP-certified company that specializes in the production, breeding, cultivation, harvesting and processing of cannabis plants for food and medicine.

The Company's capsules are contract manufactured by GelPell AG ("GelPell"), located in Gähwil, Switzerland. GelPell is a contract manufacturer of food supplements and is licensed by SwissMedic and GMP (Good Manufacturing Process) approved, the applicable Swiss regulatory authority, to perform pharmaceutical packaging.

Development of Products

Through an agreement between the two companies, Satipharm has licensed from GelPell the exclusive worldwide right, subject to minimum purchase requirements, for the delivery of CBD, THC and/or other cannabis and hemp derived ingredients using the Gelpell® formulation and manufacturing know-how that is owned by GelPell.

Satipharm and GelPell cooperated to design the CBD Gelpell® Microgel Capsules in a formulation that seeks to best suit delivery of cannabinoid molecules for human use. Leveraging the GelPell formulation expertise, CBD Gelpell® Microgel Capsules were developed for sale as a food supplement in regulated markets within the European Union.

Satipharm began production of its Gelpell® Microgel CBD Capsules in May 2015, and is committed to increasing the sales of its flagship product throughout regulated markets globally.

Satipharm's Medical Testing

Satipharm has sublicensed the pharmaceutical application of Gelpell® Microgel process to PhytoTech Therapeutics Ltd, MMJ's Israel-based subsidiary responsible for Satipharm's clinical development activities. In March 2016, PhytoTech Therapeutics completed a phase 1 clinical study which highlighted the safety and performance of Satipharm's Gelpell® Microgel CBD capsules in delivering CBD compounds to trial subjects. PhytoTech Therapeutics has commenced a phase 2 clinical study into the efficacy of the CBD Capsules, which contain organically derived, highly purified CBD, in treating intractable epilepsy in children at a leading Israeli healthcare facility. If successful, the phase 2 clinical study trial results will provide key data towards the commercial development of Satipharm's Gelpell® Microgel CBD capsules as prescription drug for the treatment of intractable epilepsy in children. PhytoTech Therapeutics is also in the final stages of preparing for the commencement of a phase 2 clinical study into the ability of the next generation of Gelpell® Microgel Capsules in treating spasticity-related symptoms associated with multiple sclerosis patients.

In the year ended June 30, 2018, Satipharm plans to continue to expand its distribution network and increase sales across the European Union. Earlier this year Satipharm successfully exported their capsules to Australia making the capsules one of the first medicinal cannabis products available to approved prescribers in the country. Advancing sales in Australia will continue to be a major priority for management to ensure the Company capitalizes on its first-mover advantage in this market. United Greeneries has also applied to become a licensed dealer under the Canadian Narcotics Control Act to allow for the importation of the capsules to Canada to be sold as a medical product. The Company believes this will be one of the biggest catalysts for revenue growth in the near term.

INDUSTRY OVERVIEW

Medical Marijuana Regulatory Framework in Canada

In 2001, Canada became the second country in the world to recognize the medicinal benefits of cannabis and to implement a government-run program for medical cannabis access. Health Canada replaced the prior regulatory framework and issued the Marihuana for Medical Purposes Regulations (“MMPR”) in June 2013 to replace government supply and home-grown medical cannabis with highly secure and regulated commercial operations capable of producing consistent, quality medicine. The MMPR regulations issued in June 2013 covered the production and sale of dried cannabis flowers only. A court injunction in early 2013 preserved the production and access methods of the prior legislation for those granted access prior to the injunction.

On July 8, 2015, Health Canada issued certain exemptions under the Controlled Drugs and Substances Act (Canada) (“CDSA”), which includes a Section 56 Class Exemption for Licensed Producers under the MMPR to conduct activities with cannabis, which permits Licensed Producers to apply for a supplemental license to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis (this does not permit Licensed Producers to sell plant material that can be used to propagate cannabis).

On August 24, 2016, the Government of Canada introduced new regulations governing the use of cannabis for medical purposes. These new regulations, known as the ACMPR, were introduced in response to the February 24, 2016 decision rendered by the Federal Court of Canada in the Allard et al v the Federal Government of Canada case (the “Allard case”). The plaintiffs in the Allard case argued that the MMPR violates their Charter of Rights and the court, in a lengthy and detailed judgment, agreed with the plaintiffs. The court gave the Government of Canada until August 24, 2016 to determine how existing regulations should be amended to ensure that patients have the access to medical cannabis that they need.

The ACMPR, remained largely consistent with the former MMPR, but restores the ability of patients to grow their own cannabis at home, including the ability to designate a third-party grower through regulations akin to the former MMAR. Under the ACMPR, patients who choose to grow at home, subject to a maximum number of plants, will be required to register their production sites and provide copies of their medical authorization to Health Canada in order to allow for monitoring and auditing of their activities.

Under ACMPR, patients are required to obtain medical approval from their healthcare practitioner and provide a medical document to the licensed producer from which they wish to purchase cannabis. Since the requirements under the new regulations are both simpler and involve fewer obstacles to access than the previous regulatory regime, it is anticipated that the growth in the number of approved patients will accelerate. Moreover, the new system allows for competition among licensed producers on a host of factors including product quality, customer service, price, variety and brand awareness, allowing for well-positioned and capitalized producers to leverage their position in the marketplace.

If recreational cannabis use is legalized it is expected that the ACMPR will be replaced by a new regulatory framework that will cover both the medical and recreational markets.

Legalization and Regulation of Non-Medical Use of Cannabis in Canada

The federal government of Canada is moving forward on its plan to legalize and regulate cannabis for recreational use. Key indications / milestones of progress on legalization include the following:

- In its December 2015 Speech From the Throne, the Liberal Government of Canada reaffirmed its intent to "legalize, regulate, and restrict access to marihuana".
- On April 20, 2016, the Canadian federal government announced its intention to introduce, by the spring of 2017, legislation to legalize the recreational use of marihuana in Canada.
- On June 30, 2016, Health Canada announced the creation of a Task Force on marihuana legalization and regulation. The Task Force consists of high-level experts in the fields of law enforcement, medicine, policy creation and health care administration. The Task Force's objectives are to consult with governments, industry, the public and all other relevant stakeholders in order to provide advice on the design of a new legislative and regulatory framework to the ministers.
- On August 24, 2016, the MMPR was repealed and the ACMPR came into force. Health Canada stated in the August 2016 publication titled Understanding the New Access to Cannabis for Medical Purposes Regulations that the ACMPR is designed to provide an immediate solution required to address the Federal Court of Canada's judgement. Moving forward, Health Canada will evaluate how a system of medical access to cannabis should function alongside the Government's commitment to legalize, strictly regulate and restrict access to marihuana.
- On November 30, 2016, the Task Force published its final report titled: A Framework for the Legalization and Regulation of Cannabis in Canada. In the final report, the Task Force recommended that the federal government of Canada regulate the production of cannabis and its derivatives (e.g. edibles and concentrates) at the federal level, drawing on the good production practices of the current cannabis for medical purposes system. Also, the Task Force recommended that the wholesale distribution of cannabis be regulated by provinces and territories and that retail sales be regulated by the provinces and territories in close collaboration with municipalities. Further, the Task Force recommended allowing personal cultivation of cannabis for non-medical purposes with the following conditions: (i) a limit of four plants per residence; (ii) a maximum height limit of 100 cm on the plants; (iii) a prohibition on dangerous manufacturing processes; (iv) reasonable security measures to prevent theft and youth access; and (v) oversight and approval by local authorities.
- On April 13, 2017, the Canadian government introduced Bill C-45. The purpose of Bill C-45 is to provide legal access to cannabis and to control and regulate its production, distribution and sale. The passage of Bill C-45 would allow adults to legally possess and use cannabis for recreational purposes. Currently, it is illegal to buy, sell, produce, import or export cannabis unless it is authorized under the CDSA and its regulations, such as the ACMPR. The current program for access to cannabis for medical purposes would continue following the passage of Bill C-45. Cannabis will remain illegal as Bill C-45 moves through the legislative process. There can be no assurance that Bill C-45 will be passed into law, or passed into law substantially in the form in which it was introduced.
- Since the introduction of Bill C-45, provincial governments have started to formalize their own regulations and policy around the significant issues of distribution and sale of recreational cannabis within each Province. As of this date, only two provinces Ontario and New Brunswick have announced their plans, while the province of British Columbia recently announced a public engagement process to actively canvas residents for input prior to determining regulations. It is likely that there will be significant difference between the Provinces and their approaches to distribution and sale.

International Legislation related to Harvest One Operations

European Union

Although all member countries of the EU must abide by United Nations 1961 Single Convention on Narcotic Drugs, each country is free to set their own nation rules and policy in relation to medical cannabis. Lately we have seen significant legislation change throughout many countries including the Netherlands, Italy, Ireland and most importantly, Germany. On January 19, 2017, the German Bundestag voted to legalize cannabis for medical consumption, which came into effect in March 2017.

The new legislation limits the sale and use of medical marijuana to patients suffering from multiple sclerosis, epilepsy, chronic pain, and lack of appetite or nausea related to cancer treatments. Through its national health insurance system, Germany will also become the first country in the world to cover the cost of medical cannabis for any therapeutic application approved by a physician. With a population of approximately 80 million, Germany is expected to become the largest market for medical cannabis in the EU.

Australia
Legislation came into effect on October 30, 2016 to allow legal cultivation, production and manufacturing of medicinal cannabis products in Australia. This scheme is administered by the Commonwealth Department of Health through the Therapeutic Goods Administration (the "TGA") and the Office of Drug Control. This legislation is designed to work together with the therapeutic goods legislation, and state and territory legislation, to make medicinal cannabis products available to certain patients. The term 'medicinal cannabis products' covers a range of cannabis preparations intended for therapeutic use, including pharmaceutical cannabis preparations, such as oils, tinctures and other extracts. Medicinal cannabis products are regulated as medicines in Australia. Generally, medicines imported into, supplied in, and exported from Australia must be entered in the Australian Register of Therapeutic Goods (ARTG), which is administered by the TGA. However, there are other mechanisms for access to medicines that are not registered on the ARTG ("unapproved therapeutic goods"). Medicinal cannabis products supplied in Australia will use these alternative supply pathways while evidence to support registration is gathered through clinical trials. The Therapeutic Goods Act 1989 establishes the regulatory framework for all medicines in Australia. The Act provides a number of mechanisms to enable access to unapproved therapeutic goods. These mechanisms maintain the same standards for medicinal cannabis products that apply to any other experimental or emerging medicine.

CBD
Cannabidiol (CBD) is one of the non-psychotropic cannabinoids in industrial hemp. In 2016, 30,000 ha of cannabis were cultivated in the European Union. The last couple of years have seen growing interest in CBD. Cannabidiol not only has a plethora of beneficial health effects, but it also has no relevant side-effects, even when it is administered at high doses. CBD is increasingly used as a food supplement and in food supplement compositions, and as an ingredient in cosmetics, thereby generating new investments and creating employment in the cultivation and processing of hemp and hemp-derived products. Pharmaceutical products with CBD as an active ingredient have also been developed.

In the EU, CBD is legal and is not considered a medication. CBD is considered a nutritional supplement and thus is freely available on the open market. However, if CBD is used for medical purposes, it can only be obtained by prescription and must be prescribed by a doctor if it meets certain requirements. The EU market is currently Satipharm's main focus, where the market potential for CBD is estimated be around €2 billion, according to a 2016 report by the nova-Institute and HempConsult.

RECENT DEVELOPMENTS

On April 26, 2017, the Company completed its Qualifying Transaction and RTO (see *Description of Business*) and began building an executive team with robust experience in operations, finance and technology that, combined with the existing executives, will lead the Company's growth strategy:

- May 3, 2017, the Company appointed Graham Whitmarsh as chief operating officer and Nick Maltchev as chief technology officer. Mr. Whitmarsh is responsible for overseeing all operational functions at the company while Mr. Maltchev is responsible for the Company's long-term technology vision.
- May 24, 2017, the Company announced that Mr. Will Stewart had been appointed to the Board of Directors replacing Ms. Anne Chopra who resigned to pursue other ventures. Prior to Mr. Stewart's appointment he had served on the Company's advisory board.
- June 13, 2017, Harvest One announced the appointment of Lisa Dea as Chief Financial Officer ("**CFO**"). Ms. Dea replaced Mr Kwong Choo as CFO, who assumed a new role as Vice President Finance for Harvest One.

As the ACMPR licenses are linked to a specific location, part of the Company's strategy is to ensure long term control over its production facilities, either through ownership of the land and building or through long term leases. To that end, on May 30, 2017 the Company through, United Greeneries, acquired the land and building that it was previously leasing for its current production facility in Duncan, British Columbia for a cash purchase price of $2,862,000, thereby securing the Company's main production asset.

In addition to securing the Company's production facility, on June 27, 2017, the Company, through United Greeneries, received a renewal of its *ACMPR* cultivation license for a three year period. The Company has also submitted an application to Health Canada to amend its License to allow for the sale and distribution of medical cannabis.

United Greeneries

On July 7, 2016, United Greeneries executed a binding letter agreement with Cowichan Tribes, whereby United Greeneries was granted the option to lease approximately 13 acres of a 40 acre land package immediately adjacent to the existing Duncan Facility owned by the Cowichan Tribes. United Greeneries' right to exercise this option expires June 1, 2017. In consideration for the grant of the option, United Greeneries agreed to pay Cowichan Tribes $1,000 per month until the earlier of the expiry of the option on June 1, 2017 or the entry into a formal lease agreement.

On August 13, 2016, United Greeneries exercised its option to lease approximately 13 acres of a 40 acre land package immediately adjacent to the existing Duncan Facility from the Cowichan Tribes. United Greeneries exercised its option for the purpose of large scale expansion of the Duncan Facility.

On November 28, 2016, United Greeneries secured an import permit from Canada and the Canadian Food Inspection Agency, which enabled United Greeneries to import 1 kg of cannabis seeds. The securing of an import permit positions United Greeneries with the capacity to import critical starter material required to cultivate unique cannabis.

United Greeneries commenced growing operations at its Duncan facility on December 21, 2016 using seeds imported from Switzerland. In March 2017, United Greeneries successfully completed its first cannabis harvest of the OG Kush strain which yielded approximately 60kg of dried cannabis buds, with the harvest passing strict internal quality control measures.

On March 8, 2017, United Greeneries entered into a lease agreement with Cowichan Tribes with respect to the Duncan Facility expansion to lease approximately 13 acres of a 40 acre land package immediately adjacent to the existing Duncan Facility (the "Expansion Lease"). The Expansion Lease has an initial 10 year term, with an option to renew the Expansion Lease for an additional 10 year term at the option of United Greeneries.

On May 1, 2017, the Company announced that through its wholly owned subsidiaries United Greeneries and United Greeneries Saskatchewan Ltd. it had entered into two separate interim agreements with Cannabis Wheaton Income Corp. (formerly PanCann Streaming Corp.) to finance the construction of both the Lucky Lake Facility and a new additional facility to be identified, in consideration for an equity participation in the applicable entity and a production yield allocation from both facilities. These agreements, if funded, would allow United Greeneries to substantially increase its production capacity of medical and recreational cannabis (as applicable) without any capital outlay or further dilution to the Company's shareholders.

Satipharm

In February 2017, MMJ strengthened its Australian distribution network, entering a binding Letter of Intent with HL Pharma Pty Ltd. ("HL Pharma") for the importation and distribution of the Company's medicinal cannabis products in Australia.

Under the agreement, HL Pharma will provide the requisite framework for the importation of MMJ's Swiss-based subsidiary, Satipharm, Gelpell CBD capsules to approved prescribers in Australia.

In March 2017, HL Pharma received approval for a medicinal cannabis importation license from the Department of Health, with the final import permit expected to be received shortly – enabling the importation process to commence.

Importantly, Satipharm's Gelpell CBD capsules are expected to be one of the first medicinal cannabis products available to approved prescribers in Australia, solidifying MMJ's position as a first mover in this evolving market.

Pharmaceutical Central Numbers (PZN codes) have been secured for its 10mg and 50mg Gelpell CBD Capsules, enabling both products to be sold in all pharmacies throughout Germany and through leading E-commerce platform Amazon.

Satipharms's online distribution partner, German Bodfeld Pharmacy, has now commenced the shipping of Satipharm's CBD extract products to regulated markets globally, further enhancing the Company's capacity to rapidly scale up product sales. Importantly, German Bodfeld Pharmacy accepts all major payment methods, which solves a key payment gateway issue imposed on CBD producers globally due to the federal U.S. ban of cannabinoids.

Phase 2 Clinical Trial for Treatment of Pediatric Epilepsy Underway

During the year, MMJ's subsidiary PhytoTech Therapeutics commenced a Phase 2 clinical study into the safety and efficacy of its PTL101 capsules in treating refractory epilepsy in children. The Phase 2 clinical study follows the highly successful Phase 1 study (announced 3 March 2016), which highlighted the safety and high performance of the Gelpell CBD capsules. The capsules successfully demonstrated the effective delivery profile of CBD compound to trial subjects.

In May 2017, the first shipment of Satipharm's Gelpell CBD capsules has been received by the Company's distribution partner HL Pharma in Australia and is ready for distribution, making the capsules one of the first medicinal cannabis products available to approved prescribers in the country.

The proprietary gastro-resistant microgel capsules are able to be used in the treatment of a variety of medical conditions as approved by prescribing physicians under Australian Federal and State legislation.

RESULTS OF OPERATIONS

	Year ended June 30	
	2017	2016
Selected Operational Information	**$**	**$**
Revenues	75,950	246,699
Gross profit (loss)	252,371	(73,128)
Operating expenses	6,399,373	2,807,944
Loss from operations	(6,147,002)	(2,881,072)
Net loss	(8,438,225)	(3,393,372)
Net loss per share – basic and diluted	(0.16)	(0.07)
Weighted average shares – basic and diluted	53,797,482	50,916,423

	June 30	June 30
	2017	2016
Selected Statements of Financial Position Information	**$**	**$**
Cash and cash equivalents	14,246,320	880,337
Biological assets	110,489	-
Inventories	1,213,684	520,073
Other working capital	(705,421)	(8,426,585)
Non-current assets	8,256,679	6,032,678
Notes payable	-	472,481
Shareholder's equity	23,121,751	(1,465,978)

Net Loss and Comprehensive Loss

Net loss for the year ended June 30, 2017 was $8,438,225 or $0.16 per basic and diluted share, including a $2,097,509 listing fee relating to the RTO (*See Description of Business – Harvest One; Reverse take-over*) and a gain of $103,417 on partial reversal of an inventory impairment which occurred in 2016. Comprehensive loss was $8,527,234 which is comprised of the Net loss and a foreign currency translation loss of $99,009.

Net loss for the year ended June 30, 2016 was $3,393,372 or $0.07 per basic and diluted share, including an inventory impairment of $878,000. Comprehensive loss was $3,383,382 which is comprised of the Net loss and a foreign currency translation gain of $9,990.

Revenue and Gross Profit (Loss)

	Year ended June 30, 2017			Year ended June 30, 2016		
	Cannabis cultivation	Cannabis processing and distribution	Total	Cannabis cultivation	Cannabis processing and distribution	Total
			$			$
Revenues	-	75,950	**75,950**	-	246,699	**246,699**
Cost of goods sold	278,601	(102,180)	**176,421**	-	(319,827)	**(319,827)**
Gross profit (loss)	278,601	(26,230)	**252,371**	-	(73,128)	**(73,128)**

Revenue

Revenue for the year ended June 30, 2017 decreased to $75,950 compared with $246,699 in the year ended June 30, 2016. The Company's revenue was solely from the sales of cannabis-based pharmaceutical products throughout Europe. The decline in revenues is attributable to a credit card transaction processor suspending all of Satipharm's accounts. The Company has overcome this challenge by partnering with large retailers, such as Amazon.de, throughout Europe who in turn sell the product directly to the consumer.

Cost of goods sold

Plants that are in pre-harvest are considered biological assets and are capitalized on the balance sheet at fair market value less cost to sell at their point of harvest. Costs to sell include trimming, fulfilment, testing and shipping costs. As they continue to grow through the pre-harvest stages, a corresponding non-cash unrealized gain is recognized in income through cost of goods sold, reflecting the changes in fair value of the biological assets. At harvest, the biological assets are transferred to inventory at their fair value, which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offsets against the gain on biological assets. In addition, the cost of production is expensed through cost of goods sold and represents overheads and other production costs of growing and selling the plants. Together, the gain from changes in the fair value of biological assets, inventory expensed and the cost of production comprise the cost of goods sold. Cost of goods sold is expected to vary from quarter to quarter based on the number or pre-harvest plants, the strains being grown, and where the pre-harvest plants are in the grow cycle at the end of the period.

The recovery to cost of goods sold during the year ended June 30, 2017 was comprised of a non-cash unrealized gain on changes in the fair value of biological assets of $278,601 which was partially offset by inventory expensed of $102,180 from the sale of CBD capsules.

Operating expenses

	Year Ended June 30	
	2017	2016
	$	$
Depreciation	1,095,754	26,963
General and administration	493,327	335,480
Insurance	44,775	46,294
Marketing and investor relations	470,608	30,835
Professional and consulting services	785,215	185,151
Rent	172,062	172,802
Salaries, bonus and benefits	780,396	793,516
Share-based payments	1,894,356	197,143
Regulatory	360,043	123,100
Travel	406,254	18,660
(Gain) loss relating to inventory impairment	(103,417)	878,000
	6,399,373	2,807,944

Total operating expenses increased to $6,399,373 for the year ended June 30, 2017 compared to $2,807,944 in 2016. The Company ramped up operations during the year ended June 30, 2017 with the commenced cultivation operations on December 21, 2016. The main fluctuations in operating expenses are as follows:

Depreciation

Depreciation increased to $1,095,754 in the year ended June 30, 2017 from $26,963 in the previous year due to the renovations being complete on the Company's Duncan Facility and the assets being put into use with the commencement of cultivation operations.

General and administration
For the year ended June 30, 2017, the Company incurred $493,327 in general and administration costs compared with $335,480 for the previous comparative period as the Company's operations increased with the commencement of cultivation activities and the Company ramped up for the RTO transaction.

Insurance
Insurance expense has remained consistent in the year ended June 30, 2017 compared with same period in the previous year. The Company anticipates this expense to increase due to the Company now being listed on the TSX-V and as the Company's operations expand and sales commence additional coverage will be required.

Marketing and investor relations
For the year ended June 30, 2017, the Company stepped up its marketing of the Satipharm CBD capsule in Europe and as a result incurred $303,031 in marketing expenses, which has increased compared to the year ended June 30, 2016 of $30,835. Additionally, the Company incurred $167,577 in investor relations expenses to support the Company's fundraising activities and RTO transaction.

Professional and consulting services
Professional and consulting services increased to $785,215 in the year ended June 30, 2017 from $185,151 in the comparative year. The increase is due to increased legal fees, accounting and audit fees as operations increased with the commencement of cultivation in the Company's Duncan Facility. Additionally, the Company engaged a CEO for Satipharm on June 6, 2016, which increased costs in fiscal 2017 by approximately $200,000.

Rent
The majority of the rent expense in the year ended June 30, 2017 and 2016 relates to the operating lease on the Company's Duncan Facility. The Company purchased this facility on May 18, 2017 and therefore the Company anticipates that the rent expense will decrease in future periods.

Salaries, bonus and benefits
Salaries, bonus and benefits have remained fairly consistent in the year ended June 30, 2017 compared with the year ended June 30, 2016. The Company anticipates that salaries, bonus and benefits will increase in future periods as the Company rounds out its executive team

Share-based payments
For the year ended June 20, 2017, the Company incurred $1,894,356 in share-based compensation expenses compared with $197,143 in the previous comparative period. The Company issued 8,050,000 options to employees and directors in the 2017 fiscal year which were fair valued using the Black-Scholes option pricing model at $1,601,811. Additionally, the Company incurred $292,545 in stock based compensation expense in the 2017 fiscal year as a result of vesting of stock options from the Company's parent, MMJ, issued to employees of the Company in previous years, whereby the Company incurred the expense as the primary recipient of the services provided compared with $197,143 in the previous fiscal year.

Regulatory
Regulatory expenses increased to $360,043 in the year ended June 30, 2017 compared with $123,100 in the year ended June 30, 2016 as the Company commenced cultivation. In particular, quality assurance costs increased by approximately $105,000 and audit fees increased by $127,000 over the prior year.

Travel
Travel expenses increased to $406,254 in the year ended June 30, 2017 compared with $18,660 in the year ended Jun 30, 2016 due to the Company's increased, operations, investor relations activities and increased marketing efforts in Europe for the CBD capsule.

(Gain) loss relating to inventory impairment
During the year ended June 30, 2016, management conducted a review of inventory for the purpose of ensuring that the amount of inventory recognized on the statement of financial position is note being carried at an amount higher than its recoverable amount. Due to issues related to Government approvals and the lack of sales activities between June 2016 to December 2016, the Company impaired $878,000 of inventory for the year ended June 30, 2016. During the year ended June 30, 2017, the Company re-evaluated the inventory impairment provision, taking into account the Company's sales from January 2017 through to subsequent to year end and as a result reduced the provision by $103,417.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Company had cash and cash equivalents of $14,246,320 and working capital of $14,865,072 compared with cash and cash equivalents of $880,337 and a working capital deficiency of $7,114,808 at June 30, 2016.

Cash used in investing activities during the year ended June 30, 2017 was $3,219,398 compared with $3,109,812 in the comparative period with the majority of the increase related to purchases of property, plant and equipment. On May 18, 2017, the Company purchased the land and building it previously leased and in which its current operations reside for cash consideration of $2,862,000. The Company also spent $219,806 in plant and equipment for the Duncan facility, $122,034 and $23,618 in office equipment and leasehold improvements, respectively, for its new office in Vancouver, B.C., and $50,581 in construction in process for the expansion of the Duncan Facility.

Cash raised in financing activities during the year ended June 30, 2017 was $20,607,101 compared with $6,317,101 in the comparative period. Financing activities for the year ended June 30, 2017 were as follows:

- During the year ended June 30, 2017, the Company completed a private placement and issued 33,334,000 units at $0.75 per unit for gross proceeds of $25,000,500. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for an exercise price of $1.00 per warrant for a period of 36 months from issuance.

- During the year ended June 30, 2017, the Company completed a consolidation of its common shares on the basis of 1.79 pre-consolidation share to one post-consolidation common share for a pre-RTO balance of 2,286,659 common shares outstanding in the Company.

- Upon completion of the RTO, the Company issued a total of 41,474,662 common replacement shares to the previous shareholders of United Greeneries Holdings Inc. and Satipharm AG.

- Concurrently with the completion of the RTO transaction, the Company settled $8,819,004 of outstanding debt (principal and interest), due from United Greeneries and Satipharm to MMJ, through the issuance of 11,758,671 common shares. The fair value of the shares issued was estimated based on the valuation of units issued during private placement; comprised of one common share and one-half warrant. A residual fair-value method was used to determine the fair-value of one-common share resulting in $5,879,336 of shares being issued and a gain on debt settlement of $2,939,668 being recorded in equity in accordance with IAS 1 as the substance of the settlement is a transaction with a shareholder acting in their capacity as a shareholder.

Financing activities for the year ended June 30, 2016 were mainly related to advances from MMJ.

As in many development stage companies, actual future funding requirements may vary from those planned due to a number of factors, including the progress of development activity and foreign exchange fluctuations. The nature of the Company's business is the cultivation and sale of cannabis and the production and sale CBD capsules. However, future inflows of cash are dependent on actions by management achieving profitable operations and raising additional capital. Management believes, should it necessary, it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Historically the capital requirements of the Company have been met by equity subscriptions and loans from related parties. 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. If the Company is unable to achieve profitable operations or raise any additional funds it may require, it could have a material adverse effect on its financial condition.

SHARE CAPITAL

The Company had the following securities outstanding at June 30, 2017 and September 28, 2017:

	Authorized	Presently outstanding	Exercisable	Fully diluted
Common stock	**Unlimited**	89,177,458		89,177,458
Warrants			16,667,000	16,667,000
Brokers' warrants			2,000,040	2,000,040
Stock options			1,830,000	8,050,000
				115,894,498

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

In addition to related party loans outlined in the Liquidity and Capital Resources section, the Company had the following related party transactions:

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

	Year Ended June 30	
	2017	**2016**
	$	**$**
Salaries & wages	**163,404**	**558,413**
Consulting fees	**105,422**	**-**
Directors' fees	**34,000**	**-**
Share-based compensation	**1,226,761**	**93,856**
Total	**1,529,587**	**652,269**

At June 30, 2017, there was $22,000 directors' fees owing (June 30, 2016 - $Nil) included in trade and other payables.

During the year ended June 30, 2017, the Company paid $28,581 to a company associated with a director of the Company.

During the year ended June 30, 2016, the Company paid $243,402 to a company associated with a director of the Company's subsidiary, Satipharm, in relation to the processing and manufacturing of the Company's CBD capsules.

There were no loans made to directors and other key management personnel of the Company, including their personally related parties during the year ended June 30, 2017. As at June 30, 2016, the Company had a loan receivable from a director and CEO of the Company for $100,357, which included $5,810 of interest receivable. The loan was unsecured and incurred interest at a rate of 8% per annum. The loan was repaid during the year ended June 30, 2017.

CONTINGENCY AND CONTRACTUAL OBLIGATIONS

The Company and its subsidiaries enter into contractual agreements from time to time relating to the on-going business activities. As at June 30, 2017, the Company has the following total commitments:

	Within 1 year	2 – 4 Years	Over 4 years	**Total**
Operating lease commitments	201,250	551,250	132,965	**885,465**
Purchase commitments	562,461	2,161,055	802,672	**3,526,1880**
Total	763,711	2,712,305	935,637	**4,411,653**

On March 8, 2017, the Company entered into a 10-year lease agreement for a ground lease on the property adjacent to the Company's current operations in Duncan, BC. Commencing March 1, 2017, the Company will pay monthly rent at a rate of $2,275 for the first five years and $2,616 for the remaining five years.

On May 31, 2017, the Company entered into an agreement with GelPell AG for the exclusive marketing, distribution and sale of the GelPell capsules worldwide. As part of this agreement, the Company has yearly minimum purchase commitments.

RISKS & UNCERTAINTIES

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

Risk's Relating to Harvest One's Business

General Business Risk and Liability

Given the nature of Harvest One's business, it may from time to time be subject to claims or complaints from investors or others in the ordinary course of business. The legal risks facing Harvest One, its directors, officers, employees or agents in this respect include potential liability for violations of securities law, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of Harvest One's right to carry on its existing business. Harvest One may incur significant costs in connection with such potential liabilities.

Reliance on License

The continuation of Harvest One's business of growing, storing and distributing medical cannabis is dependent on the good standing of all licenses required to engage in such activities and upon adhering to all regulatory requirements related to such activities. United Greeneries, a wholly owned subsidiary of Harvest One, was granted the License by Health Canada on July 28, 2016 designating United Greeneries as a "Licensed Producer," as such term is defined in the ACMPR. The License is valid until June 26, 2020, at which point, United Greeneries must apply to Health Canada for a renewal.

Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of Harvest One. Although Harvest One believes it will meet the requirements of the ACMPR for future extensions or renewal of the License, there can be no guarantee that Health Canada will extend or renew the License or that, if extended or renewed, the License will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License or should it renew the License on different terms, the business, financial condition and results of the operation of Harvest One would be materially and adversely affected.

United Greeneries' current License does not permit United Greeneries to sell medical cannabis. As a recent licensee, the Licenses only permits United Greeneries to cultivate cannabis. United Greeneries has submitted an application to Health Canada to amend its License to allow for the sale and distribution of medical cannabis. In order to receive approval for the amended License, United Greeneries will be required to demonstrate compliance with the quality control standards and the *Good Production Practices* as established under Subdivision D of the ACMPR. United Greeneries' ability to obtain an amendment to its License is dependent on satisfying Health Canada it has complied with Subdivision D of the ACMPR and all other regulatory requirements. Although Harvest One believes it will meet all regulatory requirements to obtain a license to sell cannabis to the public, there can be no guarantee that Health Canada will amend the License to allow for the sale of cannabis products to the public. Should Health Canada not amend the License to allow for sale to the public, the business, financial condition and results of the operation of Harvest One would be materially and adversely affected.

Share Price Volatility

The market price for Harvest One common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Harvest One's control, including the following:

- actual or anticipated fluctuations in the Harvest One's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which Harvest One operates;
- addition or departure of the Harvest One 's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Harvest One common shares;
- sales or perceived sales of additional Harvest One common shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Harvest One's industry generally and its business and operations;
- announcements of developments and other material events by Harvest One or its competitors;
- fluctuations to the costs of vital production materials and services;

- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Harvest One or its competitors;
- operating and share price performance of other companies that investors deem comparable to Harvest One or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Harvest One's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regard to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of Harvest One common shares may decline even if Harvest One's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, Harvest One's operations could be adversely impacted and the trading price of Harvest One common shares may be materially adversely affected.

Reliance on the Facilities

Harvest One currently operates two facilities: the Duncan Facility and the Lucky Lake Facility. Presently, only the Duncan Facility is licensed by Health Canada to cultivate cannabis. Harvest One expects to focus primarily on the Duncan Facility in the near-term future. Harvest One's operations and the conditions of its facilities are, and will be, subject to hazards inherent in the medical cannabis industry, including equipment defects, equipment malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the facilities. Any adverse change or event affecting these facilities, especially the Duncan Facility, may have a material and adverse effect on Harvest One's business, results of operations and financial condition.

Lucky Lake Facility is not Licensed under the ACMPR

The Lucky Lake Facility is not licensed by Health Canada under the ACMPR as a facility where the cultivation of cannabis is permitted. Harvest One, through United Greeneries, has applied to Health Canada to become a Licensed Producer under the ACMPR for the Lucky Lake Facility, and is presently at the security clearance stage of review. United Greeneries' ability to cultivate, store and sell medical cannabis at the Lucky Lake Facility is dependent on obtaining a license from Health Canada and there can be no assurance that United Greeneries will obtain such a license for the Lucky Lake Facility.

Facility Expansion

Any expansion of Harvest One's Duncan Facility and Lucky Lake Facility (provided that it receives a license), including the expansion at the Duncan Facility, is subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond Harvest One's control. These uncertainties including, the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, Harvest One may not be able to achieve the intended economic benefits from the expansion of operations at existing facilities, which in turn may affect Harvest One's business, prospects, financial condition and results of operations. In particular, any expansion of the Duncan Facility and the Lucky Lake Facility (provided that it receives a license) is subject to Health Canada regulatory approvals. The delay or denial of such approvals may have a material adverse impact on the business of Harvest One and may result in Harvest One not meeting anticipated or future demand when it arises.

Holding Company Status

Harvest One is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. Harvest One conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues, and its investors are therefore subject to the risks attributable to its subsidiaries. Harvest One's cash flow and its ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Harvest One. The ability of Harvest One's subsidiaries to pay dividends and other distributions will depend on each subsidiary's operating results, applicable laws and regulations regarding the payment of dividends and distributions, and any contractual restrictions on distributions in debt instruments, among other things. In the event of a bankruptcy, liquidation or reorganization of any of Harvest One's subsidiaries, debtholders and trade creditors will generally be entitled to the payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Harvest One.

Limited Operating History

Harvest One, through its wholly owned indirect subsidiary United Greeneries, entered the medical cannabis business in 2012. Harvest One is therefore subject to many of the risks common to entering a new area of investment, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and a lack of revenue There is no assurance that Harvest One will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

History of Net Losses

Harvest One has incurred operating losses in recent periods. Harvest One may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Harvest One expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Harvest One's revenues do not increase to offset these expected increases in costs and operating expenses, Harvest One will not be profitable. There is no assurance that Harvest One will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

Unfavourable Publicity or Consumer Perception

The success of the medical cannabis industry may be significantly influenced by the public's perception of cannabis's medicinal applications. Medicinal cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on Harvest One's (and Harvest One's subsidiaries') operational results, consumer base and financial results.

Third Party Transportation

If United Greeneries is successful in obtaining an amended License to sell medical cannabis products to the public, Harvest One will be required to rely on third party transportation services to deliver their product to their customers. Harvest One is exposed to the inherent risks associated with relying third party transportation services providers, including logistical problems, delays, loss or theft of product and increased shipping costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on Harvest One's business, financial performance and results of operations. Further, any breach of security and loss of product during transport could affect Harvest One's status as a Licensed Producer.

Management of Growth

Harvest One may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Harvest One to manage growth effectively will require continued implementation and improvement of their operational and financial systems and for each to expand, train and manage their respective employee bases. The inability of Harvest One to deal with growth may have a material adverse effect on Harvest One's respective businesses, financial conditions, results of operations and prospects.

Reliance on Management

The success of Harvest One is dependent upon the ability, expertise, judgment, discretion and good faith of their respective senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Harvest One's business, operating results or financial condition. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that Harvest One will be able to attract or retain key personnel in the future, which may adversely impact Harvest One's operations.

Conflicts of Interest

Certain of Harvest One directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from Harvest One interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, Harvest One's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to Harvest One. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to Harvest One.

Principal Security Holder

MMJ is Harvest One's largest shareholder – directly and indirectly owning a total of 53,333,333 Harvest One common shares (approximately 60% of the outstanding Harvest One common shares). MMJ will have a significant influence on determining the outcome of any corporate transaction or other matter submitted to shareholders for approval, including mergers, consolidations and the sale of all or substantially all of Harvest One's assets, election of directors and other significant corporate actions. MMJ's controlling interest could also have the effect of delaying or preventing a change of control of Harvest One or entrenching Harvest One's board of directors or Harvest One's management, which could conflict with the interests of the other shareholders and, consequently, could adversely affect the market price of Harvest One's securities. Finally, due to MMJ's significant holdings, there can be no guarantee of a ready liquid market for Harvest One common shares.

Dividends

Harvest One has not paid dividends in the past and does not anticipate paying dividends in the near future. Harvest One expects to retain earning to finance the development and enhancement of its products and to otherwise reinvest in Harvest One's businesses. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of Harvest One and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of Harvest One may deem relevant. As a result, investors may not receive any return on investment in Harvest One common shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for Harvest One common shares will be maintained and an investor may find it difficult to resell any securities of Harvest One.

Credit, Liquidity, Interest, Currency and Commodity Price Risk

The Board of Directors has overall responsibility for the establishment and oversight of Harvest One's risk management framework. As at June 30, 2017, Harvest One's financial instruments consist of cash and cash equivalents, interest receivable, deposits, accounts payable, accrued liabilities, accrued interest, and loans payable. Cash is reported at fair value. The other amounts reflected in the balance sheet approximate their fair values due to their short-term nature.

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.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Harvest One is exposed to credit risk through its cash, which is held in a large Canadian financial institution with an issuer credit rating of A-1 by Standard & Poor's. Harvest One believes this credit risk is insignificant.

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. Harvest One is exposed to short-term interest rates through the interest earned on cash balances and deposits; however, management does not believe this exposure is significant.

Liquidity risk is the risk that Harvest One will encounter difficulty in meeting obligations associated with financial liabilities. Harvest One manages liquidity risk through the management of its capital structure. In order to meet its financial obligations, Harvest One will need to generate cash flow from the sale or otherwise disposition of property or raise additional funds.

Cash is stated at amounts compatible with those prevailing in the market, are highly liquid, and are maintained with prime financial institutions for high liquidity.

Foreign Currency Risk

Harvest One – through its subsidiaries – operates in a number of foreign jurisdictions. As a result, Harvest One is exposed to foreign currency risk related to cash and accrued liabilities that are denominated in a foreign currency.

Litigation

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. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause Harvest One to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages.

While Harvest One has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact Harvest One's business, operating results or financial condition.

Subsequent to December 31, 2016, Harvest One has settled all claims and is no longer subject to any legal proceedings, claims or litigation. See Note 13 to Harvest One's Interim Financial Statements.

Intellectual Property

The success of Harvest One's business depends in part on its ability to protect its ideas and technology. Harvest One has no patented technology or trademarked business methods at this time nor has it applied to register any patents.

Even if Harvest One moves to protect its technology with trademarks, patents, copyrights or by other means, Harvest One is not assured that competitors will not develop similar technology, business methods or that Harvest One will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact our ability to successfully grow our business.

Political and Economic Instability

Harvest One may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect Harvest One's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. Harvest One will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, Harvest One is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact Harvest One's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to Harvest One and its management. If uncertain market conditions persist, Harvest One's ability to raise capital could be jeopardized, which could have an adverse impact on Harvest One's operations and the trading price of Harvest One's shares on the Exchange.

Risks Relating to the Medical Cannabis Industry

Regulatory Risks

Harvest One, and its subsidiaries United Greeneries and Satipharm, operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The ability of United Greeneries, through its wholly owned subsidiary United Greeneries, to grow, store and sell medical cannabis in Canada at the Duncan Facility is dependent on its License from Health Canada, maintaining such License in good standing, obtaining Health Canada's approval to amend the License pursuant to the ACMPR to allow sale to the public and maintaining the amended License (if obtained) in good standing. Failure to: (i) comply with the requirements of the License; (ii) maintain this License; and (iii) obtain an amendment of the License to allow for sale of cannabis to the public would have a material adverse impact on the business, financial condition and operating results of United Greeneries and Harvest One.

United Greeneries and Satipharm will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to United Greeneries and Satipharm's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of United Greeneries, Satipharm and Harvest One.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Harvest One's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce Harvest One's earnings and could make future capital investments or Harvest One's operations uneconomic. The medical cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

United Greeneries is a Licensed Producer under the ACMPR. If and when the License is amended to allow for sale to the public, United Greeneries' business will continue to be subject to the ACMPR regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business with an agricultural product in a regulated industry, United Greeneries will need to continue to build brand awareness through significant investment in strategy, production capacity and quality assurance. Harvest One's brand and products may not be effectively promoted as intended. The medical cannabis industry is and marked by competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

Environmental and Employee Health and Safety Regulations

Harvest One's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Harvest One will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to obtain an Environmental Compliance Approval or otherwise comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Harvest One's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Harvest One.

Change in Laws, Regulations and Guidelines

Harvest One's business is subject to particular laws, regulations, and guidelines. The production and distribution of medical marijuana is a highly regulated field, and although Harvest One intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change which will be outside of Harvest One's control.

On February 24, 2016, the Federal Court released its decision in the case of Allard et al v. Canada. The impact of this decision could potentially decrease the size of the market for Harvest One's business, and potentially materially and adversely affect Harvest One's business, its results of operations and financial condition. However, it is not expected that the changes in ACMPR regulations would have an effect on Harvest One's operations that are materially different than the effect on similar-sized companies in the industry.

Harvest One's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Harvest One's management, Harvest One is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of Harvest One may cause adverse effects to Harvest One's operations and the financial condition of Harvest One.

On March 21, 2014, the Federal Court of Canada issued an interim order affecting the repeal of the Marihuana Medical Access Regulations ("MMAR") and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals in the Allard case. As a result, (i) individuals who held a license to possess cannabis under the MMAR on March 21, 2014 can continue to possess cannabis in accordance with the terms of that license except that the maximum quantity of dried cannabis authorized for possession shall be that which is specified by their license or 150 grams, whichever is less; and (ii) individuals who held, as of September 30, 2013, or were issued thereafter a valid license to produce cannabis under the MMAR can continue to produce medical cannabis in accordance with the terms of that license. Individuals covered by the injunction who wish to change the terms of their license, such as a change in address or designated producer, will be able to do so by registering with Health Canada under the new regulations.

On June 11, 2015 the Supreme Court of Canada, in Smith, held that the restriction on the use of non-dried forms of cannabis for medical cannabis users violates the right to liberty and security of individuals in a manner that is arbitrary and not in keeping with the principles of fundamental justice. As a result, the Supreme Court of Canada declared that Sections 4(1) and 5(2) of the CDSA, which prohibits possession and trafficking of non-dried forms of cannabis, are no longer of force and effect to the extent that they prohibit a person with medical authorization from possessing cannabis derivatives for medical purposes. This ruling means that medical cannabis patients authorized to possess and use medical cannabis are no longer limited to using dried forms of cannabis and may now consume cannabis and its derivative forms for medical purposes. The effect of the Supreme Court of Canada decision on Licensed Producers was not as clear since Licensed Producers were governed and licensed under the MMPR. In order to clarify the uncertainty surrounding a legal source of supply of cannabis as a result of the Supreme Court of Canada decision, on July 8, 2015 Health Canada issued certain exemptions under the CDSA, permitting Licensed Producers to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis (this did not permit Licensed Producers to sell plant material that can be used to propagate cannabis).

The Federal Court decision on Allard was delivered on February 24, 2016. In the decision, the Federal Court declared the MMPR invalid as it unconstitutionally violated patients Charter protected rights to liberty and security. However, the Court suspended the operation of the declaration of invalidity for six months to permit Canada to enact a Charter-compliant regime. The government did not choose to appeal the decision to the Federal Court of Appeal. Instead, the government has introduced Charter-compliant legislation.

On August 24, 2016, the ACMPR replaced the MMPR. The ACMPR is Canada's response to the Federal Court of Canada's February 2016 decision in Allard.

Overall, the ACMPR contains four parts:

- Part 1 is similar to the framework under the MMPR. It sets out a framework for commercial production by Licensed Producers responsible for the production and distribution of quality-controlled fresh or dried cannabis or cannabis oil or starting materials (i.e., cannabis seeds and plants) in secure and sanitary conditions.
- Part 2 is similar to the former MMAR regime. It sets out provisions for individuals to produce a limited amount of cannabis for their own medical purposes or to designate someone to produce it for them.
- Parts 3 and 4 include:
    - Consequential amendments to other regulations that referenced the MMPR (i.e. *Narcotic Control Regulations, New Classes of Practitioners Regulations*) to update definitions and broaden the scope of products beyond dried cannabis; and
    - Provisions repealing the MMPR and setting out the coming into force of the ACMPR on August 24, 2016.

As of August 24, 2016, Health Canada will accept applications from individuals who wish to register to produce a limited amount of cannabis for their own medical purposes or to designate someone to produce cannabis for them. Individuals who were previously authorized to possess and produce cannabis under the MMAR remain authorized to do so by virtue of a Federal Court injunction order.

Under the ACMPR, Health Canada will continue to accept and process applications to become a Licensed Producer that were submitted under the former MMPR. Further, all Licenses and security clearances granted under the MMPR will continue under the ACMPR, which means that Licensed Producers can continue to register and supply clients with cannabis for medical purposes. New applicants can continue to apply for Licenses to produce under the ACMPR.

The risks to the business of Harvest One represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Harvest One's proposed products and could materially and adversely affect the business, financial condition and results of operations for Harvest One.

While the impact of any of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on Harvest One's operations that is materially different than the effect on similar-sized companies in the same business as Harvest One.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Harvest One's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies that may be imposed. Changes in government levies, including taxes, could reduce Harvest One's earnings and could make future capital investments or Harvest One's operations uneconomic.

Legalization of Recreational Cannabis

On April 13, 2017, the Federal Government of Canada introduced Bill C-45 – *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and Other Acts* ("Bill C-45"). If passed, Bill C-45 will result in the legalization and regulation of recreational cannabis use.

There can be no assurance that Bill C-45 will be passed into law, or passed into law substantially in the form in which it was introduced. Further, even if Bill C-45 is passed into law, the importation, exportation, production, testing, packaging, labelling, sending, delivery, transportation, sale, possession or disposal of cannabis or any class of cannabis will remain subject to extensive regulatory oversight. Such extensive controls and regulations may significantly affect the financial condition of market participants, and prevent the realization of such market participants of any benefits from an expanded market for recreational cannabis products.

Restrictions on Sales and Marketing

The medical cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or 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.

Competition

The market for the medical cannabis products appears to be sizable and Health Canada has only issued a limited number of licenses under the ACMPR regime to produce and sell medical cannabis. The government of Canada has only issued to date a limited number of licenses under the ACMPR to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of Harvest One. Because of the early stage of the industry in which Harvest One operates, Harvest One expects to face additional competition from new entrants. According to Health Canada there were 59 Licensed Producers as of September 21, 2017. If the number of users of medical cannabis in Canada increases, the demand for products will increase and Harvest One expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. Harvest One expects significant competition from other Licensed Producers. Some companies applying for production licenses may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

To remain competitive, Harvest One will require a continued level of investment in research and development, marketing, sales and client support. Harvest One may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Harvest One. If Harvest One and its subsidiaries are not successful in investing sufficient resources in these areas, their ability to compete in the market may be adversely affected, which in turn could materially and adversely affect Harvest One's business, financial conditions and results of operation.

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Harvest One.

Agricultural Operations

Since Harvest One’s business will revolve mainly around the growth of medical marijuana, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and insect pests, among others. Although Harvest One expects to grow its product in a climate controlled, monitored, indoor location, there is not guarantee that changes in outside weather and climate will not adversely affect production. Further, any rise in energy costs may have a material adverse effect on Harvest One’s ability to produce medical marijuana.

Vulnerability to Rising Energy Costs

Harvest One's medical cannabis growing operations consume considerable energy, making Harvest One vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of United Greeneries and its ability to operate profitably.

Fluctuating Prices of Raw Materials

Harvest One's revenues, if any, are expected to be in large part derived from the production, sale and distribution of marijuana. The price of production, sale and distribution of marijuana will fluctuate widely due to the how young the marijuana industry is and is affected by numerous factors beyond Harvest One's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by Harvest One and, therefore, the economic viability of any of Harvest One's business, cannot accurately be predicted.

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, Harvest One faces an inherent risk of exposure to product liability claims, regulatory actions and litigation if its products are alleged to have caused loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination and unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Harvest One's products alone or in combination with other medications or substances could occur. Harvest One may be subject to various product liability claims, including that Harvest One's products caused death, injury, illness, or other loss. A product liability claim or regulatory action against Harvest One could result in increased costs, adversely affect Harvest One's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of Harvest One.

There can be no assurance that Harvest One will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance in expensive and may not be available in the future on acceptable terms, or at all. An inability to obtain sufficient insurance coverage on reasonable terms could prevent or inhibit the commercialization of Harvest One's products.

Product Recalls

Manufacturers and distributors of products may be 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. If any of Harvest One's products are recalled due to an alleged product defect or for any other reason, Harvest One could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Harvest One may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention and otherwise distracted from day to day operations.

Operating Risk and Insurance Coverage

Harvest One maintains insurance to protect their assets, operations and employees. While Harvest One believes their 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 the risks and hazards to which Harvest One is exposed. Harvest One may be also unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Harvest One might also become subject to liability for pollution or other hazards which may not be insured against or which Harvest One may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Harvest One to incur significant costs that could have a material adverse effect upon Harvest One's financial performance and results of operations.

CRITICAL ACCOUNTING JUDGEMENTS & ESTIMATES

The preparation of the combined 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 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 4 to the audited combined consolidated financial statements for the year ended June 30, 2017.

Areas that often require significant management estimates and judgment include biological assets and inventory, the estimated useful lives and depreciation of property, plant and equipment, share-based compensation, warrants, going concern assessment, 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 financial statements:

(a) The Company fair values its biological assets and inventory which requires estimates and assumptions on the stage of growth of the cannabis, harvesting costs, selling costs, sales price, wastage, expected yields, and spoilage.

(b) The Company has recorded depreciation and amortization which requires estimates of the useful lives and when the asset is available for use and any impairment to these assets is dependent on estimates of recoverable amounts, taking into account market conditions and the useful lives of the assets

(c) The Company has recorded stock-based compensation using the *Black-Scholes Pricing Model*, which requires an assumption of the risk-free rate, expected lives of the stock options, forfeiture rates, and their related volatilities.

(d) The Company has recorded Brokers' warrants using the *Black-Scholes Pricing Model,* which requires an assumption of the risk-free rate, expected lives of the warrants, and their related volatilities.

RECENT ACCOUNTING PRONOUNCEMENTS

The adoption of the new and revised standards, amendments and interpretations issued by the IASB effective for periods beginning on or after July 1, 2016 has not had a material impact on the accounting policies, methods of computation or presentation applied by the Company.

Additional new or amended accounting standards that have been previously issued by the IASB but are not yet effective, and have not been applied by the Company, are as follows:

IFRS 9 Financial Instruments

IFRS 9 was issued by the IASB in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied.

The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16.

The Company is assessing the impact of the new or revised IFRS standards in issue but not yet effective on its financial position and financial performance.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the combined consolidated financial statements, is the responsibility of management. In the preparation of these combined 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 combined 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 combined consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the combined consolidated financial statements; and (ii) the combined consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. There have been no significant changes in the Company's disclosure controls and procedures during the year ended June 30, 2017, with the exception of hiring a new CFO and Vice President, Finance which improved the oversight of the disclosure controls and procedures.

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.

ADVISORY ON FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements, including statements regarding the business and anticipated future financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Company's required financial statements and filings.