Harvest One Cannabis Inc.

Management Discussion and Analysis

For the three and nine months ended March 31, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed combined consolidated interim financial statements and related notes thereto of Harvest One Cannabis Inc. ("Harvest One" or "us" or "we" or "our" or the "Company") for the three and nine months ended March 31, 2018 and the audited combined consolidated financial statements 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 May 30, 2018, and includes certain statements that may be deemed "forward-looking statements". Investors are directed to the section "Risks and Uncertainties" and to page 17 for a statement on forward-looking information included within this MD&A.

BUSINESS OVERVIEW

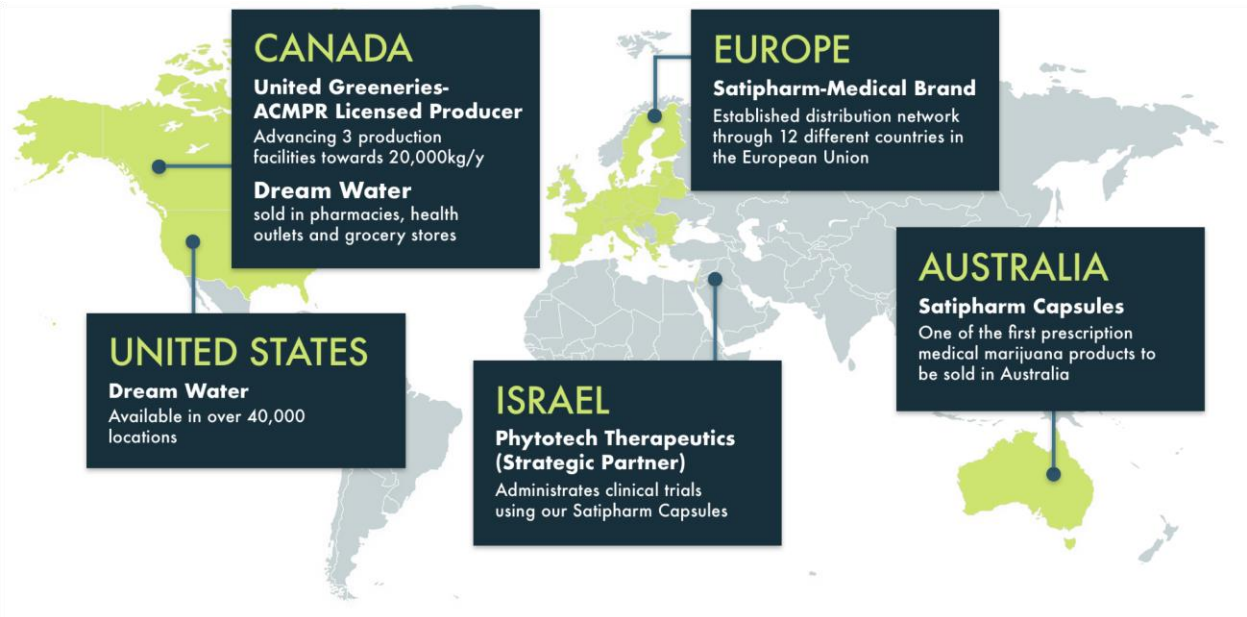
Harvest One is a global cannabis company focused on delivering high quality, innovative cannabis products and technology to regulated markets around the world. Shareholders have significant exposure to the entire cannabis value chain through three wholly owned operating subsidiaries: Horticultural arm and Canadian Licensed Producer United Greeneries Ltd. ("United Greeneries"), medical and pharmaceutical arm Satipharm AG ("Satipharm") in Switzerland and Dream Water Global ("Dream Water"), the Group's consumer goods division. The Company is based in British Columbia, Canada and the common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "HVT".

United Greeneries is licensed to produce and sell medical cannabis under the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). United Greeneries received its license (the "License") to cultivate cannabis on June 28, 2016, and on October 13, 2017 received an amendment to its license to allow for the sale of medical cannabis products to the public. United Greeneries' primary operations are based in Duncan, British Columbia (the "Duncan Facility").

Satipharm is an international medical cannabis brand with focus on oral delivery technologies currently servicing the European and Australian markets. Satipharm received an initial import license to Canada and is in the application process for its second import license. Satipharm holds the exclusive global marketing and distribution rights to a Gelpell® Microgel technology for all cannabis related products.

Dream Water manufactures and sells a 2.5oz, 0-calorie, liquid sleep shot. Along with its sleep powder, Dream Water helps promote relaxation and support restful sleep.

The Company, directly or through its subsidiaries, does not, and does not intend to, sell cannabis or cannabis related products to companies or customers in the United States.



HIGHLIGHTS

- The Company has acquired all of the outstanding shares of Dream Water Products Canada Inc. ("Dream Water Canada") and Sarpes Beverages, LLC (dba Dream Products, LLC) ("Dream Water USA") (*See Description of Business and Recent Developments – Acquisition of Dream Water*);
- The Company converted its remaining outstanding convertible debentures into 14,689,726 common shares (*See Liquidity and Capital Resources*);
- The Company completed a bought deal financing in January 2018, raising aggregate gross proceeds of $40,250,000 (*See Liquidity and Capital Resources*);
- The Company received gross proceeds of $17,543,305 on exercise of 17,519,972 warrants at an average price of $1.00 per warrant (*See Liquidity and Capital Resources*);
- United Greeneries launched its retail platform and initial sales of its two brands: Royal High and Captain's Choice (*See Description of Business and Recent Developments – United Greeneries; Duncan Facility*);
- Satipharm announced favourable results from Phase 2 Clinical Trials of its CBD Capsules in treating intractable epilepsy in children (*See Description of Business and Recent Developments – Satipharm; Satipharm's Medical Testing*);
- Satipharm received an initial import license for the importation of its Gelpell-CBD™ capsules into Canada (*See Description of Business and Recent Developments – Satipharm; Marketing and Distribution*).

DESCRIPTION OF BUSINESS AND RECENT DEVELOPMENTS

Harvest One

Acquisition of Dream Water

The Company entered into definitive agreements to complete the acquisition of all the outstanding shares of Dream Water Canada and Dream Water USA in exchange for a combination of US $12,500,000 in cash and $18,500,000 in common shares at a deemed price of $1.00 per common share, representing total consideration of approximately $34,500,000 (the "Transaction"). As part of this Transaction, the combination of Dream Water Canada and Dream Water USA will become Dream Water Global ("Dream Water), and Harvest One will own the worldwide rights and all intellectual property to and for Dream Water. The Transaction closed on May 29, 2018.

Dream Water is a 2.5oz, 0-calorie, liquid sleep shot. Along with its sleep powder, Dream Water helps promote relaxation and support restful sleep. Dream Water is sold online and in over 30,000 North American retail outlets, while currently generating approximately $6,000,000 per annum in revenue from its current product lines. Harvest One sees significant potential to grow the Dream Water brand and proposition.

Financings

The Company completed two bought deal financings, a convertible debenture issue in December 2017 and an equity issue in January 2018, to raise aggregate gross proceeds of $60,375,000 (*See Liquidity and Capital Resources*). The Company used approximately $16,500,000 to acquire Dream Water. The Company's plan is to use the remaining net proceeds for the expansion of the Duncan facility, the build out of the Aldergove site and Lucky Lake indoor growing facilities, the further development of its Satipharm Gelpell® operations, and for the development of the outdoor growing property upon legalization.

MMJ Phytotech Limited ("MMJ"), which owns 53,333,333 of Harvest One common shares and was the majority shareholder of the Company, as a result of the financings, the conversion of the convertible debentures, the acquisition of Dream Water and the exercise of warrants, has had its position diluted to approximately 31% of Harvest One as of the date of this MD&A.

Changes in Management and Directors

On January 16, 2018, the Company announced the appointment of Nick Maltchev, as interim Chief Operation Officer of Harvest One, replacing Mr. Graham Whitmarsh.

On May 28, 2018, the Company appointed Jonathan Hartshorn as the new CEO of Satipharm. Jonathan holds a degree in Pharmacology and Physiology and is a Fellow of the Institute of Chartered Accountants. He has over 15 years experience in the Life Sciences arena, including Discovery, Development, Clinical Trials and OTC/ Grocery retail experience, as well as transaction experience including M&A and financings. He has held key leadership positions in Pfizer Consumer Healthcare Ireland, McNeil Healthcare and Venn Life Sciences Plc.

On May 29, 2018, the Company announced that Will Stewart resigned from the Board of Directors due to a conflict of interest which arose when Mr. Stewart became an employee of a competitor.

United Greeneries

United Greeneries is licensed to produce and sell medical cannabis under the provisions of the ACMPR at its Duncan Facility located in Duncan, British Columbia. United Greeneries has several other projects under various stages of development. The Lucky Lake Facility is currently advancing through licensing with Health Canada. United Greeneries previously entered into a Letter of Intent (LOI) for a third party lease for a facility in Chemainus, BC. Concurrently with the due diligence on the Chemainus site, United Greeneries was assessing an alternative site in Aldergrove, BC. After extensive due diligence on both sites, the Aldergrove site was determined to be a superior site due to its location, easy access to transportation routes, ample available power and water and expanded capacity potential. United Greeneries announced it had entered into a definitive five year lease agreement, with three 5 year extensions, for the Aldergrove site in May 2018.

The Company is focused on producing and selling medical cannabis and its derivatives through its medical retail platform and intends to serve the upcoming recreational market. The Company is in active discussions with several provincial cannabis distribution operators and is focused on securing long term product supply agreements that would place its products in the 4 western Canadian provinces and Ontario.

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. 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. In December 2017, United Greeneries completed the construction and licensing of three separate mezzanine rooms with a total square footage of 2,423 sq ft. These rooms will be used to house the mother plants and clones to preserve genetics and generate starting material for cultivation. The completion of these rooms allows for the three existing rooms to be used purely for cultivation adding an extra 33% cultivation space, ensuring the Duncan facility now operates at maximum capacity of approximately 1,000 kg of cannabis per annum.

Health Canada approved United Greeneries as an authorized Licensed Producer at the Duncan Facility in June 2016 and during October 2017, issued the amendment for United Greeneries to sell dried cannabis to registered patients under the ACMPR.

United Greeneries is currently in the permitting process with Cowichan Valley Regional District ("CVRD") to construct a 15,000 square foot expansion at the Duncan Facility. The new building will accommodate a sophisticated propagation system, designed to rapidly produce large quantities of rooted cuttings and pre-grown starter plants for all of United Greeneries' facilities. Site prep work underway with the clearing of the land and it is anticipated that United Greeneries will receive its construction permits prior to the end of the fiscal 2018 year and will commence construction shortly thereafter. As the expansion of the Duncan Facility constitutes an amendment to United Greeneries' existing ACMPR license, United Greeneries expects licensing of the new building addition by Health Canada upon completion of the proposed infrastructure in the 2019 fiscal year.

The Duncan Facility will also be home to a processing, extraction and distribution center capable of handling the production volume from all of United Greeneries' facilities as well as an advanced R&D laboratory, designed to develop and test new and innovative products in anticipation of regulatory changes.

On February 28, 2018, United Greeneries launched a new online retail platform for medical clients. The United Greeneries sales platform allows registered medical users to log in under their own unique profile to browse and shop our full product offerings. Initially the product offering will include two main brands, labeled as Royal High and Captain's Choice; each brand will offer the consumer multiple different strains for purchase. The platform will offer a customer focused experience while providing the Company with essential customer feedback information to enhance our customer and product offering ahead of the full introduction of the recreational market. The Company is focused on establishing its brand within the ever-expanding cannabis market prior to recreational legalization.

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 is now advancing through the final stages of approval with Health Canada and expects initial licensing under the ACMPR to occur in the third quarter of the 2018 calendar year.

United Greeneries is actively considering several build out scenarios for the Lucky Lake facility. The Company is examining several new cultivation technologies that if deployed could increase yields and the quality of the product. Lucky Lake is capable of delivering over 80,000 square feet of actual growing space (canopy space) with an estimated total capacity of 12,000 kg of dried cannabis flowers per annum. United Greeneries continues to prepare the site for a staged modular build out and expects to bring this new capacity into production by the end of the 2019 fiscal year, subject to regulatory approval.

Second British Columbia Site- Aldergrove BC

The Company has entered into a lease agreement for a lower mainland site, located in Aldergrove BC. The Company believes this location will expand its production capacity over the previously announced expansion plans in Chemanius, BC.

The Aldergrove site will allow the Company to forgo significant building repairs and focus on a rapid build out of the cultivation infrastructure. Furthermore, at 59,000 square feet, the Aldergrove site is 32,000 square feet larger than the previously announced Chemanius site allowing for greater yields and profitability.

In addition to the greater yield capacity, the Aldergrove site is strategically located near all major transportation hubs and the provincial distribution Centre for Cannabis in British Columbia. The site allows for a greater expansion potential with over 20 acres of land that can be used for an expansion of R&D, distribution capability and growth of rare cannabis strains.

Chemainus Facility

On November 20, 2017, the Company announced that United Greeneries entered into an LOI with a third party to lease the Chemainus Facility. The Chemainus Facility was previously an industrial lumber kiln drying plant and, due to its existing useable building envelope was well suited for a retrofit into an indoor cannabis cultivation facility. The initial facility design was for a total annual capacity of approximately 8,000 kg. The Company, however during the due diligence process, discovered several non-disclosed issues with the Chemanius property. These included but were not limited to issues pertaining to septic capacity and limited potential power that could be secured through a BC Hydro long-term power agreement. The company is fully committed to it's 20,000 kg target by the end of 2018 and was conducting a parallel due diligence examination of a second site in BC in tandem with the Chemanius due diligence process.

The LOI sets out that, subject to United Greeneries completing due diligence to its reasonable satisfaction, the parties to the LOI will work to settle a definitive lease agreement setting out the terms of the proposed transaction within 120 days (the "Definitive Agreement"). The Company after a full examination of the site's potential decided against entering into a definitive agreement to lease the Chemanius site.

Acquisition of Outdoor Growing Property

On December 18, 2017, United Greeneries entered into a binding purchase agreement for 398 acres of agricultural land (the "Property") in British Columbia. With the announcement of consultations in November 2017 by the federal government of Canada, on potential regulations that may permit outdoor growing for the recreational cannabis market in Canada, the Company is advancing a comprehensive cannabis outdoor growing strategy.

Subject to the passage of applicable legislation or regulations permitting outdoor growing and regulatory approvals, the Company expects that the initial growing area on the Property will consist of approximately 140 acres of row-style, individual plant settings with irrigation and feeding lines.

The acquisition of the Property completed in February 2018. The purchase price for the Property was $964,000.

United Greeneries' plans through the 2018 and 2019 calendar years is to continue to ramp up its cultivation operations to achieve maximum production in the Duncan Facility, to advance its aggressive expansion plans at the Aldergrove and Lucky Lake Facilities, and to prepare for the approval of outdoor growing in order to significantly increase production capacity to serve both the medical and anticipated recreational markets in Canada. These factors, along with the acquisition of Dream Water, furthers Harvest One's strategic goal to operate as a complete, vertically-integrated global group with cannabis cultivation through United Greeneries, plus the manufacturing, marketing and distribution of both medical and pharmaceutical cannabis products by Satipharm, and the new consumer goods marketing, manufacturing and distribution with Dream Water.

Satipharm

Satipharm 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 ("CBD 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 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.

In August 2017 the patent cooperation treaty application submitted by Satipharm in February 2017 was published. Once and if granted, the patent will be owned equally by Satipharm and GelPell, and will cover Satipharm's CBD Capsule.

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

Satipharm began production of its 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. ("PTL"), MMJ's Israel-based subsidiary responsible for Satipharm's clinical development activities. In March 2016, PTL completed a phase 1 clinical study which highlighted the safety and performance of Satipharm's CBD Capsules in delivering CBD compounds to trial subjects.

The results of this Trial were recently published in an international medical journal. The article "Single-Dose Pharmacokinetics of Oral Cannabidiol Following Administration of PTL101: A New Formulation Based on Gelatin Matrix Pellets Technology" has been published in Clinical Pharmacology in Drug Development ("CPDD"). Established in 2012, CPDD is an international, peer-reviewed publication and the official journal of the American College of Clinical Pharmacology, providing a forum for the presentation of first-time-in-man study results. CPDD publishes clinical pharmacology studies in drug development which are primarily (but not exclusively) performed in early development phases in healthy subjects.

PTL has commenced a phase 2 clinical study into the efficacy of Satipharm's CBD Capsules in treating intractable epilepsy in children at a leading Israeli healthcare facility. The initial results received to date indicate that Satipharm's CBD Capsules significantly reduce monthly seizure frequency when added to current medications, with strong evidence of efficacy reported. PTL's near-term focus is on recruiting the final patients required for the Phase 2 trial, with the study expected to be completed by mid-2018. The full results for the entire patient cohort would then be published shortly thereafter.

PTL 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 Satipharm's CBD Capsules in treating spasticity-related symptoms associated with multiple sclerosis patients.

Marketing and Distribution

For the year ending June 30, 2018, Satipharm plans to continue to expand its distribution network and increase sales across the European Union. Satipharm has obtained a "Free Sale Certificate" by local German authorities, which reduces constraints for international exports and removes final regulatory trading impediments with other EU jurisdictions. The Free Sales Certificate officially establishes Satipharm's CBD capsules as a food supplement rather than a "Novel Food", and therefore clarifies certain legal concerns that have previously obstructed Satipharm's capsule marketing in some jurisdictions. The Company understands that Satipharm is the only company in Europe with a GMP grade nutraceutical CBD products. As a result, Satipharm's distribution network expanded in 2017/2018 with a focus on large European consumer markets: Denmark, United Kingdom, Netherlands, Spain and Austria. In these countries, Satipharm's CBD Capsules are now available in several online shops, mail order pharmacies and in conventional brick and mortar pharmacies.

In the second quarter of fiscal 2017, the Swiss Food Safety Organization requested approval from Germany, the UK and Ireland for exportation of Satipharm's CBD Capsule into their respective countries. Swiss law only allows for exportation of food which does not comply with Swiss Food law if the receiving country accepts the importation of the goods. Although Satipharm has the Free Sale Certificate outlining that the product is a food supplement, not a Novel Food, the German and Irish authorities have taken the stance at this time that the product is a Novel Food and therefore disallowed exports of the product to those countries. The UK recognized the product as a food supplement and the Company continues to export its product there. The Company is currently communicating with German and Irish authorities to have the product designated as a food supplement, citing the UK's position on the matter, in order to reestablish exportation to those countries. Further, as the Company's distribution hub for the EU was located in Germany, Satipharm has been unable to distribute its product in the EU in the majority of the second and third quarter resulting in significantly reduced sales. The Company moved its distribution hub to the UK from Germany in May 2018 and recommenced sales to the EU market.

Earlier this calendar year, Satipharm successfully exported its capsules to Australia making the capsules one of the first medicinal cannabis products available to approved prescribers in the country and in November 2017, Satipharm's Australian distribution partner had commenced distribution of Satipharm's Gelpell® CBD capsules to approved patients, establishing the Company as a market leader in Australia. 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 into Canada to be sold as a medical product. In December 2017, an initial import license to Canada for its Gelpell® CBD capsules was received to undergo quality assurance testing by Health Canada and the Company is anticipating a second import license to be issued later in calendar 2018. The Company believes this will be one of the biggest catalysts for revenue growth in the near term.

Dream Water

Dream Water is a liquid sleep shot and sleep powder which helps promote relaxation and restful sleep. It was developed in response to the need for an effective alternative to traditional over-the-counter and prescription sleep-aids. With the increase in the number of Canadian adults who are sleep deprived and while many turn to prescription sleep aids for help, these products often come with significant side effects including short-term memory loss, dependency, and worsened sleep quality when used long term.

Dream Water has been approved by Health Canada and the Food and Drug Administration in the US as a safe, effective and high quality natural health product when used as directed. Dream Water contains melatonin, GABA and 5-HTP, three key ingredients that help people fall asleep, stay asleep and wake up feeling refreshed.

- MELATONIN helps govern your body's internal clock that regulates your natural cycle of sleeping and waking.
- GABA helps you relax and reduce anxiety by blocking the transmission of impulses from one cell to another in the central nervous system.
- 5-HTP helps promote sleep and relaxation and improve the quality of sleep by stimulating the production of melatonin.

Dream Water is a Health Canada certified all natural sleep remedy that works for approximately 84% of the adult population. It is a safe, fast acting and highly effective solution. Dream Water currently has two distinct product lines: relaxation and beauty. Each of the lines is carefully designed to offer a different experience for the consumer based on their lifestyle.

Harvest One's acquisition of Dream Water positions the Company as first movers both in the global cannabis and sleep markets, two robust industries that are expanding rapidly.

Current Operations and Distribution

Dream Water is growing rapidly with over 30 million units sold in Canada and the United States in over 30,000 outlets. Dream Water is currently sold through industry leading grocery, drug, convenience and mass retailers, in major North American airports, e-commerce platforms and a growing monthly online subscription service.

Expansion Plans

Dream Water and Harvest One are currently scaling up a new international licensing and distribution division. This division's goal will be to add numerous countries throughout Europe within the next 5 years. By utilizing Satipharm's existing distribution network and leveraging supply agreements currently in place, this process will be expedited.

Dream Water has established a full cannabis-based product development program to include CBD in oral spray, liquid suspension and soluble powder-based product lines for the anticipated Canadian recreational market, subject to applicable regulatory approvals.

The brand's current product lines allow for immediate international expansion with non-cannabis related products in order to gain brand and distribution footholds in other countries where legalization will take time to develop.

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 Marihuana Medical Access Regulations ("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 marijuana.
- 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.
- On March 22, 2018, Bill C-45 passed second reading in the Senate, giving the bill approval in principle. The bill now proceeds to the Standing Senate Committee for closer scrutiny, witness testimony and proposed amendments before returning to the Senate for a final debate and vote expected by June 7, 2018.

- 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. If Bill C-45 is passed by the Senate, provincial governments will need an additional 8 to 12 weeks from such date to prepare for retail sales. It is anticipated that legal adult use cannabis sales in Canada will commence in August or September 2018.

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. Recently, there have been significant legislative changes in EU countries, including the Netherlands, Italy, Ireland and Germany.

In particular, 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 cannabis 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 people, 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. This legislation 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

CBD is one of the non-psychotropic cannabinoids in cannabis industrial hemp. In 2016, 30,000 hectares of cannabis were cultivated in the European Union. There has been growing interest in CBD in recent years. CBD 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.

The Sleep Industry

The current global sleep aid market is showing significant growth due to a number of factors: the obesity rates are climbing, the population is aging and therefore more people are developing sleep disorders, everything from sleep apnea, restless leg syndrome, and other sleep disorders. The everyday stress of fast paced, hectic lives, the numerous daily stresses from work, financial, family and elder care, the fluctuating stock market, terrorism attacks, the mass shootings, student debt, and political uncertainty are all resulting in more sleepless nights around the world. Given these factors, there is ample room for future growth of sleep lab and home test devices, CPAP devices, premium mattresses and pillows, OTC and prescription medications, apps and other services, which make up the growing sleep aid market.

The global sleep aids market was valued at $49 billion in 2016, and is estimated to reach $80 billion by 2022. In 2013, OTC revenue of sleeping aids in the United States reached around 402 million U.S. dollars. As the major prescription insomnia drugs market has been declining in value due to the expiration of patents and the entry of cheaper generics. These drugs'

U.S. sales total about $1.4 billion. However, the non-prescription and OTC sleeping pills market, valued at $576 million, is the fastest growing part of the category.

Today, it's known that more than 17 million adult Canadians suffer from some form of sleep disorder and up to 60% of Canadians are sleep deprived. The fastest growing over-the-counter (OTC) category in Canada is sleep remedies. It has grown at a rate of +10% year over year for the past four years. Sleep disorders have been declared an epidemic in Canada with the lack of sleep having been shown to have a negative effect on health leading to exhaustion, loss in productivity, behavioural changes and even serious illness or accidents. One third of Canadians sleep less than six hours a night, and research has shown that those suffering from sleep deprivation may be three times more likely to develop diabetes, heart disease and gain weight.

Given the widespread need for improved sleep, consumers are turning to a variety of goods and services which is growing the sleep aid category.

RESULTS OF OPERATIONS

Net Loss and comprehensive loss

Net loss for the three and nine months ended March 31, 2018 was $2,424,609 and $7,655,137 (2017: $1,635,997 and $2,928,388) or $0.02 and $0.07 (2017: $0.03 and $0.06) per basic and diluted share. Comprehensive loss was $2,381,891 and $7,607,499 (2017: $1,662,101 and $2,947,005) which is comprised of the net loss and a foreign currency translation gain of $42,718 and $47,638 (2017: net loss and a foreign currency translation loss of $26,104 and $18,617).

The main fluctuations in the net loss and comprehensive loss between the three and nine months ended March 31, 2018 and 2017 is as follows:

	Three months ended March 31, 2018			Three months ended March 31, 2017			**Nine months ended March 31, 2018**			Nine months ended March 31, 2018		
	Cultivation	**Processing & Distribution**	**Total**	Cultivation	Processing & Distribution	Total	**Cultivation**	**Processing & Distribution**	**Total**	Cultivation	Processing & Distribution	Total
	$	**$**	**$**	$	$	$	**$**	**$**	**$**	$	$	$
Revenues	**951**	**32,052**	**33,003**	-	9,634	9,634	**951**	**211,336**	**212,287**	-	9,634	9,634
Cost of goods sold	**-**	**(32,086)**	**(32,086)**	-	(3,484)	(3,484)	**-**	**(192,727)**	**(192,727)**	-	(3,484)	(3,484)
Gross profit (loss) before fair value adjustments	**951**	**(34)**	**917**	-	6,150	6,150	**951**	**18,609**	**19,560**	-	6,150	6,150
Gain on changes in fair value of biological assets	**1,143,701**	**-**	**1,143,701**	-	-	-	**804,510**	**-**	**804,510**	-	-	-
Gross profit (loss)	**1,144,652**	**(34)**	**1,144,618**	-	6,150	6,150	**805,461**	**18,609**	**824,070**	-	6,150	6,150

Revenue and cost of goods sold

Revenue

Revenue for the three and nine months ended March 31, 2018 increased to $33,003 and $212,287 compared with $9,634 for both the three and nine months ended in the same periods in 2017. The majority of the revenue earned in the three months ended was from sales of cannabis-based pharmaceutical in Australia while sales in Europe continued to be significantly impacted by the Company's inability to export to Germany where it's distribution hub for the EU was located (*See Description of Business and Recent Developments – Satipharm; Marketing and Distribution*).

The Company's strategy in relation to cannabis sales is two-fold:

1. To create brand awareness of the Company's cannabis products, in the lead up to recreational legalization, through its online retail platform.
2. To ensure sufficient supply in order to enter into long-term wholesale contracts for cannabis with Provincial regulatory bodies.

The Company had cannabis sales of $951 from February 28 to March 31, 2018, averaging approximately $78 per sale. Cannabis sales are anticipated to continue to grow organically over the next two quarters until the Company obtains contracts with Provincial regulatory bodies and commences wholesale sales.

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 costs to sell at their point of harvest. As they continue to grow through the pre-harvest stages, a corresponding non-cash gain is recognized in income through cost of goods sold, reflecting the gain on transformation 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 changes in fair value of 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 on transformation of biological assets, inventory expensed, production costs and inventory impairment 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.

Included in cost of goods sold for the three and nine months ended March 31, 2018 is a $1,143,701 and $804,510, respectively, gain on changes in fair value of biological assets.

The Company regularly reviews its cannabis inventory for quality and freshness. During the nine months ended March 31, 2018, 69.3 kg of cannabis inventory did not meet the quality standards for dry bud sale and therefore will be sold as extraction grade cannabis. As a result, the Company impaired $210,000 of dry cannabis finished goods to reduce the carrying amount to its net recoverable value.

Operating expenses

	Three months ended March 31		Nine months ended March 31	
	2018	2017	**2018**	2017
	$	$	**$**	$
Depreciation and amortization	**42,736**	294,089	**62,618**	309,109
General and administration	**82,196**	155,576	**437,909**	295,504
Insurance	**34,904**	10,404	**84,743**	27,213
Marketing and investor relations	**134,813**	135,487	**448,457**	260,357
Professional and consulting services	**408,452**	192,627	**890,868**	197,417
Rent	**47,468**	54,164	**138,658**	127,295
Salaries, bonus and benefits	**699,807**	342,766	**1,729,751**	668,981
Share-based payments	**727,996**	110,198	**2,123,666**	365,873
Regulatory	**35,341**	4,973	**185,997**	217,360
Travel	**295,590**	241,535	**467,869**	250,557
	2,509,303	1,541,819	**6,570,536**	2,719,666

Total operating expenses increased to $2,509,303 and $6,570,536 for the three and nine months ended March 31, 2018 compared to $1,541,819 and $2,719,666 in the same periods in 2017. The Company continued to ramp up operations during the three and nine months ended March 31, 2018 with the commencement of cultivation operations on December 21, 2016. The main fluctuations in operating expenses are as follows:

Depreciation and amortization

Depreciation decreased to $42,736 and $62,618 in the three and nine months ended March 31, 2018 from $294,089 and $309,109 in the previous comparative periods. Amortization of the building, plant and equipment at the Duncan facility is being classified as production costs for the three and nine months ended March 31, 2018 and included in cost of goods sold whereas the comparative 2017 periods were included in operating expenses.

General and administration

For the three and nine months ended March 31, 2018, the Company incurred $82,196 and $437,909 in general and administration costs compared with $155,576 and $295,504 for the previous comparative periods. The decrease in the three month ended March 31, 2018 costs is primarily due to security costs being classified as production costs and included as part of cost of goods sold in the current period. The increase in the nine months ended March 31, 2018 is related to the ramp up of operations in anticipation of recreational legalization.

Insurance

Insurance expense increased in the three and nine months ended March 31, 2018 compared with the same periods in the previous year due to increased coverage as a result of the Company now being listed on the TSX-V and the Company's expanding operations.

Marketing and investor relations

For the nine months ended March 31, 2018, marketing and investor relations activities increased to $448,457 from $260,357 in the previous comparable period as a result of the Company becoming publicly traded and listed on the TSX-V on April 27, 2017.

Professional and consulting services

Professional and consulting services increased to $408,452 and $890,868 in the three and nine months ended March 31, 2018 from $192,627 and $197,417 in the comparative periods. The increase is due to increased legal fees, recruiting fees and consultants' fees as the Company executes on its expansion plans, including the acquisition of Dreamwater, and gears up for recreational legalization.

Rent

Rent expense for the three and nine months ended March 31, 2018 relates mainly to the Company establishing a head office in downtown Vancouver while the rent expense in the three and nine months ended March 31, 2017 relates to the operating lease on the Company's Duncan Facility. The Company purchased this facility on May 18, 2017.

Salaries, bonus and benefits

Salaries, bonus and benefits increased in the three and nine months ended March 31, 2018 compared with the same periods in 2017 as the Company rounded out its executive team and added additional staff at the Vancouver office and the Duncan Facility as the Company increased its operations and pursued its expansion plans.

Share-based payments

For the three and nine months ended March 31, 2018, the Company incurred $727,996 and $2,123,666 in share-based compensation expenses compared with $110,198 and $365,873 in the previous comparative periods as a result of vesting of stock options issued in the previous year.

Regulatory

Regulatory expenses decreased in the nine months ended March 31, 2018 compared with the same period in 2017 primarily due to quality assurance costs in the production of cannabis being classified as production costs and included in cost of goods sold in the current period.

Travel

Travel expenses increased to $295,590 and $467,869 in the three and nine months ended March 31, 2018 compared with $241,535 and $250,557 in the same periods in 2017 due to the Company's increased operations, investor relations activities and business development activities.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018, the Company had cash and cash equivalents of $79,519,071 and working capital of $83,719,409 compared with cash and cash equivalents of $14,246,320 and working capital of $14,865,072 at June 30, 2017. The increase in cash and cash equivalents from the end of fiscal 2017 was mainly due to the cash received from two financings, one in December 2017 and the other in January 2018 for $20,125,000 and $40,250.000, respectively, as well as the exercise of warrants that generated cash of $18,206,471, offset by the cash used to fund operations and investing activities $5,872,488 and $2,826,340, respectively and issuance costs of $4,757,115 on the two financings.

Cash used in operating activities during the three and nine months ended March 31, 2018 totalled $1,897,002 and $5,872,488 compared with $1,472,620 and $2,719,490 in the comparative 2017 period.

Cash used in investing activities during the three and nine months ended March 31, 2018 was $2,193,613 and $2,826,340, compared with $98,229 and $185,675 in the comparative 2017 periods. The cash expenditures in 2018 were primarily related to the outdoor land purchase, leasehold improvements for the mezzanine expansion at the Duncan facility, construction in process for the Company's expansion plans and office equipment for the new office in Vancouver, British Columbia. In addition, the Company loaned $751,315 to Dream Water Canada.

Cash from financing activities during the three and nine months ended March 31, 2018 was $54,543,001 and $73,971,579 compared with $984,295 and $2,215,301 in the comparative 2017 periods. The increases were primarily due to net proceeds from the issuance of convertible debenture units issued on December 14, 2017, the proceeds from an equity financing on January 31, 2018 and the exercise of outstanding warrants in the three months ended March 31, 2018.

The Company completed a "bought deal" offering of unsecured convertible debenture units of the Company (the "Debenture Units") in an aggregate principal amount of $20,125,000 (the "Debenture Offering"). Each Debenture Unit consisted of $1,000 principal amount of 8.0% unsecured convertible debentures of the Company (a "Debenture") and 458 common share purchase warrants of the Company (each a "Debenture Warrant"). Each Debenture Warrant entitles the holder to acquire one common share for an exercise price of $1.09 until December 14, 2020. The Convertible Debentures were convertible into common shares of the Company at a price of $0.84 per share, subject to forced conversion at the Company's option if the volume weighted average price ("VWAP") of the Company's common shares equals or exceeds $1.40 per share for 30 consecutive trading days. On February 23, 2018, the Company exercised its option to convert the remaining principal amount of Convertible Debentures outstanding into common shares of the Company at a price of $0.84 as the VWAP of the Company's common shares exceeded $1.40 per share for 30 consecutive trading days. The Mandatory Conversion was completed on March 28, 2018.

Further, on January 31, 2018, the Company closed a bought-deal financing for 22,115,385 units of the Company at a price of $1.82 per unit for aggregate proceeds of $40,250,000 (the "Units Offering"). Each unit consists of one common share and one common share purchase warrant. Each warrant shall entitle the holder thereof to purchase one common share at an exercise price of $2.30 per warrant share at any time up to 24 months following the closing of the Units Offering.

Lastly, for the three and nine months ended March 31, 2018, the Company received $17,543,305 and $18,206,471 on the exercise of 17,579,972 and 18,183,138 warrants at an average price of $1.00.

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, the production and sale of CBD capsules and the production and sale of sleep aid consumer packaged goods. However, future inflows of cash are dependent on actions by management achieving profitable operations and raising additional capital. Management believes, should it be 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 and debt subscriptions. 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.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue	Gross profit	Net loss	Basic and diluted loss per share
	$	$	$	$
March 31, 2018	33,003	1,144,618	(2,424,609)	(0.02)
December 31, 2017	4,740	392,587	(3,342,347)	(0.04)
September 30, 2017	174,544	379,640	(1,888,184)	(0.02)
June 30, 2017	63,316	246,22	(5,509,837)	(0.10)
March 31, 2017	9,634	6,150	(1,635,997)	(0.03)
December 31, 2017	-	-	(521,578)	(0.01)
September 30, 2016	-	-	(770,813)	(0.02)
June 30, 2016	-	-	(1,839,913)	(0.04)

SHARE CAPITAL

The Company has an unlimited number of common shares authorized and the following securities outstanding:

	March 31, 2017	As at the date of this MD&A
Common stock	154,952,498	173,441,452
Warrants	3,376,468	3,376,468
Brokers' warrants	800,036	800,036
Secondary warrants	900,018	900,018
Convertible debentures warrants	5,901,282	5,901,282
Units offering warrants	22,115,385	22,115,385
Brokers' compensation units warrants	663,461	663,461
Stock options	7,680,000	7,680,000

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

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

	Three months ended March 31		Nine months ended March 31	
	2018	2017	**2018**	2017
	$	$	**$**	$
Salaries and benefits	**273,673**	29,615	**626,773**	76,096
Consulting fees	**69,562**	-	**208,688**	-
Directors' fees	**36,000**	3,000	**108,000**	9,000
Share-based compensation	**458,293**	-	**1,462,005**	-
Total	**837,528**	32,615	**2,405,466**	85,096

At March 31, 2018, there was $33,000 in directors' fees (June 30, 2017 - $22,000) included in accounts payable and accrued liabilities.

During the three and nine months ended March 31, 2018, the Company paid $9,751 and $34,285 (March 31, 2017 - $Nil and $Nil) in legal fees to a company owned by a director of the Company and consulting fees of $13,750 and $20,305 (March 31, 2017 - $Nil and $Nil) to individuals related to a director and an officer of the Company.

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 March 31, 2018, the Company has the following total commitments:

	Remainder of fiscal 2018	Fiscal 2019-2022	Thereafter	**Total**
Operating lease commitments	51,419	477,025	262,092	790,536
Purchase commitments	549,091	2,109,688	783,593	3,442,372
Total	**600,510**	**2,586,713**	**1,045,685**	**4,232,908**

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, British Columbia. 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.

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.

The Company entered into a lease five-year lease agreement for office space in Vancouver, British Columbia, commencing on February 28, 2017. The Company pays monthly rent at a rate of $10,865 under this agreement.

Subsequent to March 31, 2017, on April 20, 2018, the Company entered into a five-year lease agreement for premises in Aldergrove, BC to develop a facility for the licensed production of cannabis pursuant to the ACMPR. The lease commences on August 1, 2018 with monthly rental payments of $69,206. The Company has the option to extend the lease for three additional five-year periods.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at March 31, 2018, the Company is exposed to foreign currency risk through its bank accounts denominated in Swiss Francs ('CHF"). A 10% appreciation (depreciation) of the CHF against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the interim periods presented.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and accounts receivable are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with financial institutions of high credit worthiness. The Company's accounts receivable are primarily receivable from government agencies. As at March 31, 2018, the Company is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest expense on loans payable and interest income on Canadian dollar cash. As at March 31, 2018, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand, and are subject to normal trade terms. As at March 31, 2018 the Company has $85,298,654 of current assets and $1,579,245 of current liabilites. The Company addresses its liquidity through capital market financings. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Fair value

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and due to related party approximate their fair value.

Fair value hierarchy

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

During the three and nine months ended March 31, 2018, there were no transfers of amounts between fair value levels.

Cash is classified as Level 1 financial instruments.

The Company's other financial instruments, including accounts receivable, accounts payable and accrued liabilities, and due to related party are carried at cost which approximates fair value due to the relatively short maturity of those instruments.

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. In addition, the reader should consult the short form prospectus of the Company filed in respect of certain risks associated with the Units Offering.

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 operations 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 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 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 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.

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 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 its 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

Harvest One will be required to rely on third party transportation services to deliver their products 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.

Integration Risk

With the acquisition of Dream Water and the completion of the Transaction, the Company has the following integration risks: the challenge of implementing uniform standards, controls procedures and policies; the challenge of upholding consistent systems and procedures; the inability to integrate, train, retain and motivate key personnel; the inability to maintain operating efficiency; disruption of Harvest's ongoing business and the distraction of management from its day-to day operations; and the potential impairment of relationships with the employees of Dream Water, customers and strategic partners. Such risks, if they materialize, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations and will depend upon the Company's ability to manage those operations and to eliminate redundant and excess costs. As a result of difficulties associated with combining operations, the Company may not be able to achieve the cost savings and other benefits that it would hope to achieve with the Transaction. Any difficulties in this process could disrupt the ongoing business, distract its management, result in the loss of key personnel, increase its expenses and otherwise materially adversely affect its business, financial condition, liquidity and operating results.

Acquisition Strategy Risks

The Company has made, and may continue to pursue acquisition opportunities to advance its strategic plan. The successful integration of an acquired business typically requires the management of the pre-transaction business strategy, including the retention and addition of customers, realization of identified synergies, retention of key staff and the development of a common corporate culture. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the ability to realize on anticipated growth opportunities and synergies from newly formed partnerships. Any failure to integrate an acquired business or realize the anticipated benefits of new partnerships may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its future prospect for acquisitions or partnerships. There is no assurance that the Company will be able to successfully integrate an acquired business in order to maximize or realize the benefits associated with an acquisition.

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. 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. In addition, 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 earnings 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.

Volatility of Market Price of the Common Shares and Warrants

The market price of the Common Shares and Warrants may be volatile and subject to wide fluctuations and will be based on a number of factors, including: (i) the prevailing interest rates being paid by companies similar to the Company; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) the financial condition, results of operation and prospects of the Company; (vi) the publication of earnings estimates for the Company or other research reports and speculation regarding the Company in the press or investment community; (vii) changes in the industry in which the Company operates and competition affecting the Company; and (viii) general market and economic conditions. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Common Shares and Warrants.

Outdoor Property is not Licensed under the ACMPR

The Outdoor Property is not licensed by Health Canada under the ACMPR as a facility where the cultivation of cannabis is permitted. United Greeneries' ability to cultivate, store and sell medical cannabis produced on the Outdoor Property 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 Outdoor Property.

Outdoor Growing is not Permitted under the ACMPR

Outdoor growing of cannabis is not currently permitted by Health Canada under the ACMPR. While the federal government of Canada has introduced consultations regarding the proposed implementation of outdoor growing licenses in connection with legislation legalizing recreational cannabis, there can be no assurance that such legislation, if passed, would permit outdoor growing as contemplated herein or at all.

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 the Lucky Lake Facility (provided that it receives a license) and 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 include 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. Additionally, sufficient power will be required to expand the Lucky Lake Facility and the Duncan Facility, respectively, which the Company may not be able to secure, or secure at economically viable rates. 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 Lucky Lake Facility (provided that it receives a license) and the Duncan Facility, 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.

Failure to Obtain Import License

The ability of Harvest One to import Satipharm's Gelpell® Microgel Capsules into Canada is dependent on an import license. The Company received an initial import license to Canada for Satipharm's Gelpell® Microgel Capsules for the year ended December 31, 2017. While the Company has applied for a new import license for the year ending December 31, 2018 on an expedited basis, and the Company expects to receive a new license by the end of 2018, no assurance can be given that such an import license will be obtained. The failure to obtain such import license will prevent Harvest One from being able to implement its Canadian business plan with respect to Satipharm's Gelpell® Microgel Capsules.

Operations in Foreign Jurisdictions

Certain of the Company's operations are located in foreign jurisdictions. As such, the Company's operations at various times may be exposed to political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to:

- renegotiation, nullification, termination or rescission of existing concessions, licenses, permits and contracts;
- repatriation restrictions;
- changing political conditions;
- currency exchange rate fluctuations;
- taxation policies;
- changing government policies and legislation;
- import and export regulations;
- infrastructure development policy; and
- environmental legislation

Changes, if any, in policies or shifts in political attitude may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, and land use. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and profitability.

In addition, in the event of a dispute arising from operations in a foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts.

Credit, Liquidity, Interest and Currency Risk

The Board of Directors has overall responsibility for the establishment and oversight of Harvest One's risk management framework. As at March 31, 2018, Harvest One's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. 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 with large Canadian financial institutions with issuer credit ratings 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 cash equivalents, accounts receivable and accounts payable 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.

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 on 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 common shares.

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, and its wholly owned subsidiary United Greeneries Operations Ltd., to grow, store and sell medical cannabis in Canada at the Duncan Facility is dependent on its License from Health Canada and maintaining such License in good standing. Failure to: (i) comply with the requirements of the License and (ii) maintain this License 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. 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 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 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 105 Licensed Producers as of the date of the MD&A. 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, its 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

Harvest One's revenues 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 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 is 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 distract from day to day operations.

Operating Risk and Insurance Coverage

Harvest One maintains insurance to protect its assets, operations and employees. While Harvest One believes its insurance coverage addresses all material risks to which it is 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, convertible debenture units, 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.

(e) Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which company is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.

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, 2017 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, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for the Company for its year ended June 30, 2019. The Company is assessing the impact of this standard.

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. The Company does not anticipate any material impact from the implementation of IFRS 15 other than additional disclosure requirements.

IFRS 16, Leases

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less and the underlying asset has a low value. IFRS 16 is effective for the Company for its year ended June 30, 2020, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is assessing the impact of this standard on its financial position and financial performance, however it expects it to be immaterial.

IFRS 7, Financial Instruments: Disclosure

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for the Company for its year ended June 30, 2019. The Company is assessing the impact of this standard.

IFRS 2, Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments are effective for the Company for its year ended June 30, 2019. The Company is assessing the impact of this standard on its financial position and financial performance.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the unaudited combined consolidated interim financial statements, is the responsibility of management. In the preparation of these unaudited combined consolidated interim 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 unaudited combined consolidated interim 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 unaudited combined consolidated interim 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 unaudited combined consolidated interim financial statements; and (ii) the unaudited combined consolidated interim 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 three months ended March 31, 2018.

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.