BIOME GROW INC.

("Biome" or the "Company")
Six Months Ended June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date of Report: August 26, 2019

The following management's discussion and analysis ("MD&A") has been prepared as of August 26, 2019 and should be read in conjunction with the condensed consolidated interim financial statements and accompanying notes for the period ended June 30, 2019, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A includes certain statements that may be deemed "forward-looking statements". Such statements include, but are not limited to, statements regarding the expected performance of the Company's business and operations; the Company's expectations regarding revenues, expenses and anticipated cash needs and the ability to secure such cash needs in a timely manner and on terms acceptable to the Company; the intention to grow the Company's business and operations and the timing associated therewith; the expectation of an increase in product demand in the various selling jurisdictions and the timing associated therewith and the ability of the Company to satisfy such demand. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our expectation with respect to our expansion projects.

Often, but not always, forward-looking statements and information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "aims", "anticipates", "will", "projects", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions "may", "could", "would", "might" or "will" be taken, occur or be achieved. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements, by their very nature, are subject to numerous risks and uncertainties, some of which are beyond the Company's control, and are not guarantees of future performance. Forward-looking statements and information are based on the opinions and estimates of management at the date the statements are made, as well as a number of assumptions made by, and information currently available to, the Company concerning, among other things, anticipated market demand for cannabis, the availability of additional capital to finance growth and future research and development, anticipated revenue and cash flow from the sale of cannabis products, the Company's ability to obtain necessary governmental permits and approvals in a timely manner and on commercially reasonable terms, access to and availability of components (including personnel) to develop the Company's operations, all of which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and information.

These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include risks *related to the Company's limited operating history, general business, economic, competitive, political and social uncertainties, uncertain and volatile equity and capital markets, lack of available capital, future demand for cannabis, lack of market acceptance or demand for the Company's products, the need for significant additional capital, changes in government legislation, environmental risks and hazards, infrastructure and/or operating costs, labor and employment matters, inability to secure necessary permits and approvals on a timely basis or at all, uncertainties involved in interpreting marketing and sales data, defects in the Company's title to its intellectual property, third party infringement claims, cost increases, exchange rate fluctuations, the Company's dependence on key personnel, as well as those factors discussed in the Company's Listing Statement available for review on SEDAR. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.*

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. The Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

1.2 Nature of Business

Biome Grow Inc. (the "Company") was incorporated under the laws of the Province of Ontario on November 22, 2016. The head office and principal business of the Company is 1401 - 480 University Avenue, Toronto, Ontario.

The Company is in the cannabis industry. On May 19, 2017, the Company acquired 100% interest in Highland Grow Inc. ("Highland Grow") (formerly THC Dispensaries Canada Inc.). Highland Grow obtained a cultivation license on December 1, 2017 and its authorization to sell cannabis on December 16, 2018. Highland Grow currently cultivates, produces and distributes cannabis at its Antigonish, Nova Scotia facility.

1.3 Overall Performance

The Company began commercial operations in its current business line effective Q1, 2019. Accordingly, management believes that financial comparisons to the prior year period are less useful than quarter over quarter comparisons. Accordingly, the discussion below focuses on the second quarter of 2019 and results for the first six months of 2019.

The Company's core tenant remains providing quality products in a cost-effective manner. Net losses for the period ended June 30, 2019 and 2018 reflect the steady increase in operational activities consistent with a company on a steep growth curve. From an expense perspective, the growth in cultivation related costs, the hiring and contracting of more experts and experienced personnel, higher levels of business development and more corporate activity generally all contributed to the growth in operational expenses sequentially. Net loss was offset by the fair value adjustment on growth of biological assets which were $466,751 and $426,301 for the period ended June 30, 2019 and March 31, 2019 respectively. During the period ended June 30, 2019, the Company focused its efforts and operational spending on the following:

- Hiring of senior growing, and management resources;
- Optimizing and increasing production to meet the anticipated increase in product demand;

- Continued expansion of production facilities;
- Product formulations;
- Financing the Company;
- Growing increased market awareness of the Company and its products and approach;
- International expansion and business opportunities; and
- Corporate activities associated with investor relations and public relations

Second Quarter Highlights:

- Q2 revenues increased almost four-fold sequentially to $1.35MM from $340M in Q1.
- Gross profit almost tripled to just under $600MM from $204MM in the prior quarter as both the cultivation and wholesaling business grew.
- As expected, the average price per gram sold rose materially in Q2, rising to $7.86 from $6.80 reflecting a more normal mix of product shipped.
- During the same period, the average cost to produce a gram of cannabis fell 15% to $2.31 from $2.72 in Q1 reflecting better capacity utilization.
- Biome shipped approximately 170kg of product in Q2, more than triple the 50kg delivered in the first quarter. This was driven largely by the rapid ramp up of our wholesale business.
- At the company's board meeting on May 7, 2019, Biome implemented a series of new corporate governance policies and procedures. These included policies covering: Advance Notice for nomination of company directors, Whistleblowers, Disclosure, Diversity and inclusivity and Insider trading. In addition, and as part of this initiative, Biome formed new committees to implement, oversee and direct these policies. These are Governance committee, Audit committee, and Compensation committee. Finally, the board reviewed and updated Biome's Corporate Social Responsibility guidelines. These policies are designed to maintain the high level of corporate governance to which the company is committed as part of its core principles.
- On June 17, Biome announced it had received approval to sell cannabis in the province of Saskatchewan.
- Management continued to actively focus on capital raising to support the Company's business, marketing initiatives and general working capital.

1.4 Results of Operations

	Q2/19	Q1/19	% Chg
Revenue	$1,347,019	$340,574	295.5%
Cost of Sales	$752,977	$136,151	453.0%
Gross Margin (%)	$594,042	$204,423	190.6%
EBITDA (1)	($749,270)	($1,004,386)	25.4%
Working Capital	$1,324,582	$2,101,291	-37.0%
Inventory	$1,221,701	$739,587	65.2%
Biological Assets	$81,031	$392,414	-79.4%
Cash cost to produce, per gram (2)	$ 2.31	$ 2.72	-15.1%
Average selling price, per gram (3)	$ 7.86	$ 6.80	15.6%

Notes:

The Company's "EBITDA", "Cash cost to produce, per gram" and " Average selling price per gram" are Non-GAAP metrics used by management that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes these financial metrics may be useful in assessing its operating performance. The calculations required to reconcile these metrics to IFRS measures are described below:

1. Management defines “EBITDA” as Income (loss) Before Other Items plus Amortization.
EBITDA = ($811,508) + $62,238 = ($749,270)
2. Management defines “Cash cost to produce, per gram” as the cost of cultivated product sold divided by the grams of cultivated product produced and sold during the period.
Cash cost to produce, per gram = $137,657/59,592 = $2.31.
3. Management defines “Average selling price, per gram” as Revenue in dollars divided by the total number of grams sold during the period.
Average selling price per gram = $1,347,019/171,468 = $7.86.

Figure 1.4b: Summary of Quarterly Results

	Q2, 2019	Q1, 2019
	$	$
Net loss	(771,058)	(641,829)
Basic and diluted loss per share	(0.01)	(0.01)
Cash	618,634	738,392
Total assets	15,537,112	15,312,676
Total liabilities	1,833,438	910,444

Three-Month Period ended June 30, 2019 and March 31, 2019

During the second quarter of 2019, the Company incurred a net loss of $771,058 (March 31, 2019 - $641,829). As at June 30, 2019, the Company had a positive working capital of $1,324,582 (March 31, 2019 - $2,101,291) and an accumulated deficit of $11,102,416 (March 31, 2019 - $10,331,368).

Highlights are as follows:

- The Company generated revenues of $1,347,019 during the second quarter of 2019 compared to $340,574 in Q1, a sequential improvement of 296%. This revenue was driven by the sale of 171,468 grams of cannabis at an average price of $7.86 per gram. The average cost per gram from cultivation activities in Q2 was $2.31 while the average cost per gram in the wholesale business was $5.50 per gram.
- The Company incurred professional fees of $98,329 compared to $250,480 during the prior quarter as there were fewer legal expenses related to the establishment of the business in Q2 compared to Q1.
- The Company incurred salaries and wages of $624,767 due to operational activities during the period as compared to $537,986 in Q1. The slight increase is due to growth in the number of employees as the business ramped up.
- Consulting fees increased to $113,994 compared to $62,916 mainly due to more third-party expertise needed for the future operations of the Company.
- The Company incurred office and miscellaneous expenses of $73,878 compared to last quarter’s $96,616 as administrative expenses normalized after the initial ramp up.
- Insurance costs expensed for the period were $19,770 compared to $62,343 due to payment timing issues.
- Utilities expenses for the period were $13,680 compared to $47,619 in the previous quarter. The decrease is related to lower heating costs and the conversion of one grow room to a distribution centre.
- Advertising and promotion increased to $378,803 compared to the prior quarter’s expense of $233,444 mainly due to more marketing and promotional efforts during the period. Some fees include one-time fees related to advertising and marketing.
- During the second quarter, the Company incurred travel expense in the amount of $22,855 primarily attributable to site visit expenses compared to $8,654 during the first quarter.

Six-Month Period ended June 30, 2019

During the six-month period ended June 30, 2019, the Company incurred a net loss of $1,412,887. As at June 30, 2019, the Company had a positive working capital of $1,324,582 and an accumulated deficit of $11,102,416.

Highlights of the first half of 2019:

- The Company generated revenues of $1,687,593 during the first half of 2019.
- The cost of goods sold for the period was $889,128 with gross profit of $798,465. This revenue was driven by the sale of 221,544 grams of cannabis at an average price of $7.62 per gram.
- The average cost to produce a gram of cannabis in the first half of 2019 was $2.45.
- Utilities expenses for the period were $61,299, comparable to $64,022 in the previous year.
- Advertising and promotion expenses were $612,247 in the first half of 2019. This was related to initial awareness campaigns and is expected to normalize in the quarters ahead.
- During the period ended June 30, 2019, the Company incurred travel expense in the amount of $31,509 primarily attributable to site visit expenses.
- The Company incurred transfer fees in the amount of $12,901 mainly due to exercise of warrants in the period.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters. As a reminder, the current business operations began in Q1, 2019 so, in management's opinion, prior periods are not directly comparable.

	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
	June 30,	**March 31,**	**Dec. 31,**	**Sept 30,**	**June 30,**	**March 30,**	**Dec. 31,**	**Sept 30,**
	2019	**2019**	**2018**	**2018**	**2018**	**2018**	**2017**	**2017**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Total revenues	1,347,019	340,574	-	-	5,310	-	-	-
Loss before other items:	(811,508)	(1,068,130)	(3,158,182)	(1,669,215)	(687,133)	(382,841)	(615,485)	(63,688)
Net Loss and Comprehensive Loss:	(771,058)	(641,829)	(6,128,876)	(1,669,215)	(681,823)	(351,013)	(600,139)	(63,688)
Basic and diluted loss per share	(0.01)	(0.01)	(0.09)	(0.09)	(0.03)	(0.00)	(0.01)	(0.10)

Significant factors and trends that have impacted the Company's results during the years presented above include the following:

- There was a one-time listing expense of $3,920,923 incurred in the fourth quarter of 2018;

1.6 Liquidity and Capital Resources

As at June 30, 2019, the Company has total assets of $15,537,112 and a positive working capital of $1,324,582.

At June 30, 2019, the Company had cash of $618,634 (March 31 – $738,392). As of June 30, 2019, the Company had prepaid expenses of $100,385, inventory of $1,221,701 and biological assets of $81,031.

Cash utilized in operating activities during the period ended June 30, 2019 was $1,899,917 (March 31 – $1,098,047).

During the six-month period ended June 30, 2019, the Company's capital expenditures were $694,705, primarily for additional property and equipment necessary for continuing operations.

At June 30, 2019, share capital was $22,806,034 comprising 110,569,315 issued and outstanding common shares and 1 special class C share. There was an increase in the share capital for the period ended June 30, 2019 due to the exercise of warrants.

During the six-

month period, the Company received cash in the amount of $83,751 from the exercise of warrants.

As at June 30, 2019, the principal amount of $1,250,000 in the form of an interest-free loan is unsecured and due on demand.

At present, the Company's operations generate small levels of cash inflows and its financial success after June 30, 2019 is dependent on management's ability to continue to obtain sufficient revenue to sustain operations through its development stage.

The Company may not be able to generate sufficient cash flows from its operations in the foreseeable future to support its working capital needs. As a result, the Company will have to rely on funding through future equity and debt issuances to finance ongoing operations and construction. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to raise capital on acceptable terms or at all.

1.7 Share Capital

The following table summarizes the Company's outstanding share capital:

	As at June 30, 2019	As at March 31, 2019
Common Shares - Basic	110,569,302	110,281,815
Common Shares – Fully diluted	112,546,031	112,546,031
Special Class C Shares	1	1
Options to purchase Common Shares (1)	400,000	400,000
Common Share Purchase Warrants	1,576,716	1,576,716
Common Shares held in escrow	31,602,503	47,460,004

Note:
(1) The numerical figures provided do not include the options to acquire Common Shares with an aggregate value of $200,000

pursuant to the Francis MacMaster Employment Agreement (as further described in the Company's Form 2A Listing Statement dated October 10, 2018.

1.8 Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed. The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

1.9 Transactions with Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer. During the period ended June 30, 2019 and 2018, key management compensation consisted of the following:

	June 30, 2019	**March 31, 2019**
	$	$
Professional and consulting fees	29,700	26,592
Salaries and wages	58,333	28,833
	88,033	55,425

1.10 Changes in Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the interim financial statements of the Company as at June 30, 2019. The interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018, and with the Q1, 2019 interim financial statements.

During the period ended June 30, 2019, the Company has changed its accounting policy with respect to related to biological assets. Prior to this change, the Company expensed any costs related to production of biological assets in the period incurred. The Company now capitalizes production costs related to biological assets and expenses these costs to realized fair value on inventory sold as the inventory is sold. The Company also revised its presentation in the consolidated statement of loss to separate fair value adjustments for both biological assets and inventory sold in the period. The change in the Company's accounting policy had no significant impact on previous the period's net loss.

During the period ended June 30, 2019, the Company adopted the following new or amended accounting standard. The adoption of the following amended accounting standard did not have a significant impact on the Company's consolidated financial statements.

IFRS 16 Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

1.11 Financial Instruments and Other Instruments

As at June 30, 2019, the Company's financial instruments consist of cash, accounts receivable, accounts payable and short-term loans.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

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 any obligations. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

Fair value

The carrying value of cash and accounts receivable approximated their fair value because of the relatively short-term nature of these instruments.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Financial assets and liabilities 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.

The fair value of accounts receivables, accounts payable and short-term loans approximates fair value due to the short-term nature of the financial instruments. Cash is measured using level 1 inputs of the fair value hierarchy.

1.12 Subsequent Events

- On August 12, 2019, the Company announced that it had been approved to commence retail sales of cannabis in the province of New Brunswick and has entered into a production and supply agreement with Cannabis NB Ltd. Cannabis products will initially be supplied by Biome's wholly-owned subsidiary, Highland Grow Inc., which is based in Nova Scotia.
- On August. 14, 2019, the Company announced that it had been licensed for the retail sale of cannabis in the province of Manitoba. This announcement comes on the back of recent approvals allowing Biome to distribute cannabis products in Saskatchewan and New Brunswick.

1.13 Risk Factors

The Company is focused on more select market introduction and development. The failure to generate future sales in the Company's main products could have a significant and adverse effect on the Company.

The Company's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not anticipate having key person insurance in effect for management. In addition, there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

The Company has incurred a net loss for the period ended June 30, 2019 of $1,412,887 and has a deficit of $11,102,416. Management is continuing efforts to attract additional equity and capital and implement cost control measures to maintain adequate levels of working capital. Nevertheless, there can be no assurance provided with respect to the successful outcome of these ongoing actions. If the Company is unable to obtain additional financing on reasonable terms, the Company may be required to curtail or reduce its operations to continue as a going concern.

In addition, the Company's limited working capital could affect the Company's ability to seize upon opportunities requiring investment, or to reinvest in its products in a timely manner.

For additional risk information, please refer to the Company's Annual Information Form filed on SEDAR at www.sedar.com.

1.14 Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.