BIOME GROW INC.

(“Biome” or the “Company”)
Year Ended December 31, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

1. Date of Report: April 29, 2020

The following management’s discussion and analysis (“MD&A”) has been prepared as of April 29, 2020 and should be read in conjunction with the consolidated financial statements and accompanying notes for the year ended December 31, 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.

2. Nature of Business

Biome Grow Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on December 31, 2013. The head office and principal business location of the Company is 1401-480 University Avenue, Toronto, Ontario.

The Company is in the cannabis industry. On May 19, 2017, the Company acquired a 100% interest in Highland Grow Inc. ("Highland Grow") (formerly THC Dispensaries Canada Inc.). Highland Grow obtained a cultivation licence 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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. It has adversely affected global workforces, economies, and financial markets, triggering an economic downturn. It is not possible at this time for the Company to predict the duration or magnitude of the adverse results of neither the outbreak nor its effects on the Company's business or operations.

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 third and four quarters of 2019 and results for the year ended 2019.

The Company's core tenet remains providing quality products in a cost-effective manner. Net losses for the year ended December 31, 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. During the year ended December 31, 2019, the Company focused its efforts and operational spending on the following:

- Hiring of experienced operational and/or managerial 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

4. Selected Annual Information and Results of Operations

	December 31, 2019 $	December 31, 2018 $	December 31, 2017 $
Net loss and comprehensive loss	(9,480,828)	(8,861,927)	(827,596)
Basic and diluted loss per share	(0.09)	(0.09)	(0.01)
Cash	1,564,805	1,859,505	3,071,290
Total Assets	13,706,535	15,662,909	10,207,998
Current Liabilities	5,125,695	650,100	Nil
Non-Current Liabilities	1,661,571	Nil	Nil

- There was a one-time listing expense of $3,920,923 incurred in the fourth quarter of 2018
- The Company recorded impairment of property, plant and equipment totaling $3,816,259 in fourth quarter 2019
- The Company recorded impairment of intangible assets totaling of $1,728,107 as it was determined that the carrying value exceeded the recoverable amount in fourth quarter 2019

Summary of Quarterly Results

	Q4, 2019 **$**	**Q3, 2019** **$**	**Q2, 2019** **$**	**Q1, 2019** **$**
Revenues	1,549,693	1,441,733	1,347,019	340,574
Net loss from operations	(1,051,959)	(1,217,192)	(811,508)	(1,068,130)
Net loss and comprehensive loss	(6,588,789)	(1,479,152)	(771,058)	(641,829)
Basic and diluted loss per share	(0.09)	(0.01)	(0.01)	(0.01)
Cash	1,564,805	121,595	618,634	738,392
Total assets	13,706,535	15,996,793	15,537,112	15,312,676
Total liabilities	6,787,266	3,697,005	1,833,438	910,444

- The Company recorded impairment of property, plant and equipment totaling $3,816,259 in Q4 2019
- The Company recorded impairment of intangible assets totaling of $1,728,107 as it was determined that the carrying value exceeded the recoverable amount in Q4 2019
- Comparative statements for the twelve months ended December 31, 2018 have not been presented as the Company was listed on the exchange on October 12, 2018.

Year ended December 31, 2019 and 2018

During the year ended December 31, 2019, the Company incurred a net loss from operations of $4,148,789 (2018 - $5,054,691) and a net loss and comprehensive loss of $9,480,828 (2018 - $8,861,927). As at December 31, 2019, the Company had positive working capital of $933,466 (2018 - $3,202,443) and an accumulated deficit of $19,170,357 (2018 - $9,689,529)

Highlights during the year of 2019:

- The Company generated revenues of $4,679,019 during the year of 2019 (2018 - Nil). This revenue was driven by the sale of 628,601 grams of cannabis at an average price per gram of $7.44.
- The cost of goods sold for the year was $3,565,522 (2018 - Nil) with gross profit of $1,133,175 (2018 - Nil).
- Utilities expenses for the year were $28,690, comparable to $149,558 in the previous year.
- Advertising and promotion expenses were $786,905 in this year compare to the previous year of $810,554. This was related to initial awareness campaigns and is expected to normalize in the quarters ahead.
- During the year ended December 31, 2019, the Company incurred travel expense in the amount of $50,573, primarily attributable to site visit expenses compared to the prior year of $24,853.
- The Company incurred transfer agent fees in the amount of $50,292, compared to $71,267 mainly due to exercise of warrants and shares issued in the year.
- For the year ended December 31, 2019, consulting fees were $782,556 compared to $1,897,156 in the prior-year year. The decrease was primarily caused by a recategorizing of expenditures to professional fees.
- The Company incurred $1,366,751 of wages and benefits expenses (2018 – $995,647) as the business began sales in January of this year.
- During the year, the Company incurred professional fees in the amount of $1,196,967 (2018 – $654,336) due to an increase from third-party consulting services, which were needed to begin operations. Professional fees include independent contractors, legal fees and related expenses.
- Office and miscellaneous expenses increased to $628,235 from $404,790, as the business began leasing office space in March 2019.
- During the year ended December 31, 2019, the Company recorded impairment of property, plant and equipment totaling $3,816,259 as it was determined that the carrying value exceeded the recoverable amount. The Company also recorded an adjustment to previously capitalized leasehold improvements of $65,783 to reflect a credit received.
- During the year ended December 31, 2019, the Company recorded impairment of intangible assets totaling $1,728,107 as it was determined that the carrying value exceeded the recoverable amount.

Fourth Quarter Highlights:

- Q4 revenues increased to $1.55MM from $1.44MM in Q3.
- The average price per gram sold in Q4 decreased slightly to $7.22 from $7.49, reflecting demand pressure in the domestic recreational market.
- The Company shipped approximately 214 kg of product in Q4, a 11% increase over the 192 kg delivered in Q3. This was driven by the continued growth of our wholesale business and additional sales to provinces with which the Company secured supply agreements in Q4.
- Management continued to actively focus on capital raising to support the Company's business, marketing initiatives, and general working capital.

5. Liquidity and Capital Resources

As at December 31, 2019, the Company had total assets of $13,706,535 and a positive working capital of $933,946.

As at December 31, 2019, the Company had cash of $1,565,969 (December 31, 2018– $1,859,505). As at December 31, 2019, the Company had prepaid expenses of $81,548, inventory of $2,278,686 and biological assets of $168,258.

Cash utilized in operating activities during the year ended December 31, 2019 was $2,224,861.

At December 31, 2019, share capital was $23,110,095, comprising 111,599,899 issued and outstanding common shares and 1 special class C share. There was an increase in the share capital for the year ended December 31, 2019 due to the exercise of warrants and shares issued for services.

During the year ended December 31, 2019, the Company received cash in the amount of $83,751 from the exercise of warrants.

As at December 31, 2019, the principal amount of $1,250,000 in the form of an interest-free loan is unsecured and due on demand. As at December 31, 2019, the principal amount of $3,000,000 bears interest at 10% per annum, is secured and due on demand. For the period ended December 31, 2019, $105,000 interest has been recorded for this loan.

At present, the Company's operations generate small levels of cash inflows and its financial success after December 31, 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.

6. Share Capital

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

	As at December 31, 2019	**As at September 30, 2019**	**As at June 30, 2019**	**As at March 31, 2019**
Common Shares – Basic	111,599,899	110,719,845	110,569,302	110,281,815
Common Shares – Fully diluted	113,438,795	112,676,146	112,546,018	112,258,531
Special Class C Shares	1	1	1	1
Options to purchase Common Shares (1)	400,000	400,000	400,000	400,000
Common Share Purchase Warrants	1,438,896	1,556,301	1,576,716	1,576,716
Common Shares held in escrow	15,820,002	31,640,003	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.

As at the date of this report, the Company had the following securities outstanding:

Type of Security	Number Outstanding
Common Shares	111,599,899
Stock Options	400,000
Warrants	1,438,896
Fully Diluted	113,438,795

Investor Relations

The Company has no Investor Relations contracts in place as at December 31, 2019.

7. 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.

8. 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 ("CEO") and Chief Financial Officer. During the year ended December 31, 2019 and 2018, key management compensation consisted of the following:

	2019	2018
	$	$
Professional and consulting fees	126,136	250,160
Salaries and wages	153,333	20,833
Share based compensation	-	421,366
	279,469	692,359

During the year ended December 31, 2019, the Company paid or accrued consulting expenses of $391,125 (2018 - $119,015) to an entity which is under common control of a director of the Company. As at December 31, 2019, the Company has included in accounts payable $220,985 (2018 - $Nil) due to this entity.

As at December 31, 2019, the Company has loans payable totaling $1,250,000 (2018 - $Nil) to an entity under control of a significant shareholder of the Company (see Note 14b). The balance payable is secured by promissory notes, non-interest bearing and due on demand.

As at December 31, 2019, accounts payable include $40,000 (2018 - $Nil) to a director for unpaid fees. The amount is unsecure, non-interest bearing and due on demand.

9. Critical Accounting Estimates

The Company's accounting policies are described in Note 3 of its annual audited financial statements for the year ended December 31, 2019.

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 December 31, 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 Q3, 2019 interim financial statements.

During the year ended December 31, 2019, the Company has changed its accounting policy with respect 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 year ended December 31, 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.

11. Financial Instruments and Other Instruments

As at December 31, 2019, the Company's financial instruments consist of cash, accounts receivable, accounts payable and short-term loans.

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash balance of $1,564,805 to settle current liabilities $4,374,313.

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 capital. 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.

12. Subsequent Events

- January 29, 2020, the Company announced that Brett James has resigned from Biome's board of directors.
- March 9, 2020, the Company announced, in light of current market dynamics, changes to a number of its previously announced initiatives, strategic investments, and proposed relationships, including Red Sands Craft Cannabis, WeedVR, its business relationship with CBD Acres, its partnership with St. Francis Xavier University, the expansion of its Highland Grow facility, and its investments in Back Home and Great Lakes Cannabis.
- On March 17, 2020, the Company announced the termination of the previously announced Definitive Agreement ("Agreement") among the Province of Newfoundland and Labrador ("NL"), Newfoundland and Labrador Liquor Corporation ("NLC"), and the Company, including its wholly owned subsidiary, The Back Home Medical Cannabis Corporation ("Back Home").

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 year ended December 31, 2019 of $9,480,828 and has an accumulated deficit of $19,170,357. Management is continuing efforts to attract additional equity and debt 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.

14. Additional Information

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