BIOME GROW INC.

("Biome" or the "Company")
Three and Six Months Ended June 30, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. Date of Report: August 27, 2020

The following management's discussion and analysis ("MD&A") has been prepared as of August 27, 2020 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019 and accompanying notes for the three and six months ended June 30, 2020, which have been 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 July 24, 2020, the Company and MYM Nutraceuticals Inc. ("MYM") entered into an agreement whereby the Company has sold 100% Highland Grow to MYM.

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.

The Company's core tenet remains providing quality products in a cost-effective manner. Net losses for the six months ended June 30, 2020 and 2019 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 from Q1 2019 to Q2 2020.

During the six months ended June 30, 2020, the Company focused on reducing production and operating costs including:

- Reduction of staffing in operations due to increased efficiencies;
- Termination of lease for corporate office;
- Completed review and write down of obsolete inventory;
- Optimized and increased production capacity;
- Discontinued expansion and development of new production facilities; and
- Elimination of activities associated with investor relations and public relations.

These activities resulted in a reduction of net loss from operations in Q2, 2020 as compared to the immediately preceding quarter. The net results of these activities was realized in Q2, 2020

4. Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q2, 2020 **$**	**Q1, 2020** **$**	**Q4, 2019** **$**	**Q3, 2019** **$**	**Q2, 2019** **$**	**Q1, 2019** **$**	**Q4, 2018[(1)]** **$**	**Q3, 2018[(1)]** **$**
Revenues	**2,250,568**	1,968,314	1,549,693	1,441,733	1,347,019	340,574	-	-
Net loss from operations	**(655,297)**	(608,555)	(1,051,959)	(1,217,192)	(811,508)	(641,829)	(3,158,185)	(1,669,215)
Net loss and comprehensive loss	**(650,686)**	(1,675,551)	(6,588,789)	(1,479,152)	(771,058)	(641,829)	(6,128,876)	(1,669,215)
Basic and diluted loss per share	**(0.01)**	(0.02)	(0.09)	(0.01)	(0.01)	(0.01)	(0.09)	(0.09)
Cash	**448,864**	173,819	1,564,805	121,595	618,634	738,392	1,859,505	121,595
Total assets	**12,078,618**	12,073,519	13,971,535	15,996,793	15,537,112	15,312,676	15,996,793	15,996,793
Total liabilities	**7,750,586**	7,075,079	7,052,266	3,697,005	1,833,438	910,444	3,697,005	3,697,005

(1) The Company was listed on the Canadian Stock Exchange on October 12, 2018 and therefore comparisons to 2018 are not meaningful.

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

- The Company began commercial production in Q1 2019 and has steadily increased production and revenues each quarter.

- During Q1 2020 and Q2 2020 the company recorded an inventory impairment of $405,753 and $888,422, respectively, to write-down obsolete inventory.

- During Q2 2020 the Company recorded other income of $499,247 related to COVID-19 relief and the cancellation of a previously expensed consulting contract due to non-performance.

- During Q4 2019 the Company recorded impairment of property, plant and equipment totaling $3,816,259 and impairment of intangible assets totaling of $1,728,107 as it was determined that the carrying value exceeded the recoverable amount.

- The listing expense of $3,920,923 incurred in Q4 2018 due to the reverse acquisition transaction was a one-time expense.

5. Comparison of results for the three months ended June 30, 2020 and 2019

	June 30, 2020	June 30, 2019
	$	$
Volume (grams)	**345,576**	121,392
Revenue	**2,250,568**	1,347,019
Gross Margin	**673,070**	594,042
Operating expenses	**1,220,706**	1,405,550
Net loss from operations	**(655,297)**	(771,058)
Other items	**4,611**	-
Net loss and comprehensive loss	**(650,686)**	(771,058)

During the three months ended June 31, 2020, the Company incurred a net loss from operations of $655,297 (2019 - $771,058) and a net loss and comprehensive loss of $650,686 (2019 - $771,058).

Highlights during the three months ended June 30, 2020:

- The Company generated revenues of $2,250,568 during the three months ended June 30, 2020 (three months ended June 30, 2019 - $1,347,019). This revenue was driven by the sale of 345,576 grams of cannabis at an average price per gram of $6.51 net of excise taxes and commissions (three months ended June 30, 2019 - $7.86). The decrease during the quarter in average price per gram was driven by a focus on sales of aged inventories which derived a lower price than premium grown and purchased product.

- Gross margin for the three months ended June 30, 2020 was $673,070 or 30% of revenues as compared to $204,423 or 44% of revenues for the three months ended June 30, 2019. The decline in margins is the result of more precise allocation of overhead costs, primarily wages and benefits, to inventories and cost of goods sold as management develops inventory costing models.

- Operating expenses for the three months ended June 30, 2020 were $1,220,706 as compared to $1,405,550 for the three months ended June 30, 2019. Significant variances include the following:

  - Advertising and promotion decreased from $335,052 for the three months ended June 30, 2019 to $200 during the three months ended June 30, 2020 as the 2019 costing included initial awareness campaigns;

  - Consulting fees increased slightly from $124,045 to $156,724 for the three months ended June 30, 2020 compared to June 30, 2019.

  - Bad debt expense increased from $nil for the three months ended June 30, 2019 to $320,000 for the three months ended June 30, 2020 representing managements estimate of uncollectible receivable balances;

  - Salaries and wages decreased from $624,767 for the three months ended June 30, 2019 to $231,418 for the three months ended June 30, 2020 due to a reduction is staffing levels throughout the organization;

  - Insurance increased to $67,090 as compared to $19,770 in the prior year. The insurance expense covers product recall, D&O, and other related insurance; and

  - Accretion expense increased to $91,297 this quarter compared to $nil last year. This is related to the accretion on the Company's $3,000,000 loan. The balance was lower than Q1 2020 as the repayment of $1,000,000 principal resulted in accelerated accretion on a portion of the loan.

During the three months ended June 30, 2020, the Company implemented new practices to increase production capabilities and reduced employee count. The results of these changes will reduce costs attributed to biological assets and cost of goods sold. The Company is also planning to introduce a higher grade product into its growing facilities in the next quarter.

6. Comparison of results for the six months ended June 30, 2020 and 2019

	June 30, 2020 **$**	June 30, 2019 $
Volume (grams)	**617,706**	171,468
Revenue	**4,218,882**	1,687,593
Gross Margin	**1,130,608**	798,465
Operating expenses	**2,275,839**	2,678,103
Net loss from operations	**(1,263,852)**	(1,412,887)
Other items	**1,062,385**	-
Net loss and comprehensive loss	**(2,326,237)**	(1,412,887)

During the six months ended June 30, 2020, the Company incurred a net loss from operations of $1,263,852 (2019 - $1,412,887) and a net loss and comprehensive loss of $2,326,237 (2019 - $1,412,887).

Highlights during the six months ended June 30, 2020:

- The Company generated revenues of $4,218,882 during the six months ended June 30, 2020 (six months ended June 30, 2019 - $1,687,593). This revenue was driven by the sale of 617,706 grams of cannabis at an average price per gram of $6.83 net of excise taxes and commissions (six months ended June 30, 2019 - $9.84). The decrease during the quarter in average price per gram was driven by a focus on sales of aged inventories which derived a lower price than premium grown and purchased product.

- Gross margin for the six months ended June 30, 2020 was $1,130,608 or 27% of revenues as compared to $798,465 or 47% of revenues for the six months ended June 30, 2019. The decline in margins is the result of more precise allocation of overhead costs, primarily wages and benefits, to inventories and cost of goods sold as management develops inventory costing models.

- Operating expenses for the six months ended June 30, 2020 were $2,275,839 as compared to $2,678,103 for the six months ended June 30, 2019. Significant variances include the following:

    - Advertising and promotion decreased from $568,496 for the three months ended June 30, 2019 to $3,438 during the six months ended June 30, 2020 as the 2019 costing included initial awareness campaigns;

    - Consulting fees increased slightly from $186,961 to $190,958 for the six months ended June 30, 2020 compared to June 30, 2019.

    - Bad debt expense increased from $nil for the three months ended June 30, 2019 to $320,000 for the three months ended June 30, 2020 representing managements estimate of uncollectible receivable balances;

    - Salaries and wages decreased from $1,162,735 for the six months ended June 30, 2019 to $485,375 for the six months ended June 30, 2020 due to a reduction is staffing levels throughout the organization;

    - Insurance increased to $179,435 as compared to $82,113 in the prior year. The insurance expense covers product recall, D&O, and other related insurance;

    - Utilities decreased due to the capitalization of cost to inventories on start-up of production;

    - Accretion expense increased to $508,904 this quarter compared to $nil last year. This is related to the accretion on the Company’s $3,000,000 loan. The balance was higher than anticipated during the quarter as the repayment of $1,000,000 principal resulted in accelerated accretion on a portion of the loan; and

During the six months ended June 30, 2020, the Company implemented new practices to increase production capabilities and reduced employee count. The results of these changes will reduce costs attributed to biological assets and cost of goods sold. The Company is also planning to introduce a higher-grade product into its growing facilities in the next quarter.

6. Liquidity and Capital Resources

6.1 Working Capital

As at	June 30, 2020 $	December 31, 2019 $
Cash	**448,864**	1,564,805
Restricted cash	**469,232**	500,000
Amounts receivable	**1,672,785**	1,365,864
Prepaid expenses and deposits	**297,434**	181,548
Biological assets	**-**	168,258
Inventory	**1,424,153**	2,278,686
Total current assets	**4,312,468**	6,059,161
Accounts payable and accrued liabilities	**4,718,020**	3,875,695
Lease liability	**20,741**	-
Loans payable	**1,550,000**	1,250,000
Total current liabilities	**6,288,761**	5,125,695
Working capital (deficiency)	**(1,976,293)**	933,466

As at June 30, 2020, the Company had a working capital deficiency of $1,976,293 (December 31, 2019 - working capital of $933,946). The reduction in working capital was primarily driven by the following:

- Decrease in cash primarily as a result of cash used in operating activities of $755,835, the $1,000,000 repayment related to the $3,000,000 loan payable and the $100,000 repayment related to the $400,000 short-term loan which was partially offset by an increase in loans payable of $300,000 related to a short-term loan received from a director of the company.

- Decrease in inventories due primarily to the impairment of $1,294,175 in unusable inventory which was partially offset by inventory purchases and inventory grown during the quarter;

- Increase in accounts payable and accrued liabilities due to an increase in excise taxes payable and accrued management salaries and wages; and

6.2 Cash Flow for the three months ended June 30, 2020 and 2019

For the three months ended	June 30, 2020 $	June 30, 2019 $
Cash used in operating activities	**406,395**	(801,870)
Advances from short-term loan	**-**	750,000
Repayment of short-term loan	**(100,000)**	
Shares issued pursuant to exercise of warrants	**-**	72,500
Repayment of loan payable	**4,223**	-
Interest paid on loan payable	**-**	-
Repayment of lease liability	**(5,132)**	-
Cash (used in) provided by financing activities	**(100,909)**	822,500
Cash provided by (used in) investing activities	**(61,209)**	(140,388)
Decrease in cash	**244,277**	(119,758)

Operating activities provided cash of $406,395 during the three months ended June 30, 2020, as compared to using cash of $801,870 during the three months ended June 30, 2019. The increase in cash used as compared to prior year is primarily the result of:

- Net loss was $420,408 compared to $771,058 due primarily to the non-cash inventory impairment of $405,753 and non-cash accretion expense of $81,605 which was offset by bad debt expense of $320,000 and recovery of consulting expenses of $250,000.

- Movements in working capital increased cash by $741,482 during the three months ended June 30, 2020 as compared to decreasing cash by $52,600 during the three months ended June 30, 2019 primarily due to timing of payments related to accounts payable and accrued liabilities during the three months ended June 30, 2020.

Financing activities used cash of $100,909 during the three months ended June 30, 2020, as compared to providing cash of $822,500 during the three months ended June 30, 2019. Cash used during the three months ended June 30, 2020 related primarily to a $100,000 principal repayment on the $400,000 short-term loan. During the three months ended June 30, 2019 cash was provided primarily through a $750,000 unsecured interest-free loan from a related party and $72,500 in cash raised from the exercise of warrants.

Investing activities used cash of $61,209 during the three months ended June 30, 2020 related to the purchase of equipment which was partially offset by the return of equipment and receipt of cash from the vendor. Investing activities used cash of $140,388 during the three months ended June 30, 2019 related to purchase of equipment.

6.3 Cash Flow for the six months ended June 30, 2020 and 2019

For the six months ended	June 30, 2020 $	June 30, 2019 $
Cash used in operating activities	**(384,729)**	(1,899,917)
Advances from short-term loan	**400,000**	1,250,000
Repayment of short-term loan	**(100,000)**	-
Shares issued to employees	**-**	20,000
Shares issued pursuant to exercise of warrants	**-**	83,751
Repayment of loan payable	**(995,777)**	-
Interest paid on loan payable	**(50,660)**	-
Repayment of lease liability	**(9,398)**	-
Cash (used in) provided by financing activities	**(755,835)**	1,353,751
Cash provided by (used in) investing activities	**(6,145)**	(694,705)
Decrease in cash	**(1,146,709)**	(1,240,871)

Operating activities used cash of $384,729 during the quarter ended June 30, 2020, as compared to using cash of $1,899,917 during the quarter ended June 30, 2019. The decrease in cash used as compared to prior year is primarily the result of:

- Net loss was $2,326,237 compared to $1,412,887 due primarily to the non-cash inventory impairment of $1,294,175 and non-cash accretion expense of $508,904 which was offset by bad debt expense of $320,000 and recovery of consulting expenses of $250,000.

- Movements in working capital increased cash by $347,968 during the six months ended June 30, 2020 as compared to decreasing cash by $146,261 during the six months ended June 30, 2019 primarily due to timing of payments related to accounts payable and accrued liabilities during the three months ended June 30, 2020.

Financing activities used cash of $755,835 during the six months ended June 30, 2020, as compared to providing cash of $1,353,751 during the six months ended June 30, 2019. Cash used during the six months ended June 30, 2020 related primarily to a $995,777 principal repayment on the $3,000,000 loan payable and $100,000 repayment on the $400,000 short-term loan received from a director of the Company. These decreases were partially offset by a $400,000 short-term loan received from a director of the Company which bears interest at a monthly rate of 1.5%. During the six months ended June 30, 2019 cash was provided primarily through a $1,250,000 unsecured interest-free loan from a related party and the exercise of warrants.

Investing activities used cash of $6,145 during the six months ended June 30, 2020 related to the purchase of equipment which was partially offset by the return of equipment and receipt of cash from the vendor. Investing activities used cash of $694,705 during the three months ended June 30, 2019 related to purchase of equipment.

6.4 Debt Financing

On March 9, 2020, the Company entered into a promissory note with a director of the Company in the amount of $400,000. The promissory note bears interest at a monthly rate of 1.5% and was due on April 23, 2020. The Company received cash proceeds of $387,000 with $9,000 held back for prepaid interest and $4,000 held back for a loan origination fee. During the three months ended June 30, 2020 the Company repaid $100,000 principal related to the promissory note. As at June 30, 2020, the carrying value of the loan is $300,000.

During the year ended December 31, 2019, the Company received a series of advances from a related party totaling $1,250,000. The amounts are secured by promissory notes, bear no interest and are due on demand. As at June 30, 2020, the carrying value of this loan is $1,250,000.

On November 21, 2019, the Company entered into a credit agreement pursuant to which the Company received a loan in the amount of $3,000,000. The loan bears interest at 10% per annum payable monthly, is due on November 21, 2021. The amount is secured by, amongst other guarantees and assignments, a general security agreement and a first priority security interest over all common shares of HGI. During the six months ended June 30, 2020 the Company repaid $995,777 principal of the loan amount received. On July 24, 2020, the Company repaid $2,098,918, representing the principal balance outstanding of $2,004,223, accrued interest of $16,701, legal fees of $8,743, prepayment penalty of $66,751 and prepaid legal expenses of $2,500.

7. Management of Capital

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company’s risk management policies on an annual basis. The Company’s board of directors identifies and evaluates the Company’s financial risks and is charged with the responsibility of establishing controls and procedures to ensure financial risks are mitigated.

As at June 30, 2020, the Company had access to cash and amounts receivable. To maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments.

At present, the Company’s operations generate small levels of cash inflows and its financial success is dependent on management’s ability to continue to obtain sufficient revenue to sustain operations through its development stage. Management has implemented new procedures to increase capacity to generate higher revenues and reduce operational costs.

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 may have to rely on funding through future equity and debt issuances to finance ongoing operations and debt maintenance. 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.

8. Disclosure of Outstanding Share Data

The Company's authorized shares capital consists of an unlimited number of voting common shares without par value and unlimited number of non-voting and redeemable Special Class B and C shares without par value. The Company had the following securities outstanding as at the date of this MD&A:

Type of Security	As at June 30, 2020	As at the date of this MD&A
Common Shares	111,599,899	111,599,899
Special Class C Share	1	1
Stock Options	400,000	400,000
Warrants	1,280,091	1,255,538
Fully Diluted	113,279,991	113,255,438

9. 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.

10. 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 ("CFO"). During the three and six months ended June 30, 2020 and 2019, key management compensation consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Consulting fees	**-**	3,108	**1,846**	29,700
Salaries and wages	**84,249**	29,500	**191,360**	58,833
Interest expense	**4,400**	-	**20,300**	-
	88,649	32,608	**213,506**	88,033

The following table summarizes the amounts due to related parties as at June 30, 2020:

	June 30, 2020	December 31, 2019
	$	$
Accounts payable and accrued liabilities	**502,938**	220,985
Loans payable	**1,550,000**	1,250,000
	2,052,938	1,470,985

As at June 30, 2020, accounts payable include $220,985 (December 31, 2019 - $220,985) in wages for consulting expenses to an entity which is under common control of a former director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at June 30, 2020, accounts payable include wages payable of $170,000 (December 31, 2019 - $nil) and reimbursable expenses of $23,293 (December 31, 2019 - $nil) due to a director for unpaid fees and expense reimbursement. The amounts are unsecured, non-interest bearing and due on demand.

As at June 30, 2020, accounts payable include $81,360 (December 31, 2019 - $nil) for salaries and wages of the CFO of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at June 30, 2020, the Company has a loans payable totaling $300,000 and accrued interest of $7,300 (December 31, 2019 - $nil) to a director of the Company. The amount accrues interest at a monthly rate of 1.5% and is due on demand.

As at June 30, 2020, the Company has loans payable totaling $1,250,000 (December 31, 2019 - $1,250,000) to an entity under control of a significant shareholder of the Company. The balance payable is secured by promissory notes, non-interest bearing and due on demand.

11. Critical Accounting Estimates

The interim consolidated financial statements of the Company are prepared in accordance with IFRS. Management makes estimates and assumptions and uses judgement in applying these accounting policies and reporting the amounts of assets and liabilities, revenue and expenses and other related disclosure. Significant estimates in the accompanying interim consolidated financial statements relate to the valuation of biological assets and inventory, stock-based compensation, warrants, the estimated lives of property, plant and equipment, deferred tax assets and liabilities and the carrying value of and goodwill. Actual results could differ from these estimates.

12. 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 audited annual 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, 2019.

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.

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.

13. Financial Instruments and Financial Risk

Fair value measurement of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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 (i.e.: as prices) or indirectly (i.e.: derived from prices); and
Level 3:	Inputs that are not based on observable market data.

The fair value of cash and restricted cash is measured using Level 1 inputs. The carrying values of amounts receivable, accounts payable and current loans payable approximate their respective fair values due to the short-term nature of these instruments. The fair value of long-term loans payable approximates fair value as it is discounted using a market rate of interest.

As at June 30, 2020, the Company's financial instruments consist of cash, amounts receivable, other receivable, accounts payable and loans payable.

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, other receivables, accounts payable and loans payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *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 and arises principally from the Company's cash. At present, the Company holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash.

As at June 30, 2020, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

(iv) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. Due to the ongoing COVID 19 pandemic, liquidity risk has been assessed as high.

(v) *Maturity risk*

The Company's cash balance at June 30, 2020 was in the amount of $918,096. At June 30, 2020, the Company had amounts receivable of $1,672,785, other receivables of $100,000, accounts payable and accrued liabilities of $4,718,020 and loans payable of $2,989,698. All accounts payable and accrued liabilities are current.

As at June 30, 2020, the Company did not have derivative financial liabilities with contractual maturities.

Management of liquidity risk: Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

The following table summarizes the maturities of the Company's financial liabilities as at June 30, 2020 based on the undiscounted contractual cash flows:

	Carrying value	**Principal amount**	**Less than 1 year**	**1 - 3 years**
	$	$	$	$
Accounts payable	**4,718,020**	4,718,020	4,718,020	-
Lease liability	**42,868**	42,868	20,741	22,127
Loans payable	**2,989,698**	3,554,223	1,550,000	2,004,223
	7,750,586	**8,315,111**	**6,288,761**	**2,026,350**

14. Subsequent Events

Sale of HGI

The Company and MYM Nutraceuticals Inc. ("MYM") entered into an agreement whereby the Company has sold 100% of its holly-owned subsidiary HGI to MYM.

The total consideration to be received by the Company will be approximately $12,898,727 consisting of: (i) $1.5 million in cash; (ii) 42,813,985 common shares in the capital of MYM (each a "MYM Share") at a deemed per share price of $0.065, representing 19% of MYM's total issued and outstanding share capital post-closing (the "Consideration Shares"); and (iii) 132,551,040 newly-created non-voting Class A Special Shares of MYM International Brands Inc., which non-voting shares may be exchanged for MYM Shares in accordance with the Class A Special Shares' rights and restrictions; and (iv) MYM's agreement to make the Loan (as described below).

MYM has also agreed to loan the Company an amount equal to $1 million (the "Biome Loan") for a term of 18 months with an option to extend for an additional 6 months at the sole discretion of the Company upon the Company paying an extension fee. The Biome Loan shall bear interest at a face rate of 17.5% per annum. The Company shall also pay a set-up fee equal to 3% of the amount advanced and an immediate interest payment equal to 5% of the amount advanced separate from and in addition to the 17.5% per annum interest payable under the Biome Loan. Interest on the Loan shall be payable monthly beginning on the day that is 4 months following the advance of the Loan. The principal amount of the Biome Loan shall be increased by the amount of certain liabilities of HGI, which will continue to be owing by HGI post-closing estimated to be approximately $1.4M.

Upon completion of the transaction, Michael Wiener resigned as a director of the Company.

As security for the Biome Loan, 38,461,538 Consideration Shares will be placed into escrow and released to the Company on regular intervals. Any proceeds received by the Company from the sale of such Consideration Shares shall be used to repay the Loan until such time as the Biome Loan is discharged in full.

Loans Payable

On July 24, 2020, the Company repaid $2,098,918, representing the principal balance outstanding of $2,004,223 (Note 11(c)), accrued interest of $16,701, legal fees of $8,743, prepayment penalty of $66,751 and prepaid legal expenses of $2,500. The loan was repaid using proceeds from the sale of HGI. In addition to the cash payment, the Company issued 417,535 common shares with a deemed value of $44,403 or $0.08 per common share.

The deferred income tax asset was reduced by $176,667 upon repayment of the loan.

The Company has no further obligation with respect to this loan obligation.

Share Purchase Warrants

On July 27, 2020, 15,577 share purchase warrants with an exercise price of $20.00 expired.

On July 28, 2020, 8,976 share purchase warrants with an exercise price of $20.00 expired.

Advances

The Company's lease agreements for its premises in Ontario, through its acquisition of Great Lakes, was amended in July 2020 whereby the parties have mutually agreed to terminate the lease agreement effective July 1, 2020 without penalty to either party. In consideration for the landlord agreeing to terminate the lease agreement without penalty, the Company has agreed to forgive the $100,000 advance.

Debt Settlement

On July 24, 2020, the Board of Directors approved the settlement of accounts payable in the amount of $508,721 through the assignment of 7,267,441 MYM Shares at a deemed value of $0.07 per MYM Share.

15. 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 six months ended June 30, 2020 of $2,326,237 and has an accumulated deficit of $21,496,594. 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.

16. Additional Information

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